HUNTSWORTH

Audited preliminary results for the year ended 31 December 2015

Group returns to revenue growth

Huntsworth plc, the international healthcare communications and public relations group, today announces its results for the year ended 31 December 2015.

Financial highlights

	31 December 2015	31 December 2014
Revenue	£168.4m	£164.7m
Headline Operating profit[1]	£15.3m	£18.2m
Headline Profit before tax[1]	£13.3m	£16.0m
Headline diluted EPS[1]	3.0p	3.7p
Operating loss before tax	£37.8m	£56.9m
Diluted loss per share	12.3p	17.6p
Dividend per share	1.75p	1.75p
Net debt	£30.4m	£35.6m

- Full strategic review undertaken under new leadership
- Restructuring substantially completed
- Return to like-for-like[2] revenue growth: 1.5%
- Huntsworth Health growth of 13.7% on a like-for-like[2] basis - now the Group's largest division
- Strong cash flow from operations: 119% cash conversion
- Dividend maintained at 1.75p for the year

Paul Taaffe, CEO of Huntsworth plc, commented:

"These full year results show Huntsworth returning to modest growth led by Huntsworth Health which delivered double digit revenue growth and is now the largest part of company. After a year of significant change, Huntsworth is now well positioned to see the benefits of the restructuring flow through to its results in the coming year."

Enquiries

Huntsworth **020 7224 8778**
Paul Taaffe, Chief Executive Officer
Neil Jones, Chief Financial Officer

Citigate Dewe Rogerson **020 7638 9571**
Simon Rigby
Angharad Couch
Georgia Colkin

Notes:

1. Headline financial results are adjusted to exclude highlighted items. Highlighted items comprise goodwill impairment charges £48.8 million (2014: £71.5 million), impairment of software development costs £0.6 million (2014: £nil), amortisation of intangible assets £0.8 million (2014: £1.0 million), restructuring costs £3.3 million (2014: £1.9 million), and acquisition/transaction related credit £0.4 million (2014: costs £0.2 million). In 2014 there were also highlighted revenues in respect of start-up operations of £1.0 million that produced £0.5 million of operating losses and facility fees written off £0.4 million.
2. Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.

Performance overview

Chairman's Statement

2015 is my first full year as Chairman of the Board of Huntsworth, a year that has seen significant change with new leadership and a full strategic review.

I believe that we now have an Executive team with the balance of skills and qualities to take the Group forward. As noted in my report last year, Paul Taaffe joined the Group in April 2015 to succeed the retiring Lord Chadlington. The appointment of Neil Jones as the Group's CFO, with effect from 1 February 2016, was also announced in 2015. Neil, who joined us from ITE Group plc, brings a wealth of experience, and his financial and commercial expertise will be extremely valuable as we implement our strategy. We have also welcomed Pat Billingham to the Board as a Non-Executive Director.

We have completed a thorough review of all of our businesses during 2015 and have undertaken a number of appropriate actions. The Group ended 2015 in far better operational shape than it began the year. I am delighted that Huntsworth Health has continued its record of delivering strong growth, and is now the largest division in the Group by both revenues and profits. Red has also returned to revenue growth and has good momentum moving into 2016. Citigate has performed strongly in some regions but needs to return to growth in others during the coming year. We have also implemented a number of cost reduction initiatives, particularly in Grayling, and we are confident that the work we have undertaken has positioned this division to return to growth. Grayling has been successful in securing some large contracts, especially in Africa and the Middle East.

The Executive leadership, the Board and its Committees are now at full strength. The key operational objective of 2016 is returning the Group to sustainable revenue and profit growth. A lot of hard work has gone into establishing a strong base for fulfilling this, and we begin 2016 with cause for optimism.

On behalf of the Board, I would like to thank the management team and staff for their hard work in getting to this stage. I look forward to reporting on our progress in delivering these improvements during 2016.

Chief Executive's Statement

Since joining in April 2015, I have completed a strategic review focused on evaluating the specialisations of each of our businesses, assessing their future potential and determining how to best increase their growth rates. As a result, the Group is undergoing a number of significant changes, which will allow its constituent businesses to deliver their full potential.

Achieving our strategic objectives requires having outstanding and talented people at every level of our businesses. During 2015 we have refreshed the senior management teams in a number of our agencies, invested in talent to facilitate growth in the businesses with the most potential and put in place incentive schemes to better align key talent with Group objectives. Establishing the right talent in each market will drive new business wins and enable us to improve client retention, delivering both organic revenue and profit growth.

Alongside these investments, we have looked to right-size the cost base of each business by redeploying resources, closing offices where necessary and restructuring others to align them to market needs. The second half of 2015 focused on completing this restructuring, which positions each of our businesses for sustainable profit growth in 2016 and beyond. I am pleased to say that, as the Group ended 2015, the majority of this restructuring is now complete.

Performance overview

When we announced our interim results, I looked forward to a second half year in which Huntsworth Health would continue on its double-digit growth trajectory and Grayling would return to stronger profitability after a poor first half year. I am pleased to report that the Group delivered on both of these expectations; although in Grayling's case, these are still early days and we continue to see some volatility in trading.

Group performance overview

	2015 £m	Like-for-like growth %	2014 £m
Revenue			
Huntsworth Health	72.3	13.7%	59.7
Grayling	63.2	(7.4)%	70.8
Citigate	20.0	(7.1)%	21.9
Red	12.8	4.2%	12.3
Total operations	168.4	1.5%	164.7

Operating profit	2015 £m	Operating margin %	2014 £m	Operating margin %
Huntsworth Health	13.8	19.1%	12.3	20.5%
Grayling	2.6	4.2%	5.4	7.7%
Citigate	3.1	15.3%	4.5	20.4%
Red	2.6	20.3%	2.6	20.9%
Total operations	22.1	13.1%	24.7	15.0%
Central costs	(6.9)		(6.5)	
Operating profit before highlighted items	15.3	9.1%	18.2	11.1%
Operating highlighted items	(53.1)		(75.1)	
Reported operating loss	(37.8)	(22.4)%	(56.9)	(34.5)%
Adjusted diluted EPS	3.0p		3.7p	
Reported diluted EPS	(12.3)p		(17.6)p	

Full year results for 2015 have been mixed. Revenue grew by 1.5% on a like-for-like basis, returning Huntsworth to revenue growth for the first time since 2011. Operating margin before central costs and highlighted items was 13.1% (2014: 15.0%). This represents an absolute year-on-year reduction in operating profit before central costs of £2.6 million. Operating loss after highlighted items was £37.8 million (2014: £56.9 million) which includes goodwill impairment charges of £48.8 million (2014: £71.5 million). Full year profit before tax and highlighted items is £13.3 million (2014: £16 million).

Central costs for 2015 of £6.9 million have exceeded the 2014 level by 5.5%, largely due to the dual running of my costs from April with those of my predecessor, Lord Chadlington, who continues to act as Special Adviser. I would like to acknowledge Peter's personal contribution to the Group he led over many years. I would also like to thank Brian Porritt, our interim CFO, who successfully led the restructuring process in 2015.

Interest costs for the year were £2.0 million, a reduction of £0.2 million compared to 2014. The Group's effective tax rate has increased to 27% as the continued growth of Huntsworth Health increases the proportion of the Group's profits that arise in the USA.

Performance overview

The combination of the above elements results in adjusted diluted earnings per share of 3.0p compared with 3.7p in 2014.

Working capital management and further net debt reduction were priorities for the Group during the year, with net debt at 31 December 2015 reducing to £30.4 million (2014: £35.6 million).

Currency

Sterling strengthened during 2015, which resulted in a £0.6 million decline in the Group's operating profit due to changes in average exchange rates as compared to 2014. In addition, there has been a £3.6 million credit to Other Comprehensive Income and Expense from the retranslation of the Group's overseas assets.

Cash Flow and Net debt

The strong cash collections from H1 continued in H2, resulting in overall cash conversion of operating profit into operating cash flows before highlighted items of 119%.

Operating cash flow before highlighted items was £18.2 million. Free cash flow (after interest, tax and capital expenditure) of £9.5 million was generated before dividend payments of £3.8 million and earn-out payments of £0.7million.

The resulting reduction in net debt at year-end to £30.4 million, from £33.5 million at 30 June and from £35.6 million at 31 December 2014, despite the restructuring costs, is a strong result.

Following a £25 million voluntary cancellation in October 2015 of part of the revolving credit facility, the Group now maintains a revolving credit facility of £65 million and a committed overdraft facility of £5 million – both of which mature in 2019. The Group remains comfortably within the terms of its banking facilities.

Dividends

The Board will propose at the forthcoming AGM a final dividend of 1.25 pence, bringing the total 2015 dividend to 1.75 pence, in line with 2014. The record date for this dividend will be 27 May 2016 and it will be payable on 7 July 2016. A scrip dividend alternative will be available.

The dividend payout ratio for 2015 is 60% (2014: 47%).

Highlighted items

Operating highlighted items of £53.1 million include £48.8 million of non-cash impairment of goodwill, £0.6 million of impairment of software development costs, £0.8 million for non-cash amortisation of intangible assets, £3.3 million of restructuring costs, and a credit of £0.4 million in respect of acquisition and transaction-related balances.

At the Interim Results reported in August 2015, Goodwill was impaired by £48.8 million, being £38 million in respect of Grayling and £10.8 million in respect of Citigate. The carrying value of goodwill has been reviewed again at the 2015 year-end but no further impairment charges are considered necessary.

Restructuring costs incurred during 2015 were in relation to the Group wide strategic review. Of the total costs of £3.3 million, the majority related to people (£2.7 million) with the remainder being property and associated costs.

Performance overview

Tax

The total tax credit of £0.4 million comprises an underlying tax expense of £3.6 million together with a credit of £4.0 million on highlighted items. The full year underlying tax rate is 27.0% (2014: 25.0%). The highlighted tax credit of £4.0 million includes a £3.5 million deferred tax credit relating to the goodwill impairment charge in the period. Net corporation tax paid in the year was £1.3 million (2014: £1.3 million).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £9.7 million (2014: £12.0 million). Losses after highlighted items attributable to ordinary shareholders are £39.4 million (2014: loss of £56.2 million).

Before highlighted items, basic earnings per share for 2015 is 3.0p (2014: 3.8p) and diluted earnings per share is 3.0p (2014: 3.7p). Basic loss per share after highlighted items is 12.3p (2014: loss of 17.6p) and diluted loss per share after highlighted items is 12.3p (2014: loss of 17.6p).

Divisional performance overview

Huntsworth Health

Huntsworth Health is now the Group's largest division by both revenue and profit. It has a strong portfolio of specialist healthcare communications agencies that have continued to deliver double-digit revenue growth whilst maintaining strong operating margins.

Revenue growth accelerated in H2 2015, reaching 13.7% on a like-for-like basis for the full year (H1: 11%; H2: 16.3%). These growth rates are well above industry averages, and represent a very strong result. This growth was led by Evoke Health, our digital consumer agency.

Revenue growth has been driven through expansion of key client relationships, significant new client wins, and a focused approach to solving the myriad of challenges facing our clients as the healthcare world continues its rapid change. Huntsworth Health's top 5 clients delivered £29.4 million of revenue in 2015, compared to £20.6 million in 2014.

Awards won in 2015 include the 2015 LTEN Provider Innovation Award Winner, Pharma Times: 2015 International Communications Agency Team of the Year Winner, Communiqué Awards 2015 Finalist: Writing Excellence - HCPs (Novo Nordisk), PM Society Awards: 2015 Gold Winner, Craft Award for Primary Care Campaign (AstraZeneca) and IPA Best of Health Awards 2015 Bronze Award: Consumer (patient) Film Campaign (Vertex).

New business momentum is solid entering 2016 and the foundation has been set for continued organic revenue and operating profit growth with sustained operating profit margins in 2016.

Huntsworth Health continues to establish and build new growth platforms with a new full-service digital marketing agency FIRSTHAND opened in Q4 2015 and a digital consulting business TraverseHealth opening in Q1 2016. Huntsworth Health is also growing revenues in the expansion markets of Asia Pacific and the Middle East where we have opened new offices in Shanghai and Dubai.

We have also invested in talented teams in our other specialist agencies, with several ending the year under new senior management, and with strong momentum. Huntsworth Health is well placed to continue its strong performance into 2016.

Performance overview

Grayling

Grayling revenues fell 7.4% on a like-for-like basis for the full year, although the rate of decline slowed with each successive quarter. Similarly, operating margin, whilst only 4.2% for the full year, improved with each quarter.

Grayling was the focus of the majority of the restructuring activity in 2015 - in order to halt its decline, right-size its cost-base, and importantly to reinvest in order to take advantage of the most promising growth opportunities. This programme included the closure of seven offices with others being fundamentally restructured. The leasehold property portfolio has been rationalised with consolidations in the major cities completed or in progress by the end of the year.

A new leadership team is now in place following the departure of the CEO and CFO in January 2015, and new senior management has been appointed in a number of significant markets.

Grayling UK underwent significant transition in 2015. The business saw a change in leadership mid-way through the year and a restructuring of the business in Q4 to create a more focused, leaner structure for growth in 2016. Q4 also saw the merging of Atomic into Grayling UK to strengthen its consumer and technology proposition in the marketplace. Significant wins in the second half of the year included wide-ranging work with HSBC and the prestigious 23rd World Energy Congress in Istanbul, in partnership with Grayling Turkey. Grayling UK also won important strategic projects with TFL and a GP recruitment programme for the NHS. As we move into 2016, Grayling UK is already seeing the positive effects of the restructuring with some high profile wins.

Grayling US generated organic growth with ZTE, the Chinese mobile phone manufacturer, and added several significant wins including Dechert LLP, Amadeus and integrated marketing work for Edmunds.com and Lowe's, the national retailer. It expanded its affiliate network throughout Latin America and added several key hires from professional services and technology sectors.

Grayling increased its regional strength across Continental Europe, including a number of key leadership appointments and structural transformations which extended the agency's multi-market capabilities. Grayling's multi-country accounts across Continental Europe now represent over 50% of the revenue, with 35 clients spanning at least three markets simultaneously. Major regional wins like Croatian National Tourist Board (CNTB) are also the result of these changes. Grayling Spain received an additional boost by being named the "Best Agency of the Year" by PR Noticias, the most high-profile award available in Spain.

2015 was a stellar year for Grayling's Middle East, Turkey and Africa ("META") business with growth delivered right across the region. Grayling's Africa plan got underway with a new office in Kenya now acting as the hub for business in the East Africa region and the focus moving forward will widen as the same approach is taken for West Africa through entry into the Nigerian market. At the 2016 African Excellence Awards, Grayling has won a number of awards, including best newcomer agency of the year, best website, best mobile communication and social app, best travel and tourism campaign, best social media programme as well as being named runner up in the best launch category.

Moving into 2016, whilst the Qatar business is set to retract, the UAE continues to generate good opportunities and larger mandates are now coming through in Oman. Aside from a broader footprint across the region, the business continues to diversify with the creative services team providing world class brand development programmes through to digital applications, exhibition support and experiential activations.

For Grayling Asia, 2015 was a year of restructuring and investment, the office in Thailand closed, and two new MD's were appointed. The businesses are now right-sized and positioned for future growth.

Performance overview

Citigate

Citigate's individual businesses have performed very differently in 2015.

Citigate First Financial in the Netherlands achieved 26.6% like-for-like revenue growth and strong operating margins. Citigate's Asian businesses also delivered strong margins on 2.9% revenue growth.

By contrast, Citigate's London businesses suffered like-for-like revenue decline of 16.9% and a sharp drop in operating margins. As announced at the half year, price competition for mandates remains strong and in London, the company continues to face a challenging environment, which is reflected in the full year figures. A new investment programme, which began in the second half of the year, continues to progress with the aim of strengthening Citigate's positioning, offering and margins.

Despite operating in a tough environment, Citigate continued to demonstrate its leading position in IPO communications by advising on key UK, European and Asian IPOs in 2015. These included Ibstock, On the Beach, Sanne Group and HSS Hire in the UK; ABN AMRO and Flow Traders in the Netherlands; OSE Pharma and Abivax in France; Nordic Nanovector in Norway and Jumbo Group in Singapore.

Citigate had a stronger second half than first half and the division looks to return to growth in 2016. A number of new and important mandates were secured in the last few months of the year, notably, QinetiQ, Charter Court Financial Services, Saudi Electricity Company, Allied Minds, Silverfleet Capital, Collinson, Momentum Pensions, Global Jet Capital, Gama Aviation and Source.

Red

Red Consultancy grew 4.2% in 2015 on the back of strong demand for Consumer campaigning as well as growth in Corporate and Technology services. Operating margins were maintained at Red's long-term level of 20%.

Notable highlights included the launch of McDonald's Signature range of premium burgers; the launch of the latest instalment of the world's most popular video game, Call of Duty Black Ops III, for Activision; and Carling's Brighton or Barbados campaign for Molson Coors. All of these high profile campaigns saw media relations, social media and events combined to create major impact.

New clients won during 2015 included leading housebuilders Crest Nicholson; Heathrow Airport; SlimFast; Listerine and Royal Caribbean cruises.

Many industry awards were won for the agency's lauded work for NHS's Blood and Transplant service; as well as for work for McDonald's, Samsung and Allergan.

The agency's outstanding talent development was recognised with its second Media Employer of the Year award.

Growth momentum and organic investment plans give encouragement for continued improvements in 2016.

Group Outlook

2015 has been a year in which the underlying cost base has been largely addressed and resources invested to appropriately position each of our businesses for the future.

The full year benefits of the restructuring, along with the introduction of new senior management at a number of our individual agencies and other investment initiatives, leaves the Group well placed to achieve stronger revenue growth and an improved profit performance in 2016.

Performance overview

Notes to Editors:

Huntsworth plc is a healthcare communications and public relations Group with 63 principal offices across 29 countries. In 2015 the Group worked for circa 1,870 clients.

The Group comprises four divisions: Huntsworth Health, Grayling, Citigate, and Red. At 31 December 2015 the Group employed approximately 1,570 staff with an average annual fee income per head of £107,400.

Geographically, 30.6% of Group revenue in 2015 was from the UK; 14.6% from European countries; 47.5% from the USA; and 7.3% from the Asia Pacific, the Middle East and Africa.

51% of the Group's revenue is derived from companies in the FTSE 100, Fortune 500, FTSEurofirst 300 or Top 50 Pharma Companies.

Key risks and uncertainties

The Group has undertaken a robust assessment of the principal risks facing the Group during the year. Our risk management approach is designed to identify risks to the Group using both a bottom-up and top-down approach. The Group considers macro, strategic, operational and process risks, which includes all operational, IT and financial risks. The likelihood and impact of each risk is determined using a risk scoring system. All risks are documented in the Group's risk register which is reviewed at least six monthly or more frequently as required.

Risk and Impact	Mitigating factors
Economic downturn Any economic downturn may result in fewer new client mandates, longer procurement processes and a squeeze on pricing, or an outright reduction in business. This can impact both revenue growth and operating margins. Weak economic conditions can increase the length of time that clients take to pay for services, which can put pressure on the Group's working capital. There is also an increased risk of bad debts occurring as a result of clients' financial problems. Subdued global financial markets can result in reductions to the level of transactional activity, reducing client mandates.	The Group has a wide spread of clients both across geography and industry sector, reducing reliance on any particular economic environment. Costs are managed in each business such that they can be flexed where needed in a downturn. However, where there are protracted economic difficulties in the Group's key markets, the ability of the Group to minimise the impact is constrained and performance may deteriorate. The Group has formal procedures and processes, including contractual assurance, to mitigate against legal and financial risks associated with both new and existing clients. The Group closely reports and monitors aged debts, and ensures local management have action plans in place to minimise the risk of any loss.
Service offering fails to evolve to meet changing market needs The communications industry is always changing, driven by client changes, technological change or emergence of competitors. The Group needs to be pro-active in identifying and delivering solutions to changing client needs. Failure to evolve can result in loss of market share, client losses and pressures on pricing, which can impact on revenue and margins.	The Group's range of services and international footprint increasingly allows us to offer clients an integrated portfolio of services across geographical locations which are attractive to new clients and help to strengthen existing client relationships. The Group continues to diversify its service offering to provide a full spectrum of healthcare communications and public relations services. Reviews of all new business opportunities won and lost across the Group are performed regularly. Appropriate actions are taken where new business conversion rates are below expectations.
Investment decisions fail to deliver expected growth The Group's strategy includes investing in new business opportunities, talent, start-ups and the acquisition of businesses which will broaden and enhance existing business operations. There is a risk that investments are based on inaccurate information or assumptions which fail to meet client needs and which may result in the investment being less financially beneficial than anticipated.	All significant investments are supported by a business case, which must be approved by Executive Management and the Board, where appropriate. Rigorous due diligence procedures are performed prior to all acquisitions in order to identify and evaluate potential risks to the extent possible. In addition to the receipt of legal warranties and indemnities, the total consideration paid for a business typically includes an element of deferred consideration contingent upon future performance which mitigates the risk of overpaying for a business.

Key risks and uncertainties

Risk and Impact	Mitigating factors
Loss of key clients Any loss of a key client would result in reduced revenues and profits and potentially an inability to recover amounts due under the contract.	The Group endeavours to build long-term relationships with its clients and to obtain preferred supplier and agency of record status where possible. The Group has a large portfolio of clients and seeks to expand and diversify its client base where possible. Within each of our large healthcare clients, the Group typically provides services to multiple brands within that client. Client satisfaction reviews are also undertaken periodically to evaluate service quality.
Loss of key talent The Group's talent base is its most important resource. There is strong competition within the industry for experienced healthcare communications and PR professionals. Recruitment and retention of key individuals is important both for maintaining client relationships and ensuring that our services are of the highest quality.	The Group's policy is to recruit both Directors and employees of the highest quality and to remunerate them accordingly. The Group carries out succession planning and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key individuals. Restrictive covenants are included in employee contracts where legally enforceable.
Information systems access and security Any information systems failure could negatively impact the Group's business operations, including delays to client work. Unauthorised access to confidential information held by the Group could compromise our client relationships and have a detrimental effect on our reputation. Cyber security risks are perceived to be increasing across the industry at the moment.	Business and IT disaster recovery plans have been implemented to minimise any disruption in the event of an IT failure. External access to data is protected by the Group's IT security, which is reviewed and tested frequently to ensure that the Group's network is as secure as possible. Internal access to data is restricted appropriately.
Unethical business practices Both reputational and operational damage may arise if the Group engages in actual or perceived unethical client work. Ethical matters that are not identified or managed appropriately could cause reputational damage to the Group.	The Group strives to foster a culture of openness, responsibility and ethical behaviour and has an externally managed whistleblowing process for the reporting of any unethical conduct. The Group's Code of Ethics is provided to every employee and they are expected to read and formally acknowledge the content and act accordingly. Referral processes, including divisional committees, are in place to manage all perceived ethical and conflict issues.

Key risks and uncertainties

Risk and Impact	Mitigating factors
Currency risk A substantial proportion of the Group operates outside of the UK, with significant operations in the USA and Europe. The Group may suffer restrictions on the ability to repatriate cash. Reported Group earnings are impacted by any fluctuation of Sterling relative to other currencies, particularly the US Dollar and Euro. The proportion of the Group's profits made in the US is increasing which increases the level of risk when exchange rates fluctuate. The UK's referendum on remaining in the European Union in 2016 increases uncertainty over the future value of Sterling.	Most of the Group's revenue is matched by costs arising in the same currency. Foreign exchange exposure is continually monitored, and the Group uses derivative financial instruments to mitigate this risk where deemed necessary. Borrowings are also available to be drawn down in US Dollars and Euros if required to hedge foreign currency exposure. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.
Loan facility and covenant headroom risk Any liquidity issues could result in reputational damage and potentially impair the Group's ability to make future acquisitions or settle existing obligations.	The Group has £70 million of multi-currency loan facilities with a syndicate of banks maturing in 2019. Management closely monitors all covenants on the Group's facilities and actively manages undrawn headroom. The Group has robust cash management processes including weekly cash reporting from our operations and cash pooling arrangements.
Legal and regulatory compliance Any failure to adhere to legislative requirements, including imposed sanctions on the supply of services to certain individuals, businesses and countries, could lead to reputational as well as financial damage to the Group. Compliance risks increase as the Group expands into new and emerging markets.	The Group uses internal and external legal counsel throughout the world to advise on local legal and regulatory requirements and minimise the risk of loss. In-house training is conducted on key legislative matters such as health and safety, and the UK Bribery Act. Policies on gifts, entertainment, anti-bribery and corruption, electronic communications, share trading and confidentiality are communicated to all employees using dedicated Policy Management Software.

Consolidated Income Statement
for the year ended 31 December 2015

	Notes	2015 Before highlighted items £000	2015 Highlighted items (Note 4) £000	2015 Total £000	2014 Before highlighted items £000	2014 Highlighted items (Note 4) £000	2014 Total £000
Turnover		**208,802**	**–**	**208,802**	204,793	1,247	206,040
Revenue	3	**168,398**	**–**	**168,398**	164,719	1,013	165,732
Operating expenses		**(153,145)**	**(53,071)**	**(206,216)**	(146,491)	(76,161)	(222,652)
Operating profit/(loss)	3	**15,253**	**(53,071)**	**(37,818)**	18,228	(75,148)	(56,920)
Finance income	5	**7**	**–**	**7**	17	–	17
Finance costs	5	**(2,008)**	**–**	**(2,008)**	(2,222)	(427)	(2,649)
Profit/(loss) before tax		**13,252**	**(53,071)**	**(39,819)**	16,023	(75,575)	(59,552)
Taxation (expense)/credit	6	**(3,584)**	**3,964**	**380**	(4,002)	7,382	3,380
Profit/(loss) for the year attributable to Parent Company's equity shareholders		**9,668**	**(49,107)**	**(39,439)**	12,021	(68,193)	(56,172)

	Note	2015	2014
(Loss)/earnings per share			
Basic – pence	8	**(12.3)**	(17.6)
Diluted – pence	8	**(12.3)**	(17.6)
Adjusted basic – pence[1]	8	**3.0**	3.8
Adjusted diluted – pence[1]	8	**3.0**	3.7

1 Adjusted basic and adjusted diluted earnings 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 2015

	Notes	**2015 £000**	2014 £000
Loss for the year		**(39,439)**	(56,172)
Other comprehensive income and expense			
Items that may be reclassified subsequently to the Income Statement			
Amounts recognised in the Income Statement on interest rate swaps		**157**	96
Movement in valuation of interest rate swaps		**(186)**	(66)
Tax credit/(expense) on interest rate swaps		**6**	(7)
Currency translation differences		**3,655**	2,750
Tax expense on currency translation differences		**(78)**	(118)
Total items that may be reclassified subsequently to profit or loss		**3,554**	2,655
Other comprehensive income and expense for the year		**3,554**	2,655
Total comprehensive income and expense for the year attributable to Parent Company's equity shareholders		**(35,885)**	(53,517)

Consolidated Balance Sheet

as at 31 December 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Intangible assets	9	**178,737**	225,678
Property, plant and equipment		**8,083**	7,772
Other receivables		**199**	279
Deferred tax assets		**1,466**	116
		188,485	233,845
Current assets			
Work in progress		**3,537**	3,241
Trade and other receivables		**44,363**	41,338
Current tax receivable		**518**	481
Derivative financial assets	10	**–**	17
Cash and short-term deposits		**8,918**	8,826
		57,336	53,903
Current liabilities			
Obligations under finance leases		**(4)**	(7)
Trade and other payables		**(44,226)**	(41,356)
Current tax payable		**(853)**	(1,060)
Provisions	11	**(2,164)**	(1,892)
		(47,247)	(44,315)
Non-current liabilities			
Bank loans and overdrafts		**(39,172)**	(44,327)
Obligations under finance leases		**(21)**	(24)
Trade and other payables		**(1,320)**	(2,045)
Derivative financial liabilities	10	**(92)**	(63)
Deferred tax liabilities		**(202)**	(396)
Provisions	11	**(2,465)**	(2,704)
		(43,272)	(49,559)
Net assets		**155,302**	193,874
Equity			
Called up share capital		**107,170**	107,157
Share premium account		**62,811**	62,635
Merger reserve		**30,369**	43,422
Foreign currency translation reserve		**23,909**	20,254
Hedging reserve		**(92)**	(63)
Treasury shares		**(1,166)**	(1,568)
Investment in own shares		**(4,095)**	(4,775)
Retained earnings		**(63,604)**	(33,188)
Equity attributable to equity holders of the parent		**155,302**	193,874

The financial statements were approved by the Directors on 14 March 2016 and signed on their behalf by:

Neil Jones

Chief Financial Officer

Consolidated Cash Flow Statement

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Cash inflow from operating activities			
Cash inflow from operations	12(a)	**15,154**	17,353
Interest paid		**(1,765)**	(2,089)
Interest received		**7**	17
Cash flows from hedging activities		**17**	68
Net tax paid		**(1,307)**	(1,317)
Net cash inflow from operating activities		**12,106**	14,032
Cash outflow from investing activities			
Acquisitions of subsidiaries, net of cash acquired		**-**	(514)
Deferred consideration payments		**(662)**	(609)
Cost of internally developed intangible assets		**(612)**	(592)
Purchases of property, plant and equipment		**(2,051)**	(4,113)
Proceeds from sale of property, plant and equipment		**104**	37
Net cash outflow from investing activities		**(3,221)**	(5,791)
Cash outflow from financing activities			
Net costs from issue of ordinary shares		**-**	(1,074)
Proceeds from sale of own shares to settle share options		**227**	9
Repayment of finance lease liabilities		**(7)**	(12)
Net (repayment)/ drawdown of borrowings		**(5,420)**	3,170
Dividends paid to equity holders of the parent		**(3,827)**	(10,113)
Net cash outflow from financing activities		**(9,027)**	(8,020)
(Decrease)/increase in cash and cash equivalents		**(142)**	221
Movements in cash and cash equivalents			
(Decrease)/increase in cash and cash equivalents		**(142)**	221
Effects of exchange rate fluctuations on cash held		**234**	117
Cash and cash equivalents at 1 January		**8,826**	8,488
Cash and cash equivalents at 31 December	12(c)	**8,918**	8,826

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Called up share capital £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
At 1 January 2014	107,139	61,722	65,255	17,504	(93)	(1,577)	(4,775)	12,469	257,644
Loss for the year	–	–	–	–	–	–	–	(56,172)	(56,172)
Other comprehensive income/(expense)	–	–	–	2,750	30	–	–	(125)	2,655
Settlement of share options	–	–	–	–	–	9	–	–	9
Share issue costs	–	(12)	–	–	–	–	–	–	(12)
Charge for share-based payments	–	–	–	–	–	–	–	102	102
Credit for unclaimed dividends	–	–	–	–	–	–	–	8	8
Tax on share-based payments	–	–	–	–	–	–	–	(247)	(247)
Scrip dividends	18	925	–	–	–	–	–	–	943
Equity dividends	–	–	–	–	–	–	–	(11,056)	(11,056)
Transfer	–	–	(21,833)	–	–	–	–	21,833	–
At 31 December 2014	107,157	62,635	43,422	20,254	(63)	(1,568)	(4,775)	(33,188)	193,874
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,439)**	**(39,439)**
Other comprehensive income/(expense)	**–**	**–**	**–**	**3,655**	**(29)**	**–**	**–**	**(72)**	**3,554**
Settlement of deferred consideration	**8**	**–**	**338**	**–**	**–**	**–**	**–**	**–**	**346**
Settlement of share options	**1**	**41**	**–**	**–**	**–**	**402**	**680**	**(897)**	**227**
Share issue costs	**–**	**(18)**	**–**	**–**	**–**	**–**	**–**	**–**	**(18)**
Charge for share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**392**	**392**
Credit for unclaimed dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**230**	**230**
Tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37)**	**(37)**
Scrip dividends	**4**	**153**	**–**	**–**	**–**	**–**	**–**	**–**	**157**
Equity dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,984)**	**(3,984)**
Transfer	**–**	**–**	**(13,391)**	**–**	**–**	**–**	**–**	**13,391**	**–**
At 31 December 2015	**107,170**	**62,811**	**30,369**	**23,909**	**(92)**	**(1,166)**	**(4,095)**	**(63,604)**	**155,302**

Notes to the Preliminary Consolidated Financial Statements
for the year ended 31 December 2015

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 14 March 2016 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 ended 31 December 2014 have been filed with the Registrar of Companies. The auditor's reports on the financial statements for the years ended 31 December 2015 and 31 December 2014 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 2015 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2015. This preliminary announcement does not constitute statutory accounts of the Group within the meaning of Section 435 of the Companies Act 2006. Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Consolidated Financial Statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

Going concern
The Group's activities, financial performance, position, cashflows and borrowing facilities are described in the Chief Executive's Statement.

After reviewing the Group's performance, future forecasted profits and cash flows, and ability to draw down on its facilities, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company's and the Group's financial statements.

2. Significant accounting policies
With the exception of the following new standards and amendments to standards, the preliminary consolidated financial statements have been prepared in accordance with the accounting policies of the Group which are set out on pages 60 to 64 of the 2014 Annual Report and Accounts.

Changes in accounting policies
The following new standards, amendments to standards and interpretations were mandatory for the first time for the financial year beginning 1 January 2015, but had no significant impact on the Group:
- IAS 19 (amendment) – Employee contributions;
- Annual Improvements (2010–2012 Cycle);
- Annual Improvements (2011–2013 Cycle); and
- IFRIC 21 – Levies.

3. Segmental analysis

The following is an analysis of the Group's revenue and operating profit before highlighted items by reportable segment. The reportable segments are identified based on the Group's four operating divisions.

Year ended 31 December 2015	**Citigate £000**	**Grayling £000**	**Red £000**	**Huntsworth Health £000**	**Total £000**
Segment revenue before highlighted items	**20,039**	**63,209**	**12,830**	**72,320**	**168,398**
Segment operating profit before highlighted items	**3,075**	**2,645**	**2,602**	**13,784**	**22,106**

Year ended 31 December 2014	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Total revenue before highlighted items					
Total revenue	21,939	70,760	12,313	59,713	164,725
Intra-Group eliminations	–	(6)	–	–	(6)
Segment revenue before highlighted items	21,939	70,754	12,313	59,713	164,719
Segment operating profit before highlighted items	4,470	5,419	2,571	12,264	24,724

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

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

	2015 £000	2014 £000
Segment operating profit before highlighted items	**22,106**	24,724
Unallocated costs	**(6,853)**	(6,496)
Operating profit before highlighted items	**15,253**	18,228
Highlighted items	**(53,071)**	(75,148)
Operating loss	**(37,818)**	(56,920)
Net finance costs before highlighted items	**(2,001)**	(2,205)
Highlighted finance costs	–	(427)
Loss before tax	**(39,819)**	(59,552)

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

4. Highlighted items

Highlighted items charged to profit for the year comprise significant non-cash charges and non-recurring items. The following highlighted items have been recognised in arriving at revenue and profit for the year:

	Notes	2015 £000	2014 £000
Credited to revenue:			
Start-up revenues		–	(1,013)
Charged/(credited) to operating expenses:			
Amortisation of intangible assets	9	**789**	985
Goodwill impairment	9	**48,764**	71,471
Impairment of software development costs	9	**579**	–
Restructuring costs		**3,292**	1,932
Start-up costs		–	1,543
Acquisition and transaction related (credit)/costs		**(353)**	230
Total charged to operating expenses		**53,071**	76,161
Charged to operating profit		**53,071**	75,148
Charged to finance costs			
Facility fees written off		–	427
Charged to profit before tax		**53,071**	75,575
Taxation credit		**(3,964)**	(7,382)
Charged to profit for the year		**49,107**	68,193

Start-up revenues and costs

Start-up revenues and costs in 2014 related to the operating results of new businesses started by the Group. The profile of revenue and costs in start-up businesses is different to that of more mature operations within the Group and hence the Directors consider that separate disclosure is helpful for investors. The results of start-up operations will cease being included within this category once they become consistently profitable or after two years of operation, whichever is earlier.

Amortisation of intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from 2 to 20 years depending on the nature of the asset. These are significant non-cash charges which arise as a result of acquisitions.

Goodwill impairment

Impairments totalling £48.8 million (2014: £71.5 million) were recognised in the year relating to goodwill in the Grayling and Citigate CGUs.

Impairment of software development costs

The impairment relates to significant adverse changes in the extent to which internally developed software is expected to be used. The recoverable amount is value in use which was determined to be £nil.

Restructuring costs

Restructuring costs comprise cost-saving initiatives including severance payments, compensation for loss of office, property and other contract termination costs.

Acquisition and transaction related costs/(credit)

Costs incurred in relation to acquisitions and any adjustments to the fair value of deferred contingent consideration liabilities.

4. Highlighted items continued

Facility fees written off

Amounts capitalised in respect to the previous loan facility were written off when the Group refinanced in May 2014.

Taxation

Further details of the tax credits on highlighted items are disclosed in Note 6.

5. Finance costs and income

	2015 £000	2014 £000
Bank interest payable	**1,988**	2,174
Finance lease interest	**1**	7
Imputed interest on long term payables and provisions	**19**	41
Finance costs	**2,008**	2,222
Bank interest receivable	**(3)**	(2)
Other interest receivable	**(4)**	(15)
Finance income	**(7)**	(17)
Net finance costs before highlighted items	**2,001**	2,205
Finance costs – highlighted items	–	427
Net finance costs	**2,001**	2,632

6. Taxation

The charge for the year can be reconciled to the profit/(loss) per the Income Statement as follows:

	Before highlighted items 2015 £000	**Highlighted items 2015 £000**	**Total 2015 £000**	Before highlighted items 2014 £000	Highlighted items 2014 £000	Total 2014 £000
Profit/(loss) before tax	**13,252**	**(53,071)**	**(39,819)**	16,023	(75,575)	(59,552)
Notional income tax expense/(credit) at the effective UK statutory rate of 20.25% (2014: 21.5%) on profit/(loss) before tax	**2,684**	**(10,747)**	**(8,063)**	3,445	(16,249)	(12,804)
Permanent differences	**(599)**	**8,503**	**7,904**	(7)	12,703	12,696
Impact of share-based payments	**150**	**–**	**150**	211	–	211
Different tax rates on overseas profits	**1,961**	**(2,384)**	**(423)**	1,930	(4,142)	(2,212)
Impact of changes in statutory tax rates	**(4)**	**323**	**319**	(193)	101	(92)
Adjustments in respect of prior years	**(942)**	**–**	**(942)**	(1,473)	–	(1,473)
Utilisation and recognition of tax losses	**21**	**(2)**	**19**	(436)	(38)	(474)
Unrelieved current year losses	**313**	**343**	**656**	525	243	768
Income tax expense/(credit)	**3,584**	**(3,964)**	**(380)**	4,002	(7,382)	(3,380)

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 20.25% (2014: 21.5%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

7. Dividends

	2015 £000	2014 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2014: 0.75 pence (2013: 2.5 pence)	**2,385**	7,886
Interim dividend for the year ended 2015: 0.5 pence (2014: 1.0 pence)	**1,599**	3,170
Total dividend expense	**3,984**	11,056

Shareholdings under the Group's Employee Benefit Trust of 7,029,278 and 6,430,310 shares waived their rights to the 2014 final dividend and 2015 interim dividend respectively (2013 final dividend and 2014 interim dividend: 7,629,278 shares).

A 2015 final dividend of 1.25 pence per share has been proposed for approval at the Annual General Meeting in 2016.

8. Earnings per share

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

	2015 (Loss)/ earnings £000	2015 Weighted average number of shares 000s	2014 (Loss)/ earnings £000	2014 Weighted average number of shares 000s
Basic	**(39,439)**	**320,966**	(56,172)	318,848
Diluted	**(39,439)**	**320,966**[1]	(56,172)	318,848[1]
Adjusted basic	**9,668**	**320,966**	12,021	318,848
Adjusted diluted	**9,668**	**326,846**	12,021	329,241

[1] 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's shareholders divided by the weighted average number of ordinary shares outstanding during the year.

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

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

	2015 £000	2014 £000
Earnings:		
(Loss)/profit for the year attributable to the Parent Company's shareholders	**(39,439)**	(56,172)
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**49,107**	68,193
Adjusted earnings	**9,668**	12,021

8. Earnings per share (continued)

	2015 £000	2014 £000
Number of shares:		
Weighted average number of ordinary shares – basic	**320,966**	318,848
Effect of share options in issue	**4,380**	7,951
Effect of deferred contingent consideration	**1,500**	2,442
Weighted average number of ordinary shares – diluted	**326,846**	329,241

9. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software development costs £000	Total £000
Cost						
At 1 January 2014	24,821	29,079	303,130	1,774	2,283	361,087
Acquisitions	106	47	1,630	–	–	1,783
Capitalised development costs	–	–	–	–	592	592
Exchange differences	95	742	2,266	(210)	88	2,981
At 31 December 2014	25,022	29,868	307,026	1,564	2,963	366,443
Capitalised development costs	**–**	**–**	**–**	**–**	**612**	**612**
Exchange differences	**335**	**857**	**4,401**	**(77)**	**96**	**5,612**
At 31 December 2015	**25,357**	**30,725**	**311,427**	**1,487**	**3,671**	**372,667**
Amortisation and impairment charges						
At 1 January 2014	19,686	28,959	17,655	956	825	68,081
Charge for the year	526	132	–	327	285	1,270
Impairment	–	–	71,471	–	–	71,471
Exchange differences	97	738	(775)	(129)	12	(57)
At 31 December 2014	20,309	29,829	88,351	1,154	1,122	140,765
Charge for the year	**479**	**17**	–	**293**	**235**	**1,024**
Impairment	–	–	**48,764**	–	**579**	**49,343**
Exchange differences	**339**	**852**	**1,640**	**(57)**	**24**	**2,798**
At 31 December 2015	**21,127**	**30,698**	**138,755**	**1,390**	**1,960**	**193,930**
Net book value at 31 December 2015	**4,230**	**27**	**172,672**	**97**	**1,711**	**178,737**
Net book value at 31 December 2014	4,713	39	218,675	410	1,841	225,678

10 Financial risk management and financial instruments

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

Fair values of financial liabilities and assets

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

Fair value measurement

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

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

At 31 December 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swap	–	**92**	–	**92**
Deferred contingent consideration	–	–	**693**	**693**
	–	**92**	**693**	**785**

At 31 December 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign exchange derivative	–	17	–	17
	–	17	–	17
Financial liabilities				
Interest rate swap	–	63	–	63
Deferred contingent consideration	–	–	1,507	1,507
	–	63	1,507	1,570

Valuation techniques used to derive Level 2 fair values

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

Valuation techniques used to derive Level 3 fair values

Deferred contingent consideration liabilities are valued using a discounted cash flow methodology. The liability is based on the acquired business' forecast average profits for the period from the date of acquisition to 31 December 2016. The significant unobservable inputs to this valuation include forecast average profits and the discount rate of 1%.

The sensitivity of this liability to changes in this discount rate is immaterial.

11. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2014	–	1,111	365	1,476
Provision on acquisition of subsidiary	1,372	–	21	1,393
Arising during the year	–	1,499	810	2,309
Released during the year	–	(123)	–	(123)
Utilised	–	(295)	(381)	(676)
Foreign exchange movements	115	76	(3)	188
Unwind of discount	20	9	–	29
At 31 December 2014	1,507	2,277	812	4,596
Arising during the year	–	**844**	**3,083**	**3,927**
Released during the year	**(531)**	**(210)**	**(83)**	**(824)**
Utilised	**(346)**	**(326)**	**(2,570)**	**(3,242)**
Foreign exchange movements	**55**	**85**	**17**	**157**
Unwind of discount	**8**	**7**	–	**15**
At 31 December 2015	**693**	**2,677**	**1,259**	**4,629**
Current	–	**935**	**1,229**	**2,164**
Non-current	**693**	**1,742**	**30**	**2,465**

Deferred contingent consideration for acquisitions

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

Property provisions

Provisions for property represent amounts set aside in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of these provisions has been determined based on external professional advice and is dependent on the Group's ability to exit the leases early or to sublet the properties. In general, property costs are expected to be incurred over a range of one to eight years.

Reorganisation and other provisions

This provision relates principally to redundancy provisions. In addition, when acquiring businesses, provisions have been made to cover the best estimate of the Group's exposure to liabilities arising due to the acquisition.

12. Cash flow analysis

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

	2015 £000	2014 £000
Operating loss	**(37,818)**	(56,920)
Depreciation	**2,459**	2,441
Share option charge	**392**	102
Loss on disposal of property, plant and equipment	**39**	17
Amortisation of intangible assets	**1,024**	1,270
Impairment of intangible assets	**49,343**	71,471
(Increase)/decrease in work in progress	**(223)**	2,893
(Increase)/decrease in debtors	**(2,107)**	3,257
Increase/(decrease) in creditors	**1,831**	(9,406)
Increase in provisions	**214**	2,228
Net cash inflow from operations	**15,154**	17,353

Net cash inflow from operations is analysed as follows:

	2015 £000	2014 £000
Before highlighted items	**18,157**	17,871
Highlighted items	**(3,003)**	(518)
Net cash inflow from operations	**15,154**	17,353

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

	2015 £000	2014 £000
(Decrease)/increase in cash and cash equivalents in the year	**(142)**	221
Cash inflow/(outflow) from movements in debt	**5,420**	(3,170)
Repayment of capital element of finance leases	**7**	12
Change in net debt resulting from cash flows	**5,285**	(2,937)
Write off and amortisation of loan fees	**(266)**	(756)
New finance lease	**-**	(32)
Movement in fair value of derivative financial instruments	**(46)**	43
Translation differences	**234**	117
Decrease/(increase) in net debt	**5,207**	(3,565)
Net debt at beginning of year	**(35,578)**	(32,013)
Net debt at end of year	**(30,371)**	(35,578)

12. Cash flow analysis continued

(c) Analysis of net debt

	2015 £000	2014 £000
Net cash and cash equivalents	**8,918**	8,826
Bank loans	**(39,172)**	(44,327)
Derivative financial assets	**-**	17
Derivative financial liabilities	**(92)**	(63)
Obligations under finance leases	**(25)**	(31)
Net debt	**(30,371)**	(35,578)

At 31 December 2015 the Group had undrawn committed facilities of £24 million (2014: £47 million) available.

13. Commitments and contingent liabilities

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

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

14. Related party transactions

The ultimate controlling party of the Group is Huntsworth plc (incorporated in the United Kingdom). The Group has a related party relationship with its subsidiaries and with its Directors.

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

Directors' Responsibility Statement

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

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

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

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

Neil Jones
Chief Financial Officer