HUNTSWORTH

Huntsworth PLC

Interim results for the six months to 30 June 2013

Investment plan in place to stimulate top line growth

Huntsworth PLC, the global public relations and healthcare communications group, today announces its interim results for the six months to 30 June 2013.

Financial highlights[1]

Revenue

- Revenue up 0.8% to £88.9m (H1 2012: £88.2m)
- Like for like[2] revenue decline of 0.5%
- Investment plan in place to stimulate top line growth
- Multi-office revenues up to 50% of Group revenues, with 2% like for like growth
- Digital revenues up to 24% of Group revenues, with 9% like for like growth
- Middle East and Asia Pacific like for like revenue growth at 7%

Profits before highlighted items

- Operating profits of £12.4m (H1 2012: £13.7m)
- Operating margin before central costs 17.9% (H1 2012: 20.5%)
- Operating margin post central costs 14.0% (H1 2012: 15.5%)
- Profit before tax of £10.6m (H1 2012: £11.6m)

Diluted earnings per share

- Before highlighted items at 3.1p (H1 2012: 3.5p)
- After highlighted items at 2.5p (H1 2012: 3.1p)

Cash flow and net debt

- Cash flow from operating activities of £3.0m, representing a cash conversion of 24% (H1 2012: 57%)
- Net debt at £69.0m (31 December 2012: £66.9m)

Dividend

- Interim dividend of 1.0p (H1 2012: 1.0p)

BlueFocus investment

- BlueFocus has received approval for the subscription from the National Development and Reform Commission (NDRC)
- Its investment of £36.5m is expected to be completed in September 2013 subject to Huntsworth shareholder approval

Notes:

1) Unless otherwise stated, all results are adjusted to exclude highlighted items. Highlighted items comprise amortisation of intangible assets, restructuring costs, litigation costs and acquisition/transaction related costs/(credits).
2) Like for like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.

Peter Chadlington, Chief Executive of Huntsworth, said:

"Citigate, Red and Huntsworth Health are all performing well. Grayling, under new leadership, is beginning to see the benefits of the investment plan announced in April to stimulate top line growth and capitalise on the growth of digital revenues. We believe that we are on track to meet full year management expectations.

We are working closely with BlueFocus in China and with its investment of £36.5m expected in September 2013 and just £9.6m of deferred contingent consideration payments remaining, the Group is set to deleverage significantly in the coming months."

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Chief Executive's Statement

Group Overview

In April 2013 we announced a strategic alliance and proposed £36.5m investment by BlueFocus, one of the leading PR and communication companies in China. The investment is subject to shareholder and regulatory approval. Huntsworth expects to send a circular to its shareholders during August 2013 and to convene a general meeting to approve and complete the subscription in September 2013.

In April we also announced an investment plan of £4m together with associated one-off restructuring costs of an additional £3m. The investments are focused on our key strategic areas of driving growth in digital revenues, expanding into new markets and attracting high calibre talent into our Group, and to ensure our networks are fit for purpose to deliver new revenues resulting from our BlueFocus alliance. The programme is already well underway, with £2m expenditure in the first half of the year, mainly on key investments across the Grayling network. The Group will hold a capital markets day in Beijing on October 23rd where we will present details of the resulting opportunities that we expect over the next three years.

Results for the first half are in line with our expectations. Revenues for the Group in the first six months of 2013 were £88.9m, up 0.8% from 2012, and operating profits were £12.4m after incurring first half investment plan expenditure of £2.0m. The underlying margin (excluding the impact of the investment plan) before central costs was 20.1%.

On a like for like basis, revenues declined by 0.5%, a result of strong growth in the USA and Rest of the World offset by continuing revenue declines in the UK and Europe.

Three of our four divisions are performing well. Huntsworth Health (which represents 33% of Group revenues) delivered strong like for like revenue growth of 9.7% and 13.6% profit growth, fuelled by 14% growth in digital revenues. Citigate (representing 14% of Group revenues) has seen an improved level of transaction activity in its flagship UK operations and saw revenues return to growth, having experienced declines due to the slow-down that followed last summer's Olympics. Red (representing 8% of Group revenues) has grown for 17 consecutive years, delivered flat revenue in the first half of 2013. This followed 11% growth in 2012.

Recessionary markets in the UK and Europe continued to affect Grayling, the Group's largest division which represents 45% of Group revenues.

Each of the key areas in which we are investing - digital, multi-office and expansion markets – performed well in the first six months and are showing good growth prospects across the Group.

- Digital revenues now represent 24% of Group revenues, up 9%. Continued investment to roll out and strengthen these capabilities across our network presents a significant opportunity for growth.
- Multi-office revenues grew by 2% on a like for like basis and now represent 50% of Group revenues. Now that we have brand recognition in this area, we are investing in talent to help win and grow these larger client accounts.
- Unlike our larger competitors – particularly after the potential merger of Publicis and Omnicom – our growth markets are not just BRIC but also the USA where, with the addition of a US based CEO of our largest division, we are well placed to improve our market share significantly. Like for like revenues in our strategically important regions of Asia and the Middle East grew by 7% and our strategic alliance with BlueFocus will also be a key contributor to these growth areas.

These investment decisions will enable us to offset the impact of the headwinds created by the difficult economic conditions in Western Europe, which we believe could continue for a number of years.

Closing net debt was £69.0m. Debt levels remain comfortably within our facilities and covenants. With proceeds from the BlueFocus investment of £36.5m expected in September 2013, and just £9.6m of deferred contingent consideration payments remaining payable out to 2017, the Group is set to deleverage significantly in the coming months. On current forecasts and without further acquisitions we expect to be largely debt and earn-out free by 2017.

Cash conversion in the first half was relatively low at 24% as a result of certain expected receipts being delayed until July. Large clients are typically demanding longer billing cycles and credit terms, particularly in respect of some of our newer digital revenues. Notwithstanding this, we expect to improve our conversion rate to around 90% for the full year.

The interim dividend has been maintained at 1.0p, in line with the previous year.

Huntsworth Health

- 33% of Group revenues
- Operating margins of 21.1%
- Like for like revenue growth of 9.7%

Huntsworth Health has delivered strong revenue growth of 9.7%. Digital revenues, representing 44% of the Division's revenues, grew 14% on a like for like basis. Multi-year agency-of-record assignments represent 76% of the Division's digital revenues. Multi-office revenues also continued to grow, up by 4.9%.

New business momentum is solid with unidentified new business under 4% of forecasted second half revenues. We have relocated staff to our Asia Regional Office in Singapore to build on our new alliance with BlueFocus and assist our clients who are looking for strong scientific expertise in the region.

Additionally Huntsworth Health has appointed new talent to build further growth platforms including a new social marketing agency based in New York.

Citigate

- 14% of Group revenues
- Operating margins of 20.7%
- Like for like revenue growth of 0.4%

Following a quiet trading environment in 2012, transaction activity has improved in the first half of 2013, contributing to like for like revenue growth of 5.3% in Q2. We expect transaction activity to be sustained into Q3. The London office, which is the agency's flagship, has advised on two-market leading IPOs: Partnership Assurance, the biggest London IPO of 2013 by market value, and esure, the biggest London IPO by offer size. In addition, Citigate has advised on a number of high profile projects such as the London Stock Exchange Group's purchase of a controlling stake in LCH Clearnet. Corporate projects and retainers won include British Virgin Islands, Direct Line for Business, S&P Capital IQ and Aquila Capital.

Citigate offices around the network have also performed well. In France, Citigate has worked on M&A deals for Siraga, the gas cylinder manufacturer and designer, and Monceau Fleurs, the chain of florists. In Asia, Citigate advised on the Hong Kong IPO of Macau Legend Development and won a retained brief from China Construction Bank, the second largest bank in mainland China.

Chief Executive's Statement (continued)

Red

- 8% of Group revenues
- Operating margins of 25.1%
- Like for like revenue sustained at 2012 record levels

Red has delivered revenues consistent with H1 2012, which is a strong result on the back of 17 years of revenue growth and 16% like for like growth in the last two years. The agency continues to have a strong roster of FTSE 100 and Fortune 500 clients and should do well as the UK economy improves into 2014 and beyond.

The first half of 2013 saw the Division's new Nestle remit expand significantly and new assignments were won with Air France/KLM, Novo Nordisk and Ford Retail.

The Division also won nine industry awards in the first half across the consumer, technology and healthcare sectors.

Grayling

- 45% of Group revenues
- Operating margins of 13.5% (Underlying margin of 18.4% pre investments)
- Like for like revenue decline of 7.2%

Economic turbulence in the UK and Europe, which accounts for 60% of Grayling's revenue, continued to impact the division's performance in the first half.

Grayling is continuing its transition from a business principally reliant on single office clients to one where the client base is increasingly multi-office or global. Grayling's brand and value recognition has strengthened but the expected decline in single office client revenues has been exacerbated by client budget reductions in the difficult markets in many of the areas where Grayling operates.

Following the arrival of the new CEO Pete Pedersen in March, management outlined a new plan and associated investment package. The plan is designed to stabilise the business, stem areas of revenue decline, address the lack of scale and market share in the US and Asia, build on the areas that are growing and promote longer-term revenue growth. Additionally, following the announcement of the Group's strategic alliance with BlueFocus, Grayling is ensuring the network is able to deliver the considerable opportunities that we think that relationship will bring.

The investment plan falls into three key categories: expansion of digital capabilities, multi-office expansion into new markets and investment in talent. The first half impact of the plan included:

1. Digital staff training programmes, investments in new technologies and key hires in digital talent, resulting in a strong pipeline of new business opportunities. While digital still requires significant expansion across the network early signs are encouraging with 1% like for like revenues growth.
2. A strengthening of the international delivery platform with an improved multi-office new business effort. Total wins in the four month period to 30 June were 5% ahead of the same period a year ago, with new wins and expansions including the following key clients; Hamad International Airport in Doha, Qatar, Qatar UK 2013 Year of Culture and Hilton Worldwide. This has resulted in our multi-office business growing 3% in the first half.

3. Recruitment of key talent and a restructured management will enhance Grayling's capabilities including:

    - In Asia, a Huntsworth regional CEO will join in January 2014, focusing initially on driving regional expansion of the Grayling network and leveraging the alliance with BlueFocus.
    - The first senior management secondment into BlueFocus is now underway and we have strengthened key management in the Middle East.
    - A Global Head of Social and Media Analytics has been appointed in Europe along with a San Francisco-based Head of Digital. Additionally a newly formed US Corporate Communications practice has been established in New York as well as a US-based Cyber Security practice.

As the investment plan continues to be implemented, Grayling starts the second half of the year with a solid foundation of network clients, an active pipeline of both digital and traditional work, new talent and executive leadership, and continued geographic expansion alongside BlueFocus.

The impact of the investment plan has diluted margins in the first half to 13.5%. We expect a similar margin in the second half of the year, but improvements into 2014 and beyond.

Group Outlook

We believe that we are on track to meet full year management expectations. We expect Huntsworth Health, Citigate and Red to continue to perform well. Grayling, which has been hampered by difficult economic conditions in many of the regions where it operates, has a significant investment plan underway to stimulate revenue growth and improve substantially its digital capabilities.

With the BlueFocus investment of £36.5m expected to be completed in September 2013 and just £9.6m of deferred contingent consideration payments remaining, the Group is expected to deleverage significantly in the coming months.

Review of Financial Results

SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

	2013 £'m	Like for like growth %	2012 £'m
Revenue			
Citigate	12.1	0.4%	12.0
Grayling	40.4	(7.2)%	42.9
Huntsworth Health	29.5	9.7%	26.5
Red	6.9	0.0%	6.9
Eliminations	(0.0)		(0.1)
Total operations	**88.9**	**(0.5)%**	**88.2**

	2013 £'m	Margin %	2012 £'m	Margin %
Operating profit				
Citigate	2.5	20.7%	2.5	20.9%
Grayling	5.5	13.5%	8.7	20.2%
Huntsworth Health	6.2	21.1%	5.5	20.6%
Red	1.7	25.1%	1.4	21.1%
Total operations	15.9	17.9%	18.1	20.5%
Central costs	(3.5)		(4.4)	
Operating profit before highlighted items	**12.4**	**14.0%**	**13.7**	**15.5%**
Highlighted items	(2.3)		(2.0)	
Reported operating profit	**10.1**	**11.4%**	**11.7**	**13.2%**
Adjusted basic EPS	3.3p		3.7p	
Reported basic EPS	2.6p		3.2p	

Revenue and profits

Group revenue in the six months to 30 June 2013 increased by 0.8% to £88.9 million (H1 2012: £88.2 million).

On a like for like basis, revenues grew by 9.7% in Huntsworth Health, and 0.4% in Citigate. Revenues in Red were flat whilst Grayling saw a like for like revenue decline of 7.2%. Overall Group revenue declined by 0.5% on a like for like basis in the first half of the year.

Operating margins improved in Huntsworth Health and Red as compared to the first half of 2012, Citigate has remained consistent whereas margins in Grayling have declined as a result of our investment programme. Overall, Group operating profits before central costs in the first half declined by £2.2 million to £15.9 million, generating a Group operating margin before central costs of 17.9% (H1 2012: 20.5%).

The Group's operating margin after central costs decreased to 14.0% compared to 15.5% in in the first half of 2012.

Review of Financial Results (continued)

Currency

The weakening of Sterling against the Euro and the Dollar has resulted in an £8.9 million credit to Other Comprehensive Income and Expense resulting from the retranslation of the Group's overseas assets. The impact on Group profits is £0.2 million.

Highlighted items

Highlighted items of £2.3 million in the first half of 2013 relate to the amortisation of intangible assets, restructuring costs and acquisition and transaction related credits/costs. (H1 2012: total operating highlighted items £2.0 million).

After highlighted items, statutory reported operating profit was £10.1 million (H1 2012: £11.7 million).

Tax

The total tax expense of £1.9 million comprises an adjusted tax expense of £2.5 million together with a credit of £0.6 million on highlighted items. The adjusted tax expense is based on the expected full year tax rate of 24.0% (year ended 31 December 2012: 23.0%).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £8.1 million (H1 2012: £8.9 million). Adjusted basic earnings per share decreased to 3.3p (H1 2012: 3.7p) and adjusted diluted earnings per share decreased to 3.1p (H1 2012: 3.5p).

Profits after highlighted items attributable to ordinary shareholders were £6.4 million (H1 2012: £7.8 million), resulting in basic earnings per share of 2.6p (H1 2012: 3.2p) and diluted earnings per share of 2.5p (H1 2012: 3.1p).

Dividends

The interim dividend has been maintained at 1.0p per share (H1 2012: 1.0p). The record date for this dividend will be 4 October 2013 and it is payable on 8 November 2013. A scrip dividend alternative will be available.

Balance sheet and cash flow

Cash conversion of operating profit into operating cash flows in the first half was relatively low at 24% as a result of certain expected receipts being delayed until July. Large clients are typically demanding longer billing cycles and credit terms, particularly in respect of some of our newer digital revenues. Notwithstanding this, we expect to improve our conversion rate to around 90% for the full year.

Cash inflow from operations totalled £3.0 million (H1 2012: £7.9 million), before highlighted cash outflows of £2.0 million. The other principal cash outflows during the period were net payments for interest, tax and fixed assets of £3.9 million.

Net debt at 30 June 2013 is £69.0 million (30 June 2012: £69.6 million; 31 December 2012 £66.9 million). Net debt remains well within the Group's available debt facilities. Financial covenants based on the Group's facility agreements continue to be comfortably met.

Earn-out obligations

Future earn-out obligations as at 30 June 2013 are estimated to be £9.6 million, comprising £4.1 million payable in cash and £5.5 million payable in cash or shares at Huntsworth's option. The expected timing of these obligations is £5.6 million in 2013 with the remaining £4.0 million payable between 2014 and 2017.

Review of Financial Results (continued)

Key risks and uncertainties

As described more fully on pages 16 and 17 of the 2012 Annual Report and Accounts, the Group's key risks and uncertainties are identified as:

- economic downturn – this can result in fewer new client mandates, longer procurement processes, pricing pressures and increased risk of bad debt;
- increased industry competition – both from the number of competing agencies in the marketplace and price competition, impacting revenue and margins;
- performance of acquired businesses – acquisitions may be less financially beneficial than anticipated;
- dependence on key personnel – loss of key staff can impact client relationships and service quality;
- loss of key clients – impacting revenue and profit;
- information systems access and security – breaches could compromise operations;
- country and currency risk – arising from the Group having significant operations in the United States of America and Europe;
- loan facility and covenant headroom risk – resulting in reputational damage and/or impairing ability to make future acquisitions or settle existing obligations;
- working capital risk – increased levels of working capital can have a cash cost to the Group;
- legal and regulatory compliance – potentially giving rise to reputational and/or financial damage; and
- unethical business practices – potentially leading to reputational and/or financial damage.

The Group performs a comprehensive annual risk assessment exercise involving all senior management teams around the Group to identify, report and evaluate operational risks facing the business and ensure appropriate actions are undertaken to manage these risks.

The Directors have considered whether these risks have changed since the 2012 Annual Report and Accounts were published and in particular whether the Group's exposure to country and currency risk has changed in light of the continued economic uncertainty in certain countries. Geographically, 36% of Group revenue in the first half of 2013 was from the UK and 20% from other European countries. The Group's risk in these locations is mitigated by continued monitoring of business wins and losses, staffing levels and aged debts. The Directors do not consider that the level of risk that the Group is exposed to has increased significantly in the first half of 2013.

Forward looking statements

The interim management report contains certain forward looking statements in respect of Huntsworth plc and the operation of its subsidiaries. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

Review of Financial Results (continued)

Notes to Editors:

1. Huntsworth PLC is a global public relations and healthcare communications group with 73 principal offices across 28 countries. In the first half of 2013 the Group worked for circa 1,770 clients.
2. The Group comprises four divisions: Grayling, Citigate, Red and Huntsworth Health. At 30 June 2013 the Group employed approximately 1,700 staff with an average annual fee income per head of £105,000.
3. By industry sector the revenue profile is broadly 19% Pharmaceuticals; 11% Technology; 15% Healthcare; 10% Financial Services; 9% Retail & Leisure; 6% Government & Public Sector; 5% Food and Drink, 5% Professional Services, 4% Industrial and 16% Other sectors.
4. Geographically, 36% of Group revenue in the first half of 2013 was from the UK; 20% from other European countries; 38% from the US; and 6% from the Rest of the World.
5. The Group's global and multi-office clients represent 50% of revenue.
6. Over 41% of the Group's revenue is derived from companies in the FTSE 100, Fortune 500, FTSEurofirst 300 or Top 50 Pharma Companies.
7. Each of the Group's top 14 clients already have annual committed revenue in excess of £1 million. In the first half of 2013 our largest client represents 3% of revenue with the top 10 clients accounting for 21% and the top 25 clients accounting for 34%.

Condensed Consolidated Income Statement

for the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 £000**	Six months ended 30 June 2012 £000	Audited Year ended 31 December 2012 £000
Turnover		**106,619**	107,055	215,526
Revenue	2	**88,890**	88,205	173,030
Operating expenses – excluding highlighted items		**(76,442)**	(74,522)	(146,483)
Operating expenses – highlighted items	3	**(2,329)**	(2,021)	(3,613)
Operating expenses – total		**(78,771)**	(76,543)	(150,096)
Operating profit before highlighted items	2	**12,448**	13,683	26,547
Highlighted items – operating expenses	3	**(2,329)**	(2,021)	(3,613)
Operating profit		**10,119**	11,662	22,934
Finance income	4	**2**	6	13
Finance costs	4	**(1,809)**	(2,116)	(4,102)
Profit before tax and highlighted items		**10,641**	11,573	22,458
Highlighted items	3	**(2,329)**	(2,021)	(3,613)
Profit before tax		**8,312**	9,552	18,845
Taxation expense	5	**(1,934)**	(1,745)	(3,522)
Profit for the period		**6,378**	7,807	15,323
Attributable to:				
Parent Company's equity shareholders		**6,378**	7,807	15,323
Earnings per share:				
Basic – pence	7	**2.6**	3.2	6.3
Diluted – pence	7	**2.5**	3.1	6.1
Adjusted basic – pence*	7	**3.3**	3.7	7.1
Adjusted diluted – pence*	7	**3.1**	3.5	6.9

*Adjusted basic and diluted earnings per share are calculated based on the profit for the period adjusted for highlighted items and the related tax effects (Note 7).

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2013

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Audited Year ended 31 December 2012 £000
Profit for the period	**6,378**	7,807	15,323
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	**137**	353	487
Movement in valuation of interest rate swaps	**3**	(39)	(43)
Tax expense on interest rate swaps	**(32)**	(77)	(118)
Currency translation movement	**8,879**	(2,185)	(5,841)
Tax credit/(expense) on currency translation differences	**7**	(69)	3
Total items that may be reclassified subsequently to profit or loss	**8,994**	(2,017)	(5,512)
Other comprehensive income and expense for the period	**8,994**	(2,017)	(5,512)
Total comprehensive income and expense for the period	**15,372**	5,790	9,811
Total comprehensive income and expense attributable to:			
Parent Company's equity shareholders	**15,372**	5,790	9,811

Condensed Consolidated Balance Sheet

as at 30 June 2013

	Notes	30 June 2013 £000	30 June 2012 £000	Audited 31 December 2012 £000
Non-current assets				
Intangible assets	8	**302,779**	298,316	293,628
Property, plant and equipment		**5,433**	5,475	5,430
Other receivables		**228**	161	279
Deferred tax assets		**106**	122	92
		308,546	304,074	299,429
Current assets				
Work in progress		**4,904**	4,022	4,041
Trade and other receivables		**53,487**	46,862	43,049
Current tax receivable		**430**	538	190
Derivative financial assets	9	**-**	61	72
Cash and short-term deposits		**4,864**	5,178	4,677
		63,685	56,661	52,029
Current liabilities				
Bank loans and overdrafts	10,12	**(6,102)**	(3,095)	(6,010)
Obligations under finance leases		**(7)**	(10)	(10)
Trade and other payables		**(54,099)**	(51,867)	(48,089)
Derivative financial liabilities	9	**(21)**	(269)	-
Current tax payable		**(1,702)**	(2,657)	(1,967)
Provisions	11	**(6,922)**	(6,469)	(6,502)
		(68,853)	(64,367)	(62,578)
Non-current liabilities				
Bank loans and overdrafts	10	**(67,472)**	(71,160)	(65,156)
Obligations under finance leases		**(2)**	(8)	(3)
Trade and other payables		**(1,018)**	(1,109)	(1,014)
Derivative financial liabilities	9	**(293)**	(292)	(433)
Deferred tax liabilities		**(4,063)**	(1,687)	(2,515)
Provisions	11	**(5,209)**	(11,812)	(5,602)
		(78,057)	(86,068)	(74,723)
Net assets		**225,321**	210,300	214,157
Equity				
Called up share capital		**106,465**	106,385	106,444
Share premium account		**26,936**	26,594	26,942
Merger reserve		**63,136**	64,375	61,966
Foreign currency translation reserve		**27,938**	22,715	19,059
Hedging reserve		**(229)**	(499)	(369)
Treasury shares		**(1,577)**	(2,144)	(2,153)
Investment in own shares		**(4,775)**	(5,102)	(4,775)
Retained earnings		**7,427**	(2,024)	7,043
Equity attributable to equity holders of the parent		**225,321**	210,300	214,157

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 £000**	Six months ended 30 June 2012 £000	Audited Year ended 31 December 2012 £000
Cash(outflow)/inflow from operating activities				
Cash inflow from operations	12(a)	**982**	5,315	23,080
Interest paid		**(1,537)**	(2,087)	(3,791)
Interest received		**2**	6	12
Cash flows from hedging activities		**72**	(43)	(42)
Net current tax paid		**(1,333)**	(919)	(2,212)
Net cash (outflow)/inflow from operating activities		**(1,814)**	2,272	17,047
Cash outflow from investing activities				
Acquisition of subsidiaries, net of cash acquired, and deferred consideration payments		**-**	-	(2,607)
Cost of internally developed intangible assets		**(66)**	(43)	(138)
Purchases of property, plant and equipment		**(1,004)**	(739)	(1,884)
Proceeds from sale of property, plant and equipment		**-**	6	43
Net cash outflow from investing activities		**(1,070)**	(776)	(4,586)
Cash inflow/(outflow) from financing activities				
Purchase of own shares – treasury shares		**-**	(4)	(13)
Proceeds from sale of own shares to settle share options		**346**	-	105
Repayment of finance lease liabilities		**(5)**	(19)	(24)
Net drawdown/(repayment) of borrowings		**2,059**	(1,805)	(5,028)
Dividends paid to equity holders of the parent		**-**	-	(8,034)
Net cash inflow/(outflow) from financing activities		**2,400**	(1,828)	(12,994)
Decrease in cash and cash equivalents		**(484)**	(332)	(533)
Movements in cash and cash equivalents				
Decrease in cash and cash equivalents		**(484)**	(332)	(533)
Effects of exchange rate fluctuations on cash held		**579**	(146)	(361)
Cash and cash equivalents at 1 January		**4,667**	5,561	5,561
Cash and cash equivalents at end of period	12 (d)	**4,762**	5,083	4,667

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2013

	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 Equity £000
At 1 January 2012	**106,385**	**26,594**	**64,375**	**24,900**	**(813)**	**(2,140)**	**(5,338)**	**(3,868)**	**210,095**
Profit for the period	-	-	-	-	-	-	-	7,807	7,807
Other comprehensive income/(expense)	-	-	-	(2,185)	314	-	-	(146)	(2,017)
Total comprehensive income	**-**	**-**	**-**	**(2,185)**	**314**	**-**	**-**	**7,661**	**5,790**
Purchase of own shares	-	-	-	-	-	(4)	-	-	(4)
Settlement of share options	-	-	-	-	-	-	236	(236)	-
Credit for share-based payments	-	-	-	-	-	-	-	247	247
Tax on share based payments	-	-	-	-	-	-	-	135	135
Equity dividends	-	-	-	-	-	-	-	(5,963)	(5,963)
At 30 June 2012	**106,385**	**26,594**	**64,375**	**22,715**	**(499)**	**(2,144)**	**(5,102)**	**(2,024)**	**210,300**
Profit for the period	-	-	-	-	-	-	-	7,516	7,516
Other comprehensive income/(expense)	-	-	-	(3,656)	130	-	-	31	(3,495)
Total comprehensive income	**-**	**-**	**-**	**(3,656)**	**130**	**-**	**-**	**7,547**	**4,021**
Acquisitions of subsidiaries	50	-	2,186	-	-	-	-	-	2,236
Purchase of own shares	-	-	-	-	-	(9)	-	-	(9)
Settlement of share options	-	-	-	-	-	-	327	(222)	105
Charge for share-based payments	-	-	-	-	-	-	-	(346)	(346)
Tax on share based payments	-	-	-	-	-	-	-	(64)	(64)
Share issue costs	-	(16)	-	-	-	-	-	-	(16)
Scrip dividends	9	364	-	-	-	-	-	-	373
Equity dividends	-	-	-	-	-	-	-	(2,443)	(2,443)
Transfers	-	-	(4,595)	-	-	-	-	4,595	-
At 31 December 2012 (audited)	**106,444**	**26,942**	**61,966**	**19,059**	**(369)**	**(2,153)**	**(4,775)**	**7,043**	**214,157**
Profit for the period	-	-	-	-	-	-	-	6,378	6,378
Other comprehensive income/(expense)	-	-	-	8,879	140	-	-	(25)	8,994
Total comprehensive income	**-**	**-**	**-**	**8,879**	**140**	**-**	**-**	**6,353**	**15,372**
Acquisitions of subsidiaries	21	-	1,170	-	-	-	-	-	1,191
Settlement of share options	-	-	-	-	-	576	-	(233)	343
Credit for share-based payments	-	-	-	-	-	-	-	230	230
Tax on share-based payments	-	-	-	-	-	-	-	174	174
Share issue costs	-	(6)	-	-	-	-	-	-	(6)
Equity dividends	-	-	-	-	-	-	-	(6,140)	(6,140)
At 30 June 2013	**106,465**	**26,936**	**63,136**	**27,938**	**(229)**	**(1,577)**	**(4,775)**	**7,427**	**225,321**

Notes to the Financial Statements

for the six months ended 30 June 2013

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, IAS 34 “Interim Financial Reporting” and the Group’s accounting policies.

The Group’s accounting policies are in accordance with International Financial Reporting Standards as adopted by the European Union and are set out in the Group’s Annual Report and Accounts 2012 on pages 52-56, except as noted below. These are consistent with the accounting policies which the Group expects to adopt in its 2013 Annual Report. The Group has not early adopted any Standard, Interpretation or Amendment that has been issued but is not yet effective.

The information relating to the six months ended 30 June 2013 and 30 June 2012 is unaudited and does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The information has however been reviewed by the auditors and their report to the Board of Huntsworth plc is set out on page 28 of this document. The comparative figures for the year ended 31 December 2012 have been extracted from the Group’s Annual Report and Accounts 2012, on which the auditors gave an unmodified opinion and did not include a statement under section 498 (2) or (3) of the Companies Act 2006. The Group Annual Report and Accounts for the year ended 31 December 2012 have been filed with the Registrar of Companies.

Changes in accounting policies

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013:

- IFRS 13 Fair Value Measurement. IFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. The group has included the disclosures required by IAS 34.

The following new standards, amendments to standards and interpretations were also mandatory for the first time for the financial year beginning 1 January 2013, but had no significant impact on the Group:

- IAS 1 (amendment) – Presentation of Items in Other Comprehensive Income (effective for accounting periods beginning on or after 1 July 2012);
- IAS 19 (amendment) Employee Benefits (effective for accounting periods beginning on or after 1 January 2013);
- IFRS 1 (amendment) Government Loans (effective for accounting periods beginning on or after 1 January 2013);
- IFRIC 20 Stripping costs in the Production Phase of a Surface Mine (effective for accounting periods beginning on or after 1 January 2013);
- IFRS 7 (amendment) Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2013);

Going concern

After reviewing the Group’s performance, future forecasted performance and cash flows, and ability to draw down on its facilities and the covenant requirements of those facilities, and after considering the key risks and uncertainties set out on page 9, the Directors consider that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group’s financial statements.

Notes to the Financial Statements continued

for the six months ended 30 June 2013

2. Segmental analysis

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

6 months to 30 June 2013	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Revenue					
Total revenue	12,141	40,437	6,880	29,448	**88,906**
Intra-group eliminations	-	(16)	-	-	**(16)**
Segment revenue	12,141	40,421	6,880	29,448	**88,890**
Segment operating profit before highlighted items	2,514	5,469	1,726	6,203	**15,912**

6 months to 30 June 2012	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Revenue					
Total revenue	11,980	42,944	6,879	26,505	**88,308**
Intra-group eliminations	(41)	(62)	-	-	**(103)**
Segment revenue	11,939	42,882	6,879	26,505	**88,205**
Segment operating profit before highlighted items	2,507	8,662	1,451	5,462	**18,082**

2. Segmental analysis continued

Year ended 31 December 2012	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Revenue					
Total revenue	22,767	83,546	13,878	52,953	**173,144**
Intra-group eliminations	(3)	(110)	-	(1)	**(114)**
Segment revenue	22,764	83,436	13,878	52,952	**173,030**
Segment operating profit before highlighted items	4,191	15,317	2,605	11,462	**33,575**

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

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Segment operating profit before highlighted items	**15,912**	18,082	33,575
Unallocated costs	**(3,464)**	(4,399)	(7,028)
Operating profit before highlighted items	**12,448**	13,683	26,547
Highlighted items	**(2,329)**	(2,021)	(3,613)
Operating profit	**10,119**	11,662	22,934
Net finance costs	**(1,807)**	(2,110)	(4,089)
Profit before tax	**8,312**	9,552	18,845

Notes to the Financial Statements continued

for the six months ended 30 June 2013

3. Highlighted items

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Charged to operating profit			
Amortisation of intangible assets	**813**	2,151	3,924
Restructuring costs	**2,203**	615	840
Litigation costs	**-**	10	156
Acquisition and transaction related credit	**(687)**	(755)	(1,307)
Charged to profit before tax	**2,329**	2,021	3,613
Taxation credit	**(619)**	(919)	(1,639)
Charged to profit for the year	**1,710**	1,102	1,974

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 2 to 20 years depending on the nature of the asset. These are significant non-cash charges which arise as a result of acquisitions.

Restructuring costs

Restructuring costs include severance payments, property and other contract termination costs.

Litigation costs

Litigation costs relate to legal and settlement costs .

Acquisition and transaction related credit

In line with the requirements of IFRS 3 (revised) 'Business Combinations', costs incurred in relation to acquisitions and any adjustments to the fair value of deferred contingent consideration liabilities are taken to the Income Statement rather than being included as part of the cost of investment or as an adjustment to goodwill. The balance in 2013 relates to the revaluation credit of deferred contingent consideration of £0.8 million (refer to Note 11) and an expense of £0.1 million relating to transaction costs incurred in respect of the proposed BlueFocus transaction, announced in April 2013. In 2012, the credit was wholly in respect of adjustments to deferred contingent consideration liabilities.

Taxation

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

4. Finance costs and income

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Bank interest payable	**1,785**	2,083	4,039
Finance lease interest	**4**	4	9
Imputed interest on property and other provisions	**4**	8	12
Imputed interest on deferred consideration	**16**	21	42
Finance costs	**1,809**	2,116	4,102
Bank interest receivable	**-**	(2)	(8)
Other interest receivable	**(2)**	(4)	(5)
Finance income	**(2)**	(6)	(13)
Net finance costs	**1,807**	2,110	4,089

5. Taxation

The tax expense/(credit) for the six months ended 30 June 2013 has been based on an estimated effective tax rate on profit before tax and highlighted items for the full year of 24.0% (year ended 31 December 2012: 23.0%). The tax expense/(credit) is analysed as follows:

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Before highlighted items:			
Current tax	**1,357**	1,392	2,422
Deferred tax	**1,196**	1,272	2,739
	2,553	2,664	5,161
Highlighted items:			
Current tax	**(443)**	(366)	(319)
Deferred tax	**(176)**	(553)	(1,320)
	(619)	(919)	(1,639)
Total:			
Current tax	**914**	1,026	2,103
Deferred tax	**1,020**	719	1,419
Total tax expense	**1,934**	1,745	3,522

The UK's Finance Act 2013 introduced legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014. However as this change was only substantively enacted on 2 July 2013 following the current reporting date, the Group's deferred tax balances have not been updated to reflect this change. The deferred tax balances in the Group's full year results to 31 December 2013 will incorporate this change in tax rate although it is not considered that this will have a significant impact on the Group's full year effective tax rate.

6. Dividends

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Equity dividends on ordinary shares:			
Final dividend for the year ended 2011 – 2.50 pence	**-**	5,693	5,963
Interim dividend for the year ended 2012 – 1.0 pence	**-**	-	2,443
Final dividend for the year ended 2012 – 2.50 pence	**6,140**	-	-
	6,140	5,693	8,406

The final dividend for the year ended 31 December 2012 of 2.50 pence per share was approved by shareholders at the Annual General Meeting on 13 June 2013 and was paid on 5 July 2013. This dividend is included in trade and other payables at 30 June 2013.

The proposed 2013 interim dividend of 1.0 pence per share was approved by the Board on 7 August 2013. The dividend will be paid on 8 November 2013 to those shareholders on the register on 4 October 2013.

7. Earnings per share

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

	Six months ended 30 June 2013		Six months ended 30 June 2012		Year ended 31 December 2012	
	Earnings £000	**Weighted average number of shares 000's**	Earnings £000	Weighted average number of shares 000's	Earnings £000	Weighted average number of shares 000's
Basic	**6,378**	**247,927**	7,807	241,220	15,323	243,585
Diluted	**6,378**	**259,049**	7,807	251,893	15,323	251,674
Adjusted basic	**8,088**	**247,927**	8,909	241,220	17,297	243,585
Adjusted diluted	**8,088**	**259,049**	8,909	251,893	17,297	251,674

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

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

7. Earnings per share continued

Adjusted earnings per share is calculated in order to provide information to shareholders about continuing trading performance and is based on the profit attributable to parent company shareholders excluding highlighted items together with related tax effects as set out below:

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Earnings:			
Profit for the period attributable to the Parent Company's shareholders	**6,378**	7,807	15,323
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**1,710**	1,102	1,974
Adjusted earnings	**8,088**	8,909	17,297

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Number of shares:			
Weighted average number of ordinary shares – basic and adjusted basic	**247,927**	241,220	243,585
Effect of share options in issue	**5,605**	5,652	6,937
Effect of deferred contingent consideration	**5,517**	5,021	1,152
Weighted average number of ordinary shares – diluted and adjusted diluted	**259,049**	251,893	251,674

8. Intangible assets

	Brands	Customer relationships	Goodwill	Intellectual property	Software develop-ment costs	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2013	24,874	29,298	303,070	1,699	951	359,892
Adjustments to prior year acquisitions	-	-	1,132	-	-	1,132
Capitalised development costs	-	-	-	-	66	66
Foreign exchange movement	803	1,270	9,388	77	44	11,582
At 30 June 2013	**25,677**	**30,568**	**313,590**	**1,776**	**1,061**	**372,672**
Amortisation						
At 1 January 2013	19,118	28,539	17,379	595	633	66,264
Charge for the period	244	392	-	176	81	893
Foreign exchange movement	748	1,230	706	30	22	2,736
At 30 June 2013	**20,110**	**30,161**	**18,085**	**801**	**736**	**69,893**
Net book value at 30 June 2013	**5,567**	**407**	**295,505**	**975**	**325**	**302,779**
Net book value at 31 December 2012	5,756	759	285,691	1,104	318	293,628
Net book value at 30 June 2012	6,006	2,160	288,517	1,256	377	298,316

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

The Directors have reassessed the carrying value of intangible assets and are satisfied that no impairment is required as at 30 June 2013.

9. Financial risk management and financial instruments

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's Annual Financial Statements as at 31 December 2012. There have been no changes in the Group's risk management policies since the year end.

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

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

9. Financial risk management and financial instruments continued

Fair value measurement continued

At 30 June 2013	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swaps	–	293	–	293
Foreign exchange cylinder	–	21	–	21
Deferred contingent consideration (Note 11)	–	–	9,649	9,649
	–	**314**	**9,649**	**9,963**

At 31 December 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Average rate foreign currency contract	–	72	–	72
	–	**72**	–	**72**
Financial liabilities				
Interest rate swaps	–	433	–	433
Deferred contingent consideration (Note 11)	–	–	10,110	10,110
	–	**433**	**10,110**	**10,543**

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.

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

10. Bank loans and overdrafts

The Group has a £102 million (year ended 31 December 2012: £105 million) multi-currency facility with Lloyds TSB Bank plc, The Royal Bank of Scotland plc and Clydesdale Bank plc and a £5 million committed overdraft facility with Lloyds TSB Bank plc. During the period, the multi-currency facility reduced by £3 million in accordance with the terms and conditions of the agreement. Both facilities are due to expire in May 2015. The margin payable on the facility is variable between 1.75% and 2.90% depending on the Group's net debt to EBITDA ratio.

Notes to the Financial Statements continued

for the six months ended 30 June 2013

11. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 31 December 2012	10,110	1,718	276	12,104
Arising during the year	1,132	282	927	2,341
Released during the year	(770)	(135)	-	(905)
Foreign exchange movement	352	27	18	397
Utilised	(1,191)	(94)	(541)	(1,826)
Unwind of discount	16	4	-	20
At 30 June 2013	**9,649**	**1,802**	**680**	**12,131**
Current	**5,671**	**571**	**680**	**6,922**
Non-current	**3,978**	**1,231**	**-**	**5,209**

Deferred contingent consideration for acquisitions

Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element, payable in either cash or a combination of cash and shares at the Company's option, that is contingent on the future financial performance of the acquired entity. The Group anticipates settling the deferred consideration provisions over the next four years. The amount arising/(released) in the period represents the change in the estimated earn-out based on the latest financial performance of the acquired businesses. The potential undiscounted amount of future payments that could be required under all outstanding earnout arrangements ranges from £nil to £33.7 million.

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 timing of exiting the leases or to sublet the properties. In general, property provisions are expected to be utilised over a range of one to five years.

Reorganisation and other provisions

This provision relates principally to employee termination benefits. 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 profit to net cash inflow from operations

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Operating profit	**10,119**	11,662	22,934
Depreciation	**1,226**	1,175	2,212
Share option charge/(credit)	**230**	247	(99)
Loss on disposal of property, plant and equipment	**2**	10	8
Amortisation of intangible assets	**893**	2,219	4,086
Unrealised foreign exchange loss/(gain) on hedging instrument	**21**	(18)	(30)
(Increase)/decrease in work in progress	**(835)**	28	9
Increase in debtors	**(7,247)**	(4,452)	(2,653)
(Decrease)/increase in creditors	**(3,084)**	(3,190)	442
Increase in provisions	**(343)**	(2,366)	(3,829)
Net cash inflow from operations	**982**	5,315	23,080

Net cash inflow from operations is analysed as follows:

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Before highlighted items	**2,979**	7,865	26,859
Highlighted items	**(1,997)**	(2,550)	(3,779)
Net cash inflow from operations	**982**	5,315	23,080

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

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Decrease in cash and cash equivalents in the period	**(484)**	(332)	(533)
Cash (inflow)/outflow from debt drawdowns	**(2,059)**	1,805	5,028
Repayment of capital element of finance leases	**5**	19	24
Change in net debt resulting from cash flows	**(2,538)**	1,492	4,519
Amortisation of loan fees	**(258)**	(219)	(439)
Movement in fair value of derivative financial instruments	**47**	377	516
Translation differences	**579**	(146)	(360)
(Increase)/decrease in net debt	**(2,170)**	1,504	4,236
Net debt at beginning of period	**(66,863)**	(71,099)	(71,099)
Net debt at end of period	**(69,033)**	(69,595)	(66,863)

12. Cash flow analysis (continued)

(c) Analysis of net debt

	30 June 2013 £000	30 June 2012 £000	31 December 2012 £000
Cash and short-term deposits	**4,864**	5,178	4,677
Overdrafts (current)	**(102)**	(95)	(10)
Net cash and cash equivalents	**4,762**	5,083	4,667
Bank loans (current)	**(6,000)**	(3,000)	(6,000)
Bank loans and overdrafts (non-current)	**(67,472)**	(71,160)	(65,156)
Derivative financial assets	**-**	61	72
Derivative financial liabilities	**(314)**	(561)	(433)
Obligations under finance leases	**(9)**	(18)	(13)
Net debt	**(69,033)**	(69,595)	(66,863)

(d) Cash and cash equivalents

	30 June 2013 £000	30 June 2012 £000	31 December 2012 £000
Cash and short-term deposits	**4,864**	5,178	4,677
Overdrafts (current)	**(102)**	(95)	(10)
Cash and cash equivalents	**4,762**	5,083	4,667

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 Directors and executive officers. There were no material related party transactions other than the remuneration of key management personnel of £903,000 in the six months ended 30 June 2013 (2012: £1,028,000).

14. Contingent liabilities

As a result of the proposed BlueFocus investment, the group is expecting to incur transaction fees of approximately £2.0m, a portion of which are contingent on the issue of the proposed new shares. All costs which are directly attributable to the share issue will be recorded as a debit to equity.

Independent Review Report

To the Board of Huntsworth plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 14. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
7 August 2013

Statement of Directors' Responsibilities

for the six months ended 30 June 2013

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

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

By order of the Board

Sally Withey
Group Chief Operating Officer and Group Finance Director