HUNTSWORTH

Huntsworth PLC

Audited Preliminary Results

for the year ended 31 December 2006

Successful Transitional Year

Huntsworth PLC, the international Public Relations group, today announces its preliminary results for the year ended 31 December 2006.

Summary

- Continuing revenue £139.7m (2005: £108.3m)
- Underlying operating profit £20.2m (2005: £12.4m)
- Reported operating profit £6.5m (2005: Loss of £30.0m)
- Profit before tax and highlighted items £17.7m (2005: £9.0m)
- Profit after tax and highlighted items £3.0m (2005: Loss of £30.0m)
- Underlying basic earnings per share after cost of new share incentive schemes up 35% to 7.3p (2005: 5.4p)
- Reported basic earnings per share of 1.5p (2005: Loss per share of 20.9p)
- Proposed final dividend of 1.3p per share giving a 12% rise in the total dividend
- £53m of net new business
- Underlying operating margin before central costs and highlighted items for Public Relations businesses of 21.0%, Non Public Relations activities 9.6%. Overall Group operating margin before central costs of 20.0%
- Like-for-like revenue growth from Public Relations businesses up 6.7%, non-Public Relations activities down 16.5%. Overall like-for-like growth of 4.3%
- Like-for-like operating profit growth after central costs of 40.8%
- Cash flow from operating activities before outflows on highlighted items of £26.4m, representing a cash conversion of 130%
- Net debt increased to £38.9m, which is better than management's expectation

Notes:

1. The 2006 underlying results are stated before taking account of highlighted items of £11.1m (post tax). These comprise amortisation and impairment of goodwill and intangible assets and merger, re-structuring and other non-recurring costs.

2. 2005 comparatives have been re-stated for the re-classification of IFRS charges relating to share incentives of £0.6m and imputed interest on deferred consideration £0.2m. These were previously treated as highlighted items but have now been absorbed into underlying profits.

3 Like-for-like revenues include pre-acquisition revenues for all current businesses owned for over one year and exclude M*m*d and Quiller.

Peter Chadlington, Chief Executive of Huntsworth, said:

"This has been a very successful transitional year. Our organic growth gives us confidence for the future and the strategic acquisitions that we made at the end of 2006 are settling in very well. The first two months of trading in our new financial year suggest that we will continue to build on our achievements in 2007."

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A presentation to analysts will take place at 9.00am on 21 March 2007 at the offices of Numis Securities Limited, 5th Floor, 10 Paternoster Square, London, EC4M 7LT.

CHIEF EXECUTIVE'S STATEMENT

The record trading results for 2006 have established a firm base from which Huntsworth can grow in the years ahead.

All the key objectives that were established at the beginning of the year have been met or exceeded:

- 6.7% organic growth in PR businesses
- Operating margins of over 20% in the PR companies
- Cash conversion of profits exceeded 100%
- £53m of net new business recognised in the year
- Group margins after central costs but before share incentives stood at 15.8%
- Net debt below £40m
- Central cost savings better than forecast at the time of the Incepta merger
- 70% of the ongoing PR business on annual retainer or repeat business

Having achieved such a strong platform, what are the priorities and prospects for 2007 and beyond?

Key Success Factors

Firstly, we must continue to build the organic growth across the Group. We can see some parts of our business – Eastern Europe, for example – growing at more than 10% per annum. Growth in other, more established, markets should continue to grow in line with the market at 4% to 5%. As our multinational and multi-client marketing programme gets into full swing we would hope to do significantly better than this over the next two to three years. Overall, we expect annual revenue growth of between 5% and 6%.

Secondly, we remain committed to achieving a 20% operating margin before central costs. The share incentive schemes are a cost of employment and have therefore been embedded in the 2007 budgets for the operating companies. Even after they have been expensed we expect to reach our 20% margin target. During 2006 whilst these costs were not embedded into operating companies they have been fully absorbed in our underlying earnings as well as the imputed interest from earn-outs.

After central costs and the IFRS charges associated with incentive schemes we achieved a margin of 14.5% in 2006 and are targeting a 15% margin going forward.

Thirdly, we aim to continue converting at least 100% of our profit into cash before exceptional cash flows. As the exceptional cash outflows from the Incepta merger decline, we will generate higher levels of free cash flow which can be used to meet earn-outs and reduce debt. 75% of our operating profits are not under earn-out and all of our earn-outs are self financing so that no growth – or a slower than expected increase in incremental profits – in our earn-out companies will result in no, or low, earn-out payments. At the end of the year we had earn-out liabilities of £18.4m payable up to 2009.

These are the three cardinal rules around which the Group is built – challenging but sustainable organic growth targets; sector-leading margins both at operating company and Group level; and consistent conversion of profit into cash.

Completing the Network

Our core strategy is to complete an international network of PR focused agencies which will give us leading positions in key world markets. Most of this work is now done. The acquisition of Dorland in the US in March 2007 increases our presence in the fast growing healthcare market. We have strengthened our business significantly in Central and Eastern Europe over the last couple of years including our acquisition of M*m*d in October 2006.

In 2006 the UK accounted for 48% of our business and Continental Europe 23%, but we see further network opportunities in the US in general PR and in Public Affairs. The US – the largest PR market in the world – accounted for just 26% of our continuing income. In Asia Pacific – which is about 3% of our revenues – we are represented by Citigate and by Grayling. These divisions also have well recognised and highly professional, albeit small, PR businesses in China, Singapore and Hong Kong.

Our policy on acquisitions remains unchanged. We will only acquire businesses where we see a long term strategic fit and clear opportunities for integration and improvement as part of our Group.

Our policy is clear. First, we need to get to know the target companies; then we need to work together; finally we need to make sure that – as a result of working together – the new partner shares not only our professional aspirations but also our financial disciplines.

Winning and Building Client Relationships

The absolute key to our success is winning more business from blue chip clients. We have an outstanding list of over 2,700 clients.

11% of the Group revenue was earned by two or more Group companies working together and 266 of our clients, representing 35% of our group revenue, were served by more than one type of public relations practice. This demonstrates our increasing ability to drive revenues across our network, but we can do more. We have established a central marketing group whose terms of reference are to ensure that our clients fully appreciate Huntsworth's geographic reach and the breadth of PR skills and services which are now available through our network.

Our Non-PR Businesses

Our non-PR businesses now represent 8.5% of our revenues. These businesses are characterised by a stronger reliance on project income than our PR companies and are more dependent on the economic cycle, which means that revenue and margin growth is less predictable. Like-for-like revenues were down 16.5% in 2006 and margins were 9.6%, clearly some way below our performance targets for the Group. However, all of our non-PR businesses are now profitable, have stable and proven management and financial controls as good as any other part of our Group.

In 2007 we expect all our non-PR businesses to contribute double digit profit margins and have strong cash conversion.

Keeping the Key People

Without the best people, a public relations company lacks the vital competitive edge. That is why we have a director on the PLC Board, Tracey Reid, whose task it is to ensure that our people – how they are recruited, inducted into the business, financially rewarded and developed – are a central focus of the Group Board. We now have a number of leadership and business skills programmes running across the UK and Europe, complementing our internal PR training programmes and aimed at both broadening and improving the skill sets of our people.

The success we have had in 2006 – against the backdrop of a very challenging transitional year for the Group – has been the result of support from our loyal clients, patience from shareholders and the skills of our Huntsworth professionals around the world.

I would like to thank the more than 1,650 people who are now part of Huntsworth who, through their hard work and dedication, have contributed to another record year for the Group.

Outlook

2006 was a transitional year. We have reached all our targets and Huntsworth is in robust shape. 2007 has started well and the new business book is strong. All our companies reporting a very high level of new business enquiries - and we are confident that the focus of our business, and the breadth of our PR skills and geography, should all contribute to a continued strong performance.

Peter Chadlington
Chief Executive
21 March 2007

REVIEW OF FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS

	2006 £m		2005 £m	
Revenue				
Public Relations	127.9		94.9	
Non-Public Relations	11.8		13.4	
Total Operations	139.7		108.3	
Operating Profit		**Margin**		**Margin**
Public Relations	26.8	21.0%	18.2	19.2%
Non-Public Relations	1.2	9.6%	1.9	14.2%
Total Operations	28.0	20.0%	20.1	18.6%
Central Costs	(5.9)		(7.1)	
Share Incentives	(1.9)		(0.6)	
Underlying Operating Profit	20.2	14.5%	12.4	11.4%
Highlighted Items	(13.7)		(42.4)	
Reported Operating Profit	6.5		(30.0)	
Adjusted Basic EPS	7.3p		5.4p	
Reported Basic EPS	1.5p		(20.9)p	

Notes:

2005 comparatives have been re-stated for the re-classification of IFRS charges relating to share incentives of £0.6m and imputed interest on deferred consideration £0.2m. These were previously treated as highlighted items but have now been absorbed into underlying profits.

Continuing revenue of £139.7m includes a full 12 months of contribution from the continuing operations acquired through the merger of Huntsworth and Incepta (2005 comparatives include eight months of contribution from continuing Incepta businesses).

Revenue and Profits

Revenues for the year ended 31 December 2006 increased by 29% to £139.7m (2005: £108.3m). On a like-for-like basis, revenue growth from Public Relations businesses was up 6.7% and non-Public Relations activities down 16.5%, giving an overall like-for-like growth of 4.3%.

Operating profits before central costs and highlighted items were £28.0m (2005: £20.1m). Like-for-like operating profit growth before central costs and highlighted items was 10.5%.

Like-for-like operating profit growth after central costs but before highlighted items was 40.8%.

Underlying operating profit (after central costs) for the year was £20.2m (2005: £12.4m). This is stated before highlighted items of £13.7m comprising amortisation and impairment of goodwill and intangible assets and merger, restructuring and non-recurring costs to give statutory reported operating profit of £6.5m (2005: operating loss of £30.0m).

Profit before tax and highlighted items was £17.7m (2005: £9.0m)

Underlying operating margins (before central costs and highlighted items) were 21.0% for Public Relations businesses, 9.6% for Non Public Relations activities and 20.0% overall.

IFRS non-cash charges of £1.9m in respect of share incentives were taken into underlying profits for the first time in 2006. Had we not taken this charge into underlying profits we would have shown profit before tax and highlighted items of £19.6m and an underlying basic earnings per share of 8.2p, 12% ahead of our reported figure. We expect the charges for granted share incentives to be approximately £2.7m in 2007, the bulk of which will be absorbed into the operating companies. We expect to reach our target Group operating margin of 20% (before central costs) even after taking this charge.

Underlying operating margin before highlighted items but after central costs was 14.5%. (2005: 11.4%). Before share incentive charges which were absorbed at the centre in 2006, the underlying operating margin was 15.8% (2005: 12.0%). Our target Group operating margin after central costs is 15.0%.

Highlighted Items

Highlighted items of £13.7m before tax comprise £4.1m for the amortisation of intangibles, £3.7m for the impairment of goodwill in respect of Citigate Sard Verbinnen ("CSV"), £4.2m of other impairment of goodwill (principally in respect of Citigate Demuth), and restructuring and non-recurring costs of £1.7m.

In February 2006 we reached an agreement to sell 51% of CSV to certain executives of the company on 1 January 2007 for $2.5m (£1.4m). The remaining 49% will be acquired no later than 31 December 2009 for a total cash consideration of not less than $17.5m (such amounts to total $20m in present value terms as at 1 January 2006). These amounts will be reduced by the amount of cash distributions from CSV since 1 January 2006.

In 2006, the Group income statement includes the trading results of CSV together with an equal and opposite charge for the impairment of goodwill. The assets and liabilities of CSV, together with related goodwill, are shown in the Group balance sheet as assets and liabilities held for sale respectively and are valued at the remaining net recoverable amount expected from the disposal transaction which equated to £7.9m as at 31 December 2006.

From 2007, after the disposal of the Group's 51% interest, CSV will be accounted for as an associate. The Group income statement will show the Group's share of CSV profits earned in each year offset by an equal and opposite charge for the impairment of the remaining related goodwill balance.

In March 2007 we sold Citigate Demuth, predominately an advertising business, to Media Square plc for the value of the net tangible assets. The disposal of Demuth continues Huntsworth's strategy to sell non-core subsidiaries leaving the Group to pursue its focused international public relations strategy.

Net restructuring and non-recurring costs for the Group in 2006 amounted to £1.7m. Of this amount, £0.9m was in respect of the launch of Huntsworth Health, unifying the branding of the Group's healthcare communications businesses, and £0.6m was for aborted acquisition costs.

Head Office

Core central costs were £5.9m in 2006, within our target of £6.0m. Total central costs of £7.8m include Group share incentive charges of £1.9m.

Earnings

Underlying profits attributable to ordinary shareholders amounted to £13.9m (2005: £2.4m). Underlying continuing basic earnings per share were up 35% to 7.3p (2005: 5.4p). Unadjusted continuing basic earnings per share were 1.5p (2005: loss per share of 20.9p) and continuing diluted earnings per share were 1.4p (2005: loss per share of 20.9p).

Dividends

The Board will propose at the forthcoming AGM on 12 June 2007 a final dividend of 1.3 pence per share, which will provide an increased total dividend of 1.9 pence. The record date for this dividend will be 1 June 2007 and it is payable on 6 July 2007. A scrip dividend alternative will also be available.

Balance Sheet and Cash Flow

The cash flow from underlying operating activities of £26.4m represents a cash conversion of 130% which exceeds our target of 100%. This is before an £8.2m cash impact relating to highlighted items, mainly provided for in prior years. These primarily relate to the merger with Incepta and are expected to reduce significantly in 2007.

Other principal movements in net debt during the year were payments for net interest, tax and tangible fixed assets of £6.4m, acquisitions, disposals and earn out payments of £20.7m, dividends payable of £3.4m and purchase of shares for share incentive schemes of £3.3m, resulting in an overall increase in net debt of £15.5m, from £23.4m to £38.9m.

Huntsworth has committed unsecured term, overdraft and guarantee facilities totalling £80m in place until April 2008. EBITDA interest cover (excluding highlighted items) was 8.6 times.

Tax

The tax charge of £1.0m gives a full year rate of 25% and comprises an underlying tax charge of £3.6m less £2.6m for tax credits on highlighted items. The underlying charge includes a credit of £1.0m for non-recurring items and prior year adjustments, without which the underlying rate would have been 26%. Whilst we continue to benefit from our US tax losses, underlying tax as a percentage of profits is likely to increase towards approximately 28% in 2007.

Earn-out Payments

Future earn-out payments are estimated at £18.4m, comprising £10.3m payable in cash or in shares at Huntsworth's option, £3.1m in shares and £5.0m in cash. The timing of the aggregate of these payments is £9.8m in 2007, £1.9m in 2008 and £6.7m in 2009.

REVIEW OF OPERATIONS

Full Service Public Relations

Our full service agencies – EHPR, Grayling, Harrison Cowley, Haslimann Taylor, SCPR, The Red Consultancy, Trimedia and Citigate Cunningham had a successful year with like-for-like revenues growing by 3.7% against a backdrop of stable economic conditions across Europe and continued strong economic growth in Asia.

The UK is especially competitive but it is also a market in which clients are investing increasing amounts of budget. Importantly, PR is no longer an add-on in the wake of advertising. It is increasingly seen as key to any effective marketing campaign, and in some instances is the lead discipline.

Successful new business pitches added some high profile names to our client list. The Red Consultancy landed work for John Lewis Partnership and the Football Association. Harrison Cowley was appointed by Anheuser-Busch Europe for PR support across its portfolio of famous brands including Budweiser and Michelob. In addition they successfully pitched for Mornflake, part of Morning Foods, to support its cereal brands and Ordnance Survey to drive customers to the retail environment and the e-channel. EHPR secured consumer work from Wilkinson Sword shaving brands and SCPR won high profile fashion house Joseph. Grayling's integrated PR and Public Affairs offer proved successful in the corporate communications sector and clients buying this powerful combination included RHM, English Heritage and Royal Mint.

The Group's work in the public sector delivered a number of high profile contracts. The Department for Culture, Media and Sport appointed Harrison Cowley to support digital switchover amongst vulnerable audiences. The Department of Work and Pensions awarded The Red Consultancy a three year campaign to deter current and potential benefit fraud and three Huntsworth agencies – Grayling, Harrison Cowley and The Red Consultancy succeeded in winning a place on the Department of Health's roster.

Margins in our mainland European companies improved from 17.5% in 2005 to 18.8% in 2006. Trimedia, our network in 11 European countries, continued to make solid progress as a result of the company changing its mix of business and moving higher up the value chain. Early in the year we strengthened our position in the French market with the acquisition of Eurotandem that has now merged with Trimedia France. In October we completed the important acquisition of M*m*d, the leading full service public relations and public affairs company with 180 staff in 18 offices in Central and Eastern Europe, Russia and Eurasia. This now gives Huntsworth the most comprehensive geographic coverage of any PR network in Europe.

As a result Microsoft Online Services Group, which already works with The Red Consultancy, has appointed Trimedia and M*m*d to handle marketing PR activity across seven emerging European markets for its MSN and Windows Live brands. Swiss energy company ATEL now utilises Trimedia not only in Switzerland and Spain but also M*m*d in Czech Republic, Hungary and Poland. In 2006 M*m*d expanded its relationship with easyJet, as the leading low-cost airline entered a number of new territories. The partnership has grown to cover a total of nine countries, with Turkey and Croatia added in the last six months. M*m*d has also been working with Lenovo since the company acquired the personal computer division from IBM in 2005. This work has extended to seven countries including Czech Republic, Hungary, Poland, Slovakia, Croatia and Russia.

Grayling's Brussels consultancy achieved strong growth in revenue and profitability in a highly competitive market. Among notable client wins was the appointment by

Transfrigoroute International, the international transport trade body of perishable foodstuffs, to act as its secretariat, as well as PR and Public Affairs advisor.

In Asia, Grayling won the Diageo corporate PR business and has since extended this remit to include brands such as The Singleton of Glen Ord and Johnnie Walker. An office was opened in Bangkok to support our regional appointment by British Airways, while Grayling Hong Kong carried out a number of assignments on behalf of Thomson Scientific.

In the US, Citigate Cunningham, our leading technology agency, enjoyed healthy revenue growth with significant new business wins including NewStar, SurfControl, InterSense, Consumer Direct and Sybase 365.

Financial and Corporate Communications and Public Affairs

2006 was the biggest year for corporate activity since the height of the dotcom boom of 2000, both as far as mergers and acquisitions were concerned and investment in marketing and public relations, and saw our like-for-like revenues grow by 9.7%.

Citigate Dewe Rogerson ("CDR") benefited from this renewed confidence, reinforcing its position as a top three ranked public relations adviser for mergers and acquisitions in Europe and ranked number one in the world for advising private equity companies (source: mergermarket 2006) and establishing relationships with major companies to build their corporate brands and launch new products and services.

CDR worked on some of the most high profile and challenging transactions, both domestically and internationally, from Ferrovial's acquisition of BAA to the IPO of QinetiQ, the acquisition of Scottish Power by Iberdrola and advising the management of ITV as it addressed two unsolicited approaches.

Citigate has a pre-eminent position globally as an adviser to a broad range of private equity firms and their portfolio companies. In 2006 Citigate First Financial, our Amsterdam-based firm advised on Europe's biggest private equity transaction, the €8.3bn acquisition of Phillips Semiconductors by a consortium-led by KKR.

Working for private equity firms in Germany, UK, France and the Netherlands resulted in CDR being ranked as the number one global PR adviser in private equity transactions in 2006, acting in 119 deals totalling £135.5bn (source: mergermarket 2006).

New client wins in the corporate division included Abbey, Branston, Deutsche Börse, The AA and Unilever. CDR London won the 2006 PR Week "Best Financial Campaign" for Axa Avenue, an innovative campaign which was the UK's first financial social experiment.

In Hong Kong, Citigate Dewe Rogerson was communications advisor to Bank of China in the world's fourth largest IPO, which raised US $11bn. The team then advised Industrial and Commercial Bank of China on the world's largest IPO raising US$21.9bn. This high profile IPO was the first simultaneous dual listing on the Hong Kong and Shanghai Stock Exchanges. The success of ICBC's offering and communication with investors was recognised with a number of high profile awards, including Deal of the Year by Finance Asia magazine. On the corporate side, the team won retainers to support Cazenove across Asia Pacific and Oaktree Capital.

Hudson Sandler advised on M&A transactions worth £23.6bn across the year (source: Zephus). Deals included advising PAI Partners on their acquisition of United Biscuits and Lafarge, Stanley Leisure on an offer from Genting, First Choice Holidays on the acquisition of Late Rooms and Isotron on a unilateral offer from Synergy Healthcare. Hudson Sandler acquired Quiller in October 2006 which broadens their offer to span financial and corporate PR, Investor Relations and Public Affairs. Combining the complementary expertise of Hudson Sandler and Quiller has created significant new business development opportunities with the combined offer already winning new mandates in the shipping, insurance and financial services sectors. This broader offer has also created opportunities to expand our support with existing clients.

The Global Consulting Group saw an expansion of the relationship with major Russian oil company Lukoil. In addition they landed new assignments from Shiffrin & Barroway, a major US law firm, Chinese autoparts manufacturer Autoparts, Bank Hapoalim, the largest Israeli bank and Harrah's Entertainment. The firm represented Freescale Semiconductor, the world's largest leveraged buy-out (US$17.6bn) and Vonage Holdings, the largest technology IPO.

Healthcare Communications

Huntsworth has always been committed to an integrated healthcare offering. We acquired PBC, a successful healthcare advertising business headed by David Rowley in 2001. Since then the Healthcare group has grown to include VB Communications (advertising) and Avenue HKM (PR) in 2004 and Context Research International and Brand Health International in 2005 to give the group a complete healthcare offering in the UK. Healthcare PR revenues grew by 9.6% in 2006. In 2007, with the acquisition of Dorland, we have shifted to a global presence in order to address client needs.

Huntsworth's healthcare strategy since inception has been to build an integrated communications business that offers a breadth of service to clients, encompassing PR, advertising, medical education and market research in the Pharmaceutical, Biotech, Diagnostic and Device sectors. 2006 was a year of significant change, as the individual businesses were all brought together under the 'Huntsworth Health' brand, with one management team and one core vision.

The new approach was launched in September, and the response from the market has been positive. We are increasingly providing a range of services to individual clients, delivering much more integration across disciplines, which significantly improves the revenue per client. Over 35% of clients now use more than one communication discipline from the Huntsworth Health stable, and new clients are choosing us on the basis of this integrated approach.

This combined strength now makes Huntsworth Health the largest integrated healthcare agency in the UK, but with strengths that makes it a top five player in the individual disciplines of PR, medical education and advertising. The business continues to win top industry awards, with 'Best Professional' campaign won for work on behalf of Servier, whilst 'Advertisement of the Year' at the Pharmaceutical Marketing Society awards was won for Prostrakan. A 'highly commended' for 'Innovation in New Media' on behalf of Baxter was also testament to our growing new media presence across all disciplines.

In addition, we topped the healthcare category at Europe's Premier International Creative Awards for work on behalf of Boehringer Ingelheim. These awards were pan-European and highlight the significant strides taken across Europe during 2006, particularly post-integration. In working with Trimedia our European network, we have won assignments from a number of European clients including Sanofi-Aventis, Roche Diagnostics and Archimedes Pharma, on top of UK focused assignments from Schering Plough, Wyeth, GSK, IMS, Abacus and Quintiles.

The acquisition of Dorland in March 2007 extends the reach of Huntsworth Health into the largest healthcare market in the world where many major pharmaceutical companies are headquartered. Dorland offers advertising, medical education, and public and professional relations services, which mirror and extend the services that Huntsworth Health provides.

Non-PR Business – Events

Our non-PR events businesses – Grayling's RS Live and Park Avenue in the UK and Broadstreet in the US – had a difficult year in 2006.

In the UK, after two record years in 2004 and 2005, the new business pipeline became weak as a result of significant tightening in UK public spending. A major restructuring was carried out mid-year, RS Live and Park Avenue were merged and significant cost reductions were achieved. The commercial offer is now impressive and enabled Grayling Events to win the launch of Dr Stanley Ho's new flagship casino, Grand Lisboa, in Macau in February 2007 on behalf of Sociedade de Jogos de Macau.

In the US, Broadstreet focuses on events management, interactive services (new media and video) and learning and performance improvement solutions.

Broadstreet was placed in the Group's recovery programme in early 2006. A re-structuring was carried out, assigning a new management team and introducing new financial and project management processes. As a result, the company has delivered revenue growth of 9% and a significant net profit and margin increase over the previous year. Growth in the year came from the consumer, media and entertainment and financial service business sector. Key wins included an all-employee meeting on behalf of Reebok Inc; events support for Diageo Global Leadership Forums and an Advertising Sales Event on behalf of ESPN, America's premier sports news and programming provider. Broadstreet was the recipient of three Telly Awards – a prestigious US events industry awards programme honouring the finest in video and film production – for work conducted on behalf of Diageo USA and Time-Warner Inc.

Margins for our non-PR businesses were 9.6%. However, we expect to achieve double digit margins in 2007.

New Media

New media has been a major driver of our growth in all businesses in the healthcare, financial, consumer and corporate sectors. Huntsworth companies are helping organisations navigate through the challenges of the new media landscape using social networking channels such as blogging and podcasting together with the next stage of innovative PR products and services.

We have developed techniques to respond to the challenge of reaching targeted stakeholder groups. We also provide comprehensive monitoring and early warning processes for organisations within their reputation management programmes.

In our full service agencies nearly 30% of output is focused on targeting new media. We are seeing a sharp acceleration in this trend as web 2.0 begins to shape the communications landscape. We are also seeing mobi work begin to increase as the new generation of mobile phone applications gathers momentum.

The Red Consultancy created a specialist new media division during 2006. Named Shiny Red, it is a joint operation with Shiny Media, the UK's leading commercial blogging company. Clients already engaged by this division include Nokia, MSN and Yell.com Mobile.

Huntsworth Health is pioneering the use of new media in the healthcare sector. One specific area is the use of tablet PC technology to help support client sales activities. During 2006 several clients utilised this technology, including Biogen, Boehringer Ingelheim and Baxter, the latter programme being highly commended for innovation at the Pharmaceutical Marketing Awards. In addition, Huntsworth Health's new media business has created several patient and healthcare professional websites winning the prestigious "Chairman's Award" from Pfizer highlighting excellence in marketing practice.

In the US, Citigate Cunningham launched its "Total Media Practice" which uses all the tools of social media to manage the interplay of stories between old and new media.

Driving Revenue Across Our Network

As the Huntsworth network strengthens we continue to enjoy higher levels of international business and 2006 saw increasing examples of Group companies cross-referring business within the network, with 11% of Group revenue earned by two or more Group companies working together.

We have expanded our relationship with North American client E*TRADE FINANCIAL and now provide public relations support across Europe, the Middle East and Asia. We have also expanded our relationship with Symantec, a client in Germany and Austria, into Italy; Gazeley, the UK headquartered logistics space company, has extended its remit with us from Germany to now include France and Spain and Trimedia's relationship with Extreme Networks has also grown from France into Benelux and Spain. The Red Consultancy has partnered with the Harrison Cowley network on McDonald's UK and Trimedia was awarded the 13 country PR programme for COLT Telecom Group plc. The International Confederation of Societies of Authors and Composers (CISAC) has appointed Trimedia to develop and implement their international PR strategy. Co-ordinated by Trimedia France and implemented locally by Trimedia's network, the programme aims to improve CISAC's visibility and recognition in the industry.

266 clients representing 35% of our revenue were served by more than one type of work.

Awards

Best practice is a core principle driving every business within the Huntsworth Group. Our companies were recognised and honoured in over 70 prestigious industry awards worldwide in 2006 demonstrating their leadership in the disciplines and markets in which they operate.

These high profile accolades include success in the PRWeek Awards with CDR winning Best Financial Campaign for Axa Avenue – the UK's first financial social experiment and Best Consumer Campaign being awarded to The Red Consultancy for AA's Car Park Stars campaign. Harrison Cowley won Best Consumer PR campaign in Gramia (Grocery Advertising and Marketing Industry Awards) for the British Cheese Board Cheese and Dreams Programme and a Gold Marketing Society Awards for Excellence in the Cause Related Marketing category for BT's partnership with the Disasters Emergency Committee for the Tsunami Appeal.

In Asia, Grayling won Best Mid Sized Network of the Year in the PRWeek Awards, while The Red Consultancy secured Best European Public Sector campaign for The Home Office in the International SABRE Awards. SCPR has won a prestigious Arts and Business Award for their client Max Mara for the Max Mara Arts Prize for Women, which the agency devised and launched in 2006.

Huntsworth Health landed four awards for Excellence in the Rx Club Awards and four in the Pharmaceutical Marketing Effectiveness Awards. In addition, they topped the healthcare category at Europe's premier international creative awards for work on behalf of Boehringer Ingelheim.

Recognition has gone beyond campaigns on behalf of clients. Trimedia was recognised in the "Sunday Times 100 Best Companies to Work For" and by The Holmes Report as the Best Full Service Agency in Europe.

Notes to Editors:

1. Huntsworth PLC is an international Public Relations group which is rooted in local excellence. The Group has 60 principal offices in 30 countries, over 2,700 clients and provides services to 39 companies in the FTSE 100, 142 in the Fortune 500, and 111 in the Eurotop 300.

2. The Group comprises some of the world's leading Public Relations agencies including Citigate Dewe Rogerson, Grayling, Hudson Sandler, Red and Trimedia in three core sectors: Full Service Public Relations; Financial and Corporate Communications and Public Affairs; and Healthcare Communications. The Group employs over 1,650 staff with an average fee income per head of £96,000.

3. Group revenue comprises the following key areas of activity: Corporate Communications and Public Affairs accounts for 28%; Full service Public Relations work accounts for 25% of Group revenue; Financial Non deal lead Public Relations work is 24%; 10% is in Financial deal lead Public Relations; 10% is Healthcare and 3% is in non-Public Relations activities.

4. The major industry sectors served by Huntsworth include Financial Services, representing 14% of revenues; Pharmaceutical and Health, representing 15%; Information Technology 13%; Retail and Leisure 8% and Food and Drink 8%.

5. Geographically, 48% of Group revenue in 2006 was from the UK, 26% from the US, 23% from other European countries and 3% from the Rest of the World. Operating margins for the year ended 31 December 2006 were 21.3% in the UK, 18.8% in Europe, 18.5% in the US and 21.4% in the Rest of the World.

6. The Group now represents 226 clients in more than one country (2005:188) and 202 clients are serviced by more than one of our brands (2005:118). The largest client represents 1.3% of continuing revenue with the top 10 clients accounting for 7.8% and the top 25 clients 15.0%. Average fee income per client is £51,000. 11% of revenues were earned through companies working together with other group companies.

7. Shareholdings of Directors, employees and employee trusts represent approximately 12% of the Group's issued share capital while institutional shareholdings comprise 73%. In February 2007, the top 10 institutional shareholders of Huntsworth held in aggregate approximately 58% of Huntsworth's issued share capital.

Consolidated income statement
for the year ended 31 December 2006

		2006			As restated* 2005		
		Before highlighted items	**Highlighted items (Note 5)**	**Total**	Before highlighted items	Highlighted items (Note 5)	Total
Continuing operations	Notes	**£000**	**£000**	**£000**	£000	£000	£000
Turnover		**192,323**	**—**	**192,323**	154,872	—	154,872
Revenue	4	**139,747**	**—**	**139,747**	108,347	—	108,347
Operating expenses		**(119,526)**	**(13,722)**	**(133,248)**	(95,995)	(42,382)	(138,377)
Operating profit/(loss)	4	**20,221**	**(13,722)**	**6,499**	12,352	(42,382)	(30,030)
Share of post tax profit of associates	4	**131**	**—**	**131**	142	—	142
Profit/(loss) before interest and taxation		**20,352**	**(13,722)**	**6,630**	12,494	(42,382)	(29,888)
Finance income	6	**298**	**—**	**298**	260	450	710
Finance costs	6	**(2,939)**	**—**	**(2,939)**	(3,753)	—	(3,753)
Profit/(loss) from continuing operations before tax		**17,711**	**(13,722)**	**3,989**	9,001	(41,932)	(32,931)
Taxation (charge)/credit		**(3,571)**	**2,585**	**(986)**	(543)	3,490	2,947
Profit/(loss) for the year from continuing operations		**14,140**	**(11,137)**	**3,003**	8,458	(38,442)	(29,984)
Loss from discontinued operations		**—**	**—**	**—**	(5,451)	—	(5,451)
Profit/(loss) for the year		**14,140**	**(11,137)**	**3,003**	3,007	(38,442)	(35,435)
Attributable to:							
Parent company's equity shareholders		**13,931**	**(11,137)**	**2,794**	2,408	(38,442)	(36,034)
Minority interests		**209**	**—**	**209**	599	—	599
		14,140	**(11,137)**	**3,003**	3,007	(38,442)	(35,435)
Earnings/(loss) per share from continuing operations:							
Basic – pence	8			**1.5**			(20.9)
Diluted – pence	8			**1.4**			(20.9)
Adjusted basic – pence**	8			**7.3**			5.4
Adjusted diluted – pence**	8			**7.1**			5.2
Earnings/(loss) per share from continuing and discontinued operations:							
Basic – pence	8			**1.5**			(24.6)
Diluted – pence	8			**1.4**			(24.6)

* Restated for the changes of presentation detailed in Note 2.
** Adjusted basic and diluted earnings per share from continuing operations are calculated based on profit/(loss) for the year from continuing operations, adjusted for highlighted items charged to continuing operations and the related tax effects (Note 8).

Consolidated balance sheet
as at 31 December 2006

	Notes	**2006 £000**	2005 £000
Non-current assets			
Intangible assets	9	**212,796**	194,641
Property, plant and equipment		**5,403**	7,148
Investment in associates		**224**	238
Deferred tax		**2,654**	3,316
		221,077	205,343
Current assets			
Work in progress		**1,381**	1,277
Trade and other receivables		**43,728**	45,326
Cash and short term deposits	10(d)	**10,439**	9,277
		55,548	55,880
Assets held for sale		**9,598**	—
Current liabilities			
Bank loans and overdrafts	10(d)	**(101)**	(126)
Loan notes payable	10(c)	**—**	(2,790)
Obligations under finance leases	10(c)	**(30)**	(142)
Trade and other payables		**(48,502)**	(46,419)
Corporation tax payable		**(7,632)**	(7,074)
Provisions		**(17,148)**	(13,470)
		(73,413)	(70,021)
Non-current liabilities			
Bank loans and overdrafts	10(c)	**(49,070)**	(29,373)
Obligations under finance leases	10(c)	**(116)**	(224)
Provisions		**(12,700)**	(11,753)
Trade and other payables		**(429)**	(6,399)
Deferred tax liabilities		**(6,806)**	(6,239)
		(69,121)	(53,988)
Liabilities held for sale		**(1,688)**	—
Net assets		**142,001**	137,214
Equity			
Called up share capital		**101,775**	96,070
Share premium account		**23,162**	22,921
Merger reserve		**48,088**	73,729
Foreign currency translation reserve		**(3,670)**	2,710
Investment in own shares		**(4,000)**	(691)
Potential acquisition of minority interests		—	(4,168)
Retained earnings		**(24,511)**	(54,545)
Equity attributable to equity holders of the parent		**140,844**	136,026
Minority interests		**1,157**	1,188
Total equity		**142,001**	137,214

Consolidated cash flow statement
for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Cash inflow from operating activities			
Cash inflow from operations	10(a)	**18,167**	11,604
Interest paid		**(2,437)**	(3,750)
Interest received		**298**	248
Corporation tax paid		**(2,281)**	(1,877)
Net cash inflow from operating activities		**13,747**	6,225
Cash (outflow)/inflow from investing activities			
Acquisitions of subsidiaries		**(18,197)**	(7,956)
Special dividend paid to Incepta shareholders		**—**	(2,100)
Disposal of subsidiaries		**(1,271)**	53,817
Acquisition of minority interest		**(3,711)**	—
Disposal of minority interest		**78**	—
Purchases of property, plant and equipment		**(2,713)**	(3,649)
Proceeds from sale of property, plant and equipment		**694**	186
Proceeds from sale of fixed asset investments		**—**	55
Dividends received from associates		**146**	—
Net cash acquired with subsidiaries		**2,516**	25,920
Net cash disposed of with subsidiaries		**(83)**	(512)
Net cash (outflow)/inflow from investing activities		**(22,541)**	65,761
Cash inflow/(outflow) from financing activities			
Proceeds from issue of ordinary shares		**361**	62
Purchase of own shares		**(3,626)**	—
Proceeds from sale of own shares to employees		**317**	—
Repayment of finance lease liabilities		**(218)**	(199)
Repayment of loan notes		**(2,760)**	(5,636)
Net drawdown/(repayment) of borrowings		**19,774**	(58,048)
Dividends paid to minority interests		**(326)**	(163)
Dividends paid to equity holders of the parent		**(3,058)**	(1,231)
Net cash inflow/(outflow) from financing activities		**10,464**	(65,215)
Increase in cash and cash equivalents		**1,670**	6,771
Movements in cash and cash equivalents			
Increase in cash and cash equivalents		**1,670**	6,771
Effects of exchange rate fluctuations on cash held		**(496)**	(252)
Cash and cash equivalents at 1 January		**9,151**	2,632
Cash and cash equivalents at 31 December	10(c),(d)	**10,325**	9,151

Consolidated statement of changes in equity for the year ended 31 December 2006

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Investment in own shares £000	Potential acquisition of minority interest £000	Retained earnings £000	Total £000	Minority interests £000	Total equity £000
At 1 January 2005	30,444	23,615	7,902	(183)	(8)	—	(18,388)	43,382	699	44,081
Impact of adoption of IAS 32 and IAS 39 on 1 January 2005	—	—	—	—	—	(4,168)	—	(4,168)	—	(4,168)
Currency translation differences	—	—	—	2,893	—	—	—	2,893	(4)	2,889
Total income and expense recognised in equity for the year	—	—	—	2,893	—	—	—	2,893	(4)	2,889
Profit for the year	—	—	—	—	—	—	(36,034)	(36,034)	599	(35,435)
Total recognised income and expense for the year	—	—	—	2,893	—	—	(36,034)	(33,141)	595	(32,546)
Shares issued for cash	50	12	—	—	—	—	—	62	—	62
Acquisitions of subsidiaries	65,556	—	65,827	—	—	—	—	131,383	240	131,623
Disposal of minority interests	—	—	—	—	—	—	—	—	(183)	(183)
Purchase of own shares	—	—	—	—	(683)	—	—	(683)	—	(683)
Share issue costs	—	(721)	—	—	—	—	—	(721)	—	(721)
Credit for share-based payments	—	—	—	—	—	—	1,164	1,164	—	1,164
Deferred tax on share-based payments	—	—	—	—	—	—	(21)	(21)	—	(21)
Scrip dividend	20	15	—	—	—	—	(35)	—	—	—
Equity dividends	—	—	—	—	—	—	(1,231)	(1,231)	—	(1,231)
Dividends to minority interests	—	—	—	—	—	—	—	—	(163)	(163)
Balance at 1 January 2006	96,070	22,921	73,729	2,710	(691)	(4,168)	(54,545)	136,026	1,188	137,214
Currency translation differences	—	—	—	(6,380)	—	—	—	(6,380)	—	(6,380)
Total income and expense recognised in equity for the year	—	—	—	(6,380)	—	—	—	(6,380)	—	(6,380)
Profit for the year	—	—	—	—	—	—	2,794	2,794	209	3,003
Total recognised income and expense for the year	—	—	—	(6,380)	—	—	2,794	(3,586)	209	(3,377)
Transfer from merger reserve	—	—	(29,901)	—	—	—	29,901	—	—	—
Shares issued for cash	299	62	—	—	—	—	—	361	—	361
Acquisitions of subsidiaries	5,167	—	4,260	—	—	—	—	9,427	—	9,427
Movement in minority interests	—	—	—	—	—	4,168	(450)	3,718	44	3,762
Purchase of own shares	—	—	—	—	(3,677)	—	—	(3,677)	—	(3,677)
Disposal of purchased own shares	—	—	—	—	368	—	—	368	—	368
Share issue costs	—	(16)	—	—	—	—	—	(16)	—	(16)
Credit for share-based payments	—	—	—	—	—	—	1,277	1,277	42	1,319
Scrip dividend	239	195	—	—	—	—	—	434	—	434
Equity dividends	—	—	—	—	—	—	(3,488)	(3,488)	—	(3,488)
Dividends to minority interests	—	—	—	—	—	—	—	—	(326)	(326)
Balance at 31 December 2006	101,775	23,162	48,088	(3,670)	(4,000)	—	(24,511)	140,844	1,157	142,001

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2006

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 1985. On 20 March 2007 the consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the directors, and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 December 2005 have been filed with the Registrar of Companies. The auditors' reports on the financial statements for the years ended 31 December 2006 and 2005 are unqualified and do not contain any statement under Section 237 (2) or (3) of the Companies Act 1985.

The annual financial information presented in this preliminary announcement for the year ended 31 December 2006 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2006. This preliminary announcement does not constitute statutory accounts of the Group within the meaning of Section 240 of the Companies Act 1985.

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

2. Accounting policies

The preliminary consolidated financial statements have been prepared in accordance with the accounting policies of the Group which are set out on pages 32 to 35 of the 2005 Annual Report and Accounts. No changes have been made to the Group's accounting policies in 2006.

Changes in presentation of financial information

In 2005, holiday pay, share-based payment charges and imputed interest on deferred consideration were presented as 'Highlighted items'. In 2006 the directors have decided to treat the holiday pay and share-based payment charges as normal operating expenses rather than highlighted items, and these charges have been reclassified accordingly. Imputed interest on deferred consideration has also been treated as a normal finance cost rather than a highlighted item, and has been reclassified accordingly. The directors consider that these new classifications are in line with best practice which has been established following the transition to IFRS. To allow comparability against the 2006 disclosures, the comparatives for the year ended 31 December 2005 have been restated.

In the prior year, the Group's share of profit of associates was presented after finance income and finance costs in the income statement. In 2006, the Group's share of profit of associates has been reclassified to be included within 'Profit before Interest and Taxation' in order to show the total operating results of the Group. The 2005 comparatives have been restated accordingly.

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2006

3. Acquisitions and disposals

i) Acquisitions

The following acquisitions were made during the year:

M*m*d Group

On 31 October 2006 the Group acquired 100% of the issued share capital and certain businesses and assets of M*m*d Central & Eastern Europe Limited and its subsidiaries and Raxton Communications Limited (together "the M*m*d Group"), a group of public relations businesses operating in 18 countries in Central and Eastern Europe.

The initial consideration was £12.0 million, of which £7.2 million was paid in cash and £4.8 million was satisfied by the issue of new ordinary shares. Deferred consideration may be payable, with interim payments to be settled 60% in cash and 40% in new ordinary shares in Huntsworth, based on the profits for the years to 30 June 2007 and 30 June 2008. A final payment may be due based on the 3 years to 30 June 2009, payable in cash or shares at Huntsworth's option. The maximum total consideration is £35.0 million.

Eurotandem SAS

On 16 February 2006 the Group acquired 100% of the share capital in Eurotandem SAS for total initial consideration of €6.1 million (£4.2 million), of which €4.1 million (£2.8 million) was paid in cash and €2.0 million (£1.4 million) was satisfied by the issue of new ordinary shares. Deferred consideration may be payable dependent on the future financial performance of Eurotandem and will be payable in cash or shares, at Huntsworth's sole discretion. The maximum total consideration payable is €8.65 million (£6.0 million).

Quiller Associates Limited

On 19 October 2006 the Group acquired 100% of the issued share capital of Quiller Associates Limited and its subsidiary The Quiller Consultancy Limited.

The initial consideration was £5.9 million, of which £4.2 million was paid in cash and £1.7 million was satisfied by the issue of new ordinary shares. Deferred consideration may be payable, with an interim payment to be settled two thirds in cash and one third in new ordinary shares in Huntsworth, based on the profits for the year to 31 December 2006. A final payment may be due based on the 3 years to 31 December 2009, payable in cash or shares at Huntsworth's option. The maximum total consideration is £10.7 million.

Sanchis Y Associados

On 8 November 2006 the Group acquired 100% of the share capital of Sanchis Y Associados, a company incorporated in Spain, for a total cash consideration, including costs, of £0.2 million.

Hudson Sandler

On 26 April 2006, the Group acquired the 40% minority interest in Hudson Sandler Limited held by the Hudson Sandler management team for cash consideration of £3.7 million. Huntsworth subsequently transferred the 100% shareholding in Hudson Sandler into a new company in which a broader Hudson Sandler management team have a 20% interest.

ii) Disposals

Citigate Dewe Rogerson India

On 8 February 2006 the Group disposed of its 80% shareholding in Citigate Dewe Rogerson India for cash consideration of £100,000. Included in the consolidated income statement is operating revenue of £23,000 and profit before tax of £1,000 for this business.

3. Acquisitions and disposals (continued)

nxtMOVE LLC
On 6 March 2006 the Group disposed of the business and assets of nxtMOVE LLC for $1.55 million (£0.84 million). Included in the consolidated income statement is operating revenue of $435,000 (£237,000) and a loss before tax of $240,000 (£131,000) for this business.

Citigate Sard Verbinnen
On 15 February 2006, the Group announced that it had reached an agreement to sell Citigate Sard Verbinnen ('CSV') by the end of 31 December 2009. Shareholders approved the sale on 6 March 2006. Under the sale agreements, 51% was acquired by certain executives of CSV on 5 January 2007 for $2.5 million (£1.4 million) and a fixed net asset payment of $2.7 million (£1.5 million) is to be made by 30 September 2007. The remaining 49% will be acquired no later than 31 December 2009 for a total cash consideration of not less than $17.5 million (£10.2 million) (such amounts to have an aggregate present value of $20 million (£11.6 million) as at 1 January 2006). This will be reduced by the amount of cash distributions from CSV from 1 January 2006.

4. Segmental analysis

The Group offers its clients a range of public relations services. The directors have considered the services provided under a number of criteria (nature of services, type or category of clients, methods of distribution and supply of services, nature of regulatory environment), and have concluded that the Group's public relations businesses generally have similar risks and returns and therefore represent a business segment. The Group also has a small number of other non public relations businesses which operate in areas such as events and advertising and have different risks and returns from public relations and these are treated separately, as set out below.

Business segments
The following table analyses the revenue and operating profit regarding the Group's business segments for the year ended 31 December 2006:

2006	Public relations £000	Non public relations £000	Eliminations £000	**Total continuing operations £000**
Revenue				
External	127,932	11,815	—	**139,747**
Intra-group	138	—	(138)	—
Segmental revenue	128,070	11,815	(138)	**139,747**
Operating profit				
Segment operating profit from continuing operations before highlighted items	26,836	1,133	—	**27,969**
Unallocated expenses				**(7,748)**
Operating profit before highlighted items				**20,221**
Highlighted items – operating expenses	(12,638)	(1,084)	—	**(13,722)**
Operating profit				**6,499**
Share of profit of associates	131	—	—	**131**
Profit before interest and taxation				**6,630**
Net finance costs				**(2,641)**
Profit before tax				**3,989**
Taxation				**(986)**
Profit for the year from continuing operations				**3,003**

4. Segmental analysis (continued)

The following table analyses the revenue and operating profit/(loss) regarding the Group's business segments for the year ended 31 December 2005, restated for changes in presentation as described in Note 2:

2005	Public relations £000	Non public relations £000	Eliminations £000	Total continuing operations £000
Revenue				
External	94,972	13,375	—	108,347
Intra-group	(4)	97	(93)	—
Segmental revenue	94,968	13,472	(93)	108,347
Operating profit				
Segment operating profit from continuing operations before highlighted items	18,164	1,939	—	20,103
Unallocated expenses				(7,751)
Operating profit before highlighted items				12,352
Highlighted items – operating expenses	(34,233)	(8,149)		(42,382)
Operating loss				(30,030)
Share of profit of associates	142	—		142
Loss before interest and taxation				(29,888)
Net finance costs				(3,043)
Loss before tax				(32,931)
Taxation				2,947
Loss for the year from continuing operations				(29,984)

Inter-segment sales are arm's length transactions at prevailing market rates.

The loss from discontinued activities of £5,451,000 in 2005 relates to businesses in the non public relations segment.

Notes to the preliminary consolidated financial statements for the year ended 31 December 2006

4. Segmental analysis (continued)

Geographical segments

The following tables analyse the Group's revenue and operating profit excluding highlighted items by geographical segments for the years ended 31 December 2006 and 31 December 2005. The operating profit by geographical segment for the year ended 31 December 2005 has been restated for changes in presentation as described in Note 2:

	2006 **£000**	As restated 2005 £000
Revenue		
United Kingdom	**66,952**	58,293
Other European	**31,610**	22,857
USA	**37,030**	24,035
Rest of World	**4,293**	3,162
Eliminations	**(138)**	—
Total	**139,747**	108,347

	2006 **£000**	As restated 2005 £000
Operating profit before highlighted items		
United Kingdom	**14,243**	11,504
Other European	**5,948**	4,000
USA	**6,861**	3,945
Rest of World	**917**	654
Segment operating profit from continuing operations before highlighted items	**27,969**	20,103
Unallocated expenses	**(7,748)**	(7,751)
Operating profit before highlighted items	**20,221**	12,352
Highlighted items – operating expenses	**(13,722)**	(42,382)
Operating profit/(loss)	**6,499**	(30,030)

5. Highlighted items charged to operating profit

The following highlighted items have been recognised in arriving at operating profit from continuing operations:

	2006	As restated 2005
	£000	£000
Amortisation of intangible assets	**4,051**	3,402
Impairment of goodwill and intangible assets	**7,926**	29,571
Merger, restructuring and other non-recurring costs	**1,745**	9,409
	13,722	42,382

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

Amortisation of intangible assets

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

Impairment of goodwill and intangible assets

Of the impairment charge for goodwill and intangible assets, £3.7 million relates to the write-down of Citigate Sard Verbinnen to the recoverable amount following the signing of an agreement to sell the business as announced on 15 February 2006. A further £4.2 million relates to writing down goodwill and intangible assets of other businesses (principally Citigate Demuth) following a review of their future prospects.

Merger, restructuring and other non-recurring costs

Merger, restructuring and other non-recurring costs comprise expenses relating to the integration and restructuring of businesses within the Group together with certain other non-recurring costs. In 2006, these costs related to the restructuring of the UK healthcare business and the launch of Huntsworth Health (£0.9 million), aborted acquisition costs (£0.6 million), and other non-recurring costs (£0.2 million). In 2005, these costs related to employee severance costs (£4.5 million), property charges (£2.7 million), integration costs (£1.2 million), closures (£0.2 million), and other non-recurring costs (£0.8 million).

Notes to the preliminary consolidated financial statements for the year ended 31 December 2006

6. Finance costs and income

Continuing operations	**2006 £000**	2005 £000
Bank interest payable	**2,414**	3,207
Loan note interest	**1**	66
Finance lease interest	**12**	30
Other net interest payable	**23**	—
Provision discount adjustment	**283**	240
Imputed interest on deferred consideration	**206**	210
Finance costs	**2,939**	3,753
Bank interest receivable	**(298)**	(227)
Revaluation of put option over minority interest	—	(450)
Other net interest receivable	—	(33)
Finance income	**(298)**	(710)
	2,641	3,043

The revaluation of the put option over minority interest was treated as a highlighted item in the income statement in 2005 as it was a significant non-recurring item.

7. Dividends

	2006 £000	2005 £000
Equity dividends on ordinary shares:		
Special second interim dividend for year ended 2004 – 0.5p*	**—**	306
Interim dividend for year ended 2005 – 0.5p	**—**	960
Final dividend for the year ended 2005 – 1.2p	**2,328**	—
Interim dividend for year ended 2006 – 0.6p	**1,160**	—
	3,488	1,266

* Adjusted for share consolidation on 14 July 2005

A final dividend of 1.3 pence per share has been proposed for approval at the Annual General Meeting in 2007 and has not been recognised as a liability at 31 December 2006.

Notes to the preliminary consolidated financial statements for the year ended 31 December 2006

8. Earnings/(loss) per share

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

	2006		2005	
	Earnings £000	**Weighted average number of shares 000's**	(Loss)/ earnings £000	Weighted average number of shares 000's
Continuing operations:				
Basic	**2,794**	**191,458**	(30,583)	146,579
Diluted	**2,794**	**195,413**	(30,583)	146,579*
Adjusted basic	**13,931**	**191,458**	7,859	146,579
Adjusted diluted	**13,931**	**195,413**	7,859	149,970
Continuing and discontinued operations:				
Basic	**2,794**	**191,458**	(36,034)	146,579
Diluted	**2,794**	**195,413**	(36,034)	146,579*

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

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

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

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

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2006

8. Earnings/(loss) per share (continued)

(a) From continuing operations

The calculation of basic and diluted earnings/(loss) per share attributable to parent company shareholders is based on the following:

	2006	As restated 2005
	£000	£000
Earnings:		
Profit/(loss) for the year attributable to parent company's shareholders	**2,794**	(36,034)
Add: Loss from discontinued operations	**—**	5,451
Earnings/(loss) for basic and diluted earnings per share from continuing operations	**2,794**	(30,583)
Highlighted items	**13,722**	41,932
Tax on highlighted items	**(2,585)**	(3,490)
Adjusted earnings	**13,931**	7,859

	2006	2005
	000's	000's
Number of shares:		
Weighted average number of ordinary shares – basic and adjusted	**191,458**	146,579
Effect of share options in issue	**786**	1,743
Effect of deferred contingent consideration	**3,169**	1,648
Weighted average number of ordinary shares – diluted	**195,413**	149,970

(b) From continuing and discontinued operations

Earnings for basic and diluted earnings/(loss) per share from continuing and discontinued operations is the profit/(loss) for the year attributable to parent company shareholders. The number of shares is the same as those detailed for continuing operations.

(c) From discontinued operations

In 2005 basic loss per share from discontinued operations was 3.7 pence, and diluted loss per share was 3.7 pence, based on the loss for the year from the discontinued operations of £5,451,000, and the denominators above for both basic and diluted loss per share.

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2006

9. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Total £000
Cost				
At 1 January 2006	19,697	10,959	197,994	228,650
Arising on acquisitions in the year	1,863	4,564	32,422	38,849
Adjustment to prior year acquisitions	—	—	1,809	1,809
Arising on disposal of subsidiaries in the year	—	—	(1,614)	(1,614)
Reclassified to assets held for sale	(2,426)	(2,064)	(15,286)	(19,776)
Exchange differences	(801)	(496)	(6,545)	(7,842)
At 31 December 2006	**18,333**	**12,963**	**208,780**	**240,076**
Amortisation and impairment charges				
At 1 January 2006	5,717	4,802	23,490	34,009
Charge for the period	776	3,275	—	4,051
Arising on disposal of subsidiaries in the year	—	—	(1,143)	(1,143)
Impairment	792	126	7,008	7,926
Reclassified to assets held for sale	(2,426)	(2,064)	(10,435)	(14,925)
Exchange differences	(436)	(385)	(1,817)	(2,638)
At 31 December 2006	**4,423**	**5,754**	**17,103**	**27,280**
Net book value at 31 December 2006	**13,910**	**7,209**	**191,677**	**212,796**
Net book value at 31 December 2005	13,980	6,157	174,504	194,641

Brands and customer relationships are being amortised over their useful economic lives of between 3 and 20 years. The amounts recognised above for intangible assets arising on acquisitions in the period are provisional awaiting final determination in accordance with the time limit allowed in IFRS 3. Details of acquisitions made during the period are set out in Note 3.

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2006

10. Cash flow analysis

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

	2006 £000	2005 £000
Operating profit/(loss) from continuing operations	**6,499**	(30,030)
Operating profit from discontinued operations	**—**	283
Depreciation	**2,381**	2,892
Share option charge	**1,839**	712
(Profit)/loss on disposal of property, plant and equipment	**(25)**	744
Amortisation of intangible assets	**4,051**	4,594
Impairment of goodwill and intangible assets	**7,926**	30,187
(Increase)/decrease in work in progress	**(186)**	394
Decrease in debtors	**1,722**	2,781
(Decrease)/increase in creditors	**(1,300)**	3,208
Decrease in provisions	**(4,740)**	(4,161)
Net cash inflow from operations	**18,167**	11,604

Net cash inflow/(outflow) from operations is analysed as follows:

	2006 £000	2005 £000
Before highlighted items and discontinued operations	**26,371**	17,960
Highlighted items	**(8,204)**	(10,728)
Discontinued operations	**—**	4,372
Net cash inflow from operations	**18,167**	11,604

Notes to the preliminary consolidated financial statements for the year ended 31 December 2006

10. Cash flow analysis (continued)

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

		2006 £000	2005 £000
Increase in cash and cash equivalents in the year		**1,670**	6,771
Cash (inflow)/outflow from debt (drawdown)/repayment		**(19,774)**	58,048
Bank loans and overdrafts acquired		**—**	(78,536)
Loan notes acquired		**—**	(6,325)
Loan notes repaid		**2,760**	5,636
Repayment of capital element of finance leases		**218**	199
Change in net debt resulting from cash flows		**(15,126)**	(14,207)
Finance leases acquired with subsidiaries		**—**	(159)
New finance leases		**—**	(236)
Disposal/cancellation of finance leases		**—**	131
Translation differences	10(c)	**(387)**	(2,435)
Increase in net debt		**(15,513)**	(16,906)
Net debt at beginning of year		**(23,378)**	(6,472)
Net debt at end of year		**(38,891)**	(23,378)

(c) Analysis of net debt

	1 January 2006 £000	Cash flow £000	Foreign exchange £000	**31 December 2006 £000**
Cash and short term deposits	9,277	1,644	(495)	**10,426**
Bank loans and overdrafts (current)	(126)	26	(1)	**(101)**
Net cash and cash equivalents	9,151	1,670	(496)	**10,325**
Bank loans and overdrafts (non-current)	(29,373)	(19,774)	77	**(49,070)**
Obligations under finance leases	(366)	218	2	**(146)**
Loan notes payable	(2,790)	2,760	30	**—**
Net debt	(23,378)	(15,126)	(387)	**(38,891)**

(d) Cash and cash equivalents

	2006 £000	2005 £000
Cash and short term deposits	**10,439**	9,277
Bank loans and overdrafts (current)	**(101)**	(126)
Bank overdraft included in liabilities held for sale	**(13)**	—
Cash and cash equivalents	**10,325**	9,151

11. Post balance sheet events

On 5 January 2007 the Group completed the disposal of its 51% interest in Citigate Sard Verbinnen (‘CSV’), as detailed in Note 3.

On 5 March 2007, the Group’s committed overdraft facility was increased from £15 million to £35 million.

On 9 March 2007 the Company announced the acquisition of the entire issued share capital of Dorland Global Corporation, a leading healthcare communications company operating is the USA, for initial cash consideration of US$20.7 million (£10.6 million). Further consideration may be payable, with an interim payment to be settled in cash based on profits for the year to 31 December 2007, and a final payment to be settled in cash based on profits for the three years to 31 December 2010. The maximum total consideration is US$50.0 million (£25.5 million).

On 16 March 2007, the Group completed the disposal of 100% of the share capital of Citigate Demuth GmbH to Media Square plc for cash consideration equivalent to net asset value.