HUNTSWORTH

Huntsworth PLC

Audited Preliminary Results

for the year ended 31 December 2007

A very successful year for the Group with good prospects for 2008

Richard Sharp appointed as Chairman

Huntsworth PLC, the international public relations and healthcare communications group, today announces its preliminary results for the year ended 31 December 2007.

Financial highlights[1]

- Revenue
    - Total revenue up 9.0% at £152.3m (2006: £139.7m[2])
    - Like-for-like[3] revenues up 6.0%
    - Net new business wins £50m
    - International network business up from 11% to 29% of revenues
- Profit before tax
    - Up 23.4% to £21.9m (2006: £17.7m)
    - After highlighted items up 171% to £10.8m (2006: £4.0m)
- Earnings per share
    - Up 8.2% to 7.9p (2006: 7.3p)
    - After highlighted items up 293% to 5.9p (2006: 1.5p)
- Operating margin
    - Pre central costs up to 21.0% (2006: 19.5%)
    - Post central costs up to 15.9% (2006:14.5%)
- Proposed final dividend
    - Up 42% to 1.85p (2006: 1.3p)
    - Total dividend up 32% to 2.5p (2006: 1.9p)
- Cash flow from operating activities (before outflows on highlighted items) of £29.7m, representing a cash conversion of 122%
- Richard Sharp appointed as Chairman

Notes:

1. All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation and impairment of goodwill and intangible assets, impairment of investment in associates, acquisition payments deemed as remuneration and merger, re-structuring and other non-recurring costs.

2. 2006 includes revenues of £15.6m for Sard Verbinnen, which is now shown as an associate following the disposal of a 51% interest in January 2007.

3. Like-for-like revenues include pre-acquisition revenues for all current businesses and are stated at constant currencies.

Peter Chadlington, Chief Executive of Huntsworth, said:

"2007 has been another very successful year for the Group. The business is now well balanced, tightly managed at every level and delivering solid organic growth and strong margins. A recent MORI poll suggests that 82% of companies using PR will maintain or increase their PR spend in 2008. Against this background, with the progress that our brands have made across the world and with the appointment of Richard Sharp as our Chairman, the Board has considerable confidence for 2008 and beyond."

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A presentation to analysts will take place at 9.00am on 12 March 2008 at the offices of Numis Securities Limited, 5th Floor, 10 Paternoster Square, London, EC4M 7LT.

CHIEF EXECUTIVE'S STATEMENT

Overview

Huntsworth met or exceeded all Group targets in 2007:

- Profit before tax up 23.4% to £21.9m (2006: £17.7m)
- Full year like-for-like operating profit growth of 16.3%
- Underlying operating company margins of 21.0% against a target of 20%
- 15.9% underlying operating margins post central costs against a target of 15%
- Full year like-for-like revenue growth of 6.0% against a target of 5%-6%
- Full year cash conversion of 122% against a target of at least 100%
- Debt of £54m against a target of under £57m
- Group won £50m of net new business in the year – 40% from existing clients

Growth in PR and Healthcare in 2008

Huntsworth now has two principle areas of activity – Public Relations (73% of Group revenue) and Healthcare Communications (27% of Group revenue).

It is often argued that in a recessionary period, PR spend will fall but independent MORI research predicts that more than half of UK businesses with a PR budget will maintain their PR spend and one-third will increase it in 2008. Only 15% of respondents believe that they will cut their PR spend in 2008. Furthermore, approximately half of the respondents believe PR to be a more effective tool than it was 3 years ago. Full details of the poll are available on the Huntsworth website.

Similarly, the survey of the Leaders' Panel of the Public Relations Consultants Association (PRCA) which was published last month reported that 83% of PR agency MD's believe their businesses will have strong trading in 2008.

Group revenue grew in all geographies and disciplines during 2007. On a continuing basis, after allowing for acquisitions and the disposal of CapitalBridge, our largest client now represents just over 2% of total revenues; the top ten 16% and the top 25 clients 26%. The Group completed its strategy to divest non-core businesses with the sale of Broadstreet in 2007 and CapitalBridge in February 2008.

In healthcare communications, the other main platform for our Group, we are seeing a continuing shift from advertising, towards 'evidence based' campaigns. Huntsworth Health companies specialise in this field, employing a high proportion of scientifically and medically qualified personnel. Coupled with increasing patient power and the explosion of digital media, we are confident that we are very well positioned for further success in healthcare communications in 2008 and beyond.

Public Relations

Reputation Management, Corporate and Social Responsibility (CSR) and the Environment all played an important part in our 2007 growth.

Work in the public sector continued to expand with appointments such as the Department for Children, Families and Schools for The Red Consultancy. The Group's integrated PR and Public Affairs offer in Grayling organised programmes on obesity issues, the environment and organic foods which all drove revenues forward. Our corporate, financial and investor relations teams enjoyed a successful year. Citigate Dewe Rogerson won new clients and projects including Lloyds Pharmacy, Abbey, Homeserve, LaSalle Investment Management and Quorn.

Hudson Sandler and Quiller continued to make good progress since coming together in 2006 and were appointed by a number of major overseas groups to advise on their international communications including Russia's leading petrochemical company SIBUR.

Our European network primarily under the Trimedia and M*m*d brands, provide the most comprehensive wholly-owned network in European public relations with over 650 staff in 29 countries. Eastern Europe showed double digit revenue growth during the year driven by high quality corporate and public affairs work with a particular focus on the energy, heavy industry and technology sectors.

Our PR offices in Asia also delivered double digit like-for-like revenue growth where all of our offices made strong progress and continued to win blue chip clients.

Huntsworth Health

For Huntsworth Health 2007 was a transformational year. Already operating successfully in Europe, the group established its North American platform with the acquisitions of both Dorland in March and Axis in July.

Huntsworth Health's global offering now constitutes some 450 healthcare specialists operating across a breadth of communications disciplines, including analytics, marketing communications, medical communications, public relations and sales training. It operates a high science, high creativity approach to support healthcare clients worldwide.

On its client roster, Huntsworth Health can already count products from 40 of the world's 50 largest pharmaceutical companies.

During 2007, our aim in healthcare has been to improve margins, particularly in the acquired companies. This has been achieved with a 67% growth in profits on a like-for-like basis.

Network Business

We continue to increase our multi-country revenues with 29% of our business coming from clients using the Huntsworth network, an increase of 18 percentage points from 11% last year. 51% of Huntsworth clients use more than one Group office.

In the years ahead we expect to increase both multi-country and network accounts.

Digital and On-line Communications

There was an increasing demand in 2007 for our on-line services. Digital communications continue to underpin the effectiveness of our PR Programmes. We estimate that more than half of our campaigns include a significant digital element.

Creative Excellence

Among numerous awards and accolades received across the Group, Citigate Dewe Rogerson won the PR Week Best Financial Services Campaign for the second year running for its work for AXA. The Red Consultancy collected two Sabres for Best Financial Services and Best Website PR, and won Best Consumer Campaign at the CIPR Awards and Best Public Sector campaign at the PR Week Awards. Trimedia triumphed in the first ever European Excellence Awards winning Best European Campaign as well as being placed for the second year running in the "Sunday Times 100 Best Companies To Work For".

The Board and Management

In a separate press statement today, Huntsworth has announced a number of changes to the Group Board. Richard Sharp has been appointed as Chairman of the Board with effect from the AGM in May 2008 to succeed Jon Foulds. Richard has an outstanding track record, most recently spearheading the Principal Investments Group at Goldman Sachs.

Additionally, Sally Withey, Group Finance Director, has been appointed Group Chief Operating Officer, and will be responsible for maximising operational efficiencies, investor relations and corporate developments. Tymon Broadhead, Deputy Finance Director and Company Secretary, has been appointed Group Finance Director. Both these Board appointments have immediate effect.

Outlook

2007 has been a very successful year for the Group. The business is now well balanced, tightly managed at every level and delivering solid organic growth and strong margins.

65% of 2008 Group revenues were committed at the beginning of the year, giving a high level of visibility for the current year. We retain considerable flexibility to maintain margins through the proactive management of variable costs. Staff bonuses account for circa 5% of revenues and other discretionary costs are about 7% of revenues. With variable costs of 12% of revenues, our new management team has flexibility to face any market downturn.

Our policy on acquisitions to complete and improve our network capabilities 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. We see no such opportunities in the market at this time.

With the progress that our brands have made across the world and with the appointment of Richard Sharp as our new Chairman, the Board has confidence for 2008 and beyond.

Peter Chadlington
Chief Executive
12 March 2008

REVIEW OF FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS

	2007 £'m	Like-for-like growth	2006 £'m	Like-for-like growth
Revenue				
Public Relations	122.1	6.8%	130.2	
Huntsworth Health	30.4	3.0%	9.7	
Eliminations	(0.2)		(0.1)	
Total operations	152.3	6.0%	139.7	4.3%
Operating Profit		**Margin**		**Margin**
Public Relations	25.8	21.1%	26.2	20.1%
Huntsworth Health	6.3	20.6%	1.0	10.5%
Total operations	32.1	21.0%	27.2	19.5%
Central costs	(7.8)		(7.0)	
Underlying profit	24.2	15.9%	20.2	14.5%
Highlighted items	(8.3)		(13.7)	
Reported operating profit	15.9		6.5	
Adjusted basic EPS	7.9p		7.3p	
Reported basic EPS	5.9p		1.5p	

Introduction

All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation and impairment of goodwill and intangible assets, impairment of investment in associates, acquisition payments deemed as remuneration and merger, re-structuring and other non-recurring costs.

Revenue and Profits

Group revenue for the year ended 31 December 2007 increased by 9.0% to £152.3m (2006: £139.7m). This includes the net impact of the disposal of a 51% interest in Citigate Sard Verbinnen which is now shown as an associate and a number of small disposals plus the acquisitions of Dorland and Axis. On a constant currency basis, revenue was up 11.8% compared with last year.

On a like-for-like basis, revenue growth from our Public Relations businesses was up 6.8% and Huntsworth Health was up 3.0% giving an overall like-for-like revenue growth of 6.0%.

Group operating profits before central costs were up 17.6% to £32.1m (2006: £27.2m).

Group operating margin before central costs was 21.0% (2006: 19.5%) reflecting a 21.1% margin for Public Relations businesses, and 20.6% for Huntsworth Health.

Operating margin after central costs was 15.9% (2006: 14.5%).

Operating profit after central costs for the period was up 19.8% to £24.2m (2006: £20.2m) – up 23.7% at constant currency. Like-for-like operating profit growth after central costs was 19.8%.

Profit before tax was up 23.4% at £21.9m (2006: £17.7m).

Highlighted Items

Highlighted items of £11.1m include £6.0m for the amortisation of intangible assets, £2.7m for the impairment of investment in associates, £0.5m for non-cash share-based acquisition payments deemed as remuneration and £1.9m for the loss on disposal of Broadstreet. Following the strategic review announced at our interims, the Group disposed of its non-core US events business, Broadstreet, which has underperformed in recent years.

After these highlighted items, statutory reported profit after tax was up 319% to £12.6m (2006: £3.0m).

Tax

The tax credit of £1.8m comprises an underlying tax charge of £5.2m less £7.0m for tax credits on highlighted items. This gives a full year underlying tax rate of 23.8%.

The tax credit of £7.0m in highlighted items includes a £4.4m deferred tax credit in respect of losses which can be utilised as a result of the CapitalBridge disposal in February 2008.

Earnings

Profits attributable to ordinary shareholders rose 13.6% to £15.8m (2006: £13.9m). Profits after highlighted items attributable to ordinary shareholders amounted to £11.9m (2006: £2.8m).

Basic earnings per share were up 8.2% to 7.9p (2006: 7.3p). Diluted earnings per share were 7.8p (2006: 7.1p). Basic earnings per share after highlighted items were increased by 293% to 5.9p per share (2006: 1.5p).

Dividends

The Board will propose at the forthcoming AGM on 15 May 2008 a final dividend of 1.85p per share, which will provide an increased total dividend of 2.5p, up 32% on 2006. The record date for this dividend will be 30 May 2008 and is payable on 4 July 2008. A scrip dividend alternative will be available.

Balance Sheet and Cash flow

Operating cash flow was £29.7m and cash conversion was 122%. This is before a £4.4m cash impact relating to highlighted items. This figure has fallen significantly from last year (2006: £8.2m) principally due to the successful sub-letting of vacant properties across the Group.

Other principal movements in net debt during the year were payments for net interest, tax and tangible fixed assets of £11.2m, dividends received from associates of £1.7m, acquisitions, disposals and earn out payments of £26.1m, dividends of £3.2m and net purchase of shares for share incentive schemes of £1.4m. Overall, net debt increased as expected by £15.2m to £54.1m.

The Group has refinanced its bank facilities ahead of expiry and secured a revolving credit facility and committed overdraft totalling £90.0 million in place until July 2012. EBIT interest cover (excluding highlighted items) was 5.4 times.

Hedging has been used to limit upward movements on the interest rate on £40m of debt through a mixture of swaps and caps.

Earn-out Payments

Future earn-out payments as at 31 December 2007 are estimated at £15.4m, comprising £10.8m payable in cash, £4.5m payable in cash/shares at Huntsworth's option and the remainder in shares. The timing of the aggregate of these payments is £4.8m in 2008, £0.5m in 2009, £2.4m in 2010 and £7.7m in 2011.

On current Group projections and assuming no corporate activity, we expect both earn-outs and debt to decline. If we satisfy all earn-outs in cash and continue a progressive dividend policy, we expect debt to be in the region of £33m at the end of 2008, below £20m by 2009, below £10m by 2010 and the Group would be debt free and earn-out free by 2011.

Post Balance Sheet Event

The disposal of CapitalBridge, the Group's shareholder identification, analytics and investor relations technology business, in February 2008 for $31.7m completes our strategy of divesting non-core subsidiaries to focus on our international public relations and healthcare communications businesses. The proceeds from this disposal have been used to reduce debt.

Notes to Editors:

1. Huntsworth PLC is an international public relations group with 70 principal offices in 31 countries. During 2007 the Group worked for over 3,100 clients and provided services to 52 companies in the FTSE 100, 110 in the Fortune 500, 131 in the Eurotop 300 and 40 of the world's 50 largest healthcare companies.

2. The Group comprises some of the world's leading public relations agencies including Citigate Dewe Rogerson, Grayling, Hudson Sandler, Red, Trimedia and M*m*d. At 31 December 2007 the Group employed c.1,900 staff with an average fee income per head of £86,000.

3. Group revenue comprises the following key areas of activity: Corporate Communications and Public Affairs accounts for 30%; Consumer and B2B work accounts for 24% of Group revenue; Financial Non deal led Public Relations work is 18%; Financial deal led Public Relations is 4%; Huntsworth Health is 20% and other activities are 4%.

4. By industry sector the revenue profile is broadly 20% Pharmaceuticals, 12% Financial Services, 11% Information Technology, 8% Industrial, 7% Retail and Leisure and 7% Food and Drink.

5. Geographically, 47% of Group revenue was from the UK, 25% from the US, 25% from European countries and 3% from the Rest of the World. Operating margins for the twelve months to 31 December 2007 were 21.8% in the UK, 21.1% in Europe, 18.6% in the US and 28.5% in the Rest of the World.

6. The Group now represents 255 clients in more than one country and 436 are served by more than one company. The largest client represents 2.4% of continuing revenue (after allowing for acquisitions and the disposal of CapitalBridge) with the top 10 clients accounting for 16% and the top 25 clients 26%. Average fee income per client on a continuing basis is £58,000 and 28.5% of revenues were networked through companies working together with other group companies.

7. Shareholdings of Directors, employees and employee trusts represent approximately 14% of the Group's issued share capital. Institutional shareholdings hold 75% with the top 10 holding some 60% as of 18th February 2008.

Consolidated income statement
for the year ended 31 December 2007

			2007			2006	
		Before highlighted items	**Highlighted items (Note 5)**	**Total**	Before highlighted items	Highlighted items (Note 5)	Total
	Notes	**£000**	**£000**	**£000**	£000	£000	£000
Turnover		**202,318**	**—**	**202,318**	192,323	—	192,323
Revenue	4	**152,271**	**—**	**152,271**	139,747	—	139,747
Operating expenses		**(128,052)**	**(8,345)**	**(136,397)**	(119,526)	(13,722)	(133,248)
Operating profit	4	**24,219**	**(8,345)**	**15,874**	20,221	(13,722)	6,499
Share of post-tax profit of associates	4	**2,730**	**(2,716)**	**14**	131	—	131
Profit before interest and taxation		**26,949**	**(11,061)**	**15,888**	20,352	(13,722)	6,630
Finance income	6	**585**	**—**	**585**	298	—	298
Finance costs	6	**(5,673)**	**—**	**(5,673)**	(2,939)	—	(2,939)
Profit before tax		**21,861**	**(11,061)**	**10,800**	17,711	(13,722)	3,989
Taxation (expense)/credit		**(5,196)**	**6,974**	**1,778**	(3,571)	2,585	(986)
Profit for the year		**16,665**	**(4,087)**	**12,578**	14,140	(11,137)	3,003
Attributable to:							
Parent company's equity shareholders		**15,827**	**(3,938)**	**11,889**	13,931	(11,137)	2,794
Minority interests		**838**	**(149)**	**689**	209	—	209
		16,665	**(4,087)**	**12,578**	14,140	(11,137)	3,003

Earnings per share:

Basic – pence	8	**5.9**	1.5
Diluted – pence	8	**5.9**	1.4
Adjusted basic – pence*	8	**7.9**	7.3
Adjusted diluted – pence*	8	**7.8**	7.1

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

Consolidated balance sheet
as at 31 December 2007

	Notes	**2007 £000**	2006 £000
Non current assets			
Intangible assets	9	**225,283**	212,796
Property, plant and equipment		**6,050**	5,403
Investment in associates		**4,849**	224
Derivative financial assets		**107**	—
Deferred tax		**8,532**	2,654
		244,821	221,077
Current assets			
Work in progress		**963**	1,381
Trade and other receivables		**49,858**	43,728
Derivative financial assets		**74**	—
Cash and short-term deposits	10(d)	**6,939**	10,439
		57,834	55,548
Assets held for sale		**12,825**	9,598
Current liabilities			
Bank loans and overdrafts	10(d)	**(77)**	(101)
Loan notes payable	10(c)	**(1,137)**	—
Obligations under finance leases	10(c)	**(212)**	(30)
Trade and other payables		**(55,527)**	(48,502)
Corporation tax payable		**(5,664)**	(7,632)
Provisions		**(12,478)**	(17,148)
		(75,095)	(73,413)
Non current liabilities			
Bank loans and overdrafts	10(c)	**(59,126)**	(49,070)
Obligations under finance leases	10(c)	**(270)**	(116)
Provisions		**(12,853)**	(12,700)
Trade and other payables		**(256)**	(429)
Derivative financial liabilities		**(361)**	—
Deferred tax liabilities		**(6,163)**	(6,806)
		(79,029)	(69,121)
Liabilities held for sale		**(918)**	(1,688)
Net assets		**160,438**	142,001
Equity			
Called up share capital		**105,000**	101,775
Share premium account		**23,620**	23,162
Merger reserve		**50,866**	48,088
Foreign currency translation reserve		**(641)**	(3,670)
Hedging reserve		**(276)**	—
Investment in own shares		**(5,427)**	(4,000)
Retained earnings		**(14,664)**	(24,511)
Equity attributable to equity holders of the parent		**158,478**	140,844
Minority interests		**1,960**	1,157
Total equity		**160,438**	142,001

Consolidated cash flow statement
for the year ended 31 December 2007

	Notes	**2007 £000**	2006 £000
Cash inflow from operating activities			
Cash inflow from operations	10(a)	**25,230**	18,167
Interest paid		**(4,723)**	(2,437)
Interest received		**464**	298
Cash flows from hedging activities		**(411)**	—
Corporation tax paid		**(4,524)**	(2,281)
Net cash inflow from operating activities		**16,036**	13,747
Cash outflow from investing activities			
Acquisitions of subsidiaries		**(26,238)**	(18,197)
Disposal of subsidiaries		**3,077**	(1,271)
Acquisition of minority interest		—	(3,711)
Disposal of minority interest		—	78
Purchases of property, plant and equipment		**(2,121)**	(2,713)
Proceeds from sale of property, plant and equipment		**84**	694
Proceeds from sale of associates		**3**	—
Dividends received from associates		**1,682**	146
Net cash acquired with subsidiaries		**(477)**	2,516
Net cash disposed of with subsidiaries		**(558)**	(83)
Net cash outflow from investing activities		**(24,548)**	(22,541)
Cash inflow from financing activities			
Proceeds from issue of ordinary shares		**367**	361
Purchase of own shares		**(1,771)**	(3,626)
Proceeds from sale of own shares to employees		—	317
Repayment of finance lease liabilities		**(165)**	(218)
Repayment of loan notes		—	(2,760)
Net drawdown of borrowings		**9,967**	19,774
Dividends paid to minority interests		**(74)**	(326)
Dividends paid to shareholder of acquired business		**(321)**	—
Dividends paid to equity holders of the parent		**(3,209)**	(3,058)
Net cash inflow from financing activities		**4,794**	10,464
(Decrease)/increase in cash and cash equivalents		**(3,718)**	1,670
Movements in cash and cash equivalents			
(Decrease)/increase in cash and cash equivalents		**(3,718)**	1,670
Effects of exchange rate fluctuations on cash held		**255**	(496)
Cash and cash equivalents at 1 January		**10,325**	9,151
Cash and cash equivalents at 31 December	10(c), (d)	**6,862**	10,325

Consolidated statement of changes in equity
for the year ended 31 December 2007

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Investment In own shares £000	Potential acquisition of minority interest £000	Retained earnings £000	Total £000	Minority interests £000	Total equity £000
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 1 January 2007	101,775	23,162	48,088	(3,670)	—	(4,000)	—	(24,511)	140,844	1,157	142,001
Currency translation differences	—	—	—	3,060	—	—	—	—	3,060	—	3,060
Disposal of subsidiaries	—	—	—	(31)	—	—	—	—	(31)	—	(31)
Total income and expense recognised in equity for the year	—	—	—	3,029	—	—	—	—	3,029	—	3,029
Profit for the year	—	—	—	—	—	—	—	11,889	11,889	689	12,578
Total recognised income and expense for the year	—	—	—	3,029	—	—	—	11,889	14,918	689	15,607
Shares issued for cash	240	127	—	—	—	—	—	—	367	—	367
Acquisitions of subsidiaries	2,645	—	2,778	—	—	—	—	—	5,423	73	5,496
Purchase of own shares	—	—	—	—	—	(1,771)	—	—	(1,771)	—	(1,771)
Disposal of purchased own shares	—	—	—	—	—	344	—	(56)	288	—	288
Share issue costs	—	(30)	—	—	—	—	—	—	(30)	—	(30)
Movement in financial instruments	—	—	—	—	(276)	—	—	—	(276)	—	(276)
Credit for share-based payments	—	—	—	—	—	—	—	1,920	1,920	41	1,961
Deferred tax on share-based payments	—	—	—	—	—	—	—	78	78	—	78
Scrip dividend	340	361	—	—	—	—	—	—	701	—	701
Equity dividends	—	—	—	—	—	—	—	(3,910)	(3,910)	—	(3,910)
Dividends to minority interests	—	—	—	—	—	—	—	(74)	(74)	—	(74)
Balance at 31 December 2007	**105,000**	**23,620**	**50,866**	**(641)**	**(276)**	**(5,427)**	—	**(14,664)**	**158,478**	**1,960**	**160,438**

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2007

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 11 March 2008 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 2006 have been filed with the Registrar of Companies. The auditors' reports on the financial statements for the years ended 31 December 2007 and 2006 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 2007 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2007. 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 38 to 42 of the 2006 Annual Report and Accounts with the exception of the adoption of IFRS 7 – 'Financial Instruments: Disclosures' and IAS 1 – Amendment – 'Presentation of Financial Statements'. Adoption of these standards did not have any effect on the financial position of the Group. They do however give rise to additional disclosures in the 2007 Annual Report and Accounts.

Changes in presentation of financial information

Following the acquisition of Dorland in March 2007 and Axis in July 2007, the Group now has a much more significant presence in the healthcare sector, where integrated communications incorporating both Public Relations and Non-Public Relations activities (e.g. advertising and medical education) are provided to our clients. In addition, following the sale of Citigate Broad Street, one of the Group's two events management (i.e. Non-Public Relations) businesses, the remaining events business is not significant enough to merit a segment of its own. Therefore, the directors have decided to change the Group's segmental disclosures from Public Relations and Non-Public Relations to Public Relations and Huntsworth Health and have realigned the remaining events business with the public relations operations.

The comparative figures for 31 December 2006 have been restated accordingly. For the year ended 31 December 2006, revenue of £4,093,000 and operating profit of £434,000 has been transferred from Public Relations to Huntsworth Health, and revenue of £5,609,000 and operating profit of £776,000 has been transferred from Non-Public Relations to Huntsworth Health. The balance remaining in Non-Public Relations (revenue of £6,206,000 and operating profit of £357,000) related to Events and has been transferred to Public Relations.

In line with best practice following the transition to IFRS, the directors have also decided to allocate share-based payment charges to the new reporting segments. Previously, these charges were reported as unallocated expenses. The comparative figures for 31 December 2006 have been restated accordingly. For the year ended 31 December 2006, share-based payment charges of £531,000 and £192,000 have been transferred from unallocated expenses to Public Relations and Huntsworth Health respectively.

For the geographical segments for the year ended 31 December 2006, share-based payment charges of £587,000, £49,000, £85,000, and £2,000 have been transferred from unallocated expenses to the United Kingdom, Other European, USA, and Rest of World segments respectively.

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2007

3. Acquisitions and disposals

i) Acquisitions

Dorland Corporation
On 9 March 2007 the Group's 90% owned subsidiary, Huntsworth Health Group Inc., acquired the entire share capital of Dorland Corporation ('Dorland'), a leading healthcare communications agency operating in the USA.

The initial consideration was US $20.7 million (£10.6 million), paid in cash. Deferred consideration may be payable, with an interim payment to be settled in cash, based on the profits for the year to 31 December 2007. A final payment may be due based on profits in the three years to 31 December 2010, payable in cash. The maximum total consideration payable is US $50.0 million (£25.3 million).

Axis Healthcare Communications LLC
On 13 July 2007 the Group's 90% owned subsidiary, HHCG Acquisition Corporation, acquired a 100% stake in Axis Healthcare Communications LLC and its subsidiaries (together 'Axis'), a leading healthcare communications company operating in the USA.

The initial consideration was US $18.4 million (£9.1 million) paid in cash. Deferred consideration may be payable, with an interim payment to be settled in cash, based on the profits for the six months to 31 December 2007. A final payment may be due based on profits in the period from acquisition to 31 December 2010, payable in cash. The maximum total consideration is US $55.0 million (£27.2 million).

Trimedia Public Affairs (Austria)
On 31 October 2007, the Group increased its stake in Trimedia Public Affairs (Austria) from 26% to 56% for consideration of €56,000 (£40,000), and therefore from this date it has been accounted for as a subsidiary instead of an associated undertaking.

ii) Disposals

Citigate Sard Verbinnen
On 15 February 2006 the Company announced that it had reached an agreement to sell Citigate Sard Verbinnen ('CSV') by the end of 31 December 2009. 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 US $2.5 million (£1.4 million) and a fixed net asset payment of US $2.7 million (£1.5 million) was made on 27 September 2007. The remaining 49% will be acquired no later than 31 December 2009 for a total cash consideration of not less than US $17.5 million (£10.2 million) (such amounts to have an aggregate present value of US $20.0 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.

The assets and liabilities of CSV were classified as held for sale at 31 December 2006 and the company has been accounted for as an associated undertaking from 1 January 2007.

Citigate Demuth
On 16 March 2007, Citigate Demuth GmbH was sold to Media Square plc for cash consideration of €670,000 (£456,000).

Citigate Broad Street
On 1 October 2007, the trade, assets and liabilities of the events management business of Citigate Broad Street Inc ('CBS') were sold to certain executives of CBS for cash consideration of US $397,000 (£195,000) with deferred contingent consideration to a maximum of US $900,000 (£452,000).

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2007

3. Acquisitions and disposals (continued)

CapitalBridge
Subsequent to the year end, on 20 February 2008, the Group sold the business and substantially all of the assets, properties and rights of CapitalBridge Inc. and CapitalBridge Limited, and the entire issued share capital of Citigate Data Consulting Limited and CapitalBridge (Pty) Limited (all together, 'CapitalBridge') to Ipreo for US $31.7 million (approximately £16.3 million). CapitalBridge was the Group's non-core shareholder identification, analytics and investor relations technology business.

The assets and liabilities of CapitalBridge have been classified as held for sale at 31 December 2007.

4. Segmental analysis

Busines segments
The following table analyses the revenue and operating profit and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2007:

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

4. Segmental analysis (continued)

The following table analyses the revenue and operating profit and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2006, restated for changes in presentation as described in Note 2:

2006	Public Relations £000	Huntsworth Health £000	Eliminations £000	**Total £000**
Revenue				
External	130,045	9,702	—	**139,747**
Intra-group	138	—	(138)	**—**
Segmental revenue	130,183	9,702	(138)	**139,747**
Operating profit				
Segment operating profit before highlighted items	26,228	1,018	—	**27,246**
Unallocated expenses				**(7,025)**
Operating profit before highlighted items				**20,221**
Highlighted items – operating expenses	(12,882)	(840)	—	**(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				**3,003**

4. Segmental analysis (continued)

Geographical segments

The following tables analyse the Group's revenue and operating profit excluding highlighted items together with certain asset information by geographical segments for the years ended 31 December 2007 and 31 December 2006. The operating profit by geographical segment for the year ended 31 December 2006 has been restated for changes in presentation as described in Note 2:

		As restated
	2007	2006
	£000	£000
Revenue		
United Kingdom	**71,750**	66,952
Other European	**38,408**	31,610
USA	**37,591**	37,030
Rest of World	**4,758**	4,293
Eliminations	**(236)**	(138)
Total	**152,271**	139,747

	2007	2006
Operating profit before highlighted items		
United Kingdom	**15,610**	13,656
Other European	**8,091**	5,899
USA	**6,996**	6,776
Rest of World	**1,354**	915
Segment operating profit before highlighted items	**32,051**	27,246
Unallocated expenses	**(7,832)**	(7,025)
Operating profit before highlighted items	**24,219**	20,221
Highlighted items – operating expenses	**(8,345)**	(13,722)
Operating profit	**15,874**	6,499

5. Highlighted items

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

	2007 £000	2006 £000
Charged to operating profit		
Amortisation of intangible assets	**5,962**	4,051
Impairment of goodwill and intangible assets	—	7,926
Loss on disposal of subsidiaries	**1,877**	—
Acquisition payments to employees deemed as remuneration	**468**	—
Net restructuring and other non recurring costs	**38**	1,745
	8,345	13,722
Charged to profit before tax		
Impairment of investment in associates	**2,716**	—
	11,061	13,722

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

Amortisation of intangible assets

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

Impairment of goodwill and intangible assets

The impairment charge in 2006 principally related to the write down of goodwill and intangible assets of Citigate Sard Verbinnen (£3.7 million) and Citigate Demuth (£4.2 million).

Loss on disposal of subsidiaries

The loss on disposal of subsidiaries principally arises because of the write off of goodwill and intangible assets following the sale of the Citigate Broad Street events business to management.

Acquisition payments to employees deemed to be remuneration

Certain payments of consideration to non-shareholding employees of acquired businesses under arrangements set up prior to acquisition are deemed to be remuneration in the post acquisition period. These costs will cease once the relevant earn-outs have been settled.

Net 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 2007, the balance principally represents costs of restructuring the Group's healthcare businesses (£0.6 million) and its operations in Italy and Spain (£0.5 million), together with other non recurring costs (£0.5 million), offset by the release of surplus provisions (£1.6 million), principally relating to vacant property, which has been successfully sublet. 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).

Impairment of investment in associates

As explained in Note 3, the recoverable amount of Sard Verbinnen is a fixed amount, determined by the sale agreement of 14 February 2006. Consequently all profits recognised subsequently are matched by an equal and opposite impairment of the Group's investment in the entity.

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2007

6. Finance costs and income

	2007	2006
	£000	£000
Bank interest payable	**4,699**	2,414
Loan note interest	**33**	1
Finance lease interest	**27**	12
Financial instruments	**314**	—
Other net interest payable	—	23
Imputed interest on property provisions	**194**	283
Imputed interest on deferred consideration	**406**	206
Finance costs	**5,673**	2,939
Bank interest receivable	**(283)**	(298)
Other interest receivable	**(302)**	—
Finance income	**(585)**	(298)
	5,088	2,641

7. Dividends

	2007	2006
	£000	£000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2005 – 1.2 pence	**—**	2,328
Interim dividend for the year ended 2006 – 0.6 pence	**—**	1,160
Final dividend for the year ended 2006 – 1.3 pence	**2,649**	—
Interim dividend for the year ended 2007 – 0.65 pence	**1,363**	—
	4,012	3,488

Shareholders with a total shareholding of 5,138,154 and 5,430,960 shares waived their rights to the 2006 final and 2007 interim dividends respectively.

A final dividend of 1.85 pence per share has been proposed for approval at the Annual General Meeting in 2008 and has not been recognised as a liability at 31 December 2007.

8. Earnings per share

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

	2007		2006	
		Weighted average number		Weighted average number
	Earnings	**of shares**	Earnings	of shares
	£000	**000's**	£000	000's
Basic	**11,889**	**200,957**	2,794	191,458
Diluted	**11,889**	**202,432**	2,794	195,413
Adjusted basic	**15,827**	**200,957**	13,931	191,458
Adjusted diluted	**15,827**	**202,432**	13,931	195,413

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

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

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

	2007	2006
	£000	£000
Earnings:		
Profit for the year attributable to parent company's shareholders	**11,889**	2,794
Highlighted items (net of tax) attributable to the parent company's shareholders	**3,938**	11,137
Adjusted earnings	**15,827**	13,931

	2007	2006
	000's	000's
Number of shares:		
Weighted average number of ordinary shares – basic and adjusted	**200,957**	191,458
Effect of share options in issue	**1,401**	786
Effect of deferred contingent consideration	**74**	3,169
Weighted average number of ordinary shares – diluted	**202,432**	195,413

Notes to the preliminary consolidated financial statements for the year ended 31 December 2007

9. Intangible assets

	Brands	Customer relationships	Goodwill	Total
	£000	£000	£000	£000
Cost				
At 1 January 2007	18,333	12,963	208,780	240,076
Arising on acquisitions in the year	3,670	4,849	25,026	33,545
Adjustment to prior year acquisitions	—	—	(4,062)	(4,062)
Arising on disposal of subsidiaries in the year	(841)	—	(7,249)	(8,090)
Reclassified to assets held for sale	—	(604)	(11,572)	(12,176)
Exchange differences	284	165	2,884	3,333
At 31 December 2007	**21,446**	**17,373**	**213,807**	**252,626**
Amortisation and impairment charges				
At 1 January 2007	4,423	5,754	17,103	27,280
Charge for the year	960	5,002	—	5,962
Arising on disposal of subsidiaries in the year	(102)	—	(5,902)	(6,004)
Reclassified to assets held for sale	—	(521)	—	(521)
Exchange differences	83	129	414	626
At 31 December 2007	**5,364**	**10,364**	**11,615**	**27,343**
Net book value at 31 December 2007	**16,082**	**7,009**	**202,192**	**225,283**
Net book value at 31 December 2006	13,910	7,209	191,677	212,796

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 2007

10. Cash flow analysis

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

	2007	2006
	£000	£000
Operating profit	**15,874**	6,499
Depreciation	**2,355**	2,381
Share option charge	**2,628**	1,839
Loss/(profit) on disposal of property, plant and equipment	**9**	(25)
Amortisation of intangible assets	**5,962**	4,051
Impairment of goodwill and intangible assets	**—**	7,926
Loss on disposal of subsidiaries	**1,877**	—
Decrease/(increase) in work in progress	**1,922**	(186)
(Increase)/decrease in debtors	**(1,153)**	1,722
Decrease in creditors	**(1,019)**	(1,300)
Decrease in provisions	**(3,225)**	(4,740)
Net cash inflow from operations	**25,230**	18,167

Net cash inflow from operations is analysed as follows:

	2007	2006
	£000	£000
Before highlighted items	**29,657**	26,371
Highlighted items	**(4,427)**	(8,204)
Net cash inflow from operations	**25,230**	18,167

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

		2007	2006
	Note	**£000**	£000
(Decrease)/increase in cash and cash equivalents in the year		**(3,718)**	1,670
Cash inflow from debt drawdown		**(9,967)**	(19,774)
New derivative financial instruments		**212**	—
Loan notes repaid		—	2,760
Repayment of capital element of finance leases		**165**	218
Change in net debt resulting from cash flows		**(13,308)**	(15,126)
Finance leases acquired with subsidiaries		**(497)**	—
Loan notes issued as acquisition consideration		**(1,137)**	—
Amortisation of loan fees		**(89)**	—
Movement in fair value of derivative financial instruments		**(466)**	—
Translation differences	10(c)	**251**	(387)
Increase in net debt		**(15,246)**	(15,513)
Net debt at beginning of year		**(38,891)**	(23,378)
Net debt at end of year		**(54,137)**	(38,891)

10. Cash flow analysis (continued)

(c) Analysis of net debt

2007	1 January 2007 £000	Cash flow £000	Non cash movements £000	Foreign exchange £000	**31 December 2007 £000**
Cash and short-term deposits	10,426	(3,747)	—	260	**6,939**
Bank loans and overdrafts (current)	(101)	29	—	(5)	**(77)**
Net cash and cash equivalents	10,325	(3,718)	—	255	**6,862**
Bank loans and overdrafts (non-current)	(49,070)	(9,967)	(89)	—	**(59,126)**
Derivative financial assets	—	212	(105)	—	**107**
Derivative financial liabilities	—	—	(361)	—	**(361)**
Obligations under finance leases	(146)	165	(497)	(4)	**(482)**
Loan notes payable	—	—	(1,137)	—	**(1,137)**
Net debt	(38,891)	(13,308)	(2,189)	251	**(54,137)**

(d) Cash and cash equivalents

	2007 £000	2006 £000
Cash and short-term deposits	**6,939**	10,439
Bank loans and overdrafts (current)	**(77)**	(101)
Bank overdraft included in liabilities held for sale	—	(13)
Cash and cash equivalents	**6,862**	10,325

11. Post balance sheet events

On 20 February 2008, the Group sold the business and substantially all of the assets, properties and rights of CapitalBridge Inc. and CapitalBridge Limited, and the entire issued share capital of Citigate Data Consulting Limited and CapitalBridge (Pty) Limited (all together, 'CapitalBridge') to Ipreo for US $31.7 million (approximately £16.3 million). CapitalBridge was the Group's non-core shareholder identification, analytics and investor relations technology business.