HUNTSWORTH

Audited preliminary results for the year ended 31 December 2011

Global and multi-office mandates now 48% of Group revenue

Huntsworth PLC, the global public relations and healthcare communications group, today announces its preliminary results for the year ended 31 December 2011.

Financial highlights[1]

Revenue

- Revenue up 1.5% to £176.3m (2010: £173.6m)
- Like-for-like[2] revenue growth of 1.1%
- Like-for-like[2] growth of 9.9% in global and multi-office revenues now representing 48% of the Group (2010: 44%)
- Average fees per client up 10% at £77,000
- Retainer base grown by 6.2% year-on-year

Profits

- Operating profit margin before central costs 17.5% (2010: 21.3%)
- Operating profit post central costs £23.5m (2010: £29.6m)
- Profit before tax £19.1m (2010: £26.7m)
- Profit before tax after highlighted items £10.6m (2010: £21.8m)

Diluted earnings per share

- Before highlighted items 6.2p (2010: 8.4p)
- After highlighted items 3.9p (2010: 7.1p)

Cash flow and net debt

- Cash flow from operating activities of £27.6m, representing a cash conversion of 118% (2010: 104%)
- Net debt at £71.1m (2010: £52.9m)
- Banking facilities of £110m

Dividend

- Proposed final dividend of 2.50p (2010: 2.60p), giving a total 2011 dividend of 3.50p (2010: 3.50p)

Notes:

1) All results in this statement are stated before taking account of highlighted items unless otherwise stated. Highlighted items comprise amortisation of intangible assets of £4.4m, restructuring costs of £2.4m, litigation costs of £1.0m and acquisition related costs of £0.7m in 2011. Highlighted items in 2010 comprise amortisation of intangibles £4.3m and acquisition related costs £0.6m.
2) Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.

Peter Chadlington, Chief Executive of Huntsworth, said:

“Management has taken action to reduce the cost base across the Group, as well as make it more flexible and better able to match clients’ requirements and spending patterns. The Group’s revenue and profit profile is expected to be delivered more evenly over each quarter of the year than historically has been the case. By having a greater proportion of larger long term contracts, we reduce our reliance on project income in the traditionally strong Q4.

In the current year, we anticipate Q1 like-for-like revenue growth of 3.0% and about one quarter of 2012 budgeted profits to be earned in Q1 – a significantly higher proportion than in previous years. The Group’s new business pipeline is strong and we expect the improvement in profitability to be maintained both in the first half and for the year as a whole.”

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A presentation to analysts will take place at 11.00am on Tuesday 3 April 2012 at the offices of Numis Securities Limited, 5th Floor, London Stock Exchange, 10 Paternoster Square, London, EC4M 7LT

CHIEF EXECUTIVE'S STATEMENT

Review of the year

Group revenues rose by 1.5% to £176.3 million (2010: £173.6 million). Operating profits after central costs fell by 20.6% to £23.5 million (2010: £29.6 million).

During the first three quarters of 2011, the Group performed well with improved like-for-like revenue growth, reaching our target of 7.0% in Q3. However, Q4 saw the cancellation of certain scheduled year-end projects, principally in Grayling and Huntsworth Health, due to global economic uncertainty. This resulted in a 6.4% like-for-like revenue decline which had a £4.0 million impact to revenues and profit.

Overall, the Group saw like-for-like revenue growth of 1.1% in the year. PR revenues grew by 2.0% with 3.0% growth in the UK, 1.7% growth in the Eurozone and 1.0% growth in the rest of the World. Huntsworth Health showed a decline of 1.0%, impacted by a 15% decline in Q4.

Historically, Q4 revenues have been 10% to 15% higher than Q3 revenues buoyed by project income, but in 2011 the increase did not materialise as Q4 scheduled projects were unexpectedly cut by clients at short notice, too late to protect the 2011 results.

Single office retainer and project revenues have proved more vulnerable in the tough macro-economic environment, declining by 5.8% in 2011 on a like-for-like basis.

However, following the rationalisation to four brands in 2010, we are winning and delivering larger multi-office remits. These revenues now represent 48% of Group revenues, growing on a like-for-like basis by 9.9% and driving an increase in our retainer base which has grown by 6.2% year-on-year. Average fees per client are now up 10% at £77,000.

Engaging with clients on longer term contracts resulted in a more evenly spread quarterly revenue profile in 2011, which we expect to be sustained in the future. Our 2012 budgets reflect this, showing reduced reliance on one-off projects which have previously driven this historic Q4 revenue spike.

Our cost base has been restructured to reflect this new revenue profile and to produce margin improvement from Q1 2012. The staff cost to revenue ratio is expected to improve by 3 percentage points and in addition the operating cost to revenue ratio is expected to improve by 1 percentage point in the year.

Historically, the Group has produced 15% to 17% of full year operating profits post central costs in Q1. Flatter quarterly revenues and a restructured cost base has enabled management to anticipate 24% of annual operating profit in Q1 2012. This much stronger start to 2012 than in previous comparable periods means that even with modest full year revenue growth, management expects to deliver significant margin improvement compared to 2011.

Balance Sheet, Cash flow and Dividends

Our balance sheet remains robust. We refinanced the Group in March 2011, increasing our available banking facilities to £110 million and extending our term to 2015. The resulting incremental cost of finance for the year was £1.4 million. The available banking facilities reduce by £3 million each six months from March 2013 to £95 million by March 2015 as the term loan is repaid.

Net debt at 31 December 2011 was £71.1 million (2010: £52.9 million). The Group remains comfortably within the terms of its banking facilities. At 31 December 2011, adjusted net debt to continuing EBITDA was at a ratio of 2.75 times and interest cover (excluding highlighted items and imputed interest) was 7.41 times.

Our continued focus on working capital management resulted in cash conversion of 118%, well ahead of our annual target. Operating cash flow was £27.6 million, before a £3.1 million cash impact relating to exceptional items.

Other principal movements in net debt during 2011 were net payments for interest, tax and fixed assets of £9.1 million, acquisition and earn-out payments of £24.9 million, dividends of £7.7 million and purchase of shares under the share buyback programme of £0.5 million.

Deferred consideration payments peaked in the year at £18.2 million, as the initial ‘buy and build’ phase of the Group completed. £17.1 million was paid in cash. The Group has a significantly reduced deferred contingent consideration profile with future earn-out payments as at 31 December 2011 estimated at £15.8 million of which £8.9 million is payable in cash or shares at the Group’s discretion. The timing of these payments is £5.3 million in 2012, £4.7 million in 2013 and £5.8 million in following years.

The proposed total dividend has been held at 2010 levels at 3.50p.

Citigate

- 15.2% of Group revenues
- Operating margins of 19.2%
- Like-for-like revenue growth of 3.0%
- 67% of annual revenues on retainers

Citigate performed well in 2011, particularly in the UK and Western Europe, in spite of transactional activity being subdued. Year-on-year retainer fees grew by £1.1 million.

Citigate continues to hold a strong position in the M&A market and was ranked third in the mergermarket league table of PR advisors to European M&A and fifth globally for 2011. High profile deals included ABB’s US$3.9bn agreed acquisition of Thomas & Betts; private investment firm OpCapita’s acquisition of Comet from Kesa Electricals; Bank of Georgia’s tender offer for all outstanding shares; and the IPO of China Vehicle Components Technology.

Financial uncertainty continues to exist in financial institutions, including banks who rely heavily on capital market transactions. IPO markets are also relatively quiet in Asia but we have seen activity from global companies looking to raise their profile in the region.

Grayling

- 49.6% of Group revenues
- Operating margins of 16.2%
- Like-for-like revenue growth of 1.0%
- 25% like-for-like growth in multi-office revenues

During 2011, Grayling has made significant progress growing existing client relationships such as Google, National Grid, Nabucco and the EU Commission and won important contracts such as the Qatar Foundation, BA and DHL helping to drive a 25% like-for-like increase in multi-office revenues. Grayling continues to develop its digital capabilities, is growing in brand recognition and was awarded the Agency of the Year at the European Excellence Awards in December 2011.

Since the start of 2012, Grayling has won new remits from Kapsch and The World Water Forum. Although client nervousness remains in Western Europe and public affairs revenues in the US are expected to remain subdued in the run up to the presidential election in November, we expect strong growth to be delivered from digital revenues in Atomic and larger fee wins in 2011, particularly in the Middle East, will assist in driving margin improvement in 2012.

Huntsworth Health

- 28.1% of Group revenues
- Operating margins of 18.7%
- Like-for-like revenue decline of 1.0%
- Digital revenues grew by 18.4% for the full year

Huntsworth Health provides medical communications, marketing communications and public relations with a strategy to increase the number and value of global accounts and integrated brand remits. During 2011, the division continued to focus on developing larger value, long-term, global clients and to be included on global supplier lists of major pharmaceutical companies such as Roche, Novartis, Pfizer and J&J.

Huntsworth Health successfully competes against the 6 major holding companies and our flexibility, ability to fully integrate services, and our boutique client service approach provide considerable competitive advantage. We successfully pitched for the network business at Merck as a member of the IN Network an example of our competitive strength.

Digital revenues will help drive growth in 2012 underpinned by large contract wins in 2011.

Red

- 7.1% of Group revenues
- Operating margins of 18.1%
- Like-for-like revenue growth of 7.0%

Major client wins in the year included Boots, Adobe, Symantec and Gatwick Airport, which helped to produce double digit revenue growth in Q3 and Q4. Strong growth was seen in sectors such as health, consumer technology, financial services and well-being.

Industry awards included Marketing magazine PR agency of the Year and Holmes Report UK Consultancy of the Year.

Growth prospects remain good for 2012 with continued progress in corporate, social and healthcare public relations.

Group Outlook

Management has taken action to reduce the cost base across the Group as well as make it more flexible and better able to match clients' requirements and spending patterns. The Group's revenue and profit profile is expected to be delivered more evenly over each quarter of the year than historically has been the case. By having a greater proportion of larger long term contracts, we reduce our reliance on project income in the traditionally strong Q4.

In the current year, we anticipate Q1 like-for-like revenue growth of 3.0% and about one quarter of 2012 budgeted profits to be earned in Q1 – a significantly higher proportion than in previous years. The Group's new business pipeline is strong and we expect the improvement in profitability to be maintained both in the first half and for the year as a whole.

Staff

I would like to thank our dedicated staff for their support during this challenging year for the Group. I would also like to thank Gene Beard, David Puttnam and Colin Adams for their valued service to the Huntsworth Board.

To view an interview with Lord Chadlington and Sally Withey on the preliminary results and the outlook for Huntsworth, please view the following link:

http://www.huntsworth.com

FINANCIAL RESULTS

	2011 £'m	Like-for-like growth %	2010 £'m
Revenue			
Citigate	26.8	3.0%	26.3
Grayling	87.4	1.0%	83.2
Huntsworth Health	49.6	(1.0)%	51.4
Red	12.6	7.0%	12.9
Eliminations	(0.1)		(0.2)
Total operations	**176.3**	**1.1%**	**173.6**

	2011 £'m	Margin %	2010 £'m	Margin %
Operating profit				
Citigate	5.1	19.2%	5.4	20.6%
Grayling	14.2	16.2%	16.5	19.8%
Huntsworth Health	9.3	18.7%	12.3	24.0%
Red	2.3	18.1%	2.7	21.3%
Total operations	30.9	17.5%	36.9	21.3%
Central costs	(7.4)		(7.3)	
Operating profit before highlighted items	**23.5**	**13.3%**	**29.6**	**17.1%**
Operating highlighted items	(8.5)		(4.9)	
Reported operating profit	**15.0**	**8.5%**	**24.7**	**14.2%**
Adjusted basic EPS	6.5p		8.7p	
Reported basic EPS	4.1p		7.4p	

Introduction

All results are stated before taking account of highlighted items unless otherwise stated. In the current year these comprise amortisation of intangible assets, restructuring costs, litigation costs and acquisition related costs. Highlighted items in 2010 comprise amortisation of intangible assets and acquisition related costs.

Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.

Results for the year

Group revenues rose by 1.5% to £176.3 million (2010: £173.6 million). Operating profits after central costs decreased by 20.6% to £23.5 million (2010: £29.6 million).

Group operating profits before central costs declined by 16.2% to £30.9 million (2010: £36.9 million). Margins before central costs are 17.5% (2010: 21.3%) and post central cost margins are 13.3% (2010: 17.1%).

Profits before tax and highlighted items were down 28.5% to £19.1 million (2010: £26.7 million).

Currency

Changes in exchange rates have had very little impact on the Group's results in the year.

Highlighted Items

Highlighted items of £8.5 million include £4.4 million for non-cash amortisation of intangible assets, £2.4 million of restructuring costs, £1.0 million of litigation costs and £0.7 million of acquisition related costs. An additional £0.6m of restructuring costs are forecast in H1 2012. Acquisition related costs represent changes in value of contingent consideration and corporate transaction costs.

Litigation costs represent on-going legal cases against former employees in respect of restriction breaches. After highlighted items, the statutory reported operating profit was a profit of £15.0 million (2010: £24.8 million).

Tax

The total tax expense of £0.8 million comprises an underlying tax expense of £3.5 million together with a credit of £2.7 million on highlighted items. The full year underlying tax rate is 18.5% (2010: 22.0%). Net corporation tax paid in the year was £3.4 million (2010: £3.1 million).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £15.6 million (2010: £20.8 million). Profits after highlighted items attributable to ordinary shareholders amounted to £9.7 million (2010: £17.5 million).

Before highlighted items, basic earnings per share for 2011 is 6.5p (2010: 8.7p) and diluted earnings per share is 6.2p (2010: 8.4p).

Basic earnings per share after highlighted items is 4.1p (2010: 7.4p) and diluted earnings per share after highlighted items is 3.9p (2010: 7.1p).

Dividends

The Board will propose at the forthcoming AGM a final dividend of 2.50p per share which will provide a total dividend of 3.50p, in line with the total 2010 dividend of 3.50p. The record date for this dividend will be 1 June 2012 and it is payable on 6 July 2012. A scrip dividend alternative will be available.

Share Buyback Programme

In 2009, the Company commenced a share buyback programme. During 2011, a total of 0.9 million shares were purchased at a cost of £0.5 million and are held in treasury. As at 31 December 2011, the Group holds 3.1 million shares in Treasury.

Key risks and uncertainties

The Group faces a range of market, operational, financial and legal risks which are continually reviewed with a view to identifying any emerging risks and mitigating all risks as effectively as possible. The Group undertakes a comprehensive annual risk assessment exercise involving all senior management teams around the Group to identify, report and evaluate operational risks facing the business and ensure appropriate actions are undertaken to manage these risks. A record of all risks and how they are being mitigated is maintained in a risk register. The process is designed to manage rather than to eliminate the risks inherent in achieving the Group's business objectives and can therefore provide only reasonable and not absolute assurance against material misstatement or loss.

The Group's key risks and uncertainties are considered to be:

Risk	Potential impact on the Group	Mitigating factors
Economic downturn	Any economic downturn may result in fewer new client mandates, longer procurement processes and a squeeze on pricing, all of which can impact both revenue growth and operating margins. Weak economic conditions can increase the length of time that clients take to pay for services which can put pressure on the Group's working capital. There is also an increased risk of bad debts occurring as a result of client's financial problems. Current economic uncertainty within the Eurozone heightens the above risks for the Group's operations in Europe. 62% of the Group's revenues are in the UK and Europe.	The Group has a wide geographical and industry sector spread of clients, minimising reliance on any particular economic environment. As well as weekly reviews of all business won and lost across the Group, staffing levels are routinely reviewed against net new business progress. Costs are managed in each business such that they can be flexed where needed in a downturn. The Group has formal procedures and processes, including contractual assurance, to mitigate against legal and financial risks associated with both new and existing clients. The Group closely reports and monitors aged debts, and ensures local management have action plans in place to minimise the risk of any resulting loss.
Increased industry competition	The Group operates in a highly competitive environment where obtaining new client work can involve lengthy competitive tendering processes. There is aggressive price competition in the market which can impact on revenue and margins.	The Group endeavours to build long term relationships with its clients and to obtain preferred supplier status and agency of record where possible. The Group's range of services and global footprint increasingly allows us to offer clients an integrated portfolio of services across geographical locations which are attractive to new clients and help to strengthen existing client relationships. These relationships typically are held on longer term contracts over 2 to 3 years.
Performance of acquired businesses	The Group's strategy includes the acquisition and integration of new businesses which will broaden and enhance existing business operations. There is a risk that any acquisition is based on inaccurate information or assumptions, or is not integrated effectively, which may result in the acquisition being less financially beneficial than anticipated.	Rigorous internal and external due diligence procedures are performed prior to all acquisitions in order to identify and evaluate potential risks. In addition to the receipt of legal warranties and indemnities, the total consideration paid for a business typically includes an element of deferred consideration contingent upon future performance which mitigates the risk of overpaying for a business. Acquisitions are integrated into one of the core trading divisions over the deferred consideration period.

Risk	Potential impact on the Group	Mitigating factors
Dependence on key personnel	The Group views its staff as its most important resource. There is strong competition within the industry for experienced PR professionals. Recruitment and retention of key personnel is important for both maintaining client relationships and ensuring that our services are of the highest quality.	The Group's policy is to recruit both Directors and staff of the highest quality and to remunerate them accordingly. The Group carries out succession planning and provides promotion opportunities as well as operating both short term and long term incentive plans to motivate and retain key personnel.
Loss of key clients	Any loss of a key client would result in reduced revenues and profits and potentially an inability to recover amounts due under the contract.	The Group has a large portfolio of clients and seeks to expand and diversify its client base where possible. Our largest client represents 4.2% of revenue, and our top 10 clients account for 19.3%. The Group typically provides services to multiple brands for each of its large healthcare clients. The Group monitors revenue by client in order to identify and manage any overreliance. Client satisfaction surveys are also undertaken periodically to evaluate service quality.
Information systems access and security	Any information systems failure could negatively impact the Group's business operations, including delays to client work. Unauthorised access to confidential information held by the Group could compromise our client relationships and have a detrimental effect on our reputation.	Extensive IT disaster recovery plans have been implemented and are tested frequently to minimise any disruption in the event of an IT failure. External access to data is protected by the Group's IT security which is reviewed and tested frequently to ensure that the Group's network is as secure as possible. Internal access to data is restricted appropriately.
Exchange rate risk	A substantial proportion of the Group operates outside of the UK with significant operations in the USA and Europe. Reported group earnings are negatively impacted by any appreciation of Sterling relative to the US Dollar or Euro.	Most of the Group's revenue is matched by costs arising in the same currency. Foreign exchange exposure is continually monitored, and the Group uses derivative financial instruments to mitigate this risk where deemed necessary. Borrowings are also drawn down in USD, Euro and GBP where necessary to hedge foreign currency exposure.
Loan facility and covenant headroom risk	Any liquidity issues could result in reputational damage and potentially impair the Group's ability to make future acquisitions or settle existing obligations.	On 15 March 2011, the Group signed £110 million multi-currency loan facilities with a syndicate of banks maturing in 2015. Management closely monitor all covenants on the Group's facilities and actively manage forecast headroom.
Working capital risk	Larger client mandates can result in increased working capital requirements at an increased cash cost to the Group.	The Group has robust cash management processes including daily cash reporting from our operations and cash pooling arrangements. Working capital implications are an integral component of contract negotiations. Businesses seek funds in advance wherever possible to settle purchases made on behalf of its clients. The Group looks to agree billing quarterly in advance for retainer relationships.
Legal & regulatory compliance	Any failure to respond quickly to legislative requirements could lead to reputational as well as financial damage to the Group.	The Group uses internal and external legal counsel throughout the world to advise on local legal and regulatory requirements and minimise the risk of loss. In house training is conducted on key legislative matters such as the UK Bribery Act.

Risk	Potential impact on the Group	Mitigating factors
Corporate Social Responsibility	Both reputational and operational damage may arise if the Group does not uphold the highest social, environmental and ethical standards.	The Group strives to foster a culture of openness, responsibility and ethical behaviour and has whistleblowing processes in place for anybody to report unethical conduct. The Group's Code of Ethics is provided to every employee and they are expected to familiarise themselves with the content and act accordingly. The Group is committed to reducing its impact on the environment through a number of schemes which minimise energy, water and paper consumption.

Forward Looking Statements

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

Notes to Editors:

1. Huntsworth PLC is an international public relations group with 71 principal offices in 31 countries. During 2011 the Group worked for circa 2,300 clients and provided services to 43 companies in the FTSE 100, 93 in the Fortune 500, 92 in the FTSEurofirst 300 and 39 of the world's 50 largest healthcare companies.
2. The Group comprises some of the world's leading public relations agencies in our four divisions Grayling, Citigate, Red and Huntsworth Health. At 31 December 2011, the Group employed 1,678 staff with an average fee income per head of £105,000.
3. By industry sector the revenue profile is broadly 26% Pharmaceuticals, 12% Financial Services, 10% Information Technology, 7% Retail & Leisure, 7% Healthcare, 6% Government & Public Sector, 5% Industrial and 5% Food & Drink.
4. Geographically, 41% of Group revenue came from the UK, 34% from the US, 21% from European countries and 4% from the rest of the World.
5. The Group now services 240 multi-office clients, of which the top four have annual revenues exceeding £3 million each. The remaining multi-office clients represent 35% of revenue.
6. The top 15 clients each generate in excess of £1 million of annual revenue. Our largest client represents 4% of revenue with the top 10 clients accounting for 19% and the top 25 clients 28%.
7. Shareholdings of Directors, employees and employee trusts represent approximately 11% of the Group's issued share capital. Institutional shareholdings hold 81% with the top 10 holding some 60% as of 7 March 2012.

Consolidated Income Statement
for the year ended 31 December 2011

		2011			2010		
	Notes	**Before highlighted items £000**	**Highlighted items (Note 5) £000**	**Total £000**	Before highlighted items £000	Highlighted items (Note 5) £000	Total £000
Turnover		**220,887**	**–**	**220,887**	224,258	–	224,258
Revenue	4	**176,257**	**–**	**176,257**	173,599	–	173,599
Operating expenses		**(152,755)**	**(8,551)**	**(161,306)**	(143,950)	(4,879)	(148,829)
Operating profit/(loss)	4	**23,502**	**(8,551)**	**14,951**	29,649	(4,879)	24,770
Share of post-tax profit of associates		**–**	**–**	**–**	10	–	10
Profit/(loss) before interest and taxation		**23,502**	**(8,551)**	**14,951**	29,659	(4,879)	24,780
Finance income	6	**21**	**–**	**21**	140	–	140
Finance costs	6	**(4,397)**	**–**	**(4,397)**	(3,077)	–	(3,077)
Profit/(loss) before tax		**19,126**	**(8,551)**	**10,575**	26,722	(4,879)	21,843
Taxation (expense)/credit	7	**(3,536)**	**2,689**	**(847)**	(5,879)	1,630	(4,249)
Profit/(loss) for the year		**15,590**	**(5,862)**	**9,728**	20,843	(3,249)	17,594
Attributable to:							
Parent Company's equity shareholders		**15,590**	**(5,862)**	**9,728**	20,764	(3,247)	17,517
Non-controlling interests		**–**	**–**	**–**	79	(2)	77
		15,590	**(5,862)**	**9,728**	20,843	(3,249)	17,594

	Note	**2011**	2010
Earnings per share			
Basic – pence	9	**4.1**	7.4
Diluted – pence	9	**3.9**	7.1
Adjusted basic – pence[1]	9	**6.5**	8.7
Adjusted diluted – pence[1]	9	**6.2**	8.4

1 Adjusted basic and diluted earnings per share are calculated based on profit for the year adjusted for highlighted items and the related tax effects (Note 9).

Consolidated Statement of Comprehensive Income and Expense
for the year ended 31 December 2011

	Notes	**2011 £000**	2010 £000
Profit for the year		**9,728**	17,594
Other comprehensive income and expense			
Amounts recognised in the income statement on interest rate swaps		**762**	809
Movement in valuation of interest rate swaps		**(386)**	(982)
Tax (expense)/credit on interest rate swaps		**(113)**	37
Currency translation differences		**943**	2,404
Tax (expense)/credit on currency translation differences		**(179)**	49
Total other comprehensive income and expense for the year		**1,027**	2,317
Total comprehensive income and expense for the year		**10,755**	19,911
Total comprehensive income and expense attributable to:			
Parent Company's equity shareholders		**10,755**	19,834
Non-controlling interests		**–**	77
		10,755	19,911

Consolidated Balance Sheet
as at 31 December 2011

	Notes	**2011 £000**	2010 £000
Non-current assets			
Intangible assets	10	**302,283**	291,875
Property, plant and equipment		**5,205**	5,174
Investment in associates		**–**	22
Available for sale financial assets		**–**	104
Other receivables		**244**	370
Derivative financial assets		**–**	4
Deferred tax assets		**39**	652
		307,771	298,201
Current assets			
Work in progress		**4,060**	1,453
Trade and other receivables		**42,762**	43,898
Current tax receivable		**519**	387
Derivative financial assets		**–**	122
Cash and short-term deposits	12(d)	**5,569**	9,305
		52,910	55,165
Current liabilities			
Bank loans and overdrafts		**(8)**	(4,521)
Obligations under finance leases		**(25)**	(72)
Trade and other payables		**(49,814)**	(47,093)
Derivative financial liabilities		**(246)**	(91)
Current tax payable		**(2,450)**	(4,685)
Provisions	11	**(8,162)**	(19,944)
		(60,705)	(76,406)
Non-current liabilities			
Bank loans and overdrafts		**(75,745)**	(56,430)
Obligations under finance leases		**(13)**	(36)
Trade and other payables		**(338)**	(578)
Derivative financial liabilities		**(631)**	(1,164)
Deferred tax liabilities		**(1,010)**	(1,170)
Provisions	11	**(12,144)**	(11,156)
		(89,881)	(70,534)
Net assets		**210,095**	206,426
Equity			
Called up share capital		**106,385**	106,356
Shares to be issued reserve		**–**	–
Share premium account		**26,594**	25,840
Merger reserve		**64,375**	63,319
Foreign currency translation reserve		**24,900**	23,957
Hedging reserve		**(813)**	(1,189)
Treasury shares		**(2,140)**	(1,592)
Investment in own shares		**(5,338)**	(5,480)
Retained earnings		**(3,868)**	(4,785)
Equity attributable to equity holders of the parent		**210,095**	206,426
Non-controlling interests		**–**	–
Total equity		**210,095**	206,426

The financial statements were approved by the Directors on 2 April 2012 and signed on their behalf by:

Lord Chadlington
Chief Executive

Sally Withey
Group Chief Operating Officer and Finance Director

Consolidated Cash Flow Statement
for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Cash inflow from operating activities			
Cash inflow from operations	12(a)	**24,567**	25,623
Interest paid		**(3,356)**	(2,553)
Interest received		**27**	140
Cash flows from hedging activities		**121**	4
Net tax paid		**(3,399)**	(3,141)
Net cash inflow from operating activities		**17,960**	20,073
Cash outflow from investing activities			
Acquisitions of subsidiaries (net of cash acquired) and deferred consideration payments		**(24,895)**	(12,218)
Disposal of associates, net of cash disposed		**20**	–
Acquisition of non-controlling interests		**–**	(2,145)
Cost of internally developed intangible assets		**(322)**	(89)
Purchases of property, plant and equipment		**(2,329)**	(2,408)
Proceeds from sale of property, plant and equipment		**65**	49
Dividends received from associates		**11**	40
Net cash outflow from investing activities		**(27,450)**	(16,771)
Cash inflow/(outflow) from financing activities			
Purchase of own shares – treasury shares		**(538)**	(1,525)
Proceeds from sale of own shares to settle share options		**5**	531
Repayment of finance lease liabilities		**(71)**	(78)
Net drawdown of borrowings		**14,278**	3,201
Dividends paid to equity holders of the parent		**(7,714)**	(5,727)
Net cash inflow/(outflow) from financing activities		**5,960**	(3,598)
Decrease in cash and cash equivalents		**(3,530)**	(296)
Movements in cash and cash equivalents			
Decrease in cash and cash equivalents		**(3,530)**	(296)
Effects of exchange rate fluctuations on cash held		**(193)**	209
Cash and cash equivalents at 1 January		**9,284**	9,371
Cash and cash equivalents at 31 December	12(d)	**5,561**	9,284

Consolidated Statement of Changes in Equity
for the year ended 31 December 2011

	Called up share capital £000	Shares to be issued reserve £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
Balance at 1 January 2010	106,233	6,921	24,763	56,506	21,553	(1,016)	(2,654)	(4,446)	(14,752)	193,108	1,030	194,138
Profit for the year	–	–	–	–	–	–	–	–	17,517	17,517	77	17,594
Other comprehensive income/(expense)	–	–	–	–	2,404	(173)	–	–	86	2,317	–	2,317
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(1,038)	(1,038)	(1,107)	(2,145)
Acquisition of subsidiaries	108	(6,921)	–	6,813	–	–	–	–	–	–	–	–
Purchase of own shares	–	–	–	–	–	–	(1,525)	–	–	(1,525)	–	(1,525)
Settlement of share options	–	–	–	–	–	–	665	888	(597)	956	–	956
Share issue costs	–	–	(10)	–	–	–	–	–	–	(10)	–	(10)
Credit for share-based payments	–	–	–	–	–	–	–	–	390	390	–	390
Tax on share based payments	–	–	–	–	–	–	–	–	438	438	–	438
Scrip dividends	15	–	1,087	–	–	–	–	–	–	1,102	–	1,102
Equity dividends	–	–	–	–	–	–	–	–	(6,829)	(6,829)	–	(6,829)
Transfers	–	–	–	–	–	–	1,922	(1,922)	–	–	–	–
Balance at 31 December 2010	106,356	–	25,840	63,319	23,957	(1,189)	(1,592)	(5,480)	(4,785)	206,426	–	206,426
Profit for the year	–	–	–	–	–	–	–	–	9,728	9,728	–	9,728
Other comprehensive income/(expense)	–	–	–	–	943	376	–	–	(292)	1,027	–	1,027
Acquisition of subsidiaries	18	–	–	1,062	–	–	–	–	–	1,080	–	1,080
Purchase of own shares	–	–	–	–	–	–	(553)	–	–	(553)	–	(553)
Settlement of share options	–	–	–	–	–	–	5	142	(136)	11	–	11
Share issue costs	–	–	(17)	(6)	–	–	–	–	–	(23)	–	(23)
Credit for share-based payments	–	–	–	–	–	–	–	–	528	528	–	528
Tax on share-based payments	–	–	–	–	–	–	–	–	(415)	(415)	–	(415)
Scrip dividends	11	–	771	–	–	–	–	–	–	782	–	782
Equity dividends	–	–	–	–	–	–	–	–	(8,496)	(8,496)	–	(8,496)
Balance at 31 December 2011	**106,385**	**–**	**26,594**	**64,375**	**24,900**	**(813)**	**(2,140)**	**(5,338)**	**(3,868)**	**210,095**	**–**	**210,095**

Notes to the Preliminary Consolidated Financial Statements

1. Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 2006. On 2 April 2012 the Consolidated Financial Statements of the Group and this preliminary announcement were authorised for issue in accordance with a resolution of the Directors and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 December 2010 have been filed with the Registrar of Companies. The auditors' reports on the financial statements for the years ended 31 December 2011 and 31 December 2010 are unqualified and do not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The annual financial information presented in this preliminary announcement for the year ended 31 December 2011 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2011. This preliminary announcement does not constitute statutory accounts of the Group within the meaning of Section 235 of the Companies Act 2006. Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Consolidated Financial Statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

Going concern

The Group's activities, financial performance, position, cashflows and borrowing facilities are described in the Review of the Year.

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

2. Significant accounting policies

The preliminary consolidated financial statements have been prepared in accordance with the accounting policies of the Group which are set out on pages 41 to 46 of the 2010 Annual Report and Accounts, with the exception of the following new standards and amendments to standards were mandatory for the first time for the financial year beginning 1 January 2011, but had no impact on the Group:

- IAS 24 (revised) Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011). The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.
- IFRS 1 (amendment) - First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 January 2011);
- IAS 32 (amendment) - Financial Instruments: Presentation – Classification of Rights Issues (effective for accounting periods beginning on or after 1 February 2010);
- IFRIC 14 (amendment) – Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011).
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010).

3. Acquisitions

Atomic

On 22 March 2011, the Group acquired the entire share capital of Atomic Communications, LLC (a company incorporated in the United States), 100% of the voting shares of Atomic Communications Holdings Limited (a company incorporated in the United Kingdom) and the bespoke web-based data analytics application ComContext (together "Atomic").

Atomic has contributed £8.1 million to revenue and £1 million to profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisition of Atomic had been completed on the first day of the financial year, Group revenues for the period would have been £177.5 million and Group post highlighted operating profit would have been £15.5 million.

The fair value of the net assets at the date of acquisition were as follows:

	Fair value £000
Customer relationships	1,473
Intellectual property	1,868
Property, plant and equipment	154
Trade and other receivables	883
Deferred tax asset	68
Cash and cash equivalents	840
Trade and other payables	(114)
Other creditors and provisions	(608)
Net assets acquired	4,564
Goodwill arising on acquisition	12,047
	16,611
Discharged by:	
Cash consideration	8,616
Deferred contingent consideration	7,995
Total consideration	**16,611**
Net cash outflow arising on acquisition:	
Cash consideration	8,616
Cash and cash equivalents acquired	(840)
	7,776

The fair value of trade and other receivables includes trade receivables with a fair value of £774,000 and a gross contractual value of £790,000. The best estimate at the acquisition date of contractual cash flows not to be collected is £16,000.

Goodwill comprises the value of expected synergies arising from the acquisition and other intangible assets that do not qualify for separate recognition. To the extent that goodwill arises in the United States, it is expected to be tax deductible as part of the total tax deductible consideration paid on acquisition.

The fair value of the contingent consideration payment is based on forecast average profits for the period from acquisition to 31 December 2015. The potential undiscounted range of future payments that Huntsworth plc could be required to make under the contingent consideration arrangement is between nil and £23 million and will be paid in cash or a combination of cash and shares at Huntsworth's discretion.

Acquisition related costs of £0.5 million were incurred and these are included within highlighted items in the income statement.

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

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

Year ended 31 December 2011	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Revenue					
Total revenue	26,756	87,420	12,619	49,569	176,364
Intra-group eliminations	(69)	(24)	–	(14)	(107)
Segment revenue	**26,687**	**87,396**	**12,619**	**49,555**	**176,257**
Segment operating profit before highlighted items	**5,148**	**14,205**	**2,278**	**9,293**	**30,924**

Year ended 31 December 2010	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Revenue					
Total revenue	26,260	83,179	12,932	51,395	173,766
Intra-group eliminations	(74)	(93)	–	–	(167)
Segment revenue	26,186	83,086	12,932	51,395	173,599
Segment operating profit before highlighted items	5,421	16,453	2,749	12,339	36,962

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

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

	2011 £000	2010 £000
Segment operating profit before highlighted items	**30,924**	36,962
Unallocated costs	**(7,422)**	(7,313)
Operating profit before highlighted items	**23,502**	29,649
Highlighted items	**(8,551)**	(4,879)
Operating profit	**14,951**	24,770
Share of profit of associates	**–**	10
Net finance costs	**(4,376)**	(2,937)
Profit before tax	**10,575**	21,843

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

4. Segmental analysis (continued)

Geographical information

The tables below present revenue from external customers and segment non-current assets by geographical origin:

	2011 £000	2010 £000
Revenue		
United Kingdom	**71,741**	69,692
Other European	**36,464**	35,907
USA	**60,522**	60,718
Rest of the World	**7,637**	7,449
Eliminations	**(107)**	(167)
Total	**176,257**	173,599

	2011 £000	2010 £000
Non-current assets		
United Kingdom	**137,595**	139,515
Other European	**61,327**	63,133
USA	**97,244**	84,898
Rest of the World	**11,566**	9,999
Total	**307,732**	297,545

Non-current assets exclude financial instruments and deferred tax assets.

5. Highlighted items

Highlighted items charged to profit before tax comprise significant non-cash charges and/or non-recurring items which are highlighted in the Income Statement because, in the opinion of the Directors, separate disclosure is helpful in understanding the underlying performance of the business. The following highlighted items have been recognised in arriving at profit for the year:

	2011 £000	2010 £000
Charged to operating profit		
Amortisation of intangible assets	**4,368**	4,331
Restructuring costs	**2,433**	–
Litigation costs	**1,021**	–
Acquisition related costs	**729**	548
Charged to profit before tax	**8,551**	4,879
Taxation credit	**(2,689)**	(1,630)
Charged to profit for the year	**5,862**	3,249

Amortisation of intangible assets

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

Restructuring costs

Restructuring costs derive from cost saving initiatives announced by the end of December and include severance payments, property and other contract termination costs. The associated cash outflows were mostly incurred in the first quarter of 2012.

Litigation costs

Litigation costs relate to legal costs and settlements of cases pending final judgement. All costs have been incurred as at 31 December 2011. Whilst these costs may be recoverable, a contingent asset will not be recognised until this is virtually certain.

Acquisition related costs

In line with the requirements of *IFRS 3 (revised) 'Business Combinations'*, costs incurred in relation to acquisitions and any adjustments to the fair value of deferred consideration liabilities are taken to the Income Statement rather than being included as part of the cost of investment or as an adjustment to goodwill. These costs are presented as highlighted items as the Directors consider that this gives a clearer understanding of the underlying performance of the business. The balance includes a credit of £0.6 million (2010 - £nil) relating to revaluation of deferred consideration (refer to Note 11) and a charge of £1.3 million (2010 - £0.5 million) relating to acquisition and transaction costs.

5. Highlighted items (continued)
Taxation
Further details of the tax credits on highlighted items are disclosed in Note 7.

6. Finance costs and income

	2011 £000	2010 £000
Bank interest payable	**4,238**	2,647
Finance lease interest	**16**	17
Fair value movement on financial instruments	**4**	66
Imputed interest on property and other provisions	**36**	61
Imputed interest on deferred consideration	**103**	286
Finance costs	**4,397**	3,077
Bank interest receivable	**(7)**	(26)
Other interest receivable	**(14)**	(114)
Finance income	**(21)**	(140)
Net interest payable	**4,376**	2,937

7. Taxation

The charge for the year can be reconciled to the profit per the income statement as follows:

	Before highlighted items 2011 £000	**Highlighted items 2011 £000**	**Total 2011 £000**	Before highlighted items 2010 £000	Highlighted items 2010 £000	Total 2010 £000
Profit/(loss) before tax	**19,126**	**(8,551)**	**10,575**	26,722	(4,879)	21,843
Notional income tax expense/(credit) at the effective UK statutory rate of 26.5% (2010: 28%) on profit/(loss) before tax	**5,068**	**(2,266)**	**2,802**	7,482	(1,366)	6,116
Permanent differences	**(85)**	**67**	**(18)**	140	69	209
Impact of share-based payments	**547**	**–**	**547**	(189)	–	(189)
Different tax rates on overseas profits	**830**	**(597)**	**233**	1,170	(421)	749
Impact of changes in statutory tax rates	**(465)**	**(103)**	**(568)**	70	(64)	6
Adjustments in respect of prior years	**(2,375)**	**–**	**(2,375)**	(2,452)	152	(2,300)
Utilisation and recognition of tax losses	**(160)**	**(21)**	**(181)**	(889)	–	(889)
Unrelieved current year losses	**176**	**231**	**407**	547	–	547
Income tax expense/(credit)	**3,536**	**(2,689)**	**847**	5,879	(1,630)	4,249

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 26.5% (2010: 28%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

8. Dividends

	2011 £000	2010 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2010 – 2.6 pence (2009 – 2.15 pence)	**6,130**	4,802
Interim dividend for the year ended 2011 – 1.0 pence (2010 – 0.9 pence)	**2,366**	2,027
	8,496	6,829

Shareholdings under the Group's Employee Benefit Trust of 8,537,327 shares waived their rights to both the 2010 final and 2011 interim dividends (2009 final dividend: 6,160,673 and 2010 interim dividend: 6,184,938 shares respectively).

A 2011 final dividend of 2.50 pence per share has been proposed for approval at the Annual General Meeting in 2012.

9. Earnings per share

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

	2011 Earnings £000	**2011 Weighted average number of shares 000s**	2010 Earnings £000	2010 Weighted average number of shares 000s
Basic	**9,728**	**239,313**	17,517	237,566
Diluted	**9,728**	**251,015**	17,517	247,297
Adjusted basic	**15,590**	**239,313**	20,764	237,566
Adjusted diluted	**15,590**	**251,015**	20,764	247,297

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

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

	2011 £000	2010 £000
Earnings:		
Profit for the year attributable to Parent Company's shareholders	**9,728**	17,517
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**5,862**	3,247
Adjusted earnings	**15,590**	20,764

	2011 000	2010 000
Number of shares:		
Weighted average number of ordinary shares – basic and adjusted	**239,313**	237,566
Effect of share options in issue	**7,662**	8,531
Effect of deferred contingent consideration	**4,040**	1,200
Weighted average number of ordinary shares – diluted	**251,015**	247,297

10. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software develop-ment costs £000	Total £000
Cost						
At 1 January 2010	25,074	27,325	289,429	–	432	342,260
Arising on acquisitions in the year	–	851	3,499	–	–	4,350
Adjustment to prior year acquisitions [2]	–	–	1,078	–	–	1,078
Capitalised development costs	–	–	–	–	89	89
Exchange differences	308	320	2,860	–	8	3,496
At 31 December 2010	25,382	28,496	296,866	–	529	351,273
Arising on acquisitions in the year [1]	–	1,473	12,047	1,868	–	15,388
Adjustment to prior year acquisitions[2]	–	–	(1,551)	–	–	(1,551)
Capitalised development costs	–	–	–	–	322	322
Exchange differences	(9)	188	705	(290)	20	614
At 31 December 2011	**25,373**	**30,157**	**308,067**	**1,578**	**871**	**366,046**
Amortisation and impairment charges						
At 1 January 2010	17,397	19,019	18,453	–	127	54,996
Charge for the year	745	3,586	–	–	159	4,490
Exchange differences	251	69	(412)	–	4	(88)
At 31 December 2010	18,393	22,674	18,041	–	290	59,398
Charge for the year	715	3,375	–	278	164	4,532
Exchange differences	4	154	(297)	(38)	10	(167)
At 31 December 2011	**19,112**	**26,203**	**17,744**	**240**	**464**	**63,763**
Net book value at 31 December 2011	**6,261**	**3,954**	**290,323**	**1,338**	**407**	**302,283**
Net book value at 31 December 2010	6,989	5,822	278,825	–	239	291,875

1. Details of acquisitions made during the year are set out in Note 3.
2. Adjustments to goodwill on prior year acquisitions represent changes to contingent deferred consideration payable for acquisitions completed prior to 1 January 2010.

11. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisa tion and other £000	Total £000
At 1 January 2010	32,180	4,736	1,968	38,884
Provision upon acquisition of subsidiary	629	75	3	707
Release of provision not utilised	(19)	(376)	(152)	(547)
Arising during the year	1,162	398	–	1,560
Utilised	(7,248)	(2,238)	(1,722)	(11,208)
Foreign exchange movements	1,253	86	18	1,357
Unwind of discount	286	59	2	347
At 31 December 2010	28,243	2,740	117	31,100
Provision upon acquisition of subsidiary	7,995	16	123	8,134
(Released)/arising during the year	(642)	713	1,686	1,757
(Released)/arising during the year - adjustment to Goodwill	(1,710)	–	–	(1,710)
Utilised	(18,145)	(904)	–	(19,049)
Foreign exchange movements	(73)	(1)	6	(68)
Unwind of discount	104	35	3	142
At 31 December 2011	**15,772**	**2,599**	**1,935**	**20,306**
Current	**5,313**	**1,119**	**1,730**	**8,162**
Non-current	**10,459**	**1,480**	**205**	**12,144**

11. Provisions (continued)

Deferred contingent consideration for acquisitions

Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element, payable in either cash or a combination of cash and shares at the Company's option,that is contingent on the future financial performance of the acquired entity. The Group anticipates settling the deferred consideration provisions over the next five years. The amount arising in the year represents the change in the estimated earn-out based on the latest financial performance of the acquired businesses. The amount utilised in the year represents the cash paid or shares issued under the earn-out arrangements.

Property provisions

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

Reorganisation and other provisions

This provision relates principally to employee termination benefits arising as a result of the restructuring initiative implemented in December 2011. The cash outflows were mostly incurred in the first quarter of 2012. In addition, when acquiring businesses provisions have been made to cover the best estimate of the Group's exposure to liabilities arising due to the acquisition.

12. Cash flow analysis

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

	2011 **£000**	2010 £000
Operating profit	**14,951**	24,770
Depreciation	**2,325**	2,351
Share option charge, including social security costs	**528**	556
Loss on disposal of property, plant and equipment	**41**	107
Profit on disposal of associate	**(9)**	–
Amortisation of intangible assets	**4,532**	4,490
Expense incurred on hedging activities	**–**	273
Unrealised foreign exchange gain	**–**	(95)
(Increase)/decrease in work in progress	**(2,540)**	56
Decrease in debtors	**2,072**	4,099
Increase/(decrease) in creditors	**1,841**	(6,893)
Increase/(decrease) in provisions	**826**	(4,091)
Net cash inflow from operations	**24,567**	25,623

Net cash inflow from operations is analysed as follows:

	2011 **£000**	2010 £000
Before highlighted items	**27,649**	30,769
Highlighted items	**(3,082)**	(5,146)
Net cash inflow from operations	**24,567**	25,623

12. Cash flow analysis (continued)

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

	2011 £000	2010 £000
Decrease in cash and cash equivalents in the year	**(3,530)**	(296)
Cash inflow from movements in debt	**(14,278)**	(3,201)
New derivative financial instruments	**–**	(277)
Repayment of capital element of finance leases	**71**	78
Change in net debt resulting from cash flows	**(17,737)**	(3,696)
Amortisation of loan fees	**(538)**	(179)
Movement in fair value of derivative financial instruments	**252**	(144)
Disposals/cancellations of finance leases	**–**	(34)
Translation differences	**(193)**	203
Increase in net debt	**(18,216)**	(3,850)
Net debt at beginning of year	**(52,883)**	(49,033)
Net debt at end of year	**(71,099)**	(52,883)

(c) Analysis of net debt

	2011 £000	2010 £000
Cash and short-term deposits	**5,569**	9,305
Overdrafts (current)	**(8)**	(21)
Net cash and cash equivalents	**5,561**	9,284
Bank loans (current)	**–**	(4,500)
Bank loans (non-current)	**(75,745)**	(56,430)
Derivative financial assets	**–**	126
Derivative financial liabilities	**(877)**	(1,255)
Obligations under finance leases	**(38)**	(108)
Net debt	**(71,099)**	(52,883)

At 31 December 2011 the Group had undrawn committed facilities of £32 million (2010: £23 million) available.

(d) Cash and cash equivalents

	2011 £000	2010 £000
Cash and short-term deposits	**5,569**	9,305
Overdrafts (current)	**(8)**	(21)
Cash and cash equivalents	**5,561**	9,284

13. Contingent liabilities

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

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

14. Related party transactions

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

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Loans to Directors

In connection with the award of share interests in 2009, it was considered and agreed by the Remuneration Committee at that time that loans should be made from the Huntsworth Employee Benefit Trust to Lord Chadlington and Sally Withey of £12,000 and £7,380 respectively in order to finance the personal costs of acquiring these awards. The loans are unsecured and interest free and are repayable within 7 days of the vesting or lapse of the awards or at a later date to be agreed by the parties.

Directors' responsibility statement

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

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

- the Group financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial positions and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and Accounts include a fair review of the development and performance of the business and the positions of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Lord Chadlington	**Sally Withey**
Chief Executive	Group Chief Operating Officer and Finance Director