HUNTSWORTH

Audited preliminary results for the year ended 31 December 2012

Profits up 17.4% to £22.5m

Over 50% of revenues now from global and multi-office business

Strategic alliance with BlueFocus

Huntsworth PLC, the global public relations and healthcare communications group, today announces its preliminary results for the year ended 31 December 2012.

Financial highlights[1]

- Revenue of £173.0m (2011: £176.3m); like-for-like[2] revenue decline of 0.3%
- Profit before tax up 17.4% at £22.5m
- Operating profit margin before central costs 19.4% (2011: 17.5%)
- Diluted earnings per share:
    - Before highlighted items up 11.3% to 6.9p (2011: 6.2p)
    - After highlighted items up 56.4% to 6.1p (2011: 3.9p)
- Net debt reduced by £4.2 million to £66.9m (2011: £71.1m)
- Proposed final dividend of 2.50p (2011: 2.50p), giving a total 2012 dividend of 3.50p (2011: 3.50p)

Operational Highlights

- 6.4% like-for-like growth in multi-office revenues, now more than 50% of the Group
- Digital revenues grown to 23% of Group
- Robust growth in revenue from 2011 investments in Asia & Middle East
- High profile client wins including Marks & Spencer and the UN Intergovernmental Panel on Climate Change

Strategic alliance with BlueFocus, Asia's largest public relations group

- BlueFocus acquiring[3] a 19.8% stake in Huntsworth in new shares
- BlueFocus will invest[3] £36.5m at a price of 58p per share
- BlueFocus' CEO, Oscar Zhao, will join Huntsworth's board
- Agreed strategy for both companies to develop international and global business

Notes:

1) All results in this statement are stated before taking account of highlighted items unless otherwise stated. In 2012 highlighted items total £3.7m and comprise amortisation of intangible assets of £3.9m, restructuring costs of £0.9m, litigation costs of £0.2m and acquisition related credits of £1.3m. Highlighted items in 2011 total £8.5m and 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.

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

3) Subject to shareholder and regulatory approval.

Peter Chadlington, Chief Executive of Huntsworth, said:

"Despite operating in some of the most challenging markets in Europe, Huntsworth has achieved good growth in the three strategically important areas of international, multi-office and digital revenues. Multi-office business now accounts for 51% of total Group revenues and digital work now accounts for 23%."

"Today's announcement of a strategic alliance with BlueFocus, Asia's largest public relations group, marks an inflection point in the development of the Group. Subject to shareholder and regulatory approval, BlueFocus will invest £36.5m at a price of 58p per share for a 19.8% stake in Huntsworth. This is an unprecedented alliance between leading Eastern and Western public relations consultancies and will lead to an immediate step change in the capabilities, expertise and reach of the services that both companies are able to offer their clients. We believe this relationship will help Huntsworth to achieve further organic growth and the investment will also significantly reduce our debt and therefore enable further investment in the engines of our growth in the coming years."

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A presentation to analysts will take place at 9.30am on Thursday 25 April 2013 at the offices of Numis Securities Limited, 5th Floor, London Stock Exchange, 10 Paternoster Square, London, EC4M 7LT

CHIEF EXECUTIVE'S STATEMENT

Group strategy and 2012 in context

Huntsworth has been transformed into a cohesive international public relations and healthcare communications group. This has been achieved during a period of both global economic turbulence but also of market opportunity as the digital revolution fundamentally changes every aspect of modern communications.

We now have a three part revenue growth strategy: building digital and social media, broadening our geographic base alongside client wins and investing further in the skills and expertise of our people.

In some parts of the Group - particularly healthcare where we rationalised our brands six years ago – we have been at the forefront of the market in embracing digital. For example, in 2006 we established evoke interaction, a start-up digital business based in the US, which has developed quickly into a market leader in many areas of digital healthcare communications. Within two years the business built over £2m in revenues and over the following five years grew, organically, six-fold. In 2013 we expect evoke interaction to earn around £20m in digital revenues.

In some other parts of the Group, particularly Grayling, which has over 60% of its business in the UK and Europe, we have been slower in reacting to the digital challenge. However, the pace of change has substantially accelerated recently and will continue to do so under Pete Pedersen who was appointed Grayling's Chief Executive in February. All our businesses now have a significant element of their work in the digital and social media space.

Digital and social media will be the fastest growth sector in all our geographic markets and our first strategic priority is to ensure that we are properly equipped to meet that challenge. Our strategic relationship with BlueFocus, announced today, which now has over 50% of its business in digital communications, is a further step in developing our business and expertise in those areas.

In 2012, overall digital income accounted for 23% of total Group revenues. Pure digital revenues - where the client only requires a specific digital programme - grew organically in 2012 by 38%.

In recent years, our strong presence in the difficult European and UK markets has restricted our overall top line growth. As the depth of the recession in the UK and Europe has become apparent, we have invested resources in several growth markets. Start-ups, which typically involve investment ahead of the revenue curve, take time to give a return but we have had significant success as we expand the number of Huntsworth start-ups. Our Middle East and Asia Pacific start-up businesses, for example, showed robust revenue growth in 2012.

Extending our geographic footprint has been a significant contributor to the growth in multi-office and global business which, in 2012, accounted for 51% of Group revenues.

The second strategic priority is to continue to diversify geographically to make ourselves less dependent on the European economies, which may take several years to return to growth. We will continue to invest with prudence in new markets alongside our clients.

As part of this growth strategy, our third priority is to invest more in our people at all levels of the business improving the training and quality of all our employees around the world. We need people in start-ups who understand the local culture and languages and we need experienced public relations and healthcare executives who can take our increasing number of multi-office clients and develop them into global relationships.

These three strategic steps will involve a 2013 investment of £4m in addition to £3m of associated one-off restructuring costs. As we have clearly demonstrated in 2012, we have developed valuable skills in driving growth in digital revenues and in opening up in new markets and in doing so we are able to attract new, high quality people into our Group.

BLUEFOCUS STRATEGIC ALLIANCE

Our new strategic alliance with BlueFocus, the largest public relations consultancy in Asia, announced separately today, will lead to a step change in the capabilities, expertise and reach that both companies are able to offer their clients. The key terms of the alliance are:

- BlueFocus will acquire a 19.8% stake in Huntsworth plc
- BlueFocus will invest £36.5m at a price of 58p per share
- Oscar Zhao, BlueFocus' CEO, will join Huntsworth's board

Operationally the alliance will focus on four key areas: exchange of clients, exchange of skills, exchange of people and joint expansion into new markets. We expect this alliance to help further our strategic goal of achieving organic growth over the years ahead whilst enabling us significantly to reduce our bank debt.

GRAYLING

Although Grayling saw an overall decline in like-for-like revenues of 3.1% in 2012, operating profits grew by 7.8% through tight management of the business and careful cost control.

Grayling has continued to make progress in growing multi-office revenues, investing in high growth markets in the Middle East and Asia but this has been offset by the underlying economic conditions in Europe, which accounts for over 60% of Grayling revenues. Recent account wins in Grayling include UN Intergovernmental Panel on Climate Change, Edinburgh Napier University and Marks & Spencer.

In February Pete Pedersen joined Grayling as Chief Executive and together with his executive board has outlined four key priorities for Grayling.

First, Grayling needs clear focus. We will position Grayling as a digitally enabled global public relations consultancy with insights, ideas and rapid access to multi-channel solutions. A number of key initiatives to help achieve this are already underway. We are in active discussions with potential partners and senior talent prospects in digital content development. We have initiated extensive digital and analytics training programmes for all Grayling staff and established digital hubs in four centres of excellence around the world. The Grayling Cyber Security Group will launch shortly in the US bringing together Public Affairs, Digital, Technology, Crisis and Corporate Communications expertise to help clients deal with growing cyber issues. We are in the process of strengthening key management in high growth regions such as the Middle East and China.

Second, to provide this modern, real time communications network, we have already built a strong delivery platform. We are well established in Europe and our recent expansions the Middle East and Asia are showing significant growth. We have also started optimising Grayling USA, leveraging our operations in key markets like New York, San Francisco and Washington DC whilst establishing closer ties with Atomic (a Grayling agency that grew 16% on a like-for-like basis last year) and Huntsworth Health.

Third, we will concentrate on building our multi-office and international business, which grew by more than 8% in 2012 – through improving the quality of our offer both by rigorous training programmes and, where appropriate, by recruiting world-class talent.

Fourth, and underpinning all of these initiatives, we will introduce further cultural change to decentralise Grayling, encourage entrepreneurial thinking and place greater responsibility in the hands of local managers.

HUNTSWORTH HEALTH

Huntsworth Health reported like-for-like revenue growth of 6.8% in 2012 with multi-office revenues up 8.4% and operating profit up by 23.3% with a margin of 21.6%.

This has been achieved by building our traditional services around a solid digital core. Pure digital now accounts for 30% of our revenues and has shown a compound annual growth rate of 76% since 2007. Digital agency of record agreements (AOR), which are generally larger in fee terms and longer in duration, now represent some 88% of all our digital revenue giving increasing visibility.

At the same time as building our digital offering, we have maintained a significant market position in our core businesses - medical communications, multi-channel marketing communications and healthcare PR. We are expanding our global network through regional hubs in key cities, often aligning ourselves with Grayling offices, in Europe, the Middle East and the Far East. We now have a credible framework for global presence.

Recent account wins include consumer AOR for Eisai's new weight loss drug (the first FDA-approved weight loss product in a decade), BOTOX Cosmetic and Neurosciences digital AOR with Allergan and digital AOR for Genentech's new schizophrenia product.

CITIGATE

London is the flagship of the Citigate brand globally representing nearly 60% of divisional revenues. In common with most companies that service the financial sector in London, 2012 was a difficult year with transactions remaining at low levels. Overall Citigate revenues fell by 10.5% in 2012, but France, the Netherlands and our businesses in the Asia Pacific performed well. Margins across the Citigate group, despite the difficult trading in London, have been well managed at 18.4%.

While the lack of transactions in London in 2012 proved a very difficult headwind for Citigate, there are some positive signs that the market is improving. Citigate in London has recently won a number of IPOs, including Partnership and esure - the largest IPO announced to date in 2013. Citigate in London has also won a number of new high profile specialist projects - such as the Salz Review on Barclays Bank announced earlier this month – and several projects from existing clients.

The London Corporate PR division continues to be very successful in winning new assignments such as Altius Associates, Invest in Cornwall, Kroll Ontrack and Cambridge and Counties Bank. The new business momentum has continued strongly into 2013, partly driven by Citigate's fast-growing digital and research capabilities.

In Europe, Citigate has won a number of new clients including Oliver Wyman Financial Service, and in the Asia Pacific offices in Beijing, Shanghai, Singapore and Hong Kong, trading continues to be reasonably robust with new wins including F&N Limited in Singapore and Tse Sui Luen Jewellery (International) Ltd in China.

RED

Red had a very good 2012 with like-for-like revenues up 11.0% driven by Red's relentless focus on outstanding creative work for clients and talent development. Red was a very early entrant into the digital and social media market place - establishing its first specialist digital team in 2006. Today, digital is integral to everything Red does.

Red's reputation as a creative leader continues to grow and the firm has firmly established itself as a top twenty UK agency and has managed to grow revenues in every year of the downturn.

In 2012, Red was named The Holmes Report's UK agency of the year and for the fifth year running was also a Sunday Times 100 Best Small Companies to work for.

Stand-out campaigns in the past year include the launch of the latest version of the world's biggest selling video game, 'Call of Duty' for Activision as well as multiple major launches for Samsung.

BALANCE SHEET, CASH FLOW AND DIVIDENDS

Our balance sheet remains robust with bank facilities of £110m, reducing to £95m, by 2015. Net debt at 31 December 2012 was £66.9 million (2011: £71.1 million). The Group remains comfortably within the terms of its banking facilities.

Our continued focus on working capital management resulted in cash conversion of 101%. Operating cash flow was £26.9 million, before a £3.7 million cash impact relating to exceptional items.

Other principal movements in net debt during 2012 were payments for interest, tax and fixed assets of £8.4 million, acquisition and earn-out payments of £2.6 million and dividends of £8.0 million.

Debt peaked in 2011 as the build out of our base international network was concluded. Deferred consideration payments as at 31 December 2012 are estimated at £10.1 million (2011: £15.8 million). £5.7m is payable in 2013 and only £1.5m of the £4.4 million due between 2014 and 2016 is specifically contracted for payment in cash.

The proposed total dividend has been held at 2011 levels at 3.50p.

OUTLOOK

2013 will be a year of significant strategic development. BlueFocus provides impetus for organic revenue growth driven by digital, start-ups in fast growing geographies and talent. Our £4m investment programme will impact profits in 2013 but the revenue growth potential over the next few years is significant.

We expect the BlueFocus deal to complete in October. After detailed discussions with both Huntsworth and BlueFocus clients, we will use the interim results statement in August to outline in detail the revenue and cost synergies which this remarkable opportunity presents.

OUR PEOPLE

I am grateful to all my colleagues for their dedication, hard work, and professionalism. I am delighted that together we have made encouraging progress in our key strategic areas during 2012.

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

	2012 £'m	Like-for-like growth %	2011 £'m
Revenue			
Citigate	22.8	(10.5)%	26.8
Grayling	83.5	(3.1)%	87.4
Huntsworth Health	52.9	6.8%	49.6
Red	13.9	11.0%	12.6
Eliminations	(0.1)		(0.1)
Total operations	**173.0**	**(0.3)%**	**176.3**

	2012 £'m	Margin %	2011 £'m	Margin %
Operating profit				
Citigate	4.2	18.4%	5.1	19.2%
Grayling	15.3	18.3%	14.2	16.2%
Huntsworth Health	11.5	21.6%	9.3	18.7%
Red	2.6	18.8%	2.3	18.1%
Total operations	33.6	19.4%	30.9	17.5%
Central costs	(7.0)		(7.4)	
Operating profit before highlighted items	**26.6**	**15.3%**	**23.5**	**13.3%**
Operating highlighted items	(3.6)		(8.5)	
Reported operating profit	**23.0**	**13.3%**	**15.0**	**8.5%**
Adjusted diluted EPS	6.9p		6.2p	
Reported diluted EPS	6.1p		3.9p	

Introduction

All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation of intangible assets, restructuring costs, litigation costs 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 declined by 1.8% to £173.0 million (2011: £176.3 million). However, operating profits after central costs have increased by 13.0% to £26.6 million (2011: £23.5 million) as a result of rigorous cost control.

Results for the year continued

Group operating profits before central costs increased by 8.6% to £33.6 million (2011: £30.9 million). Margins before central costs are 19.4% (2011: 17.5%) and post central cost margins are 15.3% (2011: 13.3%).

Profits before tax and highlighted items were up 17.4% to £22.5 million (2011: £19.1 million).

Currency

Sterling strengthened during 2012, particularly against the US dollar, which has resulted in a £5.8 million charge to Other Comprehensive Income and Expense from the retranslation of the Group's overseas assets. There has, however, been very little impact on the Group's profits in the year due to average exchange rates versus 2011 remaining consistent.

Highlighted Items

Highlighted items of £3.7 million include £3.9 million for non-cash amortisation of intangible assets, £0.9 million of restructuring costs, £0.2 million of litigation costs and a net credit of £1.3 million in respect of adjustments to deferred consideration.

Restructuring costs were incurred during 2012 in relation to the on-going restructuring initiative announced in December 2011 and are predominantly employee termination costs.

Litigation costs represent costs incurred by the Group in defending various litigation matters. Whilst these costs may be recoverable on final judgement being passed, a contingent asset will not be recognised until this is virtually certain.

Tax

The total tax expense of £3.5 million comprises an underlying tax expense of £5.2 million together with a credit of £1.7 million on highlighted items. The full year underlying tax rate is 23.0% (2011: 18.5%). Net corporation tax paid in the year was £2.2 million (2011: £3.4 million).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £17.3 million (2011: £15.6 million). Profits after highlighted items attributable to ordinary shareholders amounted to £15.3 million (2011: £9.7 million).

Before highlighted items, basic earnings per share for 2012 is 7.1p (2011: 6.5 p) and diluted earnings per share is 6.9p (2011: 6.2p). Basic earnings per share after highlighted items is 6.3p (2011: 4.1p) and diluted earnings per share after highlighted items is 6.1p (2011: 3.9p).

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, as compared to the total 2011 dividend of 3.50p. The record date for this dividend will be 31 May 2013 and it is payable on 5 July 2013. A scrip dividend alternative will be available.

Share Buyback Programme

As at 31 December 2012, the Group holds 3.1 million shares in Treasury.

Notes to Editors:

1. Huntsworth PLC is an international public relations group with 72 principal offices in 30 countries. During 2012 the Group provided services to circa 2,200 clients including: 44 companies in the FTSE 100, 83 Fortune 500, 94 FTSEurofirst 300 and 36 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 2012, the Group employed 1,707 staff with an average fee income per head of £78,000.
3. By industry sector the revenue profile is broadly 22% Pharmaceuticals, 12% Healthcare, 11% Information Technology, 10% Financial Services, 8% Retail & Leisure, 6% Food & Drink, 6% Government & Public Sector, 4% Industrial and others.
4. Geographically, 37% of Group revenue came from the UK, 37% from the US, 20% from European countries and 6% from the rest of the World.
5. 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 20% and the top 25 clients 30%.

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 performs a comprehensive annual exercise 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 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.

Risk	Mitigating factors
Economic downturn **Any economic downturn may result in fewer new client mandates, longer procurement processes and a squeeze on pricing, or an outright reduction in business 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 clients' financial problems.** **Current economic uncertainty within the Eurozone heightens the above risks for the Group's operations in Europe. 37% of the Group's revenues are in the UK, with a further 20% in Europe.**	Mitigating factors The Group has a wide geographical and industry sector spread of clients, reducing 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.**	Mitigating factors 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**	Mitigating factors 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.
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.**	Mitigating factors 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.

Key Risks and Uncertainties

Risk	Mitigating factors
Loss of key clients **Any loss of a key client would result in reduced revenues and profits and potentially an inability to recover amounts due under the contract.**	Mitigating factors The Group has a large portfolio of clients and seeks to expand and diversify its client base where possible. Our largest client represents 4% of revenue, and our top 10 clients account for 20%. 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.**	Mitigating factors Extensive business and 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.
Country and currency risk **A substantial proportion of the Group operates outside of the UK with significant operations in the USA and Europe. The Group may suffer restrictions on the ability to repatriate cash.** **Reported group earnings are negatively impacted by any appreciation of Sterling relative to the US Dollar or Euro.**	Mitigating factors 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. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.
Loan facility and covenant headroom risk **Any liquidity issues could result in reputational damage and potentially impair the Group's ability to make future acquisitions or settle existing obligations.**	Mitigating factors The Group has a £105 million of 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.**	Mitigating factors 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 adhere to legislative requirements could lead to reputational as well as financial damage to the Group.**	Mitigating factors 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. Policies on gifts, entertainment, share trading and confidentiality are communicated to all employees.
Unethical business practices **Both reputational and operational damage may arise if the Group engages in actual or perceived unethical client work. Ethical matters that are not identified or managed appropriately could cause reputational damage to the Group**	Mitigating factors 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. Referral processes, including divisional committees, are in place to manage all perceived ethical and conflict issues.

Consolidated Income Statement
for the year ended 31 December 2012

		2012			2011		
	Notes	**Before highlighted items £000**	**Highlighted items (Note 4) £000**	**Total £000**	Before highlighted items £000	Highlighted items (Note 4) £000	Total £000
Turnover		**215,526**	**–**	**215,526**	220,887	–	220,887
Revenue	3	**173,030**	**–**	**173,030**	176,257	–	176,257
Operating expenses		**(146,483)**	**(3,613)**	**(150,096)**	(152,755)	(8,551)	(161,306)
Operating profit/(loss)		**26,547**	**(3,613)**	**22,934**	23,502	(8,551)	14,951
Finance income	5	**13**	**–**	**13**	21	–	21
Finance costs	5	**(4,102)**	**–**	**(4,102)**	(4,397)	–	(4,397)
Profit/(loss) before tax		**22,458**	**(3,613)**	**18,845**	19,126	(8,551)	10,575
Taxation (expense)/credit	6	**(5,161)**	**1,639**	**(3,522)**	(3,536)	2,689	(847)
Profit/(loss) for the year		**17,297**	**(1,974)**	**15,323**	15,590	(5,862)	9,728
Attributable to:							
Parent Company's equity shareholders		**17,297**	**(1,974)**	**15,323**	15,590	(5,862)	9,728

	Note	**2012**	2011
Earnings per share			
Basic – pence	8	**6.3**	4.1
Diluted – pence	8	**6.1**	3.9
Adjusted basic – pence[1]	8	**7.1**	6.5
Adjusted diluted – pence[1]	8	**6.9**	6.2

1Adjusted basic and diluted earnings per share are calculated based on profit for the year adjusted for highlighted items and the related tax effects (Note 8).

Consolidated Statement of Comprehensive Income and Expense
for the year ended 31 December 2012

	2012 £000	2011 £000
Profit for the year	**15,323**	9,728
Other comprehensive income and expense		
Amounts recognised in the Income Statement on interest rate swaps	**487**	762
Movement in valuation of interest rate swaps	**(43)**	(386)
Tax expense of interest rate swaps	**(118)**	(113)
Currency translation differences	**(5,841)**	943
Tax credit/(expense) of currency translation differences	**3**	(179)
Other comprehensive income and expense for the year	**(5,512)**	1,027
Total comprehensive income and expense for the year	**9,811**	10,755
Total comprehensive income and expense attributable to:		
Parent Company's equity shareholders	**9,811**	10,755

Consolidated Balance Sheet
as at 31 December 2012

	Notes	2012 £000	2011 £000
Non-current assets			
Intangible assets	9	**293,628**	302,283
Property, plant and equipment		**5,430**	5,205
Other receivables		**279**	244
Deferred tax assets		**92**	39
		299,429	307,771
Current assets			
Work in progress		**4,041**	4,060
Trade and other receivables		**43,049**	42,762
Current tax receivable		**190**	519
Derivative financial assets		**72**	–
Cash and short-term deposits		**4,677**	5,569
		52,029	52,910
Current liabilities			
Bank loans and overdrafts		**(6,010)**	(8)
Obligations under finance leases		**(10)**	(25)
Trade and other payables		**(48,089)**	(49,814)
Derivative financial liabilities		**–**	(246)
Current tax payable		**(1,967)**	(2,450)
Provisions	10	**(6,502)**	(8,162)
		(62,578)	(60,705)
Non-current liabilities			
Bank loans and overdrafts		**(65,156)**	(75,745)
Obligations under finance leases		**(3)**	(13)
Trade and other payables		**(1,014)**	(338)
Derivative financial liabilities		**(433)**	(631)
Deferred tax liabilities		**(2,515)**	(1,010)
Provisions	10	**(5,602)**	(12,144)
		(74,723)	(89,881)
Net assets		**214,157**	210,095
Equity			
Called up share capital		**106,444**	106,385
Share premium account		**26,942**	26,594
Merger reserve		**61,966**	64,375
Foreign currency translation reserve		**19,059**	24,900
Hedging reserve		**(369)**	(813)
Treasury shares		**(2,153)**	(2,140)
Investment in own shares		**(4,775)**	(5,338)
Retained earnings		**7,043**	(3,868)
Equity attributable to equity holders of the parent		**214,157**	210,095

The financial statements were approved by the Directors on 24 April 2013 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 2012

	Notes	2012 £000	2011 £000
Cash inflow from operating activities			
Cash inflow from operations	11(a)	**23,080**	24,567
Interest paid		**(3,791)**	(3,356)
Interest received		**12**	27
Cash flows from hedging activities		**(42)**	121
Net tax paid		**(2,212)**	(3,399)
Net cash inflow from operating activities		**17,047**	17,960
Cash outflow from investing activities			
Acquisitions of subsidiaries (net of cash acquired) and deferred consideration payments		**(2,607)**	(24,895)
Disposal of associates, net of cash disposed		**–**	20
Cost of internally developed intangible assets		**(138)**	(322)
Purchases of property, plant and equipment		**(1,884)**	(2,329)
Proceeds from sale of property, plant and equipment		**43**	65
Dividends received from associates		**–**	11
Net cash outflow from investing activities		**(4,586)**	(27,450)
Cash (outflow)/inflow from financing activities			
Purchase of own shares – treasury shares		**(13)**	(538)
Proceeds from sale of own shares to settle share options		**105**	5
Repayment of finance lease liabilities		**(24)**	(71)
Net (repayment)/drawdown of borrowings		**(5,028)**	14,278
Dividends paid to equity holders of the parent		**(8,034)**	(7,714)
Net cash (outflow)/inflow from financing activities		**(12,994)**	5,960
Decrease in cash and cash equivalents		**(533)**	(3,530)
Movements in cash and cash equivalents			
Decrease in cash and cash equivalents		**(533)**	(3,530)
Effects of exchange rate fluctuations on cash held		**(361)**	(193)
Cash and cash equivalents at 1 January		**5,561**	9,284
Cash and cash equivalents at 31 December	11(d)	**4,667**	5,561

Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Retained earnings £000	Total £000
At 1 January 2011	106,356	25,840	63,319	23,957	(1,189)	(1,592)	(5,480)	(4,785)	206,426
Profit for the year	–	–	–	–	–	–	–	9,728	9,728
Other comprehensive income/(expense)	–	–	–	943	376	–	–	(292)	1,027
Acquisition of subsidiaries	18	–	1,062	–	–	–	–	–	1,080
Purchase of own shares	–	–	–	–	–	(553)	–	–	(553)
Settlement of share options	–	–	–	–	–	5	142	(136)	11
Share issue costs	–	(17)	(6)	–	–	–	–	–	(23)
Credit for share-based payments	–	–	–	–	–	–	–	528	528
Tax on share-based payments	–	–	–	–	–	–	–	(415)	(415)
Scrip dividends	11	771	–	–	–	–	–	–	782
Equity dividends	–	–	–	–	–	–	–	(8,496)	(8,496)
At 31 December 2011	106,385	26,594	64,375	24,900	(813)	(2,140)	(5,338)	(3,868)	210,095
Profit for the year	–	–	–	–	–	–	–	15,323	15,323
Other comprehensive income/(expense)	–	–	–	(5,841)	444	–	–	(115)	(5,512)
Acquisitions of subsidiaries	50	–	2,186	–	–	–	–	–	2,236
Purchase of own shares	–	–	–	–	–	(13)	–	–	(13)
Settlement of share options	–	–	–	–	–	–	563	(458)	105
Share issue costs	–	(16)	–	–	–	–	–	–	(16)
Charge for share-based payments	–	–	–	–	–	–	–	(99)	(99)
Tax on share-based payments	–	–	–	–	–	–	–	71	71
Scrip dividends	9	364	–	–	–	–	–	–	373
Equity dividends	–	–	–	–	–	–	–	(8,406)	(8,406)
Transfers	–	–	(4,595)	–	–	–	–	4,595	–
At 31 December 2012	**106,444**	**26,942**	**61,966**	**19,059**	**(369)**	**(2,153)**	**(4,775)**	**7,043**	**214,157**

Notes to the Preliminary Consolidated Financial Statements

for the year ended 31 December 2012

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 24 April 2013 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 2011 have been filed with the Registrar of Companies. The auditor's reports on the financial statements for the years ended 31 December 2012 and 31 December 2011 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 2012 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2012. 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 Chief Executive's Statement.

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

2. Significant accounting policies

With the exception of the following new standards and amendments to standards, which were mandatory for the first time for the financial year beginning 1 January 2012, but had no impact on the Group, the preliminary consolidated financial statements have been prepared in accordance with the accounting policies of the Group which are set out on pages 46 to 50 of the 2011 Annual Report and Accounts,:

- IFRS 1 (amendment) First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for accounting periods beginning on or after 1 July 2011).
- IFRS 7 (amendment) Financial Instruments: Disclosures Transfer of Financial Assets (effective for accounting periods beginning on or after 1 July 2011).
- IAS 12 (amendment) Deferred Tax: Recovery of Underlying Assets (effective for accounting periods beginning on or after 1 January 2012.

3. Segmental analysis

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

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

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

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:

	2012 £000	2011 £000
Segment operating profit before highlighted items	**33,575**	30,924
Unallocated costs	**(7,028)**	(7,422)
Operating profit before highlighted items	**26,547**	23,502
Highlighted items	**(3,613)**	(8,551)
Operating profit	**22,934**	14,951
Net finance costs	**(4,089)**	(4,376)
Profit before tax	**18,845**	10,575

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

Geographical information

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

	2012 £000	2011 £000
Revenue		
United Kingdom	**64,318**	71,741
Other European	**35,356**	36,464
USA	**64,419**	60,522
Rest of the World	**9,051**	7,637
Eliminations	**(114)**	(107)
Total revenue	**173,030**	176,257

	2012 £000	2011 £000
Non-current assets		
United Kingdom	**137,089**	137,595
Other European	**60,483**	61,327
USA	**90,560**	97,244
Rest of the World	**11,205**	11,566
Total non-current assets	**299,337**	307,732

Non-current assets excludes deferred tax assets.

4. Highlighted items

Highlighted items charged to profit for the year 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:

	Notes	2012 £000	2011 £000
Charged to operating profit			
Amortisation of intangible assets	9	**3,924**	4,368
Restructuring costs		**840**	2,433
Litigation costs		**156**	1,021
Acquisition related (credit)/costs		**(1,307)**	729
Charged to profit before tax		**3,613**	8,551
Taxation credit		**(1,639)**	(2,689)
Charged to profit for the year		**1,974**	5,862

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 comprise cost saving initiatives including severance payments, property and other contract termination costs.

Litigation costs

Litigation costs relate to legal costs and settlements of cases pending final judgement. All costs have been expensed as incurred as at 31 December 2012. Whilst some of these costs may be recoverable, a contingent asset will not be recognised until this is virtually certain.

Acquisition related (credit)/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 contingent consideration liabilities are taken to the Income Statement rather than being included as part of the cost of investment or as an adjustment to goodwill. The balance in 2012 relates to the revaluation of deferred contingent consideration of £1.4 million (refer to Note 10) and an expense of £0.1 million relating to transaction costs. In 2011, this included a credit of £0.6 million relating to revaluation of deferred contingent consideration and £1.3 million expense relating to acquisition and transaction costs.

Taxation

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

5. Finance costs and income

	2012 £000	2011 £000
Bank interest payable	**4,039**	4,238
Finance lease interest	**9**	16
Fair value movement on financial instruments	**–**	4
Imputed interest on property and other provisions	**12**	36
Imputed interest on deferred consideration	**42**	103
Finance costs	**4,102**	4,397
Bank interest receivable	**(8)**	(7)
Other interest receivable	**(5)**	(14)
Finance income	**(13)**	(21)
Net interest payable	**4,089**	4,376

6. Taxation

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

	Before Highlighted items 2012 £000	**Highlighted items 2012 £000**	**Total 2012 £000**	Before highlighted items 2011 £000	Highlighted items 2011 £000	Total 2011 £000
Profit/(loss) before tax	**22,458**	**(3,613)**	**18,845**	19,126	(8,551)	10,575
Notional income tax expense/(credit) at the effective UK statutory rate of 24.5% (2011: 26.5%) on profit/(loss) before tax	**5,502**	**(885)**	**4,617**	5,068	(2,266)	2,802
Permanent differences	**(288)**	**(378)**	**(666)**	(85)	67	(18)
Impact of share-based payments	**(134)**	**–**	**(134)**	547	–	547
Different tax rates on overseas profits	**1,815**	**(270)**	**1,545**	830	(597)	233
Impact of changes in statutory tax rates	**272**	**(100)**	**172**	(465)	(103)	(568)
Adjustments in respect of prior years	**(1,519)**	**(16)**	**(1,535)**	(2,375)	–	(2,375)
Utilisation and recognition of tax losses	**(605)**	**–**	**(605)**	(160)	(21)	(181)
Unrelieved current year losses	**118**	**10**	**128**	176	231	407
Income tax expense/(credit)	**5,161**	**(1,639)**	**3,522**	3,536	(2,689)	847

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 24.5% (2011: 26.5%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

7. Dividends

	2012 £000	2011 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2011: 2.5 pence (2010: 2.6 pence)	**5,963**	6,130
Interim dividend for the year ended 2012: 1.0 pence (2011: 1.0 pence)	**2,443**	2,366
Total dividend expense	**8,406**	8,496

Shareholdings under the Group's Employee Benefit Trust of 8,303,994 and 8,156,322 shares waived their rights to the 2011 final dividend and 2012 interim dividend respectively (2010 final dividend and 2011 interim dividend: 8,537,327 shares).

A 2012 final dividend of 2.50 pence per share has been proposed for approval at the Annual General Meeting in 2013.

8. Earnings per share

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

	2012 Earnings £000	**2012 Weighted average number of shares 000s**	2011 Earnings £000	2011 Weighted average number of shares 000s
Basic	**15,323**	**243,585**	9,728	239,313
Diluted	**15,323**	**251,674**	9,728	251,015
Adjusted basic	**17,297**	**243,585**	15,590	239,313
Adjusted diluted	**17,297**	**251,674**	15,590	251,015

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.

8. Earnings per share (continued)

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.

	2012 £000	2011 £000
Earnings:		
Profit for the year attributable to Parent Company's shareholders	**15,323**	9,728
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**1,974**	5,862
Adjusted earnings	**17,297**	15,590

	2012 £000	2011 000
Number of shares:		
Weighted average number of ordinary shares – basic and adjusted	**243,585**	239,313
Effect of share options in issue	**6,937**	7,662
Effect of deferred contingent consideration	**1,152**	4,040
Weighted average number of ordinary shares – diluted	**251,674**	251,015

9. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software development costs £000	Total £000
Cost						
At 1 January 2011	25,382	28,496	296,866	–	529	351,273
Arising on acquisitions in the year	–	1,473	12,047	1,868	–	15,388
Adjustment to prior year acquisitions[1]	–	–	(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
Adjustment to prior year acquisitions[1]	–	–	923	–	–	923
Transfers	–	–	–	46	(46)	–
Capitalised development costs	–	–	–	–	138	138
Exchange differences	(499)	(859)	(5,920)	75	(12)	(7,215)
At 31 December 2012	**24,874**	**29,298**	**303,070**	**1,699**	**951**	**359,892**
Amortisation and impairment charges						
At 1 January 2011	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
Charge for the year	485	3,093	–	346	162	4,086
Exchange differences	(479)	(757)	(365)	9	7	(1,585)
At 31 December 2012	**19,118**	**28,539**	**17,379**	**595**	**633**	**66,264**
Net book value at 31 December 2012	**5,756**	**759**	**285,691**	**1,104**	**318**	**293,628**
Net book value at 31 December 2011	6,261	3,954	290,323	1,338	407	302,283

1 Adjustments to goodwill on prior year acquisitions represent changes to contingent deferred consideration payable for acquisitions completed prior to 1 January 2010.

10. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2011	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 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
Arising during the year	–	427	598	1,025
Released during the year	(1,382)	(523)	(161)	(2,066)
Arising during the year – adjustment to Goodwill	923	–	–	923
Utilised	(4,843)	(766)	(2,085)	(7,694)
Foreign exchange movements	(402)	(29)	(13)	(444)
Unwind of discount	42	10	2	54
At 31 December 2012	**10,110**	**1,718**	**276**	**12,104**
Current	5,658	608	236	6,502
Non-current	4,452	1,110	40	5,602

Deferred contingent consideration for acquisitions
Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element, payable in either cash or a combination of cash and shares at the Company's option, that is contingent on the future financial performance of the acquired entity. The Group anticipates settling the deferred consideration provisions over the next four years. The amount arising 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 ten years.

Reorganisation and other provisions
This provision relates principally to employee termination benefits arising as a result of the restructuring initiative implemented during 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.

11. Cash flow analysis

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

	2012 £000	2011 £000
Operating profit	**22,934**	14,951
Depreciation	**2,212**	2,325
Share option (credit)/charge	**(99)**	528
Loss on disposal of property, plant and equipment	**8**	41
Profit on disposal of associate	–	(9)
Amortisation of intangible assets	**4,086**	4,532
Unrealised foreign exchange gain	**(30)**	–
Decrease/(increase) in work in progress	**9**	(2,540)
(Increase)/decrease in debtors	**(2,653)**	2,072
Increase in creditors	**442**	1,841
(Decrease)/increase in provisions	**(3,829)**	826
Net cash inflow from operations	**23,080**	24,567

11. Cash flow analysis (continued)

Net cash inflow from operations is analysed as follows:

	2012 £000	2011 £000
Before highlighted items	**26,859**	27,649
Highlighted items	**(3,779)**	(3,082)
Net cash inflow from operations	**23,080**	24,567

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

	2012 £000	2011 £000
Decrease in cash and cash equivalents in the year	**(533)**	(3,530)
Cash inflow/(outflow) from movements in debt	**5,028**	(14,278)
Repayment of capital element of finance leases	**24**	71
Change in net debt resulting from cash flows	**4,519**	(17,737)
Amortisation of loan fees	**(439)**	(538)
Movement in fair value of derivative financial instruments	**516**	252
Translation differences	**(360)**	(193)
Decrease/(increase) in net debt	**4,236**	(18,216)
Net debt at beginning of year	**(71,099)**	(52,883)
Net debt at end of year	**(66,863)**	(71,099)

(c) Analysis of net debt

	2012 £000	2011 £000
Cash and short-term deposits	**4,677**	5,569
Overdrafts (current)	**(10)**	(8)
Net cash and cash equivalents	**4,667**	5,561
Bank loans (current)	**(6,000)**	–
Bank loans (non-current)	**(65,156)**	(75,745)
Derivative financial assets	**72**	–
Derivative financial liabilities	**(433)**	(877)
Obligations under finance leases	**(13)**	(38)
Net debt	**(66,863)**	(71,099)

At 31 December 2012 the Group had undrawn committed facilities of £37 million (2011: £32 million) available.

(d) Cash and cash equivalents

	2012 £000	2011 £000
Cash and short-term deposits	**4,677**	5,569
Overdrafts (current)	**(10)**	(8)
Cash and cash equivalents	**4,667**	5,561

12. 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.

13. Related party transactions

The ultimate controlling party of the Group is Huntsworth plc (incorporated in the United Kingdom). The Group has a related party relationship with 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 (2011: £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 due to be repaid in April 2013.

14. Events after the balance sheet date

On 24 April 2013, Huntsworth plc entered into a Subscription Agreement with BlueFocus International Limited, a subsidiary of BlueFocus Communications Group Co. Ltd, to issue 63 million shares at a price of 58 pence per share for total consideration of £36,540,000. BlueFocus Communications Group Co. Ltd will guarantee the subscription, subject to shareholder and People's Republic of China regulatory approval. Based on the share capital in issue at the date of this report, the proposed placement would represent a 19.8% holding in Huntsworth plc.

Directors' responsibility statement

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

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

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

Lord Chadlington
Chief Executive

Sally Withey
Group Chief Operating Officer and Finance Director