HUNTSWORTH

Audited preliminary results for the year ended 31 December 2013

Financial results in line with expectations

Investment programme bringing good results and to be extended into 2014

BlueFocus alliance strengthens further through a formal joint venture

Lord Myners to become Chairman after 2014 AGM

Huntsworth PLC, the global public relations and healthcare communications group, today announces its preliminary results for the year ended 31 December 2013.

Financial results to 31 December 2013

Sally Withey, Huntsworth's Chief Operating Officer said: "The 2013 Group results are in line with consensus with profit before tax of £20.1m, following our announcement in April 2013 of £4.4m of new strategic investments, and revenues of £171.7m[3]. Our investment programme is producing revenue growth in our three key strategic areas: digital, growth markets and multi-office accounts.

Digital revenues grew by 10% in the year and now represent 26% of our Group revenues. We expect further growth in 2014. In growth markets we achieved, for example, 34% revenue growth in 2013 in the Middle East and Africa. Huntsworth's multi-office accounts, now 50% of Group revenues, saw a 4% growth in average fee. The capital injection from BlueFocus has made the new strategic investments possible and the results allow us to extend the programme into 2014."

Lord Myners to become Chairman at 2014 AGM

Lord Myners has been Chairman of several leading international and FTSE100 companies including Marks & Spencer and Guardian Media Group, and was City Minister in the last Labour Government. He joins the board with immediate effect and, subject to being re-appointed as a Director by the Company's members, will take over as Chairman at the conclusion of the 2014 AGM. Lord Myners said: "Huntsworth has built a solid international platform with the potential to deliver significant growth in both revenues and profits - particularly as a result of the BlueFocus partnership - which in turn enables the Group to continue its successful investment programme in new geographies and product development. I am looking forward both to working with my new colleagues and strategic partners in growing our business and pursuing value opportunities based on established international platforms, competencies and relationships."

BlueFocus partnership

Lord Chadlington, Huntsworth's Chief Executive, said: "We also announce today the next step in our alliance with BlueFocus by signing a framework joint venture agreement which will establish a joint venture focusing on investment in growth markets to complete the Huntsworth/BlueFocus global network. Particular emphasis will be given to companies in the Asia-Pacific markets with strong digital capabilities.

The framework joint venture agreement will require shareholder approval before it takes effect.

The BlueFocus strategic investment enables us to break out of our dependence on the UK and European economies which have held back organic revenue growth in the last six or seven years. Our success in investing in people, geographies and skills in 2013 and our plans to extend this programme in 2014 will provide the best possible basis for growth in the years ahead. This should coincide with the upturn in the PR markets worldwide, which if this upturn follows historic patterns, is six to twelve months behind the upturn in advertising."

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Notes:

1. Unless otherwise stated, all results are adjusted to exclude highlighted items. Highlighted revenues comprise revenues from start-up operations. Highlighted expenses comprise amortisation of intangible assets, restructuring costs, start-up costs, litigation (credits)/costs and acquisition/transaction related (credits)/costs.
2. Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.
3. In addition, we have highlighted revenues in respect of start-up operations of £0.7m that produced £0.5m of operating losses.

Chief Executive's Statement

Revenues for 2013 were £171.7m[3] (2012: £173.0m) representing a like-for-like decline of 1.3%.

Profit before tax was £20.1m (2012: £22.5m), in line with our expectations which reflects the cost of the investment programme.

The Group has a proven track record of strong cost control, which has been demonstrated again this year with operating profits at £23.6m (2012: £26.6m) after £4.4m of strategic investments. This represents a pre-investment profit before tax of £24.5m delivering underlying growth of 9%. The de-leveraging of our balance sheet due to the BlueFocus subscription has enabled the Group to invest some of this underlying profit increase in future growth of the business. In addition, restructuring costs of £3.7m relating to the investment programme were incurred.

Operating margin post-central and investment costs was 13.7% (2012: 15.3%).

Cash conversion was strong at 99% (2012: 101%), reflecting continued emphasis on working capital management, producing cash flow from operations before highlighted items of £23.3m. As a result of this, and the BlueFocus subscription, net debt reduced significantly as at 31 December 2013 to £32.0m (2012: £66.9m). The deferred consideration profile has decreased to £1.2m payable in cash and £0.6m payable in cash or shares at the Group's discretion. The timing of these payments is £0.6m over each of the next three years.

Diluted earnings per share before highlighted items was 5.6p (2012: 6.9p) and after highlighted items 4.9p (2012: 6.1p), impacted by the 2013 investment programme and BlueFocus subscription of 63,000,000 new Huntsworth shares. A final dividend of 2.50p (2012: 2.50p) is proposed, which represents a total dividend of 3.50p for 2013 (2012: 3.50p).

Investment programme

In 2013 revenues declined reflecting the concentration of Huntsworth's operations in the UK and Europe where the economic recovery has been slow. Profits declined due to the decision by the board to invest in future revenue growth.

With a de-leveraged balance sheet resulting from both the BlueFocus subscription and minimal remaining earn-outs, the Group has been able to invest £4.4 million during 2013, which included 22 senior hires, in addition to associated restructuring costs of £3.7 million that have been included in highlighted items.

The Group's investment programme is focused on three key strategic areas: digital, growth markets and multi-office accounts.

Recent digital wins include a major new direct-to-consumer television advertising remit in Huntsworth Health and further work for Papa John's (UK), ScanDisk (Russia) and the Qatar Year of Culture (UK and Qatar) in Grayling. In the final quarter of 2013, Huntsworth Health established a social marketing and digital PR agency. These have contributed to digital revenue growth of 10% in 2013, with digital now representing 26% of Group revenues.

The Group's growth markets are Asia-Pacific, Middle East and Africa, and the USA, which together currently account for 44% of Group revenues. The Middle East and Africa region had revenue growth of 34% in 2013 while the Asia-Pacific region has grown at 3%.

Multi-office accounts now represent 50% of Group revenues and average fees for these accounts grew by 4% during the year. During 2013, Grayling won a retained engagement for PayPal in Europe and the Middle East and, after a competitive re-pitch, was awarded the 39 market assignment for British Airways. Grayling was also appointed as a key partner for the European Tour and provides international strategic communications and tournament promotional support.

Investment programme continued

In January 2014, the Asia-Pacific region was restructured and a new regional management team put in place. The USA has seen large changes following the merger of Grayling, Dutko Grayling and Atomic into a single Grayling brand. Grayling now has 10 offices across the USA and is well positioned to build market share rapidly in the largest PR market in the world. We already have made several very senior appointments to drive this opportunity forward and, since the beginning of the year, the new Grayling USA operation has won large assignments from Concur and Unisys. The Middle East and Africa has an established multi-million dollar pipeline of opportunities and will continue to grow in 2014.

Margins in 2014 will continue to be diluted as the Group continues to invest further including the appointment of around 30 senior revenue generators across the Group, primarily in the Grayling division, aimed at building revenues as the world economies continue to recover. The board expects to see the real benefits of these investments and the investment by BlueFocus from 2015 onwards.

Board changes

Lord Myners joins the Huntsworth board with immediate effect and, subject to being re-appointed as a Director, will take over as Chairman at the conclusion of the 2014 AGM. He will succeed Richard Sharp who has been Chairman for the last six years, and who will not be standing for re-appointment as a Director. Lord Myners is one of the UK's leading business figures with an outstanding record and international experience. He will be a significant asset to the Huntsworth Group around the world. The board would like to thank Richard Sharp for his considerable contribution to the Group over many years and wish him well in his future endeavours.

The appointment of Lord Myners follows an extensive external search carried out by a non-executive committee of the board in conjunction with external search consultants.

Joe MacHale has also notified the board that he will be resigning as a Director at the 2014 AGM.

When the new Chairman is in post, the board will review its membership and structure.

BlueFocus strategic alliance

During 2013 we announced an unprecedented strategic alliance with BlueFocus, Asia's largest public relations group. BlueFocus invested £36.5m at 58p per share for a 19.6% stake in Huntsworth. Oscar Zhao, BlueFocus' CEO, was appointed to the board at the general meeting held in October 2013.

Huntsworth and BlueFocus are developing this strategic alliance in three important ways.

First, both companies have signed a framework joint venture agreement which will be used to expand the Huntsworth/BlueFocus network particularly in the Asia-Pacific region. A circular will be issued to the Huntsworth shareholders for approval once BlueFocus has met the necessary Chinese regulatory requirements. One of the regulatory requirements is an obligation on BlueFocus to obtain such approvals as are necessary to enable it to invest up to £50m in the first three years of the framework joint venture without the need to obtain any additional approvals or consents. It is proposed that Huntsworth will have a 51% majority stake and will manage and consolidate any acquisitions which may be completed. The release of any Huntsworth capital, relating to the joint venture's acquisitions, will need prior approval by the Huntsworth board and is limited to £50m over the first three years.

Chief Executive's Statement continued

BlueFocus strategic alliance continued

Secondly, we are continuing to build business through the Huntsworth 'China Go Global' development units based in London and Beijing. This encourages business co-operation particularly between China and Europe. UK Trade and Investment in Beijing has appointed BlueFocus and Huntsworth on a three-year assignment to further develop these initiatives.

Thirdly, BlueFocus and Huntsworth are looking at ways in which we could, while continuing to invest in start-ups and talent, raise our Group presence particularly in Beijing and Shanghai.

Operating divisions

Grayling

Pete Pedersen, the Grayling Chief Executive, has been in post just over a year. Analytics and big data are changing public relations around the world. Grayling must be able to deliver seamlessly and globally through both traditional and digital channels.

Investments have been made in proprietary digital tools, in an intensive digital training programme and in key digital hires to support this transformation. This will invigorate the Grayling global network, where revenues declined by 6.4% in 2013, as it continues to weather the depressed European markets.

Revenues for 2013 were £78.5m with margins at 18.2% pre-investment and 14.3% post investment. Revenue declines are expected to moderate as these new capabilities come into effect.

Huntsworth Health

Revenues grew 7.1% in 2013 to £57.1m on a like-for-like basis. Margins were strong at 20.8%. Growth is being driven by the ongoing digitalisation of all of the Huntsworth Health agencies. A new social marketing and digital PR agency was established as an additional growth platform in the final quarter of 2013. Our expectations are that the division will continue with this positive momentum into 2014.

Citigate

Revenues for 2013 were £23.3m with revenue growth of 1.1% on a like-for-like basis. Margins grew to 20.3% from 18.4% in 2013. Improving sentiment in the financial markets, particularly the recovery in the important market for initial public offerings, had a positive impact on trading conditions during the year but revenue growth remains volatile.

Red

Revenues for 2013 were £12.9m with a like-for-like revenue decline of 7.2%. Margins were very strong over this period at 24.2% with profit growth of 19.7% year on year. 2013 saw consumer PR budgets come under intense pressure, but with some significant account wins already in 2014, Red is confident of returning to growth later in the year.

Chief Executive's Statement continued

Group Outlook

The BlueFocus strategic investment, together with reduced earn-outs, enables us to invest ahead of the expected recovery in PR revenues, which typically lag advertising recovery by six to twelve months, and break out of our dependence on the European economies.

Group revenues declined by 2.5% in the first quarter of 2014 on a like-for-like basis. Our success in investing in people, geographies and skills in 2013 and our plans to extend this programme in 2014 will provide the best possible basis for organic growth in the years ahead.

Margins in 2014 will continue to be diluted as a result of the continued investment programme. The board expects to see the real benefits of these investments and the strategic alliance with BlueFocus from 2015 onwards.

Review of Financial Results

FINANCIAL RESULTS

	2013	Like-for-like growth	2012	
	£'m	%	£'m	
Revenue				
Citigate	23.3	1.1%	22.8	
Grayling	78.5	(6.4)%	83.5	
Huntsworth Health	57.1	7.1%	52.9	
Red	12.9	(7.2)%	13.9	
Eliminations	(0.1)		(0.1)	
Total revenue before highlighted items	**171.7**	**(1.3)%**	**173.0**	
	2013	**Margin**	**2012**	**Margin**
	£'m	**%**	**£'m**	**%**
Operating profit				
Citigate	4.7	20.3%	4.2	18.4%
Grayling	11.2	14.3%	15.3	18.3%
Huntsworth Health	11.9	20.8%	11.5	21.6%
Red	3.1	24.2%	2.6	18.8%
Total operations	30.9	18.0%	33.6	19.4%
Central costs	(7.3)		(7.0)	
Operating profit before highlighted items	**23.6**	**13.7%**	**26.6**	**15.3%**
Operating highlighted items	(3.0)		(3.6)	
Reported operating profit	**20.6**	**12.0%**	**23.0**	**13.3%**
Adjusted diluted EPS	5.6p		6.9p	
Reported diluted EPS	4.9p		6.1p	

Introduction

Unless otherwise stated, all results are adjusted to exclude highlighted items. Highlighted revenues comprise revenues from start-up operations. Highlighted expenses comprise amortisation of intangible assets, restructuring costs, start-up costs, litigation (credits)/costs and acquisition/transaction related (credits)/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 0.8% to £171.7 million (2012: £173.0 million). Operating profits after central costs, impacted by the investment programme undertaken in the year, have decreased by 11.2% to £23.6 million (2012: £26.6 million).

Group operating profits before central costs decreased by 8.0% to £30.9 million (2012: £33.6 million). Margins before central costs are 18.0% (2012: 19.4%) and after central cost margins are 13.7% (2012: 15.3%).

Profits before tax and highlighted items were down 10.7% to £20.1 million (2012: £22.5 million).

Currency

Sterling strengthened during 2013, which resulted in a £1.6 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 2012 remaining consistent.

Highlighted items

Highlighted items of £3.0 million include £1.6 million for non-cash amortisation of intangible assets, £3.7 million of restructuring costs, £0.5 million of start-up losses, offset by a £0.6 million litigation credit and a net credit of £2.3 million in respect of acquisition and transaction-related balances.

Restructuring costs were incurred during 2013 in relation to the on-going restructuring initiatives and are predominantly employee termination costs.

Start-up losses are the net operating results of the investment in new operations, comprising of £0.7m of revenues and £1.2m worth of costs. The profile of revenue and costs in start-up businesses is different to that of more mature operations within the Group, and they will be included within highlighted items until they become consistently profitable, or after two years of operation, whichever is earlier.

The litigation credit represents an agreed final settlement, net of costs incurred, from a former employee in regard to disputes concerning certain restrictive covenants of their employment agreement. Acquisition and transaction-related credits relates to the revaluation of deferred contingent consideration of £2.7 million offset by an expense of £0.4 million relating to costs incurred in respect of the BlueFocus strategic alliance.

Tax

The total tax expense of £3.7 million comprises an underlying tax expense of £4.8 million together with a credit of £1.1 million on highlighted items. The full year underlying tax rate is 24.0% (2012: 23.0%). Net corporation tax paid in the year was £2.4 million (2012: £2.2 million).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £15.2 million (2012: £17.3 million). Profits after highlighted items attributable to ordinary shareholders amounted to £13.3 million (2012: £15.3 million).

Before highlighted items, basic earnings per share for 2013 is 5.8p (2012: 7.1p) and diluted earnings per share is 5.6p (2012: 6.9p). Basic earnings per share after highlighted items is 5.0p (2012: 6.3p) and diluted earnings per share after highlighted items is 4.9p (2012: 6.1p).

Review of Financial Results continued

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 2012 dividend of 3.50p. The record date for this dividend will be 30 May 2014 and it is payable on 7 July 2014. A scrip dividend alternative will be available.

Share buyback programme

No shares were bought back by the Company during the year. As at 31 December 2013, the Group holds 2.3 million shares in Treasury.

Notes to Editors:

Huntsworth PLC is an international public relations group with 72 principal offices in 28 countries. During 2013 the Group provided services to circa 2,100 clients including: 48 companies in the FTSE 100, 82 Fortune 500, 91 FTSEurofirst 300 and 33 of the world's 50 largest healthcare companies.

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 2013, the Group employed 1,608 staff with an average fee income per head of £107,000.

By industry sector the revenue profile is broadly 19% Pharmaceuticals, 16% Healthcare, 11% Information Technology, 10% Financial Services, 9% Retail & Leisure, 6% Food & Drink, 6% Government & Public Sector, 4% Professional and Support Services, 4% Industrial and 15% others.

Geographically, 38% of Group revenue came from the USA, 36% from the UK, 20% from European countries, 3% Asia and 3% Middle East and Africa.

The top 15 clients each generate in excess of £2 million of annual revenue. Our largest client represents 3% of revenue. The top 10 clients account for 21% and the top 25 clients 34%.

Review of Financial Results continued

BlueFocus Joint Venture

Huntsworth PLC and BlueFocus Communication Group Co. Ltd have entered into a framework joint venture agreement (the "**Framework JVA**") which will establish a joint venture focusing on investment in growth markets (the "**Joint Venture**"), the key terms of which are set out below.

1. Purpose of the Joint Venture

   The purpose of the Joint Venture is to acquire, hold, operate and manage interests in businesses which: (i) operate in the public relations and communications sector; and (ii) are of geographic and strategic importance to Huntsworth and BlueFocus.

2. Conditions

   The Framework JVA is conditional upon: (i) the shareholders of Huntsworth approving the Joint Venture by means of an ordinary resolution at a general meeting; and (ii) BlueFocus having obtained such approvals (or registrations) from Chinese regulatory bodies as may be required (including, but not limited to, the National Development and Reform Commission, the Ministry of Commerce and the State Administration of Foreign Exchange). The parties expect that such approvals (or registrations) from Chinese regulatory bodies could be obtained in approximately one to three months, although the timeline is not within the parties' control and could be prolonged by Chinese regulatory bodies. Based on other examples of the same type of matters and the nature of the Framework JVA, the parties do not foresee substantive obstacles to obtaining such approvals (or registrations), assuming that there is no substantial change of Chinese laws in this regard after the signing of the Framework JVA.

   Upon receipt of the approvals referred to in (ii) above, a general meeting of the Huntsworth shareholders will be called as soon as practical to seek approval of the Joint Venture.

   If the conditions set out above are not satisfied by 31 December 2014, the Framework JVA will automatically terminate.

3. Operation of the Joint Venture

   Huntsworth and BlueFocus will establish a management committee, comprised of four members (the "**Management Committee**"). Each of Huntsworth and BlueFocus will be entitled to appoint two members of the Management Committee. Huntsworth will be entitled to appoint the Chairman of the Management Committee.

   The initial membership of the Management Committee will be:

Peter Chadlington	(Huntsworth, Chairman of Management Committee)
Sally Withey	(Huntsworth)
Oscar Zhao	(BlueFocus)
Shawn Zhang	(BlueFocus)

   The Management Committee will have the power and authority to identify targets and authorise efforts to acquire an interest in a target or a business of a target. If such an interest or businesses is acquired then the entity in which the interest is acquired, or which holds the acquired business, will become a "**Co-investment Entity**" for the purposes of the Framework JVA. Huntsworth and BlueFocus will procure that any interest in a Co-investment Entity is

acquired by a holding entity in which Huntsworth holds 51% of the economic and voting rights and BlueFocus holds 49% of the economic and voting rights (a "**Holding Entity**").

The Management Committee will also have the power and authority to issue instructions and take decisions in respect of: (a) the management, operations, financing and branding of any Co-investment Entity or Holding Entity; and (b) the sale of a Co-investment Entity or Holding Entity or the disposal of part of such an entity's business operations. Decisions of the Management Committee will be decided by majority vote. In the event of a tie, the Chairman will have the casting vote (subject to the exceptions set out in paragraph 4 below).

The maximum amount of consideration that the Management Committee may demand be paid in the first three years of the Framework JVA will be limited to £100 million, with each of Huntsworth and BlueFocus providing a maximum of £50 million.

Neither Huntsworth nor BlueFocus is under an obligation to propose businesses to the Management Committee and each is free to invest in and/or acquire businesses which could be acquired pursuant to the Joint Venture but which have not yet been proposed to the Management Committee.

4. Reserved Matters

The chairman of the Management Committee will not have a casting vote in respect of certain key matters, giving BlueFocus a veto right. These matters include, but are not limited to, proposals to:

(i) acquire investments where the consideration would exceed £5 million;

(ii) sell an investment: (a) where the value of the investment exceeds £4 million; or (b) at a loss;

(iii) to raise the ratio of debt to EBITDA in respect of a Co-investment Entity or Holding Entity above 2:1;

(iv) make any material change to the nature or scope of the investments which may be acquired pursuant to the Joint Venture;

(v) make any material amendment to the constitutional documents of any Co-investment Entity or Holding Entity;

(vi) terminate the Framework JVA; and

(vii) to declare, set aside or pay a dividend or other distribution by any Co-investment Entity or Holding Entity.

In the event of a deadlock which cannot resolved by the procedures set out in the Framework JVA, Huntsworth and BlueFocus shall procure that all of the Co-investment Entities and Holding Entities affected by the deadlock are disposed of by selling the relevant interests to a third party; and/or procuring that the Co-investment Entities and Holding Entities in question are wound up and their assets distributed proportionately to Huntsworth and BlueFocus.

Principal risks and uncertainties

The Group faces a range of economic, strategic, operational and compliance risks which are continually reviewed to identifying any emerging risks and mitigate 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 and Impact	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. This 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.	The Group has a wide spread of clients both across geography and industry sector, 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.
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.	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 US Dollars and Euro where necessary to hedge foreign currency exposure. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.
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 and agency of record status 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 two to three years.

Principal risks and uncertainties

Risk and Impact	Mitigating factors
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.
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.	The Group has £80 million of multi-currency loan facilities with a syndicate of banks maturing in 2015. Management closely monitors all covenants on the Group's facilities and actively manages undrawn headroom.
Dependence on key personnel The Group views its employees as its most important resource. There is strong competition within the industry for experienced PR professionals. Recruitment and retention of key personnel is important both for maintaining client relationships and ensuring that our services are of the highest quality.	The Group's policy is to recruit both Directors and employees 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 3% of revenue, and our top 10 clients account for 21%. 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 reviews 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 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.

Principal risks and uncertainties

Risk and Impact	Mitigating factors
Working capital risk Larger client mandates can result in increased working capital and performance guarantee 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. Funds are received in advance wherever possible to settle purchases made on behalf of its clients. The Group looks to agree billing in advance for retainer relationships.
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.	The Group strives to foster a culture of openness, responsibility and ethical behaviour and implemented a new external whistleblowing process during the year for the reporting of any 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.
Legal and regulatory compliance Any failure to adhere 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 Health & Safety, and the UK Bribery Act. Policies on gifts, entertainment, share trading and confidentiality are communicated to all employees.

Consolidated Income Statement

for the year ended 31 December 2013

	Notes	2013 Before highlighted items £000	2013 Highlighted items (Note 4) £000	2013 Total £000	2012 Before highlighted items £000	2012 Highlighted items (Note 4) £000	2012 Total £000
Turnover		**208,162**	**819**	**208,981**	215,526	–	215,526
Revenue	3	**171,668**	**727**	**172,395**	173,030	–	173,030
Operating expenses		**(148,073)**	**(3,737)**	**(151,810)**	(146,483)	(3,613)	(150,096)
Operating profit/(loss)		**23,595**	**(3,010)**	**20,585**	26,547	(3,613)	22,934
Finance income	5	**6**	**–**	**6**	13	–	13
Finance costs	5	**(3,537)**	**–**	**(3,537)**	(4,102)	–	(4,102)
Profit/(loss) before tax		**20,064**	**(3,010)**	**17,054**	22,458	(3,613)	18,845
Taxation (expense)/credit	6	**(4,822)**	**1,088**	**(3,734)**	(5,161)	1,639	(3,522)
Profit/(loss) for the year		**15,242**	**(1,922)**	**13,320**	17,297	(1,974)	15,323
Attributable to:							
Parent Company's equity shareholders		**15,242**	**(1,922)**	**13,320**	17,297	(1,974)	15,323

	Note	2013	2012
Earnings per share			
Basic – pence	8	**5.0**	6.3
Diluted – pence	8	**4.9**	6.1
Adjusted basic – pence[1]	8	**5.8**	7.1
Adjusted diluted – pence[1]	8	**5.6**	6.9

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 8).

Consolidated Statement of Comprehensive Income and Expense
for the year ended 31 December 2013

	Notes	**2013 £000**	2012 £000
Profit for the year		**13,320**	15,323
Other comprehensive income and expense			
Items that may be reclassified subsequently to the income statement			
Amounts recognised in the Income Statement on interest rate swaps		**277**	487
Movement in valuation of interest rate swaps		**(1)**	(43)
Tax expense of interest rate swaps		**(65)**	(118)
Currency translation differences		**(1,555)**	(5,841)
Tax credit of currency translation differences		**35**	3
Total items that may be reclassified subsequently to profit or loss		**(1,309)**	(5,512)
Other comprehensive income and expense for the year		**(1,309)**	(5,512)
Total comprehensive income and expense for the year		**12,011**	9,811
Total comprehensive income and expense attributable to:			
Parent Company's equity shareholders		**12,011**	9,811

Consolidated Balance Sheet
as at 31 December 2013

	Notes	2013 £000	2012 £000
Non-current assets			
Intangible assets	9	**293,006**	293,628
Property, plant and equipment		**4,993**	5,430
Other receivables		**537**	279
Deferred tax assets		**608**	92
		299,144	299,429
Current assets			
Work in progress		**6,066**	4,041
Trade and other receivables		**44,115**	43,049
Current tax receivable		**344**	190
Derivative financial assets	10	**68**	72
Cash and short-term deposits		**8,580**	4,677
		59,173	52,029
Current liabilities			
Bank loans and overdrafts		**(92)**	(6,010)
Obligations under finance leases		**(8)**	(10)
Trade and other payables		**(49,842)**	(48,089)
Derivative financial liabilities	10	**(157)**	–
Current tax payable		**(1,082)**	(1,967)
Provisions	11	**(1,232)**	(6,502)
		(52,413)	(62,578)
Non-current liabilities			
Bank loans and overdrafts		**(40,401)**	(65,156)
Obligations under finance leases		**(3)**	(3)
Trade and other payables		**(884)**	(1,014)
Derivative financial liabilities	10	**–**	(433)
Deferred tax liabilities		**(4,939)**	(2,515)
Provisions	11	**(2,033)**	(5,602)
		(48,260)	(74,723)
Net assets		**257,644**	214,157
Equity			
Called up share capital		**107,139**	106,444
Share premium account		**61,722**	26,942
Merger reserve		**65,255**	61,966
Foreign currency translation reserve		**17,504**	19,059
Hedging reserve		**(93)**	(369)
Treasury shares		**(1,577)**	(2,153)
Investment in own shares		**(4,775)**	(4,775)
Retained earnings		**12,469**	7,043
Equity attributable to equity holders of the parent		**257,644**	214,157

The financial statements were approved by the Directors on 28 April 2014 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 2013

	Notes	**2013 £000**	2012 £000
Cash inflow from operating activities			
Cash inflow from operations	12(a)	**18,634**	23,080
Interest paid		**(2,978)**	(3,791)
Interest received		**6**	12
Cash flows from hedging activities		**72**	(42)
Net tax paid		**(2,448)**	(2,212)
Net cash inflow from operating activities		**13,286**	17,047
Cash outflow from investing activities			
Deferred consideration payments		**(3,251)**	(2,607)
Cost of internally developed intangible assets		**(945)**	(138)
Purchases of property, plant and equipment		**(1,954)**	(1,884)
Proceeds from sale of property, plant and equipment		**31**	43
Net cash outflow from investing activities		**(6,119)**	(4,586)
Cash outflow from financing activities			
Proceeds from issue of ordinary shares, net of costs		**35,824**	–
Purchase of own shares – treasury shares		**–**	(13)
Proceeds from sale of own shares to settle share options		**346**	105
Repayment of finance lease liabilities		**(2)**	(24)
Net repayment of borrowings		**(31,300)**	(5,028)
Dividends paid to equity holders of the parent		**(7,937)**	(8,034)
Net cash outflow from financing activities		**(3,069)**	(12,994)
Increase/(decrease) in cash and cash equivalents		**4,098**	(533)
Movements in cash and cash equivalents			
Increase/(decrease) in cash and cash equivalents		**4,098**	(533)
Effects of exchange rate fluctuations on cash held		**(277)**	(361)
Cash and cash equivalents at 1 January		**4,667**	5,561
Cash and cash equivalents at 31 December	12(d)	**8,488**	4,667

Consolidated Statement of Changes in Equity
for the year ended 31 December 2013

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Retained earnings £000	Total £000
At 1 January 2012	106,385	26,594	64,375	24,900	(813)	(2,140)	(5,338)	(3,868)	210,095
Profit for the year	–	–	–	–	–	–	–	15,323	15,323
Other comprehensive income/(expense)	–	–	–	(5,841)	444	–	–	(115)	(5,512)
Acquisition 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)
Credit 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
Profit for the year	–	–	–	–	–	–	–	13,320	13,320
Other comprehensive income/(expense)	–	–	–	(1,555)	276	–	–	(30)	(1,309)
Acquisition of subsidiaries	54	–	3,295	–	–	–	–	–	3,349
BlueFocus subscription	630	35,910	–	–	–	–	–	–	36,540
Settlement of share options	–	–	–	–	–	576	–	(231)	345
Share issue costs	–	(1,807)	(6)	–	–	–	–	–	(1,813)
Charge for share-based payments	–	–	–	–	–	–	–	654	654
Credit for unclaimed dividends	–	–	–	–	–	–	–	20	20
Tax on share-based payments	–	–	–	–	–	–	–	318	318
Scrip dividends	11	677	–	–	–	–	–	–	688
Equity dividends	–	–	–	–	–	–	–	(8,625)	(8,625)
At 31 December 2013	**107,139**	**61,722**	**65,255**	**17,504**	**(93)**	**(1,577)**	**(4,775)**	**12,469**	**257,644**

Notes to the Preliminary Consolidated Financial Statements

for the year ended 31 December 2013

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 28 April 2014 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 2012 have been filed with the Registrar of Companies. The auditor's reports on the financial statements for the years ended 31 December 2013 and 31 December 2012 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 2013 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2013. 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, the preliminary consolidated financial statements have been prepared in accordance with the accounting policies of the Group which are set out on pages 52 to 56 of the 2012 Annual Report and Accounts.

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

- IFRS 13 Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013). IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, but this assessment has not materially impacted the fair value measurements of the Group. IFRS 13 also requires additional disclosures which are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

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

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

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 2013	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Revenue					
Total revenue	23,324	78,450	12,880	57,070	**171,724**
Intra-group eliminations	–	(56)	–	–	**(56)**
Segment revenue	23,324	78,394	12,880	57,070	**171,668**
Segment operating profit before highlighted items	4,742	11,203	3,119	11,883	**30,947**

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

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:

	2013 £000	2012 £000
Segment operating profit before highlighted items	**30,947**	33,575
Unallocated costs	**(7,352)**	(7,028)
Operating profit before highlighted items	**23,595**	26,547
Highlighted items	**(3,010)**	(3,613)
Operating profit	**20,585**	22,934
Net finance costs	**(3,531)**	(4,089)
Profit before tax	**17,054**	18,845

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:

	2013 £000	2012 £000
Revenue		
United Kingdom	**62,311**	64,318
Other European	**33,421**	35,356
USA	**65,784**	64,419
Rest of the World	**10,208**	9,051
Intra-group eliminations	**(56)**	(114)
Total revenue	**171,668**	173,030

	2013 £000	2012 £000
Non-current assets		
United Kingdom	**137,418**	137,089
Other European	**61,040**	60,483
USA	**89,138**	90,560
Rest of the World	**10,940**	11,205
Total non-current assets	**298,536**	299,337

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 revenue and profit for the year:

	Notes	**2013 £000**	2012 £000
Credited to revenue:			
Start-up revenues		**(727)**	–
Charged to operating expenses:			
Amortisation of intangible assets	9	**1,635**	3,924
Restructuring costs		**3,733**	840
Start-up costs		**1,211**	–
Litigation (credit)/costs		**(585)**	156
Acquisition and transaction related credit		**(2,257)**	(1,307)
Total charged to operating expenses		**3,737**	3,613
Charged to profit before tax		**3,010**	3,613
Taxation credit		**(1,088)**	(1,639)
Charged to profit for the year		**1,922**	1,974

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.

Start-up revenues and costs

Start-up costs are the net operating results of new businesses started by the Group. The profile of revenue and costs in start-up businesses is different to that of more mature operations within the Group and hence the Directors consider that separate disclosure is helpful for investors. The results of start-up operations will cease being included within this category once they become consistently profitable or after two years of operation, whichever is earlier.

Litigation (credit)/costs

Litigation costs relate to legal costs and settlements of cases pending final judgement. The credit in 2013 represents an agreed final settlement due to the Group, net of costs incurred.

Acquisition and transaction-related credit

In line with the requirements of IFRS 3 (revised) ‘Business Combinations’, costs incurred in relation to acquisitions and any adjustments to the fair value of deferred contingent consideration liabilities are taken to the Income Statement rather than being included as part of the cost of investment or as an adjustment to goodwill. The balance in 2013 relates to the revaluation of deferred contingent consideration of £2.7 million (refer to Note 11) and an expense of £0.4 million relating to costs incurred in respect of the BlueFocus strategic alliance. In 2012, the credit was wholly in respect of adjustments to deferred contingent consideration liabilities.

Taxation

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

5. Finance costs and income

	2013 £000	2012 £000
Bank interest payable	**3,497**	4,039
Finance lease interest	**9**	9
Imputed interest on property and other provisions	**9**	12
Imputed interest on deferred consideration	**22**	42
Finance costs	**3,537**	4,102
Bank interest receivable	**(3)**	(8)
Other interest receivable	**(3)**	(5)
Finance income	**(6)**	(13)
Net interest payable	**3,531**	4,089

6. Taxation

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

	Before highlighted items 2013 £000	Highlighted items 2013 £000	Total 2013 £000	Before highlighted items 2012 £000	Highlighted items 2012 £000	Total 2012 £000
Profit/(loss) before tax	**20,064**	**(3,010)**	**17,054**	22,458	(3,613)	18,845
Notional income tax expense/(credit) at the effective UK statutory rate of 23.25% (2012: 24.5%) on profit/(loss) before tax	**4,665**	**(700)**	**3,965**	5,502	(885)	4,617
Permanent differences	**(278)**	**(754)**	**(1,032)**	(288)	(378)	(666)
Impact of share-based payments	**(84)**	**–**	**(84)**	(134)	–	(134)
Different tax rates on overseas profits	**1,603**	**200**	**1,803**	1,815	(270)	1,545
Impact of changes in statutory tax rates	**114**	**(84)**	**30**	272	(100)	172
Adjustments in respect of prior years	**(1,157)**	**–**	**(1,157)**	(1,519)	(16)	(1,535)
Utilisation and recognition of tax losses	**(122)**	**(47)**	**(169)**	(605)	–	(605)
Unrelieved current year losses	**81**	**297**	**378**	118	10	128
Income tax expense/(credit)	**4,822**	**(1,088)**	**3,734**	5,161	(1,639)	3,522

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 23.25% (2012: 24.5%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

7. Dividends

	2013 £000	2012 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2012: 2.5 pence (2011: 2.5 pence)	**6,140**	5,963
Interim dividend for the year ended 2013: 1.0 pence (2012: 1.0 pence)	**2,485**	2,443
Total dividend expense	**8,625**	8,406

Shareholdings under the Group's Employee Benefit Trust of 7,629,278 shares waived their rights to the 2012 final dividend and 2013 interim dividend (2011 final dividend: 8,303,994 and 2012 interim dividend: 8,156,322 shares respectively).

A 2013 final dividend of 2.50 pence per share has been proposed for approval at the Annual General Meeting in 2014.

8. Earnings per share

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

	2013 Earnings £000	**2013 Weighted average number of shares 000s**	2012 Earnings £000	2012 Weighted Average Number of shares 000s
Basic	**13,320**	**264,555**	15,323	243,585
Diluted	**13,320**	**271,339**	15,323	251,674
Adjusted basic	**15,242**	**264,555**	17,297	243,585
Adjusted diluted	**15,242**	**271,339**	17,297	251,674

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.

	2013 £000	2012 £000
Earnings:		
Profit for the year attributable to Parent Company's shareholders	**13,320**	15,323
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**1,922**	1,974
Adjusted earnings	**15,242**	17,297

	2013 £000	2012 000
Number of shares:		
Weighted average number of ordinary shares – basic and adjusted	**264,555**	243,585
Effect of share options in issue	**5,911**	6,937
Effect of deferred contingent consideration	**873**	1,152
Weighted average number of ordinary shares – diluted	**271,339**	251,674

9. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software development costs £000	Total £000
Cost						
At 1 January 2012	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
Adjustment to prior year acquisitions[1]	–	–	871	–	–	871
Additions	–	–	–	74	–	74
Capitalised development costs	–	–	–	–	1,373	1,373
Exchange differences	(53)	(219)	(811)	1	(41)	(1,123)
At 31 December 2013	**24,821**	**29,079**	**303,130**	**1,774**	**2,283**	**361,087**
Amortisation and impairment charges						
At 1 January 2012	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
Charge for the year	616	655	–	364	177	1,812
Exchange differences	(48)	(235)	276	(3)	15	5
At 31 December 2013	**19,686**	**28,959**	**17,655**	**956**	**825**	**68,081**
Net book value at 31 December 2013	**5,135**	**120**	**285,475**	**818**	**1,458**	**293,006**
Net book value at 31 December 2012	5,756	759	285,691	1,104	318	293,628

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

10. Financial risk management and financial instruments

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

The fair values of financial assets and liabilities are based on quoted market prices where available. Where the market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources or on the basis of discounted cash flow models where appropriate.

Fair value measurement

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

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

At 31 December 2013	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Foreign exchange cylinder	–	68	–	68
	–	68	–	68
Financial liabilities				
Interest rate swap	–	157	–	157
Deferred contingent consideration	–	–	1,789	1,789
	–	**157**	**1,789**	**1,946**

At 31 December 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign exchange cylinder	–	72	–	72
	–	72	–	72
Financial liabilities				
Interest rate swap	–	433	–	433
Deferred contingent consideration	–	–	10,110	10,110
	–	433	10,110	10,543

Valuation techniques used to derive Level 2 fair values

Level 2 derivatives comprise foreign exchange contracts and interest rate swaps. The foreign exchange contracts have been fair valued using exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

Valuation techniques used to derive Level 3 fair values

Deferred contingent consideration liabilities are valued using a discounted cash flow methodology. The Group has only one outstanding deferred consideration arrangement at 31 December 2013 which has a fixed settlement value; hence the only significant unobservable input to this valuation is the discount rate of 1%. The sensitivity of this liability to changes in this discount rate is immaterial. A reconciliation of the movement in this balance in 2013 is included in Note 11.

Fair values of other financial liabilities and assets

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

11. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2012	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
Arising during the year	–	198	1,271	1,469
Released during the year	(2,722)	(243)	–	(2,965)
Arising during the year – adjustment to Goodwill	871	–	–	871
Utilised	(6,600)	(573)	(1,176)	(8,349)
Foreign exchange movements	108	2	(6)	104
Unwind of discount	22	9	–	31
At 31 December 2013	**1,789**	**1,111**	**365**	**3,265**
Current	**602**	**278**	**352**	**1,232**
Non-current	**1,187**	**833**	**13**	**2,033**

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 three years. The amount arising in the year represents the change in the 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 nine years.

Reorganisation and other provisions
This provision relates principally to employee termination benefits arising as a result of the restructuring initiative implemented during 2013. 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

	2013 £000	2012 £000
Operating profit	**20,585**	22,934
Depreciation	**2,257**	2,212
Share option charge/(credit)	**654**	(99)
Loss on disposal of property, plant and equipment	**139**	8
Amortisation of intangible assets	**1,812**	4,086
Unrealised foreign exchange gain	**(68)**	(30)
(Increase)/decrease in work in progress	**(2,037)**	9
Decrease/(increase) in debtors	**103**	(2,653)
(Decrease)/increase in creditors	**(1,571)**	442
Decrease in provisions	**(3,240)**	(3,829)
Net cash inflow from operations	**18,634**	23,080

12. Cash flow analysis (continued)

Net cash inflow from operations is analysed as follows:

	2013 £000	2012 £000
Before highlighted items	**23,327**	26,859
Highlighted items	**(4,693)**	(3,779)
Net cash inflow from operations	**18,634**	23,080

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

	2013 £000	2012 £000
Increase/(decrease) in cash and cash equivalents in the year	**4,098**	(533)
Cash outflow from movements in debt	**31,300**	5,028
Repayment of capital element of finance leases	**2**	24
Change in net debt resulting from cash flows	**35,400**	4,519
Amortisation of loan fees	**(545)**	(439)
Movement in fair value of derivative financial instruments	**272**	516
Translation differences	**(277)**	(360)
Decrease in net debt	**34,850**	4,236
Net debt at beginning of year	**(66,863)**	(71,099)
Net debt at end of year	**(32,013)**	(66,863)

(c) Analysis of net debt

	2013 £000	2012 £000
Cash and short-term deposits	**8,580**	4,677
Overdrafts (current)	**(92)**	(10)
Net cash and cash equivalents	**8,488**	4,667
Bank loans (current)	**–**	(6,000)
Bank loans (non-current)	**(40,401)**	(65,156)
Derivative financial assets	**68**	72
Derivative financial liabilities	**(157)**	(433)
Obligations under finance leases	**(11)**	(13)
Net debt	**(32,013)**	(66,863)

At 31 December 2013 the Group had undrawn committed facilities of £34 million (2012: £37 million) available.

(d) Cash and cash equivalents

	2013 £000	2012 £000
Cash and short-term deposits	**8,580**	4,677
Overdrafts (current)	**(92)**	(10)
Cash and cash equivalents	**8,488**	4,667

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 and with its Directors.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

15. Events after the balance sheet date

On 28 April the Group signed a framework joint venture agreement which will establish a joint venture focusing on investment in growth markets to complete the Huntsworth/BlueFocus global network. The framework joint venture agreement will require shareholder approval before it takes effect.

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