HUNTSWORTH

Audited preliminary results for the year ended 31 December 2014

Paul Taaffe joins as Group CEO

Huntsworth plc, the global public relations and healthcare communications group, today announces its results for the year ended 31 December 2014.

Headline financial results[1]

Revenue

- Revenue £164.7m (2013: £171.7m)
- Like-for-like[2] revenue decline of 0.9%

Profit

- Operating profit of £18.2m (2013: £23.6m)
- Operating profit margin before central costs 15.0% (2013: 18.0%)
- Operating profit margin post central costs 11.1% (2013: 13.7%)
- Profit before tax of £16.0m (2013: £20.1m)

Cash flow and net debt

- Cash flow from operations of £17.9m, representing a cash conversion of 98% (2013: 99%)
- Net debt at £35.6m, £3.2m better than expected (2013: £32.0m)

Reported financial results

Revenue

- Revenue after highlighted items £165.7m (2013: £172.4m)
- Like-for-like[2] revenue after highlighted items decline of 0.4%

Loss/profit

- Operating loss (after £71.5m impairment) of £56.9m (2013: operating profit of £20.6m)
- Loss before tax £59.6m (2013: profit before tax of £17.1m)

Cash flow

- Cash flow from operations of £17.4m (2013: £18.6m)

Diluted earnings/(loss) per share

- Before highlighted items at 3.7p (2013: 5.6p)
- After highlighted items at (17.6)p (2013: 4.9p)

Dividend per share

- Proposed final dividend of 0.75p (2013: 2.50p), giving a total 2014 dividend of 1.75p (2013: 3.50p)

Board changes

- Derek Mapp appointed Chairman and Non-Executive Director on 1 December 2014
- Paul Taaffe appointed as new CEO with effect from 7 April 2015
- Andy Boland appointed Non-Executive Director with effect from 11 August 2014
- Nicky Dulieu and Farah Ramzan Golant CBE appointed Non-Executive Directors with effect from 1 January 2015
- Tim Ryan appointed Senior Independent Director with effect from 1 January 2015
- Sally Withey, Group Chief Operating Officer and Finance Director, stepped down from the Board on 31 December 2014 and the search for a new CFO has commenced
- Brian Porritt, Interim CFO, will remain in place until a new CFO is appointed

Derek Mapp, Huntsworth Chairman, said: "I took on the responsibility as Chair of Huntsworth in December 2014 in the knowledge that 2014 was a year of fundamental change for the Group. During the past year, there have been significant leadership changes at Board, Executive and Divisional levels that have inevitably been disruptive and distracting. It is a tribute to our teams across the whole Group that these changes did not deflect them either from their good work on behalf of our clients or from their abilities to service and win new business.

In the last few months, we have welcomed to the Board four Independent Non-Executive Directors who bring a wealth of experience. Andy Boland, Tim Ryan, Farah Ramzan Golant and Nicky Dulieu have already begun to transform the Board's oversight and stewardship of the Group, especially through their respective roles on the Board's committees.

2014 saw the decision by Lord Chadlington to step-down as Chief Executive of the Group which he has led since 2000. Since announcing that decision, Peter has continued to be fully committed in ensuring the Group maintains its momentum and competitive edge during the transition. Paul Taaffe joined this month as Chief Executive and Peter will continue to support those clients with whom he has worked most closely, now in his new capacity as Group Senior Adviser to the Board. I want to thank Peter for his leadership of Huntsworth and his contribution to our industry over the past forty years. In welcoming Paul to the Group, I look forward to what will inevitably be a new era in the leadership of the Group and to sharing the outcome of the strategic and operational review that Paul has begun with investors and stakeholders at our 2015 interim results."

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Trading and Financial Review

Group performance overview[1]

Revenues for 2014 were £164.7 million (2013: £171.7 million) representing a like-for-like decline of 0.9% and a decline due to exchange rate movements of over 3%. When we announced our 2014 Interim results in August, it was anticipated there would be a return to growth in the second half year which was not realised, as Group revenues were flat on a like-for-like basis. Despite an acceleration of growth in Huntsworth Health, these gains were principally offset by continued revenue declines in Grayling's core markets of the UK, Europe and the USA.

Profit before tax and highlighted items for 2014 was £16.0 million (2013: £20.1 million). The profit before tax for the second half of the year was £8.3 million (2013: £9.5 million) compared with £7.7 million in the first half (2013: £10.6 million). The full year decline was driven by operating margins in Grayling falling from 14.3% in 2013 to 7.7% for 2014 as a result of revenue shortfalls.

Cash flow from operations for 2014 was £17.9 million, representing a cash conversion of 98% (2013: 99%). This positive performance reflects a continued emphasis on working capital management across the Group. Net debt at 31 December 2014 was £35.6 million (2013: £32.0 million).

In May 2014, the Group signed a new £90 million revolving credit facility agreement and a £5 million committed overdraft facility. Both facilities run to May 2019.

The Board has conducted a review of the carrying values of the Group's intangible assets, principally goodwill, resulting in an impairment charge of £71.5 million being recognised. This non-cash charge is included in highlighted items and relates to Grayling and Citigate.

Diluted earnings per share before highlighted items for 2014 was 3.7p (2013: 5.6p). Diluted (loss)/earnings per share after highlighted items was (17.6)p (2013: 4.9p).

The Board has taken the decision to reduce the 2014 final dividend from 2.50p to 0.75p to better align the Group with the dividend payout ratio of its peer group.

Investment programme

The 2013/2014 investment programme, which focused on the development of digital revenues, growth markets and multi-office accounts, has seen the Group build and develop talented teams addressing these key growth areas over the last two years. This has led to the growth of digital revenues in Huntsworth Health and in terms of future potential it has positioned Grayling to win and develop larger and longer-term regional and global mandates. More work is required to leverage the investments which have been made in Grayling USA and Asia Pacific.

Divisional overview

Citigate

Citigate revenues for 2014 were £21.9 million with a revenue decline of 3.7% on a like-for-like basis. Margins were maintained at 20.4% from 20.3% in 2013.

Citigate's Asia Pacific division now represents almost 20% of the total Citigate revenues and achieved like-for-like growth of 6.4%. It completed a number of IPOs and M&A assignments including Pteris Global Limited, PACC Offshore Services Holdings and Accordia Golf Trust and added significant retainers including Bank of Montreal and Old Mutual Global Investors Asia. It enters 2015 positioned to continue to develop its regional corporate communications portfolio and transactional business.

Citigate's London and European businesses have experienced like-for-like revenue declines of around 6% with margins being maintained at approximately 20%. The Board has determined that the carrying value of Citigate's goodwill should be written down by £6.5 million as the outlook for sustained growth in London in particular continues to be challenging.

Trading and Financial Review (continued)

In the UK, deal flow has reduced alongside an ongoing highly competitive IPO market. Despite this Citigate has advised on a number of key deals during the year including Aspen Insurance Holdings, URS, GFI Group Management Consortium and BESI Grupo Novo Banco.

Citigate's financial public relations practice continued to reinforce its leading position in IPO communications, advising on some of the largest IPOs in the period. They included NN Group N.V. in the UK and the Netherlands, Coface SA in France, Poundland, GAME Digital, TBC Bank, Empiric Student Property, RM2 and FDM Group in the UK. In the Gulf, the London office advised on the region's biggest IPO, the privatisation of Mesaieed Petrochemical Holding Company on the Qatar Exchange.

Grayling

Grayling revenues for 2014 were £70.8 million, which represents a like-for-like decline of 6.3% compared with 2013. Operating margin for 2014 fell to 7.7% from 14.3% in 2013.

The revenue declines were steepest in the UK, Europe and USA with the associated margin shortfalls being most acute in Western Europe. Additional investment in the Asia Pacific further diluted margins for the year.

European markets continue to be very challenging. Almost 60% of Grayling's revenues are still earned in the UK and Europe and we have recently re-organised Grayling's management structure under new leadership in Continental Europe. Additionally, Grayling USA has re-organised its government relations and direct government lobbying business to concentrate on the growth sectors of public affairs and digital advocacy.

At the start of 2015, Pete Pedersen resigned as Grayling Chief Executive and for now the senior team of executives is leading Grayling. Whilst this is an interim structure, it has the potential to drive greater collaboration across the network.

Into the first quarter of 2015 a programme has begun to close or dispose of underperforming, non-core operations, re-integrate specialist teams and to redeploy resources from infrastructure to client-facing activity.

The geographic reach of the Grayling network has been maintained and has proven its importance with recent client wins. Grayling continues to deliver award-winning campaigns for clients; for example it had four campaigns shortlisted for the European Excellence Awards 2014 and a further seven shortlisted for the EMEA and Americas SABRE Awards 2014.

We consider that improvement in Grayling will take longer than expected, requiring far stronger conversion rates globally in order to grow revenues. Against a background of further change being implemented during 2015, the Board has therefore determined that we should now recognise an impairment charge against the carrying value of Grayling goodwill of £65 million.

Huntsworth Health

Revenues grew 8.4% on a like-for-like basis to £59.7 million delivering a margin of 20.5% from 20.8% in 2013.

Digital revenues grew at 22%, with strong growth from the USA. Huntsworth Health has driven growth in 2014 both through expanding key client relationships and strong new business wins. Huntsworth Health's top client delivered £5.8m revenue in 2014, compared to the top client in 2013 which delivered £4.4m.

Awards won in 2014 include a PMEA-ABPI Award for Excellence in Corporate Social Responsibility for work done for Eisai, Gold PM Digital Award for our work with influenza nasal spray, Gold PM Creative Award for an online patient education programme for cystic fibrosis and several Rx Club, DTC Perspectives and Web Awards for the excellent digital work in the direct-to-consumer market in the USA.

Trading and Financial Review (continued)

New business momentum is solid entering 2015 and the expectation is for continued organic revenue growth with sustained operating profit margins in 2015.

Huntsworth Health continues to establish new growth platforms and its new digital healthcare professional agency in the USA is expected to deliver rapid revenue growth over the next 3 years and begin to deliver solid margins as it reaches critical mass. Huntsworth Health is also growing revenues in the expansion markets of the Asia Pacific and the Middle East working closely with Grayling under a partnership called Grayling Health.

Red

Revenues declined by 4.4% on a like-for-like basis to £12.3 million for 2014. Operating profit of £2.6 million represents a margin of 20.9% (2013: 24.2%).

The return to growth in 2014 was impacted by major project delays and new business wins coming on stream later than anticipated. However, the agency ended the year winning in excess of £1 million in new contracts, including leading airline Emirates. As a result the agency is projecting a return to growth in 2015.

Cash flow and dividends

A new £90 million revolving credit facility agreement with Lloyds Bank plc, HSBC Bank plc and Barclays Bank plc and a £5 million committed overdraft facility with Lloyds Bank plc was signed in May 2014. Both facilities run five years to May 2019. The Group remains comfortably within the terms of its banking facilities.

Our continued focus on working capital management resulted in cash conversion of 98% and net debt £3.2 million better than expected. Operating cash flow was £17.9 million. Free cash flow of £9.3 million was generated before dividend payments of £10.1 million and acquisition and earn out payments of £1.1 million.

The Board has taken the decision to halve the 2014 total dividend, reducing the final dividend from 2.50p to 0.75p to better align the Group with the payout ratio of its peer group. It is the Board's intention to rebalance the 2015 interim and final dividend and to look to increase the dividend following an improvement in profit and free cash flow.

Group outlook

Huntsworth has been through an unusually turbulent year with the expectation of further re-organisation in 2015.

While we have been subject to significant change in the composition of the Group non-executive and executive team, some trading - notably Huntsworth Health - has been particularly strong. Grayling, however, has continued to find trading conditions challenging in Q1 2015 and, despite the early reorganisation of its North American business, has not won the mandates which were expected.

The proposed cut in dividend is reflective of the downturn in profit performance for the year and its continuation into 2015. As Paul Taaffe joins as Chief Executive he has begun a strategic and operational review of the Group and looks forward to sharing the outcome of this review with investors and other stakeholders, along with a more detailed outlook of the business, at our 2015 interim results.

Trading and Financial Review (continued)

Notes:

1. Headline financial results are adjusted to exclude highlighted items. Highlighted items comprise impairment losses £71.5m (2013: £nil), amortisation of intangible assets £1.0m (2013: £1.6m), restructuring costs £1.9m (2013: £3.7m), facility fees written off £0.4m (2013: £nil), acquisition/transaction related costs £0.2m (2013: credit of £2.3m) and highlighted revenues in respect of start-up operations of £1.0m that produced £0.5m of operating losses.
2. Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.

Review of Financial Results

FINANCIAL RESULTS

	2014 £'m	Like-for-like growth %	2013 £'m	
Revenue				
Citigate	21.9	(3.7)%	23.3	
Grayling	70.8	(6.3)%	78.5	
Huntsworth Health	59.7	8.4%	57.1	
Red	12.3	(4.4)%	12.9	
Eliminations	-		(0.1)	
Total revenue before highlighted items	**164.7**	**(0.9)%**	**171.7**	
	2014 £'m	**Margin %**	**2013 £'m**	**Margin %**
Operating profit				
Citigate	4.4	20.4%	4.7	20.3%
Grayling	5.4	7.7%	11.2	14.3%
Huntsworth Health	12.3	20.5%	11.9	20.8%
Red	2.6	20.9%	3.1	24.2%
Total operations	24.7	15.0%	30.9	18.0%
Central costs	(6.5)		(7.3)	
Operating profit before highlighted items	**18.2**	**11.1%**	**23.6**	**13.7%**
Operating highlighted items	(75.1)		(3.0)	
Reported operating (loss)/profit	**(56.9)**	**(34.5)%**	**20.6**	**12.0%**
Adjusted diluted EPS	3.7p		5.6p	
Reported diluted EPS	(17.6)p		4.9p	

Introduction

Unless otherwise stated, all results are adjusted to exclude highlighted items. Highlighted revenues comprise revenues from start-up operations. Highlighted expenses in 2014 comprise impairment and amortisation of intangible assets, restructuring costs, start-up costs and acquisition/transaction related costs.

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

Review of Financial Results (continued)

Results for the year

Group revenues declined by 4.0% to £164.7 million (2013: £171.7 million). Operating profits after central costs have decreased by 22.7% to £18.2 million (2013: £23.6 million).

Group operating profits before central costs decreased by 20.1% to £24.7 million (2013: £30.9 million). Margins before central costs are 15.0% (2013: 18.0%) and after central cost margins are 11.1% (2013: 13.7%).

Profits before tax and highlighted items were down 20.4% to £16.0 million (2013: £20.1 million).

Currency

Sterling strengthened during 2014, which resulted in a £0.6 million decline in the Group's operating profit due to changes in average exchange rates as compared to 2013. In addition, there has been a £2.8 million credit to Other Comprehensive Income and Expense from the retranslation of the Group's overseas assets.

Highlighted items

Operating highlighted items of £75.1 million include £71.5 million of non-cash impairment of goodwill, £1.0 million for non-cash amortisation of intangible assets, £1.9 million of restructuring costs, £0.5 million of start-up losses, and £0.2 million in respect of acquisition and transaction-related balances. A further £0.4 million has been charged to highlighted finance costs in respect of the write off of capitalised fees associated with the previous loan facility.

Goodwill has been impaired by a total of £71.5 million, being £65 million in respect of the Grayling cash generating unit and £6.5 million in respect of the Citigate cash generating unit. The impairment charges are driven by the outlook for sustained growth in Citigate continuing to be challenging, and the forecast revenue and margin improvements in Grayling are anticipated to be slower than previously expected.

Restructuring costs incurred during 2014 were in relation to compensation for loss of office payments for the former Chief Operating Officer and Finance Director and property termination costs.

Start-up losses are the net operating results of the investments in new operations, comprising £1.0 million of revenues and £1.5 million of operating expenses. The profile of revenue and costs in start-up businesses is different to that of more mature operations within the Group, and they are included within highlighted items until they become consistently profitable, or after two years of operation, whichever is earlier. As the current start-up operations no longer meet the aforementioned criteria their results will no longer be included in highlighted items in 2015.

Tax

The total tax credit of £3.4 million comprises an underlying tax expense of £4.0 million together with a credit of £7.4 million on highlighted items. The full year underlying tax rate is 25.0% (2013: 24.0%). Much of the goodwill impairment charge had no tax effect. Net corporation tax paid in the year was £1.3 million (2013: £2.4 million).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £12.0 million (2013: £15.2 million). Losses after highlighted items attributable to ordinary shareholders amounted to £56.2 million (2013: profit of £13.3 million).

Before highlighted items, basic earnings per share for 2014 is 3.8p (2013: 5.8p) and diluted earnings per share is 3.7p (2013: 5.6p). Basic loss per share after highlighted items is 17.6p (2013: earnings of 5.0p) and diluted loss per share after highlighted items is 17.6p (2013: earnings of 4.9p).

Review of Financial Results (continued)

Dividends

The Board will propose at the forthcoming AGM a final dividend of 0.75p which will provide a total dividend of 1.75p, as compared to the total 2013 dividend of 3.50p. The record date for this dividend will be 29 May 2015 and it is payable on 6 July 2015. A scrip dividend alternative will be available.

The dividend payout ratio is 47% (2013:63%).

Balance sheet and cash flow

Cash conversion of operating profit into operating cash flows before highlighted items in 2014 was 98% (2013: 99%).

Cash inflows from operations totalled £17.9 million (2013: £23.3 million) before highlighted cash outflows of £0.5 million (2013: £4.7 million). Free cash flow after net payments for interest and tax of £3.4 million (2013: £5.4 million) and fixed asset additions of £4.7 million (2013: £2.9 million) was £9.3 million (2013: £10.3 million). Other principal cash outflows were acquisition and earnout payments of £1.1 million (2013: £3.3 million) and dividend payments of £10.1 million (2013: £7.9 million).

Net debt at 31 December 2014 is £35.6 million (31 December 2013: £32.0 million) which is well within the Group's available facilities. Financial covenants based on the Group's facility agreements continue to be comfortably met.

Share buyback programme

No shares were bought back by the Company during the year. As at 31 December 2014, the Group holds 2.3 million shares in Treasury.

Review of Financial Results (continued)

Notes to editors:

1. Huntsworth plc is a global public relations and healthcare communications group with 71 principal offices across 28 countries. In 2014 the Group worked for circa 1,960 clients.
2. The Group comprises four divisions: Grayling, Citigate, Red and Huntsworth Health. At 31 December 2014 the Group employed approximately 1,580 staff with an average annual fee income per head of £106,800.
3. By industry sector the revenue profile is broadly 25% Pharmaceuticals; 14% Healthcare; 11% Technology; 10% Financial Services; 7% Retail and Leisure; 5% Government and Public Sector; 4% Food and Drink; 3% Professional Services; 3% Industrial and 18% other sectors.
4. Geographically, 35% of Group revenue in 2014 was from the UK; 17% from European countries; 41% from the USA; and 7% from the Asia Pacific, the Middle East and Africa.
5. 47% of the Group's revenue is derived from companies in the FTSE 100, Fortune 500, FTSEurofirst 300 or Top 50 Pharma Companies. The ultimate controlling party of the Group is Huntsworth plc (incorporated in the United Kingdom).
6. The Group has a related party relationship with its Directors. There were no material related party transactions other than the remuneration of key management personnel of £2.0m in the year ended 31 December 2014 (2013: £2.4m).

Key Risks and Uncertainties

The Group faces a range of economic, strategic, operational and compliance risks which are continually reviewed to identify any emerging risks and mitigate all risks as effectively as possible. The Group performs a comprehensive annual exercise to identify, report and evaluate 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. Subdued global financial markets can result in reductions to the level of transactional activity, reducing client mandates.	The Group has a wide spread of clients both across geography and industry sector, reducing reliance on any particular economic environment. Costs are managed in each business such that they can be flexed where needed in a downturn. However, where there are protracted economic difficulties in the Group's key markets, the ability of the Group to minimise the impact is constrained and performance may deteriorate. 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 fluctuation of Sterling relative to other currencies, particularly the US Dollar and 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 available to be drawn down in US Dollars and Euros if required 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. Reviews of all business won and lost across the Group are performed regularly. Appropriate actions are taken where new business conversion rates are below expectations.

Key Risks and Uncertainties (continued)

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 that there are post acquisition staff or client losses, 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 to the extent possible. 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 to drive operating synergies.
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 £95 million of multi-currency loan facilities with a syndicate of banks maturing in 2019. 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. The Group recognises the importance of a stable leadership team and introduced interim measures to try and minimise the disruptive impact that the significant changes in 2014 have had across the Group.
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 3.4% of revenue, and our top 10 clients account for 23.6%. 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.

Key risks and uncertainties (continued)

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 weekly 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 has an externally facilitated whistleblowing process 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, including imposed sanctions on the supply of services to certain individuals, businesses and countries, 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 and safety, and the UK Bribery Act. Policies on gifts, entertainment, share trading and confidentiality are communicated to all employees using dedicated Policy Management Software.

Consolidated Income Statement
for the year ended 31 December 2014

	Notes	2014 Before highlighted items £000	2014 Highlighted items (Note 5) £000	2014 Total £000	2013 Before highlighted items £000	2013 Highlighted items (Note 5) £000	2013 Total £000
Turnover		**204,793**	**1,247**	**206,040**	208,162	819	208,981
Revenue	4	**164,719**	**1,013**	**165,732**	171,668	727	172,395
Operating expenses		**(146,491)**	**(76,161)**	**(222,652)**	(148,073)	(3,737)	(151,810)
Operating profit/(loss)	4	**18,228**	**(75,148)**	**(56,920)**	23,595	(3,010)	20,585
Finance income	6	**17**	**–**	**17**	6	–	6
Finance costs	6	**(2,222)**	**(427)**	**(2,649)**	(3,537)	–	(3,537)
Profit/(loss) before tax		**16,023**	**(75,575)**	**(59,552)**	20,064	(3,010)	17,054
Taxation (expense)/credit	7	**(4,002)**	**7,382**	**3,380**	(4,822)	1,088	(3,734)
Profit/(loss) for the year attributable to Parent Company's equity shareholders		**12,021**	**(68,193)**	**(56,172)**	15,242	(1,922)	13,320

	Note	2014	2013
(Loss)/earnings per share			
Basic – pence	9	**(17.6)**	5.0
Diluted – pence	9	**(17.6)**	4.9
Adjusted basic – pence[1]	9	**3.8**	5.8
Adjusted diluted – pence[1]	9	**3.7**	5.6

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

Consolidated Statement of Comprehensive Income and Expense
for the year ended 31 December 2014

	Notes	**2014 £000**	2013 £000
(Loss)/profit for the year		**(56,172)**	13,320
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		**96**	277
Movement in valuation of interest rate swaps		**(66)**	(1)
Tax credit of interest rate swaps		**(7)**	(65)
Currency translation differences		**2,750**	(1,555)
Tax (expense)/credit of currency translation differences		**(118)**	35
Total items that may be reclassified subsequently to profit or loss		**2,655**	(1,309)
Other comprehensive income and expense for the year		**2,655**	(1,309)
Total comprehensive income and expense for the year attributable to Parent Company's equity shareholders		**(53,517)**	12,011

Consolidated Balance Sheet
as at 31 December 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Intangible assets	10	**225,678**	293,006
Property, plant and equipment		**7,772**	4,993
Other receivables		**279**	537
Deferred tax assets		**116**	608
		233,845	299,144
Current assets			
Work in progress		**3,241**	6,066
Trade and other receivables		**41,338**	44,115
Current tax receivable		**481**	344
Derivative financial assets	11	**17**	68
Cash and short-term deposits		**8,826**	8,580
		53,903	59,173
Current liabilities			
Bank loans and overdrafts		**–**	(92)
Obligations under finance leases		**(7)**	(8)
Trade and other payables		**(41,356)**	(50,444)
Derivative financial liabilities	11	**–**	(157)
Current tax payable		**(1,060)**	(1,082)
Provisions	12	**(1,892)**	(630)
		(44,315)	(52,413)
Non-current liabilities			
Bank loans and overdrafts		**(44,327)**	(40,401)
Obligations under finance leases		**(24)**	(3)
Trade and other payables		**(2,045)**	(2,071)
Derivative financial liabilities	11	**(63)**	–
Deferred tax liabilities		**(396)**	(4,939)
Provisions	12	**(2,704)**	(846)
		(49,559)	(48,260)
Net assets		**193,874**	257,644
Equity			
Called up share capital		**107,157**	107,139
Share premium account		**62,635**	61,722
Merger reserve		**43,422**	65,255
Foreign currency translation reserve		**20,254**	17,504
Hedging reserve		**(63)**	(93)
Treasury shares		**(1,568)**	(1,577)
Investment in own shares		**(4,775)**	(4,775)
Retained earnings		**(33,188)**	12,469
Equity attributable to equity holders of the parent		**193,874**	257,644

The financial statements were approved by the Directors on [9 April 2015] and signed on their behalf by:

Andy Boland
Director

Consolidated Cash Flow Statement
for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Cash inflow from operating activities			
Cash inflow from operations	13(a)	**17,353**	18,634
Interest paid		**(2,089)**	(2,978)
Interest received		**17**	6
Cash flows from hedging activities		**68**	72
Net tax paid		**(1,317)**	(2,448)
Net cash inflow from operating activities		**14,032**	13,286
Cash outflow from investing activities			
Acquisitions of subsidiaries, net of cash acquired		**(514)**	–
Deferred consideration payments		**(609)**	(3,251)
Cost of internally developed intangible assets		**(592)**	(945)
Purchases of property, plant and equipment		**(4,113)**	(1,954)
Proceeds from sale of property, plant and equipment		**37**	31
Net cash outflow from investing activities		**(5,791)**	(6,119)
Cash outflow from financing activities			
(Net costs)/net proceeds from issue of ordinary shares		**(1,074)**	35,824
Proceeds from sale of own shares to settle share options		**9**	346
Repayment of finance lease liabilities		**(12)**	(2)
Net drawdown/(repayment) of borrowings		**3,170**	(31,300)
Dividends paid to equity holders of the parent		**(10,113)**	(7,937)
Net cash outflow from financing activities		**(8,020)**	(3,069)
Increase in cash and cash equivalents		**221**	4,098
Movements in cash and cash equivalents			
Increase in cash and cash equivalents		**221**	4,098
Effects of exchange rate fluctuations on cash held		**117**	(277)
Cash and cash equivalents at 1 January		**8,488**	4,667
Cash and cash equivalents at 31 December	13(d)	**8,826**	8,488

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

	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 2013	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
Loss for the year	–	–	–	–	–	–	–	(56,172)	(56,172)
Other comprehensive income/(expense)	–	–	–	2,750	30	–	–	(125)	2,655
Settlement of share options	–	–	–	–	–	9	–	–	9
Share issue costs	–	(12)	–	–	–	–	–	–	(12)
Charge for share-based payments	–	–	–	–	–	–	–	102	102
Credit for unclaimed dividends	–	–	–	–	–	–	–	8	8
Tax on share-based payments	–	–	–	–	–	–	–	(247)	(247)
Scrip dividends	18	925	–	–	–	–	–	–	943
Equity dividends	–	–	–	–	–	–	–	(11,056)	(11,056)
Transfer	–	–	(21,833)	–	–	–	–	21,833	–
At 31 December 2014	**107,157**	**62,635**	**43,422**	**20,254**	**(63)**	**(1,568)**	**(4,775)**	**(33,188)**	**193,874**

Notes to the Preliminary Consolidated Financial Statements
for the year ended 31 December 2014

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 9 April 2015 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 2013 have been filed with the Registrar of Companies. The auditor's reports on the financial statements for the years ended 31 December 2014 and 31 December 2013 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 2014 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2014. 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 72 to 76 of the 2013 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 2014, but had no significant impact on the Group:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IAS 27 (revised) – Separate Financial Statements
- IAS 28 (revised) – Investments in Associates and Joint Ventures
- IAS 32 (amendment) – Offsetting Financial Assets and Financial Liabilities
- IAS 36 (amendment) – Recoverable Amount Disclosures for Non-financial Assets
- IAS 39, IFRS 9 (amendment) – Novation of Derivatives
- IFRS 10, IFRS 12 and IAS 27 (amendment) – Investment Entities
- IFRIC 21 – Levies

3. Acquisition of Audacity

On 2 May 2014, the Group acquired the entire issued share capital of Audacity, Inc ("Audacity"). Acquisition accounting has been performed in accordance with IFRS 3 (revised) Business Combinations.

Audacity has contributed £725,000 to revenue and £121,000 to profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisition of Audacity had been completed on the first day of the financial year, Group revenues post highlighted items for the period would have been £166.1 million and Group post highlighted operating loss would have been £56.9 million.

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

	Fair value recognised on acquisition £000
Customer relationships	47
Brand	106
Property, plant and equipment	29
Trade and other receivables	157
Cash and cash equivalents	230
Trade and other payables	(2)
Other creditors and provisions	(81)
Net assets acquired	486
Goodwill arising on acquisition	1,630
	2,116
Discharged by:	
Cash consideration	650
Other initial consideration	94
Deferred contingent consideration	1,372
Total consideration	**2,116**
Net cash outflow arising on acquisition:	
Cash consideration	744
Cash and cash equivalents acquired	(230)
	514

The fair value of trade and other receivables includes trade receivables with a gross contractual and a fair value of £165,000. The best estimate at the acquisition date of contractual cash flows not to be collected was £12,000.

Goodwill comprises the value of expected synergies arising from the acquisition and other intangible assets that do not qualify for separate recognition. The consideration paid on acquisition is expected to be tax deductible and therefore no deferred tax is required to be recognised on acquisition.

The fair value of the contingent consideration payment is based on forecast average profits for the period from acquisition to 31 December 2016. The potential undiscounted range of future payments that Huntsworth plc could be required to make under the contingent consideration arrangement is between £nil and £7.2 million and will be paid in a combination of cash and shares. Other initial consideration relates to a working capital surplus payment.

Acquisition related costs of £25,000 were incurred and these are included within highlighted items in the Income Statement.

4. Segmental analysis

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

Year ended 31 December 2014	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Total revenue before highlighted items					
Total revenue	21,939	70,760	12,313	59,713	164,725
Intra-Group eliminations	–	(6)	–	–	(6)
Segment revenue before highlighted items	**21,939**	**70,754**	**12,313**	**59,713**	**164,719**
Segment operating profit before highlighted items	**4,470**	**5,419**	**2,571**	**12,264**	**24,724**

Year ended 31 December 2013	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Total revenue before highlighted items					
Total revenue	23,324	78,450	12,880	57,070	171,724
Intra-Group eliminations	–	(56)	–	–	(56)
Segment revenue before highlighted items	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

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:

	2014 £000	2013 £000
Segment operating profit before highlighted items	**24,724**	30,947
Unallocated costs	**(6,496)**	(7,352)
Operating profit before highlighted items	**18,228**	23,595
Highlighted items	**(75,148)**	(3,010)
Operating (loss)/profit	**(56,920)**	20,585
Net finance costs before highlighted items	**(2,205)**	(3,531)
Highlighted finance costs	**(427)**	–
(Loss)/profit before tax	**(59,552)**	17,054

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

5. Highlighted items

Highlighted items charged to profit for the year comprise significant non-cash charges and 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	**2014 £000**	2013 £000
Credited to revenue:			
Start-up revenues		**(1,013)**	(727)
Charged to operating expenses:			
Amortisation of intangible assets	10	**985**	1,635
Goodwill impairment	10	**71,471**	–
Restructuring costs		**1,932**	3,733
Start-up costs		**1,543**	1,211
Litigation credit		**–**	(585)
Acquisition and transaction related costs/(credit)		**230**	(2,257)
Total charged to operating expenses		**76,161**	3,737
Charged to operating profit		**75,148**	3,010
Charged to finance costs			
Facility fees written off		**427**	–
Charged to profit before tax		**75,575**	3,010
Taxation credit	7	**(7,382)**	(1,088)
Charged to profit for the year		**68,193**	1,922

Start-up revenues and costs

Start-up revenues and costs are the 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.

Amortisation of intangible assets

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

Goodwill impairment

Impairments totalling £71.5 million were recognised in the year relating to goodwill in the Grayling and Citigate CGUs.

Restructuring costs

Restructuring costs comprise cost-saving initiatives including severance payments, compensation for loss of office, property and other contract termination costs.

Litigation credit

The litigation credit in 2013 related to an agreed final settlement received by the Group, net of costs incurred.

Acquisition and transaction related costs/(credit)

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.

Facility fees written off

Amounts capitalised in respect to the previous loan facility were written off when the Group refinanced in May 2014.

Taxation

Further details of the tax credits on highlighted items are disclosed in Note 7.

6. Finance costs and income

	2014 £000	2013 £000
Bank interest payable	**2,174**	3,497
Finance lease interest	**7**	9
Imputed interest on property and other provisions	**9**	9
Imputed interest on deferred consideration	**20**	6
Imputed interest on non-current trade and other payables	**12**	16
Finance costs	**2,222**	3,537
Bank interest receivable	**(2)**	(3)
Other interest receivable	**(15)**	(3)
Finance income	**(17)**	(6)
Net finance costs before highlighted items	**2,205**	3,531
Finance costs – highlighted items	**427**	–
Net finance costs	**2,632**	3,531

7. Taxation

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

	Before highlighted items 2014 £000	**Highlighted items 2014 £000**	**Total 2014 £000**	Before highlighted items 2013 £000	Highlighted items 2013 £000	Total 2013 £000
Profit/(loss) before tax	**16,023**	**(75,575)**	**(59,552)**	20,064	(3,010)	17,054
Notional income tax expense/(credit) at the effective UK statutory rate of 21.5% (2013: 23.25%) on profit/(loss) before tax	**3,445**	**(16,249)**	**(12,804)**	4,665	(700)	3,965
Permanent differences	**(7)**	**12,703**	**12,696**	(278)	(754)	(1,032)
Impact of share-based payments	**211**	**–**	**211**	(84)	–	(84)
Different tax rates on overseas profits	**1,930**	**(4,142)**	**(2,212)**	1,603	200	1,803
Impact of changes in statutory tax rates	**(193)**	**101**	**(92)**	114	(84)	30
Adjustments in respect of prior years	**(1,473)**	**–**	**(1,473)**	(1,157)	–	(1,157)
Utilisation and recognition of tax losses	**(436)**	**(38)**	**(474)**	(122)	(47)	(169)
Unrelieved current year losses	**525**	**243**	**768**	81	297	378
Income tax expense/(credit)	**4,002**	**(7,382)**	**(3,380)**	4,822	(1,088)	3,734

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 21.5% (2013: 23.25%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

8. Dividends

	2014 £000	2013 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2013: 2.5 pence (2012: 2.5 pence)	**7,886**	6,140
Interim dividend for the year ended 2014: 1.0 pence (2013: 1.0 pence)	**3,170**	2,485
Total dividend expense	**11,056**	8,625

Shareholdings under the Group's Employee Benefit Trust of 7,629,278 shares waived their rights to the 2013 final dividend and 2014 interim dividend (2012 final dividend and 2013 interim dividend: 7,629,278 shares).

A 2014 final dividend of 0.75 pence per share has been proposed for approval at the Annual General Meeting in 2015.

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

	2014 (Loss)/earnings £000	**2014 Weighted average number of shares 000s**	2013 Earnings £000	2013 Weighted average number of shares 000s
Basic	**(56,172)**	**318,848**	13,320	264,555
Diluted	**(56,172)**	**318,848**[1]	13,320	271,339
Adjusted basic	**12,021**	**318,848**	15,242	264,555
Adjusted diluted	**12,021**	**329,241**	15,242	271,339

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

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

Diluted (loss)/earnings per share takes the basic (loss)/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.

	2014 £000	2013 £000
Earnings:		
(Loss)/profit for the year attributable to the Parent Company's shareholders	**(56,172)**	13,320
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**68,193**	1,922
Adjusted earnings	**12,021**	15,242

	2014 £000	2013 £000
Number of shares:		
Weighted average number of ordinary shares – basic and adjusted	**318,848**	264,555
Effect of share options in issue	**7,951**	5,911
Effect of deferred contingent consideration	**2,442**	873
Weighted average number of ordinary shares – diluted	**329,241**	271,339

10. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software development costs £000	Total £000
Cost						
At 1 January 2013	24,874	29,298	303,070	1,699	951	359,892
Adjustment to prior year acquisitions[1]	–	–	871	–	–	871
Acquisitions	–	–	–	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
Acquisitions	106	47	1,630	–	–	1,783
Capitalised development costs	–	–	–	–	592	592
Exchange differences	95	742	2,266	(210)	88	2,981
At 31 December 2014	**25,022**	**29,868**	**307,026**	**1,564**	**2,963**	**366,443**
Amortisation and impairment charges						
At 1 January 2013	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
Charge for the year	526	132	–	327	285	1,270
Impairment	–	–	71,471	–	–	71,471
Exchange differences	97	738	(775)	(129)	12	(57)
At 31 December 2014	**20,309**	**29,829**	**88,351**	**1,154**	**1,122**	**140,765**
Net book value at 31 December 2014	**4,713**	**39**	**218,675**	**410**	**1,841**	**225,678**
Net book value at 31 December 2013	5,135	120	285,475	818	1,458	293,006

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

11. 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.

Fair values of 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.

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 2014	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Foreign exchange derivative	**–**	**17**	**–**	**17**
	–	**17**	**–**	**17**
Financial liabilities				
Interest rate swap	**–**	**63**	**–**	**63**
Deferred contingent consideration	**–**	**–**	**1,507**	**1,507**
	–	**63**	**1,507**	**1,570**

At 31 December 2013	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign exchange derivative	–	68	–	68
	–	68	–	68
Financial liabilities				
Interest rate swap	–	157	–	157
	–	157	–	157

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 two outstanding deferred consideration arrangements at 31 December 2014. One has a fixed settlement value; hence the only significant unobservable input to this valuation is the discount rate of 1%. The other is contingent based on the acquired business' forecast average profits for the period from the date of acquisition to 31 December 2016. The significant unobservable inputs to this valuation include forecast average profits and the discount rate of 1%.

The sensitivity of this liability to changes in this discount rate is immaterial.

12. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2013	4,532	1,718	276	6,526
Arising during the year	–	198	1,271	1,469
Released during the year	–	(243)	–	(243)
Arising during the year – adjustment to Goodwill	871	–	–	871
Utilised	(5,409)	(573)	(1,176)	(7,158)
Foreign exchange movements	–	2	(6)	(4)
Unwind of discount	6	9	–	15
At 31 December 2013	–	1,111	365	1,476
Provision on acquisition of subsidiary	1,372	–	21	1,393
Arising during the year	–	1,499	810	2,309
Released during the year	–	(123)	–	(123)
Utilised	–	(295)	(381)	(676)
Foreign exchange movements	115	76	(3)	188
Unwind of discount	20	9	–	29
At 31 December 2014	**1,507**	**2,277**	**812**	**4,596**
Current	**402**	**704**	**786**	**1,892**
Non-current	**1,105**	**1,573**	**26**	**2,704**

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 contingent consideration provisions over the next two 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. Where deferred consideration is not contingent on the outcome of future events the amount is included in trade and other payables; during 2014 we have adjusted the presentation of both current and prior year balances accordingly.

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 compensation for loss of office. 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.

13. Cash flow analysis

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

	2014 £000	2013 £000
Operating (loss)/profit	**(56,920)**	20,585
Depreciation	**2,441**	2,257
Share option charge	**102**	654
Loss on disposal of property, plant and equipment	**17**	139
Amortisation of intangible assets	**1,270**	1,812
Impairment of intangible assets	**71,471**	–
Unrealised foreign exchange gain	**–**	(68)
Decrease/(increase) in work in progress	**2,893**	(2,037)
Decrease in debtors	**3,257**	103
Decrease in creditors	**(9,406)**	(1,571)
Increase/(decrease) in provisions	**2,228**	(3,240)
Net cash inflow from operations	**17,353**	18,634

Net cash inflow from operations is analysed as follows:

	2014 £000	2013 £000
Before highlighted items	**17,871**	23,327
Highlighted items	**(518)**	(4,693)
Net cash inflow from operations	**17,353**	18,634

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

	2014 £000	2013 £000
Increase in cash and cash equivalents in the year	**221**	4,098
Cash (inflow)/outflow from movements in debt	**(3,170)**	31,300
Repayment of capital element of finance leases	**12**	2
Change in net debt resulting from cash flows	**(2,937)**	35,400
Write off and amortisation of loan fees	**(756)**	(545)
New finance lease	**(32)**	–
Movement in fair value of derivative financial instruments	**43**	272
Translation differences	**117**	(277)
(Increase)/decrease in net debt	**(3,565)**	34,850
Net debt at beginning of year	**(32,013)**	(66,863)
Net debt at end of year	**(35,578)**	(32,013)

(c) Analysis of net debt

	2014 £000	2013 £000
Cash and short-term deposits	**8,826**	8,580
Overdrafts (current)	**–**	(92)
Net cash and cash equivalents	**8,826**	8,488
Bank loans (non-current)	**(44,327)**	(40,401)
Derivative financial assets	**17**	68
Derivative financial liabilities	**(63)**	(157)
Obligations under finance leases	**(31)**	(11)
Net debt	**(35,578)**	(32,013)

At 31 December 2014 the Group had undrawn committed facilities of £47 million (2013: £34 million) available.

(d) Cash and cash equivalents

	2014 £000	2013 £000
Cash and short-term deposits	**8,826**	8,580
Overdrafts (current)	**–**	(92)
Cash and cash equivalents	**8,826**	8,488

14. Commitments and 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.

15. 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. Details of transactions between the Group and other related parties are disclosed below.

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.

Andy Boland

Director