huntsworth plc

INTERIM REPORT 2001

"We now have our costs firmly under control, our operating companies are profitable, we have good management information systems, our balance sheet is strong and importantly we are carrying out excellent work for our large and growing blue chip client list".

H Jon Foulds Chairman

KEY POINTS

- Huntsworth generated profit from its ongoing businesses, before interest, tax and exceptional costs, of £28,000. This compares with a loss of £278,000 in the six months to 30 June 2000.
- Revenues in the first half reached £2.8 million, which is a slight improvement over the same period last year, but a 16 per cent increase over the six months to 31 December 2000.
- Operating Companies improved margin to 22% from 13% in the six months to 30 June 2000.
- None of the results from the acquisitions completed this year are included in the first half.
- With the injection of £12.8 million of new equity we have improved from a deficiency of £10.5 million at 31 December 2000 to positive Shareholders' Funds of £5.4 million at 30 June 2001. Borrowings of £6.7 million have become cash of £1.0 million.

DEAR SHAREHOLDER

I am pleased to report that the results for the six months to 30 June 2001 confirm the substantial progress made since the new board was appointed in August last year. The results reflect the positive impact of the significant changes, which have taken place over the period, and it is clear that a considerable and sustainable improvement in underlying performance is well under way.

The last financial period ran for 15 months to 31 December 2000 as we changed the financial year end from 30 September to that date. In order to make performance comparisons easier, we have also reported the results for the two periods of six months ended 30 June and 31 December 2000.

FINANCIAL PERFORMANCE

In the six months to 30 June 2001, Huntsworth generated profit from its ongoing businesses, before interest, tax and exceptional items, of £28,000. This compares with a loss of £278,000 in the six months to 30 June 2000. The profit of our operating companies increased 75 per cent to £612,000 (2000-£349,000) and margins improved from 13% to 22%. Revenues in the first half reached £2.8 million, which is a slight improvement over the same period last year, but a 16 per cent increase over the six months to 31 December 2000.

The results from the three acquisitions completed in June 2001 are not included in the first half, as the post acquisition amounts would be immaterial. The results of these companies will be consolidated from 1 July 2001.

Interest paid during the period of £236,000 (2000-£177,000) does not reflect the elimination of all bank debt in June 2000, following the raising of £12.8 million (net of costs) through the share placing and open offer. This is already having a positive impact on our results for the second half.

Exceptional charges amounted to £1,708,000, and relate mainly to business closure costs and property provisions, including provision for the cost of surrendering the lease on our property in Harrow. This represents the final exceptional charge related to the closure of businesses, resulting from the review of operations carried out by the new management. The original Huntsworth companies now operate from only two locations - Marlow and London - rather than four as previously. The total area occupied has been more than halved from over 31,000 square feet to approximately 14,000 square feet. A further 10,700 square feet of offices has been sublet. Headcount in the original businesses has been almost halved from 180 to 94. After exceptional charges, the loss, both before and after tax, is £1,890,000 (2000-loss £443,000).

BALANCE SHEET TRANSFORMED

The balance sheet of the company has been transformed. With the injection of new equity we have moved from a deficiency of £10.5 million at 31 December 2000 to Shareholders' Funds of £5.4 million at 30 June 2001. Borrowings of £6.7 million have become cash of £1.0 million. Further improvements have been made to bank facility terms, with £6.5 million of the total facilities of £8.5 million on a 2 year term, and reduced interest margins. A corporate reorganisation is being implemented which will, in part, secure optimum future usage of approximately £8 million of brought forward tax losses.

TRADING

Significant organic revenue growth in the first six months has come from additional work for existing clients and new assignments from such companies as International Paper, Pfizer and Smith & Nephew.

In June, shareholders approved the acquisition of three businesses - PBC (Healthcare Communications); Woodside (Corporate PR) and Stephanie Churchill (Fashion PR and Youth Marketing). All three acquisitions have settled down well and secured important new business, including appointments by John Lewis Partnership, Jockey and JCB Clothing.

In August, shareholders overwhelmingly supported the acquisition of Harrison Cowley, the largest privately-owned UK public relations network. With eight offices around the UK servicing clients such as Camelot/The National Lottery, Land Rover, Marks & Spencer and Royal Bank of Scotland, Harrison Cowley is a very significant addition to the Huntsworth client offering, and provides further opportunities for cross selling design and integrated marketing capabilities.

Our medium term objective for each of our businesses is to show a consistent profit margin of at least 20 per cent with a double digit rise in revenues, year on year. The new acquisitions and the original businesses are well on the way to achieving these twin objectives.

BOARD CHANGES

Roger Selman FCA, who is aged 57, is joining Huntsworth as Group Finance Director. He held a similar position with International Public Relations plc (formerly Shandwick International plc) from 1994 to 1999 and brings considerable experience of the public relations industry. Philip Culver Evans will become Deputy Group Finance Director and also Company Secretary. He will focus on the financial management of the operating companies and in particular the integration of the recent acquisitions and implementation of our financial control systems and disciplines. These appointments take effect immediately.

OUTLOOK

As a company, Huntsworth is unrecognisable from twelve months ago. We now have our costs firmly under control, our operating companies are profitable, we have good management information systems, our balance sheet is strong and importantly we are carrying out excellent work for our large and growing blue chip client list. All service companies are likely to have difficult days ahead, and where necessary we will continue to align our costs with prevailing revenues. However, I am confident that we are in excellent shape to make the most of the opportunities which lie ahead.

H JON FOULDS Chairman
19 September 2001

CONSOLIDATED PROFIT & LOSS ACCOUNT

	6 months to 30 June 2001			15 months to 31 December 2000		
	£000	£000	£000	**£000**	£000	£000
	Continuing	Discontinued	Total	**Continuing**	Discontinued	Total
Turnover	**4,568**	**1,069**	**5,637**	**11,859**	**8,486**	**20,345**
Cost of sales	(1,745)	(367)	(2,112)	(5,310)	(3,597)	(8,907)
Revenue	**2,823**	**702**	**3,525**	**6,549**	**4,889**	**11,438**
Operating Expenses						
Non Exceptional	(2,795)	(676)	(3,471)	(7,489)	(5,673)	(13,162)
Exceptional	(290)	(1,418)	(1,708)	(3,159)	(1,282)	(4,441)
	(3,085)	**(2,094)**	**(5,179)**	**(10,648)**	**(6,955)**	**(17,603)**
Operating Profit/(loss) Before Exceptional Items	28	26	54	(940)	(784)	(1,724)
Operating Loss	**(262)**	**(1,392)**	**(1,654)**	**(4,099)**	**(2,066)**	**(6.165)**
Net Interest Payable			(236)			(466)
Exceptional Finance Charge			–			(500)
Loss on ordinary activities before tax			**(1,890)**			**(7,131)**
Taxation			–			61
Retained Loss			**(1,890)**			**(7,070)**
EPS – Basic & Diluted			(5.5)p			(27.4)p
EPS – Adjusted			(0.6)p			(5.2)p

Note:

(i) EPS Adjusted is undiluted and and is calculated using profits excluding discontinued operations and before all exceptional charges but after interest and tax

(ii) The interim statement has been prepared using the accounting policies set out in the 31 December 2000 accounts.

(iii) The financial information set out herein does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the 15 months to 31 December 2000 are abridged from the Group's full accounts for that period which received an unqualified auditors' report and have been filed with the Registrar of Companies.

(iv) The interim results set out above have neither been reviewed nor audited by the Group's auditors.

(v) The Directors do not propose an interim dividend (previous 15 months nil)

CONSOLIDATED PROFIT & LOSS ACCOUNT – ANALYSIS OF COMPARATIVE PERIODS

	6 months to 30 June 2001			6 months to 30 June 2000			6 months to 31 December 2000		
	£000 Continuing	£000 Discontinued	£000 Total	**£000 Continuing**	£000 Discontinued	£000 Total	**£000 Continuing**	£000 Discontinued	£000 Total
Turnover	**4,568**	**1,069**	**5,637**	**5,235**	**4,528**	**9,763**	**4,445**	**2,348**	**6,793**
Cost of sales	(1,745)	(367)	(2,112)	(2,463)	(1,831)	(4,294)	(2,010)	(1,122)	(3,132)
Revenue	**2,823**	**702**	**3,525**	**2,772**	**2,697**	**5,469**	**2,435**	**1,226**	**3,661**
Operating Expenses									
Non Exceptional	(2,795)	(676)	(3,471)	(3,050)	(2,585)	(5,635)	(3,085)	(1,966)	(5,051)
Exceptional	(290)	(1,418)	(1,708)	(100)	–	(100)	(2,574)	(1,767)	(4,341)
	(3,085)	**(2,094)**	**(5,179)**	**(3,150)**	**(2,585)**	**(5,735)**	**(5,659)**	**(3,733)**	**(9,392)**
Operating Profit/(loss) Before Exceptional Items	**28**	**26**	**54**	**(278)**	**112**	**(166)**	**(650)**	**(740)**	**(1,390)**
Operating Profit/(Loss)	**(262)**	**(1,392)**	**(1,654)**	**(378)**	**112**	**(266)**	**(3,224)**	**(2,507)**	**(5,731)**
Net Interest Payable			(236)			(177)			(196)
Exceptional Finance Charge			–			–			(500)
Loss on ordinary activities before Tax			**(1,890)**			**(443)**			**(6,427)**
Taxation			–			–			61
Retained Loss			**(1,890)**			**(443)**			**(6,366)**
EPS – Basic and Diluted			(5.5)p			(1.7)p			(24.5)p
EPS – Adjusted			(0.6)p			(1.8)p			(3.0)p

CONSOLIDATED BALANCE SHEET

	30 June 2001	30 June 2000	31 December 2000
	£000	£000	£000
Fixed assets			
Tangible assets	663	775	395
Intangibles	8,062	–	–
	8,725	775	395
Current assets			
Work in progress	215	377	177
Assets held for resale	–	54	54
Debtors	4,278	4,226	2,891
Cash at bank and in hand	968	6	3
	5,461	4,663	3,125
Creditors due within one year			
Bank loans and overdrafts	–	(997)	(6,703)
Other creditors	(5,500)	(4,586)	(3,627)
	(5,500)	(5,583)	(10,330)
Net current liabilities	(39)	(920)	(7,205)
Total assets less current liabilities	8,686	(145)	(6,810)
Creditors due after more than one year	–	(3,175)	(500)
Provisions for liabilities and charges	(3,254)	(778)	(3,143)
	5,432	(4,098)	(10,453)
Capital and Reserves			
Called up share capital	8,669	2,596	2,606
Share premium account	14,527	4,510	4,510
Profit and loss account	(19,459)	(11,204)	(17,569)
	3,737	(4,098)	(10,453)
Contingent share capital	1,695	–	–
Equity shareholders' funds	5,432	(4,098)	(10,453)

Note: Contingent share capital represents an estimate of the potential consideration on acquisitions that may be satisfied in shares

CONSOLIDATED CASH FLOW STATEMENT

	6 months to 30 June 2001	6 months to 30 June 2000	15 months to 31 December 2000
	£000	£000	£000
Net cash (outflow)/inflow from operating activities	**(1,833)**	424	(2,686)
Returns on investments and servicing of finance			
Net interest paid	**(767)**	(213)	(457)
	(767)	(213)	(457)
Taxation			
Corporation tax paid	**–**	(73)	(60)
Capital expenditure and financial investment			
Disposal of tangible fixed assets	**1**	–	4
Purchase of tangible fixed assets	**(176)**	(38)	(116)
Disposal of assets held for resale	**63**	1,204	1,204
	(112)	1,166	1,092
Acquisitions			
Purchase of subsidiary undertakings	**(3,377)**	–	
Cash at bank and in hand acquired with subsidiaries	**237**	–	
	(3,140)	–	–
Net cash outflow before financing	**(5,852)**	1,304	(2,111)
Financing and net cash inflow/(outflow) from financing			
Issue of ordinary share capital	**13,520**	1	11
Increase/(repayment) of long term borrowings	**–**	20	(3,569)
	13,520	21	(3,558)
Increase/(decrease) in cash in the period	**7,668**	1,325	(5,669)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash	**7,668**	1,325	(5,669)
Cash outflow from debt repayment	**–**	(20)	3,569
(Increase)/decrease in net debt	**7,668**	1,305	(2,100)
Net debt at beginning of period	**(6,700)**	(5,471)	(4,600)
Net debt at end of period	**968**	(4,166)	(6,700)