

25 September 2002

HUNTSWORTH PLC

Interim Results for the six months to 30 June 2002

Key points:

- Huntsworth generated profit from its ongoing businesses before interest, tax, exceptional items and goodwill of £418,000 compared with £28,000 in the comparable period last year.
- Revenues increased to £7.4m (£2.8m – 30 June 2001) reflecting the full year impact of acquisitions during 2001.
- Huntsworth generated trading cash, excluding exceptional items, of £331,000 (30 June 2001 - outflow £249,000). Bank debt increased to £6m reflecting payment of £4.4m loan notes for acquisition of Harrison Cowley.
- Earnings per share (excluding discontinued operations, exceptional items and goodwill amortisation) were 0.4p compared with a loss of 0.6p in first six months of 2001.
- New clients in the first six months include Heineken, The Cotton Council USA and Pharmacia. Further work from existing clients such as Aventis, Celltech, Coors Caffreys, John Lewis Partnership, Land Rover, Lever Faberge and Waterstones.

Commenting on these results, Jon Foulds, Huntsworth Group Chairman said, “Despite very difficult economic conditions, progress has continued at Huntsworth through constant downward pressure on costs and some excellent new business wins. The acquisitions have settled down well and a Group culture is emerging. However, there is still a lot to achieve in an economy which shows few genuine signs of improvement”.

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Chairman's Letter to Shareholders

Dear Shareholder

I am pleased to report that progress in the first half of the year has continued with strong growth in operating profits on improved revenues. We are making progress towards our targeted operating margins and we have a senior management team which is leading the Group with great professionalism in difficult economic circumstances.

Financial Performance

In the six months to 30 June 2002 Huntsworth generated profits from continuing operations before interest, tax and goodwill amortisation of £418,000 compared with £28,000 in the six months to 30 June 2001. The profit from our operating companies rose to £1.3m from £615,000 on revenues of £7.4m, up from £2.8m in the comparable period.

The earnings per share were 0.4p compared with a loss of 0.6p in 2001 – before discontinued operations, exceptional items and goodwill amortisation. Basic and diluted earnings per share were 0.3p (2001 – loss 5.5p).

The public relations consultancy market has been very hard hit with many companies reporting double-digit percentage declines in revenues. I am, therefore, particularly pleased to report that revenues in our public relations companies grew 3.7% on a like for like basis in the period.

Management has continued to concentrate on margin improvement through cost pressure and revenue growth and operating company margins of 17.4% are in line both with expectations and our intention of achieving margins in our continuing operations of 18.5% this year and 20% in 2003.

The non-PR businesses which we inherited as part of the original Huntsworth Group have had a more difficult time with both revenues and operating margins falling dramatically. Our two small marketing and sales promotion businesses have not performed well and are not central to our strategy. We have reluctantly decided to close these businesses or sell them to management in the second half of the year. We have no intention of closing or selling any other company in the Group.

Huntsworth generated trading cash, excluding exceptional items, of £331,000. Net interest payable was £73,000 compared with £236,000 in 2001. Bank debt, following the redemption of £4.4m of loan notes for the purchase Harrison Cowley rose to £6.0m. Earnout payments on the acquisitions made in 2001 will start in 2004 and can be met in either shares or cash at Huntsworth's option.

Operational Review

All companies in the Group are now integrated into a unified management and financial reporting system. No distinction is made between those companies which we inherited as part of the old Huntsworth Group and those which we acquired last year.

Our healthcare companies – PBC, the advertising and research group, and ARL, the pharmaceutical promotions agency, have both performed very well in the first half. New clients include Abbott, Aventis, BMS, Celltech, Novo Nordisk and Pharmacia.

HMI, our design company, has had a difficult first half. It has however shown itself to be resilient and maintained very high quality work in a difficult design environment which augurs well for 2003 and beyond. Good progress has also been made in working with other group companies to provide design services to clients.

Our largest single public relations company, Harrison Cowley, has performed outstandingly this year with good new business growth and healthy, improved margins. New clients include Harlequin, Malmaison Hotels, Somerset Care Group and Toms Confectionery, and additional work has been secured from existing clients such as Age Concern Enterprises, John Lewis Partnership, Land Rover and Waterstones.

Counsel and Stephanie Churchill, two of our consumer PR companies, have both started the year well and enjoy excellent margins. They have won a number of new clients such as The Cotton Council USA and Habit Jeans, and additional work from JCB Photography, Moda Barcelona, Nautica and Yoplait Dairy Crest.

While Woodside has had a difficult year since joining the Group, the injection of a new senior team and pro-active marketing make us confident of improvement in 2003.

On balance, the first six months of 2002 has been a period of considerable progress in a very difficult economic environment. The second half looks challenging with the prospect of projects and development work being cancelled at little or no notice. However, we will maintain continuous pressure on costs to produce, whatever our revenue, the best possible margins in these challenging circumstances.

We continue to evaluate acquisitions which will add value commercially, broaden our communications offering and are earnings per share accretive. We are currently considering a number of such opportunities all of which fall clearly within our stated strategic plans. Market conditions will be a key determinant in our willingness to proceed.

Yours sincerely

H Jon Foulds
Chairman
25 September 2002

Consolidated Profit & Loss account

	6 Months to 30 June 2002		6 months to 30 June 2001		12 months to 31 December 2001		
	£000	£000	£000	£000	£000	£000	£000
	Total	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Turnover	10,364	4,568	1,069	5,637	13,934	1,069	15,003
Cost of sales	(2,951)	(1,745)	(367)	(2,112)	(4,722)	(367)	(5,089)
Revenue	7,413	2,823	702	3,525	9,212	702	9,914
Operating Expenses – including exceptional items and goodwill	(7,041)	(3,085)	(2,094)	(5,179)	(9,198)	(2,093)	(11,291)
Operating Profit/(Loss)	372	(262)	(1,392)	(1,654)	14	(1,391)	(1,377)
Exceptional Items	-	290	1,418	1,708	290	1,418	1,708
Goodwill amortisation	46	-	-	-	52	-	52
Operating Profit before exceptional items and goodwill	418	28	26	54	356	27	383
Net bank and finance lease interest	(73)			(236)			(242)
Exceptional finance charge	-			-			(152)
Net interest payable	(73)			(236)			(394)
Profit/(Loss) on Ordinary Activities before Tax	299			(1,890)			(1,771)
Taxation	-			-			-
Retained Profit/(Loss)	299			(1,890)			(1,771)
Earnings Per Share:							
Basic and Diluted - pence	0.3			(5.5)			(2.8)
Adjusted – pence	0.4			(0.6)			0.2

Notes:

- (i) EPS Adjusted is undiluted and is calculated using profits excluding discontinued operations and before all exceptional items and goodwill but after interest and tax.
- (ii) The interim statement has been prepared using the accounting policies set out in the 31 December 2001 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 12 months to 31 December 2001 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 12 months nil).
- (vi) The results for the six months ending 30 June 2002 derive from continuing operations.

Consolidated Balance Sheet

	30 June 2002	30 June 2001	31 December 2001
	£000	£000	£000
Fixed assets			
Intangible assets	18,910	8,062	18,958
Tangible assets	1,263	663	1,045
	20,173	8,725	20,003
Current assets			
Work in progress	149	215	110
Debtors	4,487	4,278	4,950
Cash at bank and in hand	-	968	7
	4,636	5,461	5,067
Creditors due within one year	(5,050)	(5,500)	(10,448)
Net current liabilities	(414)	(39)	(5,381)
Total assets less current liabilities	19,759	8,686	14,622
Creditors due after more than one year	(5,957)	-	(784)
Provisions for liabilities and charges	(2,333)	(3,254)	(2,668)
	11,469	5,432	11,170
Capital and Reserves			
Called up share capital	9,250	8,669	9,250
Share premium account	12,617	14,527	12,617
Other reserves	3,131	-	3,131
Profit and loss account	(19,041)	(19,459)	(19,340)
	5,957	3,737	5,658
Shares to be issued	5,512	1,695	5,512
Equity shareholders' funds	11,469	5,432	11,170

Consolidated Cash Flow Statement

	6 months to 30 June 2002		6 months to 30 June 2001		12 months to 31 December 2001	
	£000	£000	£000	£000	£000	£000
Net cash outflow from operating activities		(116)		(1,833)		(2,382)
Returns on investments and servicing of finance						
Interest received	14		-		31	
Interest paid	(88)		(767)		(797)	
Exceptional finance charge	(152)		-		-	
Net cash outflow for returns on investments and servicing of finance		(226)		(767)		(766)
Taxation						
Corporation tax paid		(199)		-		(128)
Capital expenditure and financial investment						
Disposal of tangible fixed assets	4		1		30	
Purchase of tangible fixed assets	(205)		(176)		(535)	
Disposal of assets held for resale	-		63		63	
		(201)		(112)		(442)
Acquisitions						
Purchase of subsidiary undertakings	-		(3,377)		(4,020)	
Purchase of unincorporated business	(1)		-		(296)	
Net cash acquired with subsidiaries	-		237		446	
Net cash outflow from acquisitions		(1)		(3,140)		(3,870)
Net cash outflow before financing		(743)		(5,852)		(7,588)
Financing and net cash (outflow)/inflow from financing						
Issue of ordinary share capital	-		13,520		13,511	
Repayment of capital element of finance leases	(37)		-		-	
Repayment of long term borrowings	(4,400)		-		-	
		(4,437)		13,520		13,511
(Decrease)/increase in cash in the period		(5,180)		7,668		5,923
Reconciliation of net cash flow to movement in net debt						
(Decrease)/increase in cash		(5,180)		7,668		5,923
Cash outflow from debt repayment		4,400		-		-
New finance leases		(204)		-		(18)
Repayment of capital element of finance leases		37		-		-
Loan notes issued		-		-		(4,400)
(Increase)/decrease in net debt		(947)		7,668		1,505
Net debt at beginning of period		(5,195)		(6,700)		(6,700)
Net debt at end of period		(6,142)		968		(5,195)

Notes to Consolidated Cash Flow Statement

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	6 months to 30 June 2002			6 months to 30 June 2001			12 months to 31 December 2001		
	Before Exceptionals and goodwill £000	Exceptionals and goodwill £000	Total £000	Before Exceptionals and goodwill £000	Exceptionals and goodwill £000	Total £000	Before Exceptionals and goodwill £000	Exceptionals and goodwill £000	Total £000
Operating profit/(loss)	418	(46)	372	54	(1,708)	(1,654)	383	(1,760)	(1,377)
Depreciation	164	-	164	50	90	140	203	-	203
Tangible fixed assets written off	-	-	-	-	-	-	-	219	219
Loss on disposal of tangible fixed assets	-	-	-	-	-	-	9	-	9
Profit on disposal of assets held for resale	-	-	-	(9)	-	(9)	(9)	-	(9)
Amortisation of goodwill	-	46	46	-	-	-	-	52	52
(Increase)/decrease in work in progress	(39)	-	(39)	(14)	-	(14)	178	-	178
Decrease/(increase) in debtors	463	-	463	(264)	-	(264)	690	-	690
(Decrease)/increase in creditors	(675)	(112)	(787)	(66)	772	706	(1,100)	410	(690)
Decrease in provision for liabilities and charges	-	(335)	(335)	-	(738)	(738)	-	(1,657)	(1,657)
Net cash inflow/(outflow) from operating activities	331	(447)	(116)	(249)	(1,584)	(1,833)	354	(2,736)	(2,382)

Analysis of net debt	1 January 2002 £000	Cash flow £000	Other £000	30 June 2002 £000
Cash at bank and in hand	7	(7)	-	-
Committed overdraft repayable between one and two years	(784)	(5,173)	-	(5,957)
Net cash	(777)	(5,180)	-	(5,957)
Finance leases	(18)	37	(204)	(185)
Loan notes	(4,400)	4,400	-	-
Net debt	(5,195)	(743)	(204)	(6,142)

