huntsworth plc

report and accounts 2003

Our clients include:

ABB • AEGON • American Legacy Foundation • A-Plus • Association for Finance Professionals • AT-Kearney • Austin Reed • Bank Hapoalim • Bayer • Bear Creek Corporation • Bristol International Airport • British Airways • British Chicken Marketing • BT • Comet • Cotton Council International • Crown Bevcan Europe & Middle East • Crown Food UK & Ireland • CW Textiles Group • Daimler Chrysler • Department for Work and Pensions • Department of Health • DfES • Disney Channel • EDS •Efasit • eSpeed • Etam • FedEx • First Choice Holidays • GFW and Top Shop • H J Heinz • Heineken • Homex • ICI • James Harcourt • KBV • Land Rover UK • Le Creuset • Liberty International • Lyle & Scott • Masterfoods • Maxmara Group • Maxxium UK • McDonald's • Meyer Prestige • Micromark • Miele • Mitchells & Butlers • Motorola • Murray International • Nestle • New Star • Nicky Clarke Consumer Products • Novartis • Océ • OMV • Panasonic • PepsiCo International • Pfizer • Print City • Quaker • Roche • Scottish Executive • Scottish Midland Co-operative • Shaklee Corporation • Shepherd and Wedderburn • Sodexho • Stanley UK Sales • Stanley Leisure • Sunday Times – UK Business Week • Swallowfield • Syngenta • Taylor Woodrow • Telefonica de Espana. • Teva Pharmaceuticals Industries • The Big Food Group • TNT • Toyota Motor Corp. • Tyson Foods • UK AEA • Unilever Bestfoods • Unilever Ice Cream & Frozen Food • Universal Pictures Video • Walkers Snack Foods • Waverley Railway Project • Wella • WHS Halo • Whyte and Mackay • W M Wrigley Jr. Co. • Yoplait Dairy Crest

Huntsworth is a specialist communications group with public relations at its core.

Our company portfolio comprises public relations expertise in the consumer, financial, healthcare, public affairs and technology sectors, together with a broad based offering in healthcare communications and a team of brand identity and design experts.

Chairman's statement and review

Financial performance
I am pleased to report an operating profit for continuing operations before exceptional items and goodwill amortisation of £2,271,000 in the twelve months to 31 December 2003, compared with an operating profit of £1,278,000 to 31 December 2002. After losses from discontinued operations of £252,000, exceptional items of £179,000, goodwill amortisation of £170,000, and share of associate profit of £4,000, the profit on ordinary activities before interest and tax was £1,674,000 (2002 – loss £1,013,000).

Summary of earnings and revenues
Adjusted earnings per share (excluding discontinued operations, exceptional items and goodwill amortisation) were 1.2p (2002 – 1.0p). Basic and diluted earnings per share were 0.8p (2002 – loss of 1.3p).

Huntsworth generated revenues in 2003 (excluding discontinued operations) of £22.1 million (2002 – £14.1 million).

Operating margins, before central costs, were 18.3 per cent. (2002 – 14.4 per cent. on a like-for-like basis). In the second half of the year, margins improved to 19.2 per cent. from 17.1 per cent. in the first six months.

Operations discontinued in 2003 lost £252,000, and exceptional items (comprising severance costs, less excess provisions released) totalled some £179,000. Goodwill amortisation amounted to £170,000.

Cash
In the year Huntsworth generated positive trading cash flow of £1.3 million, before discontinued operations, exceptional items and interest of £441,000 (2002 – £242,000). Cash flow would have been some £500,000 higher without the impact of the start-up working capital required by Global Consulting Group, acquired late in 2002.

Huntsworth has a committed two-year facility of £11.5 million and a £2.0 million overdraft from Lloyds TSB Bank. At year-end drawings under these facilities amounted to £10.1 million.

Acquisition payments
Acquisition payments totalled £4.3 million in the year. These related to acquisitions made in 2003 (Adamson Ussher, Hatch and Haslimann Taylor) together with payments in respect of SCPR and Atlantic, acquired previously. Provisions of £3.0 million have been made for deferred consideration in relation to the acquisition of PBC and Hatch.

...return to the dividend list after an absence of 12 years

Operational review

Revenues

On a like-for-like basis revenues grew by 1.8 per cent. in the second half of 2003; over the year as a whole like-for-like revenues fell by 1.2 per cent, reflecting cut-backs in clients' budgets.

The two major acquisitions completed in 2002 – GCG (financial, corporate and public affairs) and EHPR (consumer) – have settled well into the Group and produced very satisfactory results.

Our regional PR agency, Harrison Cowley, which had a difficult first half, improved profits significantly in the second half of the year. PBC (healthcare) continued its excellent progress with profits having more than doubled since its acquisition in 2001.

Our other PR businesses continue to perform satisfactorily with the exception of Woodside which, although in profit, has not built its client portfolio sufficiently. This company has now been merged with Counsel.

Margins

All managers in the Group regard operating margins as a key indicator of success. Margins achieved during the year averaged some 18.3 per cent. In the second half, at 19.2 per cent, margins were close to our target of 20 per cent, which is gratifying. A number of companies have joined the Huntsworth Group at a time when they were producing low margins or even losses. Our clearly stated objective is to bring the margins of these companies into line with Group targets within 12 to 18 months of acquisition.

Acquisitions

Huntsworth made three acquisitions during the year. Adamson Ussher, which has been successfully amalgamated with Harrison Cowley's office in Leeds, Hatch which has been profitable since acquisition, reversing significant losses in prior periods, and Haslimann Taylor, the Birmingham-based PR company, which also performed well.

Clients

Recent new clients to the Group include American Legacy Foundation, Bank Hapoalim, Hard Hat Consortium, Milk Development Council, Neopost and PepsiCo.

Existing clients who have recently awarded Group companies new assignments include Astra Zeneca, Camelot/The National Lottery, Chiron Vaccines, General Mills, Heinz, Merck Pharmaceuticals, The Mills Corporation, Saint Gobain, Universal Pictures (UK), Westler Foods and The Wrigley Company.

Huntsworth has made excellent progress in 2003

Board and management
Eugene P. Beard joined the Board as a Non-Executive Director on 1 February 2004. He has had wide experience in the marketing services industry, was until December 1999 Vice Chairman, Finance and Operations, of The Interpublic Group of Companies, Inc..

Dividend
Last year I said that we would review our policy towards dividends. I am very pleased to confirm our payment, on 22 April 2004, of a dividend of 0.1 pence in respect of 2003. This marks Huntsworth's return to the dividend list after an absence of some 12 years.

Recent events, current trading and outlook
Huntsworth has made excellent progress in 2003 and the larger acquisitions made over the last few years have settled down particularly well. Furthermore, since the end of the 2003 financial year, Huntsworth has completed three important acquisitions – the Trimedia Group, the Grayling Group and 60% of Hudson Sandler, and has carried out a Placing and Open Offer fund raising of approximately £21 million net of costs.

The net proceeds of the Placing and of the Open Offer have been applied to finance the cash element of the consideration for Trimedia and Grayling, and the associated expenses of the acquisitions, the repayment of certain of Trimedia's debt at completion under the Trimedia Acquisition Agreements, and to reduce the net borrowings of the Enlarged Group by approximately £9.9 million. This leaves us well placed to pursue our continuing development strategy. These acquisitions represent significant further progress towards achieving the Group's stated strategy of building an international public relations group, with particular emphasis in the consumer, financial, healthcare, public affairs and technology segments.

We must, however, continue to grow our business organically and I am delighted to report that we have started working for a number of important new clients and have also extended our contracts with other existing clients. We also hope to continue to benefit from what appears to be the most positive environment for PR services since 2000.

I look forward with confidence to 2004 as the expanded Group continues to implement its carefully articulated strategy.

H Jon Foulds

H Jon Foulds
Chairman
29 June 2004

Alison Clarke
Responsible for UK PR businesses – Counsel, EHPR, Harrison Cowley, Haslimann Taylor and SCPR.

Alison Clarke has eighteen years consultancy experience working with some of the world's best-known global organisations. Following a period as CEO of Shandwick Welbeck in London, Alison was appointed CEO of Shandwick's Asia Pacific operation with responsibility for ten countries within the region.

About our business
2003 was a challenging year in many of our core sectors, with clients facing their own internal budget cuts frequently reviewing PR spend as a result. In spite of these conditions, our UK businesses made good progress in growing revenue organically and with some significant new business wins that provide future growth opportunities.

Counsel has continued to provide communications counsel, particularly within the food sector for a truly blue-chip client list that includes the likes of Heinz and General Mills. The outlook in this sector remains challenging with a large number of food companies reporting slower sales. Despite this Counsel had a successful year with profits ahead of budget and very healthy margins. New clients such as PepsiCo and Unilever put them in a strong position to grow their business relationships and revenues and this is reflected in a promising start to 2004. Huntsworth's geographical and sectoral growth also presents opportunities to grow revenues within the group from their current base. Woodside, a small corporate PR business, has been merged with Counsel in 2004.

EHPR performed very well in 2003 with profit ahead of budget. This was due to strong organic growth from existing clients together with new business wins such as Universal Pictures special interest titles, Austin Reed and ICI specialist paints. These offer good opportunities for growth and 2004 has started well in terms of revenue and profit.

Harrison Cowley experienced a challenging year with reductions in client's budgets impacting revenues and profits considerably. The second half showed great improvement with good consumer wins such as Milklink and Golden Wonder. This together with a re-organisation of the business focussed new business efforts into key areas. The public sector targeting has proven successful and remains an important revenue stream for the agency. This together with investment in the consumer practice gives the company the right architecture and skills sets to grow the business.

Haslimann Taylor's strengths lie in retail, property and automotive and general business-to-business communications. The agency services mainly national brands, generally with a Midlands base. The Midlands market remained comparatively buoyant last year with income growing by 25%. Much of this was due to the growth of existing clients such as Taylor Woodrow and Mitchells & Butlers – but also through new business such as Goodyear Dunlop, Applied Energy and Arriva, among others. The agency has had a successful start to 2004 and is confident of further organic growth from their strong client base.

SCPR faced a difficult climate in 2003 with fashion retail being particularly challenged. As a result revenues and profits fell below budget in spite of successful generation of additional revenue from existing clients. 2004 is showing real signs of improvement. New business wins include French optical designer, Alain Mikki and Cosmopolitan Cosmetics. This together with proposed developments into personal care categories gives greater confidence all round.

Grayling was acquired in April 2004. Huntsworth Group Chief Executive, Peter Chadlington and Group Business Development Director Alison Clarke have joined the Grayling Board. Lord Chandos has been appointed as Chairman and Nigel Kennedy remains as Group Chief Executive. Tom Chandos is an experienced investment banker and venture capitalist and has particular expertise in the media sector. PR and Political Strategy revenues fell in 2003 but it is expected that with a renewed focus this trend will reverse in 2004. Events revenues have continued to grow and with good margins is now a major contributor to Grayling's profits.

Michael Murphy
Chief Executive, Trimedia Communications

Michael Murphy founded the Hatch group which was acquired by Huntsworth in 2003. Before founding Hatch group in 2001, Michael was global number two at Shandwick International. In 1993, he was appointed to head Shandwick's Hong Kong office and, the following year, was made chief executive of Shandwick's Asian operations. He returned to the UK in 1998 as CEO of Shandwick Europe and the following year was appointed Deputy CEO, Shandwick International with responsibility for Europe and Asia Pacific.

About our business

Operations benefitted from an upturn in the UK during the second half of the year. In mainland Europe the economic situation continued to be challenging, particulary in France and Germany. As a result clients remained cautious about committing to long-term programmes.

Trimedia International was acquired in April 2004. Michel Gutknecht, formerly Chief Executive, has been appointed Executive Chairman. Existing Huntsworth subsidiary Hatch group was integrated with Trimedia Communications, and now operates under the Trimedia Communications UK brand. The combined group offers real, integrated access to fast growing European markets through 230 staff and offices in five countries and 15 European cities with affiliates worldwide. The merged organisations have been brought together quickly by the senior management team and the changes have been enthusiastically received by clients and staff.

The brand has been re-launched with a strong marketing campaign using the theme *Communicating Excellence Across Europe* and the early signs are positive. Greater emphasis is being placed on developing international, multi-market clients, which already include P&G, Nestle, Nokia, A.T. Kearney, FedEx and Euromediterranee.

Trimedia Austria is focused on consumer, life-sciences, industry, technology, Government, public affairs and crisis communications. The company, which is number three in the market according to recent industry rankings, successfully negotiated challenging market conditions in 2003 to turn in respectable results. The business anticipates moderate growth in 2004, and believes that EU enlargement will generate opportunities. Client gains in 2003 included ASIFINAG (the Austrian Motorway Operators), beneconsulting, NOM (the largest Austrian Dairy), Nokia, OMV Social Sponsoring Programme, Sanova and Fedex.

Trimedia France competes in the growing French PR market estimated overall to be worth €250 million per annum. Market conditions proved difficult in 2003. Client gains reflect the growth of inward investment, regional and city promotion activity, with Trimedia France and Trimedia UK starting work on a 24-month contract for Marseilles-Euromediterranee.

For Trimedia Germany, the economic crisis in Germany in 2003, which included high unemployment, weak stock markets and poor consumer confidence, weighed heavily on the market for public relations. But Trimedia Germany, reacted to the changing conditions by re-aligning its operations and capitalising on opportunities to attract quality staff including the opening of a new Munich office in July 2003 to add to existing offices in Berlin, Dusseldorf and Frankfurt. Strong marketing efforts in our key sectors – which include consumer, technology, transport and logistics and healthcare as well as a push into financial services all paid dividends. Important new clients won in the year include E-Plus Health and Safety, Kabel Deutschland and Symrise. The market in 2004 is showing some signs of improvement and we are well placed to benefit from any upturn in client spending.

Trimedia Switzerland saw the persistent slow pace of the Swiss economy leave its mark on the Swiss PR market in 2003. The members of the Association of PR Agencies in Switzerland (BPRA), reported a decline in net annual fee income from CHF 82.7m in 2002 to CHF 73.8m in 2003 (-10.7%). The number of personnel employed by BPRA agencies decreased from 373 to 333. Despite tough market conditions Trimedia, which is number two in the market, took the opportunity in 2003 to acquire a Basel-based PR company, ComFactory, which specialises in corporate and life sciences PR. New client wins included PostFinance, BTI Kuoni and SwissWine.

At Trimedia UK, an improvement in the UK economic climate in the second half of 2003 was reflected in the company (formerly Hatch group) achieving strong results and margins following its acquisition by Huntsworth in July 2003. Public affairs and regional businesses in Glasgow and Edinburgh performed well, achieving growth through important client gains like Ofgem and Scottish Courage. A focus by the company's London office on the public sector resulted in client gains including DfES, GLA . International activity for clients including UWG, Carmen Media and Stanley also helped to achieve strong growth and profitability. Progress has continued through the first half of 2004, with a noticeable increase in retainer work, and less reliance on project activity.

David Rowley
Chief Executive of Huntsworth Healthcare Division

David Rowley is the Managing Director of the PBC Group, which he founded in 1995, having previously held senior marketing positions with GD Searle, Wyeth Laboratories and Sandoz Pharmaceuticals (now Novartis). David's experience covers a wide range of therapeutic areas, and he has worked with products at all stages of their life cycle.

About our business

Despite difficult economic conditions and continued pressure on the pharmaceutical sector from regulators, the media, and government, 2003 saw the global pharmaceutical market grow by 9% to achieve audited sales of almost $500 billion, with 88% being accounted for by North America, Europe and Japan. An increasingly robust development pipeline, ageing populations and the ongoing demand for innovative therapies are the driving forces behind this global growth.

The healthcare market represents a core strategy for Huntsworth, and it is our intention to build upon the success of PBC Group both organically and through acquisition. Our vision is to build a world-class healthcare communications group, operating in an integrated fashion and incorporating the core disciplines of medical education, public relations, market research and advertising. We wish to consolidate our UK presence before expanding into Europe and North America. Given the increasing shift towards globalisation of pharmaceutical brands and the shift of communication channels away from pure promotional routes, this strategy is in tune with the changing marketplace.

Whilst the communications industry has grown in tandem with the pharma sector that it serves, there appear to be some significant trends developing recently. Almost all new products that come to market have the majority of their brand communications developed at a global level. The role of the consumer in influencing choice of medicines is growing rapidly, with the healthcare professionals being limited in their prescribing freedom by both budgetary constraints and clinical guidelines. The economic pressures on pharmaceutical companies has led to communications agencies having to operate within preferred suppliers lists and specified charging rates more than ever before.

The results of these trends have led to a greater consolidation of agencies within global communications groups, the expansion of less overt methods of communication involving medical education, the internet and government focussed activities.

Given therefore that PBC Group, the healthcare arm of Huntsworth, operates principally in the 'advertising' and 'market research' sectors, its 2003 performance was remarkable. Revenue growth of 20%, with profit growth of 34% reinforced PBC Group's 10-year growth record. The success can be put down to both new clients (Baxter, Chiron, GlaxoSmithKline and Pfizer), and significant new brands from existing clients (Astra Zeneca, Janssen Cilag and Novartis). Whilst the UK market represents the majority of PBC business, a number of International projects were secured in 2003.

[1] IMS Health Global Pharmaceutical report 2003

Richard J Wolff
Chief Executive, The Global Consulting Group, responsible for the expanded financial PR and public affairs group

Prior to joining GCG, Richard Wolff was the Global Managing Director of Golin/Harris' Financial Communications Practice from 1997 to 2002. He began his career at Kekst and Co in New York, where he spent 12 years as a partner. Richard has particular expertise in strategic communications, corporate positioning and investor relations.

About our business
The year 2003 was a seminal year for The Global Consulting Group. Established in November 2002 with the acquisition of the investor relations consulting arm of Thomson Financial, the Group immediately re-branded itself The Global Consulting Group. It then embarked upon a restructuring of the original business and the rapid development of ancillary corporate communications and public affairs consulting practices. Although the overall communications environment in 2003 was not conducive to strong growth, by year-end GCG had profitably expanded its geographic presence and its consulting practices.

GCG operates at the strategic end of the public relations/communications market. Its focus is on providing sophisticated strategic counsel to senior management of corporations, using a management consulting approach. Its ability to offer CEOs, CFOs, and General Counsels assistance in dealing with the financial community, with government officials and regulators, and with issues surrounding corporate reputation, on an international platform, is virtually unique in the public relations industry today.

During the year, GCG established its first office on the European continent in Madrid, thus leveraging its strong Latin American corporate and investor relations practice, which is run out of the New York headquarters. The firm also brought on Geraldine A. Ferraro, former U.S. Vice-Presidential candidate, Congresswoman, and Ambassador, to head its public affairs practice. Under Ms. Ferraro, GCG immediately added public affairs clients such as Nestle, Yamanouchi Consumer Inc., American Legacy Foundation, Mercy Housing and others.

In financial communications and investor relations, the firm established itself as a leading advisor of major French, Israeli, and Latin American corporations, representing an average of 40% of all companies from these nations trading on the New York Stock Exchange. In transactions communications, GCG acted on behalf of one of the largest international bio-pharmaceuticals, Teva Pharmaceuticals, in its acquisition of a leading U.S. competitor, and the firm also handled the investor relations for one of the largest U.S. IPOs in 2003, ChungWa Telecom Co, Ltd. In corporate communications, the firm worked on a series of confidential and high profile litigation support projects, and continues to forge strong referral relationships with key international law firms.

In addition to GCG's head office in New York City, the firm has a presence in London, Madrid, Chicago, Tel Aviv, San Francisco, Sao Paolo, and Hong Kong, with affiliates servicing other major international markets. A majority stake (60%) in Hudson Sandler, a London based financial PR company, was acquired in March 2004, which has substantially strengthened the GCG brand in the UK. Summit, a Chicago based communications company, was acquired in April 2004 to give GCG a mid-west base.

Directors and advisors

H Jon Foulds
Chairman & director
Mr Foulds is Chairman of the Remuneration Committee and a member of the Audit Committee. Mr Foulds is a former Chairman of Halifax plc and was previously the Chief Executive of 3i plc. His previous directorships include Mercury Asset Management plc and Eurotunnel plc. He is currently a director of a number of private companies.

Lord Chadlington
Chief Executive
Lord Chadlington has spent his entire working life in communications, as a journalist after graduating from Cambridge University and later in public relations both in-house and consultancy. He founded Shandwick in 1974, establishing it as the largest PR consultancy in the UK within seven years and holding that position without interruption for the next 17 years. He built the firm overseas and it was sold to The Interpublic Group of Companies in 1998, forming the group that became the largest PR consultancy in the world. Lord Chadlington is a former director of Halifax plc and has written and lectured extensively on communications, politics and public relations. He was created a life peer in 1996.

Roger M Selman
Finance Director
Mr Selman is a chartered accountant with over 20 years sector experience. He was Group Finance Director of International Public Relations plc (formerly Shandwick International plc) from 1994 to 1999, subsequently transferring to The Interpublic Group of Companies. He has also worked as finance director in other marketing services companies.

Anthony L Brooke
Senior independent non-executive director
Mr Brooke is Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Brooke is a director of Fauchier Partners Limited and Chairman of ComMedica Limited. He is a former Vice Chairman S.G. Warburg & Co. Ltd.

Eugene P. Beard
Independent non-executive director
Mr Beard is a director of Mattel, Inc., 59 W. Street Funds, Old Westbury Funds, Sand Hill Investors Fund, Inc. and MARC USA. Mr Beard retired as Vice Chairman, Finance and Operations of the global marketing services group, The Interpublic Group of Companies, Inc., in December 1999, remaining as a Special Advisor until December 2003.

Company Secretary
Adam Hatfield

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Report of the directors

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 31 December 2003.

Activity
The principal activity of the Group is that of marketing services, and its core activity is public relations.

Review of business and future developments
The consolidated profit and loss account is set out on page 20 and shows a profit after taxation of £1,233,000 (2002: loss £1,318,000).

A more detailed review of the business and future developments is included in the Chairman's Statement and Review on pages 2 to 4.

Dividends
The directors do not propose a final dividend. Dividends for the year were £163,000 (2002: £nil).

An interim dividend of 0.1p per share was paid on 22 April 2004.

Financial resources
After reviewing the Group's performance and future cashflows, and in view of the fund raising of approximately £21 million, completed in April 2004, and improved bank facilities, the directors have a reasonable expectation 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.

Directors
Details of directors who served during the year and of their remuneration are set out in the Report of the Directors on Remuneration on pages 15 to 19.

Except as disclosed in the financial statements, none of the directors was materially interested during the period in any contract which was significant in relation to the business of the Company.

Substantial shareholdings
Apart from the interests of the directors set out in the Report of the Directors on Remuneration, according to the registers kept by the Company, the directors were aware of the following holdings of 3 per cent or more of the Company's ordinary shares of 10 pence each at 18 June 2004.

	Number of shares
3i Group plc	23,547,169
Lloyds TSB Group plc	23,433,961
Deutsche Asset Management	20,389,497
Havas Shared Services Limited	18,181,818
Bridgepoint Capital	14,694,991
Artemis Investment Management	12,233,678
Aberforth Smaller Companies Trust PLC	11,266,792

Share capital
It is proposed, in line with common practice, that the directors be authorised to allot up to £9,474,049 of relevant securities in the Company (equivalent to 94,740,490 ordinary shares of 10 pence each, representing 33 per cent of the Company's issued ordinary share capital as at 18 June 2004) without further reference to the Company in general meeting for a period ending at the conclusion of the Annual General Meeting in 2005.

Under Section 89(1) of the Companies Act 1985, where it is proposed to issue equity securities (which include the Company's ordinary shares of 10 pence each) for cash, they must first be offered to existing shareholders in proportion to their holdings. In some circumstances there may be good reasons to allot such securities for cash without first offering them in this way. The directors will again therefore propose a special resolution at the Annual General Meeting which, if passed, will allow them to allot equity securities for cash as if Section 89(1) did not apply. This authority will lapse (unless renewed) after fifteen months or, if earlier, at the conclusion of the Annual General Meeting in 2005 and will be restricted to the allotment of equity securities in connection with a rights issue or the allotment of equity securities for cash up to an aggregate nominal value of £1,435,462 (equivalent to 14,354,620 ordinary shares of 10 pence each, representing 5 per cent of the Company's issued share capital as at 18 June 2004).

A special resolution is to be proposed at the Annual General Meeting to allow the Company to purchase its own shares in the market for cancellation, in accordance with the provisions of the Companies Act 1985. Shareholders' consent is sought for the Company to purchase up to a maximum in aggregate of 14,354,620 ordinary shares of 10 pence each in the share capital of the Company, representing 5 per cent of the issued share capital as at 18 June 2004. The directors will exercise the authority only if, in their opinion, the purchase by the Company of its own shares is in the best interests of the Company and its shareholders. The directors monitor on a regular basis whether such purchases are in the best interests of the Company and its shareholders.

Amendment to articles
Following the strengthening of the Board with the appointment of Eugene P. Beard, who is based in the USA, and the recent acquisitions the Group is now truly international. To increase the flexibility of the Board to operate effectively and efficiently in this international environment, a special resolution is to be proposed at the Annual General Meeting seeking shareholder authority to amend the Company's Articles of Association to allow the Board to hold meetings by telephone.

Management incentivisation
In order to retain and incentivise its existing management team, the Company is proposing to introduce the new Matched Share Plan. The Plan is designed to align the interests of management and shareholders by encouraging management to invest in the Company's shares in return for a potential future matched award. Accordingly an ordinary resolution is to be proposed at the Annual General Meeting seeking shareholder authority to introduce the Plan. A summary of the terms of the Plan is set out in the Notes to the Notice of Annual General Meeting.

Donations
During the year the Group made charitable donations of £6,950 (2002: £3,906). There were no political contributions made in the year (2002: £nil).

Auditors
A resolution for the reappointment of Ernst & Young LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Payment of creditors
The Group's subsidiaries are mainly agency businesses and third party costs are incurred principally on behalf of clients which are recharged to them. It is the Group's policy, wherever possible, to pay outside suppliers when payment has been received from the clients concerned.

Against this background the Group's subsidiaries generally agree payment terms with their suppliers as set out above when entering binding purchase contracts.

The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a standard code which deals specifically with the terms of payment of suppliers.

As at 31 December 2003, the Company's trade creditors represented the equivalent of 39 days' invoicing by suppliers (2002: 48 days).

By order of the Board

Adam Hatfield
Secretary
29 June 2004

Corporate governance

The Board is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance.

This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the Combined Code appended to the Listing Rules of the Financial Services Authority.

Statement by the directors on compliance with the provisions of the Combined Code
The Company has been in full compliance with the provisions set out in the Combined Code throughout the year with the following exception: The requirement that the Audit Committee consist of at least three non-executive directors (provision D.3.1 of the Combined Code). Baroness Cumberlege resigned as a director on 31 March 2003 and ceased to be a member of the Audit Committee on the same date. The Company therefore did not comply with this requirement for the remainder of the year.

The Board and its Committees

The Board

The Board comprises the independent Chairman, the Chief Executive, the Finance Director and two independent non-executive directors. The Board considers that, notwithstanding their interests in the shares and share options of the Company as set out in the Report of the Directors on Remuneration on pages 15 to 19, the current non-executive directors are independent of the management of the Group and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Baroness Cumberlege, who resigned during the year, was similarly independent. One of the non-executive directors, Mr Brooke, has the role of senior non-executive director.
The biographies of the directors appear on page 9. These demonstrate a range of experience and sufficient calibre to bring independent judgment on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group. The Board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the financial statements is set out on page 14 and a statement on going concern is given on page 10.

The Board has a formal schedule of matters specifically reserved to it for decision. The Board meets every month, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy, examining acquisition possibilities and when appropriate, reporting to shareholders. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. To enable the Board to discharge its duties, all directors receive appropriate and timely information.

The Chairman ensures that the directors take independent professional advice as required.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary ensures that the directors receive appropriate training as necessary.

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The following committees deal with specific aspects of the Group's affairs.

Remuneration Committee

The Company's Remuneration Committee is chaired by the Company's independent Chairman, Mr Foulds and its other member is also a non-executive director, Mr Brooke. The Remuneration Committee is responsible for making recommendations to the Board, within agreed terms of reference on the Company's framework of executive remuneration and its cost.

The Remuneration Committee, which usually meets three times a year, recommends to the Board the contract terms, remuneration and other benefits for each of the executive directors and other senior executives of the Group, including performance related bonus schemes, share options, pension rights and compensation payments. Such recommendations are determined after a review of the performance of the individual. In the case of the executive directors, other than the Chief Executive, the Committee seeks the advice of the Chief Executive in any review. The Board itself determines the remuneration of the non-executive directors. The Company Secretary provides secretarial support to the Committee and external advice from a leading firm of remuneration consultants is sought when necessary. No external advice was sought during the year ended 31 December 2003.

The Remuneration Committee is also responsible for granting share options to executive directors of the Company and senior executives of the Group.

Given the size of the Group the Board has decided not to introduce a Nominations Committee.

Further details of the Company's policies on remuneration, service contracts, share options and compensation payments are given in the Report of the Directors on Remuneration on pages 15 to 19.

Audit Committee

The Audit Committee is chaired by the Company's senior non-executive director, Mr Brooke and its other member is the Company's independent Chairman, Mr Foulds. The Audit Committee provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Chief Executive and the Finance Director.

The Audit Committee is responsible for reviewing a wide range of matters including the interim and annual financial statements and monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with external auditors. The Audit Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors.

Internal control

The Board is responsible for establishing and maintaining a sound system of internal control for the Group and reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

In fulfilling this responsibility the Group has established a number of measures in order to create an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The Board meets monthly, and is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks. Additionally, the Board reviews on an annual basis the effectiveness of the Group's system of internal control.

The Board has put in place the procedures necessary to implement and comply with the guidance 'Internal Control: Guidance for Directors on the Combined Code' (The Turnbull Report). The Group has a budgetary process in which the key risks faced by the Group are identified. Performance is monitored and relevant action taken through the monthly reporting to the Board of variances from the budget, updated forecasts for the period together with information on the key risk areas. Capital expenditure is regulated by the budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board.

Responsibility levels are communicated throughout the Group including delegation of authority and authorisation levels, segregation of duties and other control procedures. Each operating Company maintains a system of controls appropriate to its business.

The Audit Committee monitors controls which are in force and any perceived gaps in the control environment, and also considers and determines relevant action in respect of any control issues raised by the external auditors.

The Group currently does not have an internal audit function. The Audit Committee reviews the need for an internal audit function from time to time. The findings of the Audit Committee are communicated to the Board.

New combined code

In response to the New Combined Code on Corporate Governance, which applies for reporting years beginning on or after 1 November 2003, the Board is undertaking a review to ensure that where appropriate, the Company is in compliance.

By order of the Board

Adam Hatfield
Secretary
29 June 2004

Directors' responsibility statement
Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

a) Select suitable accounting policies and then apply them consistently;

b) Make judgments and estimates that are reasonable and prudent;

c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Adam Hatfield
Secretary
29 June 2004

Report of the directors on remuneration

The directors present their remuneration report for the year ended 31 December 2003. The disclosures on pages 15 to 19 relating to the Remuneration Committee, remuneration policy, short term and long term incentive plans, directors' interests in contracts and other transactions with Group Companies, directors' service contracts, directors interests in shares and shareholder value are not subject to audit. All other disclosures have been audited.

Remuneration Committee
The composition, Chairmanship and activities of the Remuneration Committee are set out on page 12. The members of the Committee are both shareholders and option holders and receive remuneration as set out in this report. They abstain from participating where their own interests are concerned and have no involvement in the day-to-day management of the Group's operations.

Remuneration policy
The objective of the Remuneration Committee is to ensure that the executive directors of the Company and other senior executives of the Group are fairly rewarded for their individual contributions to the Group's performance and to ensure that their remuneration is commensurate with their duties and responsibilities.

The remuneration of executive directors consists of five elements: base salary, short term incentive plan (annual bonus), benefits-in-kind (car, car allowance, medical expenses insurance, life insurance, permanent health insurance), long term equity incentives and pension provision. A significant proportion of executive directors' remuneration is performance related through the long term equity incentive schemes. The Board considers that packages of this nature are consistent with prevailing practice and are necessary to attract, retain and reward executives of the calibre the Group requires.

Remuneration details for each director are given on page 17.

Short term incentive plan
The Company operates a short term incentive plan providing a cash bonus of up to £200,000 in respect of Lord Chadlington and up to £30,000 in respect of Mr Selman. These awards are entirely at the discretion of the Remuneration Committee. Lord Chadlington has waived his entitlement under this plan for 2001, 2002 and 2003.

Long term incentive plans
The Company currently operates option schemes for both the executive directors and non-executive directors, which were approved by shareholders at the 2002 Annual General Meeting.

Lord Chadlington was eligible to receive a long term bonus at the end of his third year of service, determined by the Remuneration Committee taking into account the Company's total shareholder return during the term of his service contract. Lord Chadlington has waived his entitlement under this plan.

At the 2002 Annual General Meeting the shareholders approved the Huntsworth Savings-Related Share Option Scheme. The Company has introduced this plan during 2003 for UK based staff, which includes the executive directors. No performance conditions apply to awards under this scheme.

Pensions
Mr Selman is entitled to an annual pension allowance of 12.5% of his salary.

Directors' interests in contracts and other transactions with Group companies
No director has a material interest in any contract with any Group company other than a service contract.

Directors' service contracts
Executive directors are employed under the terms of written service agreements which set out their responsibilities and obligations to the Company and the terms of their employment. The service contracts of Lord Chadlington and Mr Selman were varied by letter on 21 May 2002 such that each is effective until the Annual General Meeting of 2006 and terminable on 12 months notice on either side. Neither of the service contracts contain specific termination provisions.

	Date of contract	Date of expiry	Notice period
Executive directors			
Lord Chadlington	27 April 2001	AGM 2006	1 year
Roger M Selman	19 September 2001	AGM 2006	1 year

Non-executive directors

None of the non-executive directors have service contracts. Letters of appointment provide for an initial period of three years, or two years in the case of Mr Beard. The letters of appointment have been extended by one year and three years in the case of Mr Foulds and Mr Brooke respectively. The remuneration of the non-executive directors takes the form solely of fees, which are set by the Board. The non-executive directors may participate in the Huntsworth PLC Non-Executive Directors Share Option Scheme.

Baroness Cumberlege resigned as a non-executive director of the Company on 31 March 2003. Details of the letters of appointment of the remaining non-executive directors are set out below.

	Date of letter	Date of expiry	Notice period
H Jon Foulds	11 April 2001	10 April 2005	3 months
Anthony L Brooke	11 April 2001	10 April 2007	3 months
Eugene P. Beard	1 February 2004	31 January 2006	3 months

Directors' interests in shares

The directors were interested (all beneficially unless otherwise stated) in the following number of ordinary shares of 10p each in the Company:

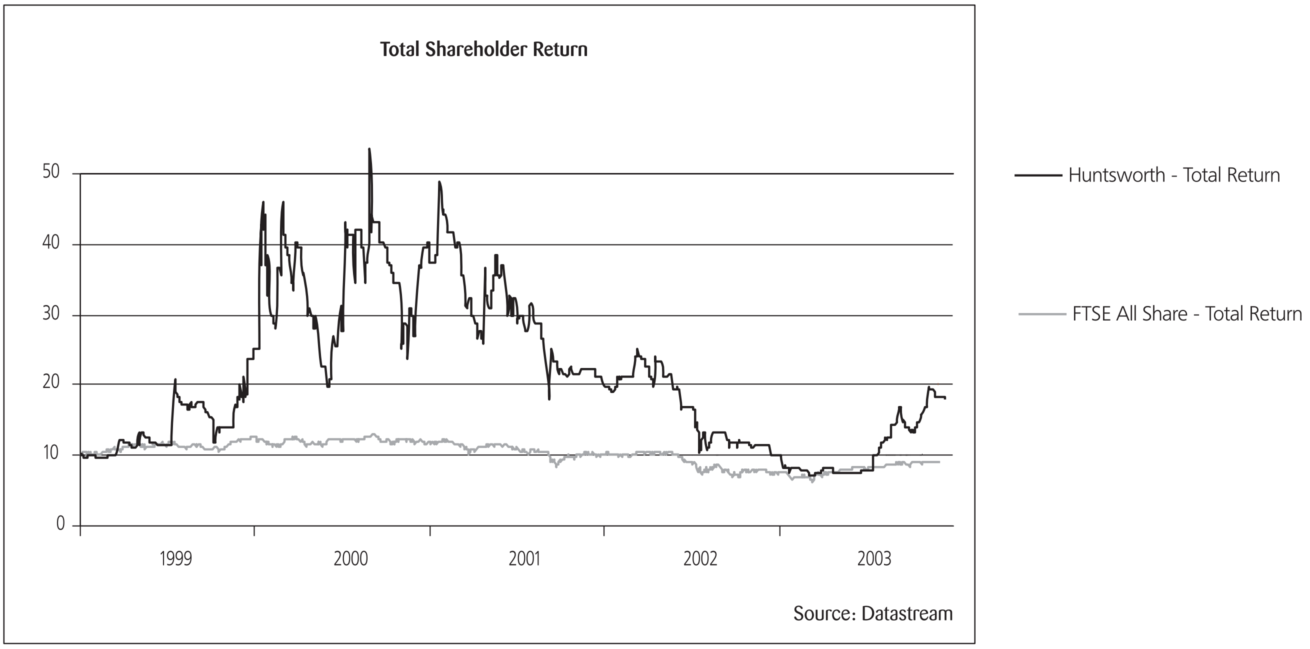
	31 December 2003	31 December 2002
Lord Chadlington*	7,868,926	7,608,926
H Jon Foulds	2,174,632	1,914,632
Anthony L Brooke	864,760	704,760
Roger M Selman**	233,332	183,332
Baroness Cumberlege	121,212***	121,212

* Lord Chadlington intends to donate 50,000 shares each year to charitable causes.
** of this amount 83,333 are non beneficial interests.
*** at date of resignation.

On 16 April 2004 pursuant to the Placing and Open Offer announced on 17 March 2004, the following directors acquired further ordinary shares: Lord Chadlington 187,500, Mr Foulds 125,368, Mr Brooke 85,240 and Mr Selman 16,668. Mr Beard acquired 883,347. These interests are beneficial.

Shareholder value

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index also measured by total shareholder return, on a daily basis.



Directors' emoluments

2003	Salary and Fees £000	Benefits £000	Total 2003 £000
Chairman			
H Jon Foulds	**40**	**–**	**40**
Executive			
Lord Chadlington(1)	**300**	**33**	**333**
Roger M Selman	**140**	**13**	**153**
Non-Executive			
Anthony L Brooke	**20**	**–**	**20**
Baroness Cumberlege(3)	**4**	**1**	**5**
Total 2003	**504**	**47**	**551**

2002	£000	£000	£000
Chairman			
H Jon Foulds	40	–	40
Executive			
Lord Chadlington(1)	300	19	319
Roger M Selman	140(2)	12	152
Non-Executive			
Anthony L Brooke	20	–	20
Baroness Cumberlege(3)	15	4	19
Total 2002	515	35	550

Notes
(1) Lord Chadlington was awarded a discretionary bonus of £200,000 (2002: £200,000) in the year, which he has waived.
(2) Including a bonus of £10,000.
(3) Resigned 31 March 2003.

Salary and fees shown above include fees paid in respect of duties as directors. Benefits relate mainly to the provision of company cars or car allowances, fuel and medical insurance.

Highest paid director
The aggregate emoluments of the highest paid director were £333,000 for the year (2002: £319,000).

Directors' pensions
Contributions were made in the year in respect of directors' personal pension plans as follows:

	2003 £000	2002 £000
Roger M Selman	**17**	17

Directors' interests in share options

The Company has three option schemes by which the current executive directors are able to subscribe for ordinary shares in the Company. The interests of the current executive directors at 31 December 2003 were as follows:

Scheme	At 1 January 2003	Cancelled in year	Granted in year	At 31 December 2003	Exercise price (pence)	Option Period
Lord Chadlington						
EMIS(1)	260,416	260,416	–	–	30.3p	Jun 2001 – Jun 2006
Huntsworth (Executive Directors) Unapproved Scheme(2)	1,739,584	599,799	–	1,139,785	11.625p	Jun 2001 – Jun 2006
Huntsworth (Executive Directors) Unapproved Scheme(2)	4,000,000	–	–	4,000,000	11.625p	Jun 2001 – Jun 2011
Huntsworth (Executive Directors) Unapproved Scheme(2)	2,000,000	–	–	2,000,000	11.625p	Jun 2002 – Jun 2007
Huntsworth (Executive Directors) Unapproved Scheme(2)	2,000,000	–	–	2,000,000	11.625p	Jun 2002 – Jun 2012
EMIS(1) (2)	–	–	860,215	860,215	11.625p	Jul 2003 – Jul 2013
Huntsworth Savings Related Share Option Scheme	–	–	66,222	66,222	11.2p	Dec 2003 – May 2007
Total Lord Chadlington	**10,000,000**	**860,215**	**926,437**	**10,066,222**		
Roger M Selman						
EMIS(1)	62,014	62,014	–	–	25.8p	Sept 2001 – Sept 2011
Unapproved Executive Scheme(2)	1,612,404	472,619	–	1,139,785	11.625p	Sept 2001 – Sept 2011
EMIS(1) (2)	325,582	325,582	–	–	25.8p	Jan 2002 – Jan 2012
Huntsworth (Executive Directors) Unapproved Scheme(2)	2,000,000	–	–	2,000,000	11.625p	Jun 2002 – Jun 2012
EMIS(1)	–	–	860,215	860,215	11.625p	Jul 2003 – Jul 2013
Huntsworth Savings Related Share Option Scheme	–	–	66,222	66,222	11.2p	Dec 2003 – May 2007
Total Roger M Selman	**4,000,000**	**860,215**	**926,437**	**4,066,222**		
Total Executive Directors' share options	**14,000,000**	**1,720,430**	**1,852,874**	**14,132,444**		

Directors' interests in share options (continued)
The Company has one option scheme by which non-executive directors are able to subscribe for ordinary shares in the Company, being the Huntsworth PLC Non-Executive Directors Share Option Scheme. The interests of the non-executive directors at 31 December 2003 were as follows:

	At 1 January 2003	Granted in year	At 31 December 2003	Exercise price (pence)	Option period
H Jon Foulds(3)	750,000	–	750,000	11.625p	Jun 2002 – Jun 2012
Anthony L Brooke(3)	500,000	–	500,000	11.625p	Jun 2002 – Jun 2012
Baroness Cumberlege(3)	250,000	–	250,000(4)	11.625p	Jun 2002 – Jun 2012
Total Non-executive Directors' share options	**1,500,000**	**–**	**1,500,000**		

(1) Enterprise Management Incentive Scheme.
(2) Following the authority given by the Shareholders at the Company's Annual General Meeting held on 22 July 2003 to amend the rules of the Enterprise Management Incentive Scheme, Huntsworth (Executive Directors) Unapproved Scheme and the Unapproved Executive Scheme, these options have an exercise price of 11.625p per Ordinary Share, no performance targets and become only exercisable as to 50% of the Ordinary Shares with effect from 23 July 2006 and as to the remaining 50% of the Ordinary Shares with effect from 23 July 2007.
(3) Following the authority given by the Shareholders at the Company's Annual General Meeting held on 22 July 2003 to amend the rules of the Huntsworth PLC Non-Executive Directors Share Option Scheme, these options have an exercise price of 11.625p per Ordinary Share, no performance targets and become only exercisable as to 50% of the Ordinary Shares with effect from 23 July 2006 and as to the remaining 50% of the Ordinary Shares with effect from 23 July 2007.
(4) At date of resignation.

The market price of the shares at 31 December 2003 was 19.75p and the range during 2003 was 8.5p to 21.5p.

This report was approved by the Board on 29 June 2004.

H Jon Foulds
29 June 2004

Consolidated profit and loss account for the year ended 31 December 2003

	Notes	2003 Continuing operations £000	2003 Discontinued operations £000	2003 Total £000	2002 Continuing operations £000	2002 Discontinued operations £000	2002 Total £000
Turnover							
Excluding acquisitions		**26,031**	**499**	**26,530**	19,353	1,933	21,286
Acquisitions		**2,749**	**–**	**2,749**	–	–	–
	3	**28,780**	**499**	**29,279**	19,353	1,933	21,286
Cost of sales		**(6,705)**	**(353)**	**(7,058)**	(5,247)	(1,003)	(6,250)
Revenue							
Excluding acquisitions		**19,963**	**146**	**20,109**	14,106	930	15,036
Acquisitions		**2,112**	**–**	**2,112**	–	–	–
	3	**22,075**	**146**	**22,221**	14,106	930	15,036
Operating expenses – including exceptional items and goodwill							
Excluding acquisitions		**(18,325)**	**(398)**	**(18,723)**	(14,370)	(1,679)	(16,049)
Acquisitions		**(1,828)**	**–**	**(1,828)**	–	–	–
	4, 8	**(20,153)**	**(398)**	**(20,551)**	(14,370)	(1,679)	(16,049)
Operating profit/(loss)	6						
Excluding acquisitions		**1,638**	**(252)**	**1,386**	(264)	(749)	(1,013)
Acquisitions		**284**	**–**	**284**	–	–	–
Group operating profit/(loss)		**1,922**	**(252)**	**1,670**	(264)	(749)	(1,013)
Exceptional items	7	**179**	**–**	**179**	1,433	495	1,928
Goodwill amortisation		**170**	**–**	**170**	109	–	109
Operating profit/(loss) before exceptional items and goodwill							
– Excluding acquisitions		**1,987**	**(252)**	**1,735**	1,278	(254)	1,024
– Acquisitions		**284**	**–**	**284**	–	–	–
		2,271	**(252)**	**2,019**	1,278	(254)	1,024
Net bank and finance lease interest		**(441)**	**–**	**(441)**	(242)	–	(242)
Profit/(loss) before tax, exceptional items and goodwill		**1,830**	**(252)**	**1,578**	1,036	(254)	782
Share of operating profit in associate				**4**			–
Total operating profit/(loss)				**1,674**			(1,013)
Net bank and finance lease interest	5			**(441)**			(242)
Exceptional finance charge	5			**–**			(63)
Net interest payable				**(441)**			(305)
Profit/(loss) on ordinary activities before tax				**1,233**			(1,318)
Taxation	9			**–**			–
Profit/(loss) on ordinary activities after taxation				**1,233**			(1,318)
Ordinary dividend on equity shares	11			**(163)**			–
Retained profit/(loss)				**1,070**			(1,318)
Earnings per share:							
Basic and diluted – pence	12			**0.8**			(1.3)
Adjusted – pence	12			**1.2**			1.0

Balance sheets as at 31 December 2003

	Notes	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Fixed assets					
Intangible assets	13	**26,097**	20,186	**–**	–
Tangible assets	14	**1,918**	1,859	**297**	239
Investments	15	**173**	–	**41,380**	35,906
		28,188	22,045	**41,677**	36,145
Current assets					
Work in progress		**226**	128	**–**	28
Debtors	16	**6,818**	4,833	**10,199**	7,282
Cash at bank and in hand		**80**	666	**1**	–
		7,124	5,627	**10,200**	7,310
Creditors due within one year	17	**(6,633)**	(6,347)	**(931)**	(1,197)
Net current assets/(liabilities)		**491**	(720)	**9,269**	6,113
Total assets less current liabilities		**28,679**	21,325	**50,946**	42,258
Creditors due after more than one year	18	**(10,263)**	(5,309)	**(13,763)**	(6,762)
Provisions for liabilities and charges	19	**(2,110)**	(3,598)	**(333)**	(1,279)
		16,306	12,418	**36,850**	34,217
Capital and reserves					
Called up share capital	21	**16,309**	14,195	**16,309**	14,195
Share premium account	22	**13,148**	13,148	**13,148**	13,148
Other reserves	22	**3,459**	3,277	**3,459**	3,277
Shares to be issued	23	**2,995**	2,456	**2,995**	2,456
Investment in own shares	22	**(5)**	–	**(5)**	–
Profit and loss account	22	**(19,600)**	(20,658)	**944**	1,141
Equity shareholders' funds	24	**16,306**	12,418	**36,850**	34,217

The financial statements were approved by the directors on 29 June 2004 and signed on their behalf by:

Lord Chadlington
Chief Executive

Roger M Selman
Finance Director

Consolidated cash flow statement for the year ended 31 December 2003

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Net cash outflow from operating activities	26(a)		**(322)**		(413)
Returns on investments and servicing of finance					
Interest received		**34**		32	
Interest paid		**(379)**		(259)	
Finance lease interest paid		**(36)**		(15)	
Exceptional finance charge paid		**(60)**		(152)	
Net cash outflow from returns on investments and servicing of finance			**(441)**		(394)
Taxation					
Corporation tax paid			**(111)**		(214)
Capital expenditure and financial investment					
Disposal of tangible fixed assets		**90**		30	
Purchase of tangible fixed assets		**(350)**		(596)	
			(260)		(566)
Acquisitions					
Purchase of subsidiary undertakings		**(2,933)**		(1,969)	
Purchase of share in associated undertaking		**(169)**		–	
Purchase of unincorporated business		**(104)**		(1,733)	
Net (debt)/cash acquired with subsidiaries		**(1,098)**		1,272	
Net cash outflow from acquisitions			**(4,304)**		(2,430)
Net cash outflow before financing			**(5,438)**		(4,017)
Financing and net cash outflow from financing					
Net proceeds from the issue of ordinary share capital		**–**		4,893	
Purchase of own shares		**(5)**		–	
Repayment of capital element of finance leases		**(210)**		(83)	
Repayment of loan notes		**–**		(4,400)	
Increase in long term borrowings		**4,980**		4,266	
			4,765		4,676
Decrease/(increase) in cash in the year	26(b)		**(673)**		659

Consolidated statement of total recognised gains and losses for the year ended 31 December 2003

	2003 £000	2002 £000
Profit/(loss) for the year	**1,070**	(1,318)
Exchange difference on retranslation of net assets of subsidiary undertaking	**(12)**	–
Total recognised gains and losses relating to the year	**1,058**	(1,318)

1. Principal accounting policies
The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom. The true and fair override provisions of the Companies Act 1985 have been invoked, see 'Goodwill' below. The basis of preparation is consistent with the financial statements for previous periods. A summary of the more important accounting policies follows.

Basis of consolidation
The Group financial statements consolidate the financial statements of Huntsworth PLC and all subsidiaries.

As permitted by section 230 of the Companies Act 1985, Huntsworth PLC has not presented its own profit and loss account.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements from or to the date of acquisition or disposal respectively. On acquisition of a business, all of the assets and liabilities of that business that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the date of acquisition, are charged to the post acquisition profit and loss account.

Turnover and revenue
Group turnover represents amounts receivable from clients, exclusive of value added tax, in respect of charges for fees, commissions, rechargeable expenses and sales of marketing products.

Group revenue is turnover less cost of sales, and represents fees, commissions and mark ups on rechargeable expenses and marketing products.

Turnover and revenue reflect the fair value of the proportion of the work carried out in the year by recording turnover and related costs as service activity progresses.

Goodwill
Goodwill arising on consolidation, being the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, is capitalised as an asset in the balance sheet. The directors review the estimated economic life of goodwill arising on each acquisition and, where this is considered finite, the goodwill is amortised on a straight line basis over the period of the economic life not exceeding 20 years. Where the directors are of the opinion that the goodwill arising in respect of an acquisition is sufficiently durable that it has an indefinite economic life due, inter alia, to the strength of its market position, its long term profitability prospects, and the Group's ongoing commitment to maintain and enhance its value, the asset will not be amortised.

Following the first full year of ownership of an acquired business, the goodwill capitalised is reviewed for impairment. Goodwill having an indefinite economic life will be reviewed for impairment annually. Goodwill is also reviewed for impairment in any periods in which events or changes in circumstances indicate the carrying value may not be recoverable.

Where an indefinite economic life is appropriate, the financial statements depart from the specific requirement of companies' legislation to amortise goodwill over a finite period in order to give a true and fair view. Due to the indefinite life of these assets, it is not possible to quantify the impact of this departure (see Note 13).

Associates
Associates are undertakings in which the Group holds a long-term interest and over which it exercises significant influence. The Group's share of the profits less losses from associates are included in the Group profit and loss account on the equity accounting basis. The holding value of associates in the Group balance sheet is calculated by reference to the Group's equity in the net assets of such undertakings, as shown by the accounts at 31 December 2003.

1. Principal accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made so as to write off the cost of tangible fixed assets, on a straight line basis, over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:

Equipment, fixtures and fittings	15% – 33%

Short leasehold land and buildings are amortised over the period of the lease.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Work in progress

Work in progress is stated at the lower of cost and net realisable value, and consists of third party costs incurred on behalf of clients which have still to be re-charged.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Vacant leasehold property

Where a leasehold property substantially ceases to be used for the Group's business, or a commitment is entered into which would cause this to occur, provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover the future obligations relating to the lease.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under finance leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the finance leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

During the year ended 31 December 2002 the trustees of the Group's defined benefit pension scheme agreed to wind up the scheme. Consequently the Group only makes contributions to employees' personal pension plans, which are charged to the profit and loss account in the period in which they become payable.

1. Principal accounting policies (continued)

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Group

The profit and loss accounts of overseas subsidiary undertakings are translated at the average rate of exchange for the year. The balance sheets of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

2. Acquisitions

The following acquisitions have been accounted for by the acquisition method:

(i) Adamson Ussher Limited

On 30th May 2003 the Group acquired the whole issued share capital of Adamson Ussher Limited. The fair value of the consideration given for the acquisition, including related costs, was £119,000. An initial payment of £1 was paid in cash and costs relating to the acquisition amounted to £24,000.

Deferred consideration is payable based on the average revenues for the two years ending 31 May 2005. This amount shall be equivalent to one times the amount the revenue exceeds £202,500. £47,500 is due on 31 May 2004 and a minimum of £47,500 and a maximum of £297,500 after 31 May 2005. Of the maximum amount payable £95,000 has been accrued at 31 December 2003.

Goodwill of £300,000 in respect of this acquisition has been determined as having an economic life of ten years, and is therefore being amortised over that period.

Fair value of assets acquired:

	Book value £000	Fair value adjustments £000	Fair value £000
Assets and liabilities acquired:			
Intangible fixed assets	150	(150)	–
Tangible fixed assets	10	–	10
Work in progress	31	–	31
Debtors	77	–	77
Cash at bank and in hand	(15)	–	(15)
Creditors and provisions	(284)	–	(284)
Net liabilities acquired	(31)	(150)	(181)

Fair value adjustments relate to the writing off of intangible fixed assets acquired.

Adamson Ussher Limited made a loss after tax of £28,000 in the year ended 31 March 2002. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£'000
Turnover	43
Operating loss	(8)
Loss before tax	(8)
Taxation	2
Loss after tax	(6)

2. Acquisitions (continued)

(ii) Hatch Group Limited

On 23 July 2003 the Group acquired the whole issued share capital and all of the outstanding loan notes of Hatch Group Limited. The fair value of the consideration given for the acquisition, including related costs, was £3,063,000. An initial payment of £1,635,000 was satisfied as to £65,500 in cash and £1,569,500 by the issue to the shareholders in Hatch Group Limited of 15,695,000 shares at a price of 10.0p each. Costs relating to the acquisition amounted to £528,000.

Intermediate consideration of up to 3 million shares is payable if the adjusted profits before tax for the year ended 30 June 2004 exceed £600,000. If profits are below £600,000 the amount payable in shares will be reduced by 2.5 times the shortfall. £300,000 has been accrued at 31 December 2003, based on the share price as at the date of acquisition.

Further deferred consideration is dependent on the adjusted profits before tax of Hatch Group Limited over the three years to 30 June 2006 and is capped at £1,000,000. Consideration of up to £500,000 is payable at eight times the excess of the average adjusted profits after tax over the 'threshold' and up to an additional £500,000 at four times any further excess. The threshold is set at £420,000 less 50% of any shortfall on the profits in the year to 30 June 2004 up to £60,000. Such consideration will be settled in shares at the then market value or in loan notes at the discretion of Huntsworth. Of this amount £600,000 has been accrued at 31 December 2003.

Goodwill of £4,321,000 in respect of this acquisition has been determined as having indefinite economic life, based on its market position and expectation of long term profitability, and is therefore not being amortised.

Fair value of assets acquired:

	Book value £000	Fair value adjustments £000	Fair value £000
Assets and liabilities acquired:			
Intangible fixed assets	1,580	(1,580)	–
Tangible fixed assets	285	(199)	86
Work in progress	83	–	83
Debtors	1,058	–	1,058
Overdraft and loans	(1,396)	–	(1,396)
Creditors and provisions	(638)	(451)	(1,089)
Vendor loans	(4,543)	4,543	–
Net liabilities acquired	(3,571)	2,313	(1,258)

Fair value adjustments relate to alignment of the useful lives on tangible fixed assets and certain cost accruals. In addition all acquired goodwill has been written off and loans acquired on acquisition have been reduced to their fair value on acquisition.

Hatch Group Limited made a loss after tax of £3,070,000 in the year ended 31 January 2003. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£'000
Turnover	2,344
Operating loss	(509)
Loss before tax	(665)
Taxation	–
Loss after tax	(665)

(iii) Haslimann Taylor Limited

On 17th October 2003 the Group acquired the whole issued share capital of Haslimann Taylor Limited. The fair value of the consideration given for the acquisition, including related costs, was £2,121,000. An initial payment of £1,298,000 was satisfied as to £1,011,000 in cash and £287,000 by the issue of 1,903,348 shares at a price of 15.083p each.

The final payment of £688,254, based on the profits for the year to 31 October 2003, was made on 30 December 2003. This comprised £516,000 in cash and £172,000 in by the issue of 871,210 shares at a price of 19.75p each. Costs relating to the acquisition amounted to £134,000.

Goodwill of £1,828,000 in respect of this acquisition has been determined as having an indefinite economic life, based on its market position and expectations of long term profitability, and is therefore not being amortised.

2. Acquisitions (continued)
Fair value of assets acquired:

	Book value £000	Fair value adjustments £000	Fair value £000
Assets and liabilities acquired:			
Tangible fixed assets	161	–	161
Debtors	243	–	243
Cash at bank and in hand	313	–	313
Creditors and provisions	(405)	(19)	(424)
Net assets acquired	312	(19)	293

Fair value adjustments relate to certain cost accruals.

Haslimann Taylor Limited made a profit after tax of £136,000 in the year ended 31 October 2002. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£'000
Turnover	1,590
Operating profit	267
Profit before tax	260
Taxation	(56)
Profit after tax	204

3. Turnover and segmental analysis
Turnover represents the invoiced value of sales attributable to the year, exclusive of value added tax. The Group has one class of business, marketing services.

3. Turnover and segmental analysis (continued)

The segmental analysis of turnover, profit/(loss) and net assets is based on origin. There is no material difference between the segmental analysis by destination and origin.

	United Kingdom		Other European		USA		Total	
	2003 £000	2002 £000	**2003 £000**	2002 £000	**2003 £000**	2002 £000	**2003 £000**	2002 £000
Group turnover								
Continuing operations	**23,296**	18,800	**302**	553	**5,182**	–	**28,780**	19,353
Discontinued operations	**499**	1,933	**–**	–	**–**	–	**499**	1,933
	23,795	20,733	**302**	553	**5,182**	–	**29,279**	21,286
Revenue								
Continuing operations	**17,129**	13,553	**303**	–	**4,643**	553	**22,075**	14,106
Discontinued operations	**146**	930	**–**	–	**–**	–	**146**	930
	17,275	14,483	**303**	–	**4,643**	553	**22,221**	15,036
Operating companies operating profit/(loss)								
Continuing operations	**3,434**	2,738	**–**	–	**594**	(10)	**4,028**	2,728
Discontinued operations	**(217)**	(208)	**–**	–	**–**	–	**(217)**	(208)
	3,217	2,530	**–**	–	**594**	(10)	**3,811**	2,520
Central costs							**(1,792)**	(1,496)
Exceptional items and goodwill amortisation							**(349)**	(2,037)
Group operating profit/(loss)							**1,670**	(1,013)
Share of operating profit of associate							**4**	–
Net interest							**(441)**	(305)
Profit on ordinary activities before taxation							**1,233**	(1,318)
Net assets								
Continuing operations	**916**	(1,904)	**33**	–	**337**	(492)	**1,286**	(2,396)
Discontinued operations	**(586)**	(613)	**–**	–	**–**	–	**(586)**	(613)
	330	(2,517)	**33**	–	**337**	(492)	**700**	(3,009)
Net debt							**(10,491)**	(4,759)
Intangible assets							**26,097**	20,186
Total net assets							**16,306**	12,418

4. Operating expenses

	2003		2002	
	Continuing operations £000	**Discontinued operations £000**	Continuing operations £000	Discontinued operations £000
Operating Expenses before exceptional items and goodwill:				
Excluding acquisitions	**17,976**	**398**	12,828	1,184
Acquisitions	**1,828**	**–**	–	–
Exceptional items and goodwill	**349**	**–**	1,542	495
Total operating expenses	**20,153**	**398**	14,370	1,679

5. Net interest payable

	2003 £000	2002 £000
Net bank and finance lease interest payable:		
Interest receivable	**34**	32
Interest payable on bank loans and overdrafts	**(439)**	(259)
Interest payable on finance leases	**(36)**	(15)
Interest payable	**(475)**	(274)
	(441)	(242)
Exceptional finance charges:		
Overdraft arrangement fee	**–**	(63)
	–	(63)

The overdraft arrangement fees in 2002 were treated as exceptional finance charges as they related to material non-recurring items.

6. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2003 £000	2002 £000
Auditors' remuneration:		
Audit services	**153**	117
Non-audit services	**47**	44
Depreciation of owned tangible fixed assets	**480**	249
Depreciation of tangible fixed assets held under finance leases	**115**	102
Loss on disposal of tangible fixed assets	**12**	16
Operating lease rentals:		
Land and buildings	**1,324**	920
Equipment, including motor vehicles	**261**	535

Note: Non-audit fees paid to the auditors relating to and treated as acquisition or share issue costs amounted to £272,000 (2002: £608,000).

7. Exceptional items

	2003 £000	2002 £000
Property costs:		
Net provision against surplus leasehold properties	**–**	750
Fixed asset write offs at surplus leasehold properties	**–**	71
	–	821
Reorganisation costs:		
Reorganisation and redundancy costs	**357**	964
Reversal of provision not utilised	**(178)**	–
Aborted acquisition costs	**–**	143
	179	1,107
	179	1,928

Reorganisation costs represent the costs of restructuring the Group to reflect its size and current trading position. The principal constituents are redundancy costs, professional fees and operating lease termination costs. The reversal of provision not utilised has been treated as exceptional as the original charge establishing the provision was treated as exceptional.

8. Employee information

	2003	2002
Average number of persons employed during the year was:		
Client handling and design	**233**	182
Administration	**72**	56
	305	238

During 2003 46 employees were based outside the UK (2002 – 9)

	2003 £000	2002 £000
Employee costs, before exceptional items, of all employees included above:		
Gross wages and salaries	**12,180**	8,187
Social security costs	**1,271**	896
Other pension contributions	**223**	196
	13,674	9,279

(a) The Group makes contributions to employees' personal pension plans. The pension cost charged for such plans amounted to £223,000 (2002: £197,000) during the year. Outstanding contributions of £29,000 (2002: £12,000) were payable to such funds at 31 December 2003. Prepaid contributions of £3,000 (2002: £nil) are included in prepayments.

(b) The Group's only defined benefit scheme was a funded scheme with no remaining employees in the scheme. In June 2002 the trustees of the scheme agreed to wind up the scheme and agreed that the scheme deficit at that date would represent the Group's final liability to the scheme.

The actuaries assessed the statutory debt under Regulation 3 (Deficiency on Winding Up etc) of the Pension Act 1995 and hence the scheme deficit at 26 June 2002. This liability was determined as being £305,000 at 31 December 2002. During the year the Group settled this liability in full, and as at 31 December 2003 the Group has no other liability to the scheme.

9. Taxation on profit/(loss) on ordinary activities

The Group made a profit before tax of £1,233,000 during the year (2002: loss – £1,318,000). No UK Corporation Tax was payable in the year (2002: £nil).

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2003 £000	2002 £000
Profit/(loss) on ordinary activities before tax	**1,233**	(1,318)
Corporation tax charge at 30%	**370**	(395)
Effects of:		
Expenses not deductible for tax purposes	**102**	132
Capital allowances for period in excess of depreciation	**(273)**	(68)
Provisions utilised	**(251)**	–
Tax losses not utilised	**52**	331
Current tax charge for the year	**–**	–

10. Loss attributable to members of Huntsworth PLC

The loss for the year of £197,000 (2002: loss of £536,000) attributable to the shareholders of Huntsworth PLC has been dealt with in the financial statements of that company.

11. Dividends

	2003 £000	2002 £000
Equity dividends on ordinary shares:		
Interim paid 0.1p (2002 – nil)	**163**	–

12. Earnings per share

The basic earnings per share calculation is based on the profit on ordinary activities after taxation of £1,233,000 (2002: loss of £1,318,000) and on 151,209,921 ordinary shares (2002: 99,003,638 ordinary shares) being the weighted average number of shares in issue during the year. Where appropriate, diluted earnings per share is calculated on the basis of full exercise of outstanding share options.

Adjusted earnings per share are calculated to provide information about continuing trading performance. The adjusted earnings per share calculation is based on the profit on ordinary activities after taxation, excluding discontinued operations, exceptional items and exceptional operating items, goodwill amortisation and exceptional finance charges, being a profit of £1,830,000 (2002: profit of £1,036,000) and on 151,209,921 ordinary shares (2002: 99,003,638 ordinary shares) being the weighted average number of shares in issue during the year.

Reconciliation of basic earnings per share to adjusted earnings per share:

	2003 pence	2002 pence
Basic earnings per share	**0.8**	(1.3)
Exceptional items	**0.1**	1.5
Goodwill	**0.1**	0.1
Discontinued operations	**0.2**	0.7
Adjusted earnings per share	**1.2**	1.0

13. Intangible fixed assets

The Group	Goodwill £000
Cost	
At 1 January 2003	20,347
Arising on acquisitions in the year	6,450
Adjustment to prior year acquisitions	(369)
At 31 December 2003	**26,428**
Amortisation	
At 1 January 2003	161
Charge for the year	170
At 31 December 2003	**331**
Net book value at 31 December 2003	**26,097**
Net book value at 31 December 2002	20,186

Of the total cost of £26,428,000 (2002: £20,347,000), £1,795,000 (2002: £1,480,000) is being amortised over ten years and £24,633,000 (2002: £18,867,000) is not being amortised.

Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element that is subject to the future financial performance of the entities acquired. The provisions for such deferred consideration of entities acquired in prior years have been reviewed, and as a result, the expected total consideration payable on those acquisitions has been reduced by £406,000. This amount has also reduced goodwill and deferred consideration by a similar amount. Other costs incurred in respect of prior period acquisitions amounted to £37,000, and hence the overall effect on the prior period acquisitions is £369,000.

14. Tangible fixed assets

The Group	Short leasehold land and buildings £000	Equipment fixtures & fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2003	474	2,665	282	3,421
Acquisitions	10	217	31	258
Additions	17	338	150	505
Disposals	–	(177)	(153)	(330)
Written off	–	(357)	–	(357)
At 31 December 2003	**501**	**2,686**	**310**	**3,497**
Depreciation				
At 1 January 2003	48	1,494	20	1,562
Charge for the period	63	455	77	595
Disposals	–	(162)	(63)	(225)
Written off	–	(353)	–	(353)
At 31 December 2003	**111**	**1,434**	**34**	**1,579**
Net book value at 31 December 2003	**390**	**1,252**	**276**	**1,918**
Net book value at 31 December 2002	426	1,171	262	1,859

Short leasehold land and buildings includes improvements to leasehold properties.

Motor vehicles held under finance leases had a net book value at 31 December 2003 of £178,000 (2002: £187,000). Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2003 of £207,000 (2002: £213,000).

The assets written off in the year comprise equipment and leasehold improvements no longer utilised as a result of reorganisation.

The Company	Equipment fixtures & fittings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2003	637	–	637
Additions	50	101	151
At 31 December 2003	**687**	**101**	**788**
Depreciation			
At 1 January 2003	398	–	398
Charge for the period	80	13	93
At 31 December 2003	**478**	**13**	**491**
Net book value at 31 December 2003	**209**	**88**	**297**
Net book value at 31 December 2002	239	–	239

Motor vehicles held under finance leases had a net book value at 31 December 2003 of £87,000 (2002: £nil). Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2003 of £54,000 (2002: £57,000).

15. Investments

The Group

Associate

	Share of net tangible assets £000	Goodwill £000	Total £000
At 1 January 2003	–	–	–
Acquisition	32	137	169
Share of profit retained by associate	4	–	4
At 31 December 2003	**36**	**137**	**173**

Investment in an associate undertaking represents the acquisition of 25% of Grandfield Limited on 10 July 2003.

Goodwill of £137,000 in respect of this acquisition has been determined as having indefinite economic life, based on its market position and expectation of long term profitability, and is therefore not being amortised.

The Company

	Shares at cost £000	Long term debt at cost £000	Total £000
At 1 January 2003	17,953	17,953	35,906
Acquisitions of subsidiary undertakings	5,303	–	5,303
Investment in associate	169	–	169
Movement in investment in prior year acquisitions	2	–	2
Transfers to sub-holding company	(5,474)	–	(5,474)
Shares issued by sub-holding company	2,737	–	2,737
Debt issued by sub-holding company	–	2,737	2,737
At 31 December 2003	**20,690**	**20,690**	**41,380**

The ownership of all subsidiaries is held through a sub-holding company, Huntsworth Investments Limited. During the year the Company transferred its ownership of newly acquired subsidiaries to Huntsworth Investments Limited for a combination of shares and debt. In addition the reduction in deferred consideration arising on a prior year acquisition, and consequent reduction in cost of investment, has been reflected in the Company's investment in Huntsworth Investments Limited.

15. Investments (continued)
Details of the Company's principal operating subsidiary undertakings at 31 December 2003, which are all registered and operating in Great Britain, unless indicated otherwise, are as follows. Shares held by an intermediate holding company are indicated with an asterisk(*):

	Description and amount of shares held	Proportion of nominal value of issued shares held	Principal activity
Subsidiary undertakings:			
Alternate Resources Limited	50,000 ordinary shares of £1 each	*100%	Marketing and communications consultants
Elizabeth Hindmarch Public Relations Limited	3,000 ordinary shares of £1 each	*100%	Public relations consultants
Harrison Cowley Limited	90 ordinary shares of £1 each	*100%	Public relations consultants
Haslimann Taylor Limited	100 ordinary shares of £1 each	*100%	Public relations consultants
Hatch-group Limited	507,426 'A' ordinary shares of 10p each	*100%	Public relations consultants
	742,158 'B' ordinary shares of 1p each		
Hatch International Limited	100 ordinary shares of £1 each	*100%	Public relations consultants
Hatch uk Limited	100 ordinary shares of £1 each	*100%	Public relations consultants
Huntsworth Financial Inc †	100 ordinary shares of $1 each	*100%	Sub-holding company
HF Global Consulting Group Inc †	100 ordinary shares of $1 each	*100%	Public relations consultants
HF Global Consulting Group Limited	1,000 ordinary shares of £1 each	*100%	Public relations consultants
Holmes & Marchant Communications Limited	10,000 'A' ordinary shares of 10p each	*100%	Marketing services consultants
	3,000 'B' non-voting ordinary shares of 10p each	*100%	
Holmes & Marchant Corporate Design Limited	100 ordinary shares of £1 each	*100%	Marketing services consultants
Holmes & Marchant International Limited	1,001 ordinary shares of £1 each	*100%	Design consultants
Huntsworth Financial Global Consulting Group SL#	2,706 ordinary shares of €1 each	*90%	Public relations consultants
Huntsworth Financial Group Limited	92,000 'A' ordinary shares of £1 each	*92%	Sub-holding company
	100 'B' ordinary shares of £1 each	*100%	
Huntsworth Group Limited	1,000 ordinary shares of £1 each	*100%	Marketing and communications consultants
Huntsworth Investments Limited	101 ordinary shares of £1 each	100%	Sub-holding company
MacLaurin Limited	1,000,000 ordinary share of 1p each	*100%	Public relations consultants
PBC Marketing Limited	1,418 ordinary shares of 0.1p each	*100%	Healthcare communications and research
Root Market Research Limited	1,000 ordinary shares of £1 each	*100%	Healthcare communications and research
The Counsel Group Limited	20,001 ordinary shares of 50p each	*100%	Public relations consultants
Woodside Communications Limited	216 ordinary shares of £1 each	*100%	Public relations consultants
Associate:			
Grandfield Limited	21,701 ordinary shares of £1 each	*25%	Public relations consultants

† Incorporated in the United States of America

Incorporated in Spain

16. Debtors

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Trade debtors	**5,312**	3,448	**501**	–
Amounts owed by subsidiary undertakings	**–**	–	**9,053**	6,709
Other debtors	**280**	456	**507**	507
Prepayments and accrued income	**1,226**	929	**138**	66
	6,818	4,833	**10,199**	7,282

Included within prepayments and accrued income for the Group is £113,000 (2002 – £nil) in respect of long term rent deposits.

17. Creditors due within one year

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Bank overdrafts	**126**	–	**–**	–
Trade creditors	**1,825**	2,418	**197**	661
Obligations under finance leases	**182**	116	**40**	22
Taxation and social security	**1,103**	659	**194**	55
Accruals and deferred income	**2,991**	3,026	**290**	447
Sundry creditors	**243**	128	**47**	12
Dividends payable	**163**	–	**163**	–
	6,633	6,347	**931**	1,197

The Group creditor for taxation and social security includes provision for UK corporation tax amounting to £69,000 (2002: £180,000). The Company creditor for taxation and social security includes UK corporation tax payable amounting to £nil (2002: £nil).

Amounts due under finance leases:

The Group	**2003 £000**	2002 £000
Amounts payable:		
Within one year	**216**	134
In two to five years	**250**	297
	466	431
Less: finance charges allocated to future periods	**(51)**	(56)
	415	375

The Company	**2003 £000**	2002 £000
Amounts payable:		
Within one year	**48**	22
In two to five years	**92**	34
	140	56
Less: finance charges allocated to future periods	**(12)**	(6)
	128	50

18. Creditors due after more than one year

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Committed overdraft repayable between one and two years	**10,030**	5,050	**13,675**	6,734
Obligations under finance leases	**233**	259	**88**	28
	10,263	5,309	**13,763**	6,762

The Group has a facility with Lloyds TSB Bank plc for a total of £13.5m, which provides for a committed overdraft limit of £11.5m with an expiry date of 31 October 2005 and an overdraft of £2m repayable on demand.

The facility is secured by a composite guarantee and debenture among the Group's principal subsidiaries, and is subject to certain financial covenants. Interest is payable at a margin of between 1.25% and 2.5% over the Lloyds TSB base rate, dependant upon certain financial ratios.

19. Provision for liabilities and charges

The Group	**2003 £000**	2002 £000
Deferred taxation: Accelerated capital allowances	**119**	100
Deferred consideration	**453**	1,247
Provision for empty properties	**988**	1,175
Provision for reorganisation costs	**550**	1,076
	2,110	3,598

The movement in the year on Group provisions comprises:

	Deferred taxation[(a)] £000	Deferred consideration[(b)] £000	Property[(c)] £000	Reorganisation[(d)] £000	Total £000
At 1 January 2003	100	1,247	1,175	1,076	3,598
Provisions upon acquisition	19	626	—	320	965
Adjustment to prior year acquisition	—	(312)	—	—	(312)
Release of provision not utilised	—	—	—	(178)	(178)
Charged to profit and loss account	—	—	—	95	95
Utilised	—	(1,108)	(187)	(763)	(2,058)
At 31 December 2003	**119**	**453**	**988**	**550**	**2,110**

(a) Deferred taxation represents provision for the full potential liability.

(b) Deferred consideration relates to the acquisition of Stephanie Churchill Public Relations, Atlantic Public Relations Limited and Adamson Ussher Limited (see Note 2(i)).

(c) Provision for property represents amounts set aside in respect of property leases which are vacant or onerous. In general, property costs are expected to be incurred over periods for which individual properties remain vacant or, where, occupied, to the termination of the lease.

(d) The majority of the reorganisation provision is expected to be incurred within one year of the balance sheet date.

19. Provision for liabilities and charges (continued)

The Company	2003 £000	2002 £000
Deferred taxation: Accelerated capital allowances	**61**	61
Deferred consideration	**222**	601
Provision for property	**16**	24
Provision for reorganisation costs	**34**	593
	333	1,279

The movement in the year on Company provisions comprises:

	Deferred taxation £000	Deferred consideration £000	Property £000	Reorganisation £000	Total £000
At 1 January 2003	61	601	24	593	1,279
Provisions upon acquisition	—	611	—	—	626
Charged to profit and loss account	—	—	—	—	—
Adjustment to prior year acquisition	—	(297)	—	—	(312)
Release of provision not utilised	—	—	—	(178)	(178)
Utilised	—	(693)	(8)	(381)	(1,082)
At 31 December 2003	**61**	**222**	**16**	**34**	**333**

20. Financial instruments

Financial instruments, policies and strategies

During the year the Group has financed its business through an overdraft facility arranged with Lloyds TSB (see Note 18). It is, and has been throughout the periods under review, the Group's policy that no trading in financial instruments should be undertaken. The main risk arising from the Group's financial instruments is interest rate risk.

Short term debtors and creditors have been excluded from the following disclosures, other than the disclosures on currency risk.

Interest rate risk profile of financial liabilities

The interest rate risk profile of the financial liabilities of the Group as at 31 December 2003 and 31 December 2002 was as follows:

	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest is paid £000
At 31 December 2003	**12,562**	**10,156**	**415**	**1,991**
At 31 December 2002	8,923	5,050	375	3,498

Floating rate liabilities at 31 December 2003 and 31 December 2002 comprised the bank overdraft that bears interest based on the Lloyds TSB base rate (see Note 18).

The weighted average period until maturity of fixed rate financial liabilities is 19 months (2002: 31 months) and their weighted average interest rate is 7% (2002: 5%).

Financial liabilities on which no interest is paid as at both 31 December 2003 and 31 December 2002 comprise provisions for deferred consideration, property and reorganisation costs, details of which are set out in Note 19. The weighted average period until maturity of financial liabilities on which no interest is paid is 1.33 years (2002: 1.03 years).

20. Financial instruments (continued)

Borrowing facilities

Currency exposures

In certain rare circumstances, clients are billed in a currency other than the local currency whilst some purchasing takes place with overseas suppliers who bill in local currency. As at 31 December 2003 the Group had no material foreign currency exposures (2002: £nil).

Maturity analysis

The maturity profile of the Group's financial liabilities is as follows:

	2003		
	Bank loans and overdrafts £000	**Finance leases £000**	**Provisions for liabilities and charges £000**
Repayable:			
Within one year or on demand	126	182	1,466
Between one and two years	10,030	233	274
Between two and five years	–	–	120
After five years	–	–	250
	10,156	**415**	**2,110**

	2002		
	Bank loans and overdrafts £000	Finance leases £000	Provisions for liabilities and charges £000
Repayable:			
Within one year or on demand	–	116	2,777
Between one and two years	5,050	259	541
Between two and five years	–	–	44
After five years	–	–	136
	5,050	375	3,498

Fair values of financial liabilities

The following table provides a comparison by category of the book values and the fair values of the Group's financial liabilities at 31 December 2003 and at 31 December 2002. Fair value is the amount at which a financial instrument can be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest. Fair values have been calculated using discounted cashflows at prevailing interest rates.

	2003		2002	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Bank loans and overdrafts	**126**	**126**	–	–
Committed overdraft repayable between one and two years	**10,030**	**10,030**	5,050	5,050
Finance leases	**415**	**415**	375	375
Property provisions	**988**	**988**	1,175	1,175
Reorganisation provisions	**550**	**550**	1,076	1,076
Deferred consideration	**453**	**453**	1,247	1,247

21. Called up share capital

	Number of shares	Nominal value £000
Ordinary shares of 10p each		
Authorised at 1 January 2003	250,000,000	25,000
Authorised at 31 December 2003	**250,000,000**	**25,000**

	Number of shares	£000
Ordinary shares of 10p each		
Called up, fully allotted and fully paid:		
At 1 January 2003	141,947,621	14,195
Issued to acquire Elizabeth Hindmarch Public Relations Limited	2,674,115	267
Issued to acquire the Hatch group of companies	15,695,000	1,570
Issued to acquire Haslimann Taylor Limited	2,774,558	277
Issued on exercise of employee share options	1,000	–
At 31 December 2003	**163,092,294**	**16,309**

During the year the following shares were issued:

- In April 2003, 2,674,115 ordinary shares of 10p each were issued at a price of 10p each for the acquisition of Elizabeth Hindmarch Public Relations Limited.
- In July 2003, 15,695,000 ordinary shares of 10p each were issued at a price of 10p each for the acquisition of the Hatch group of companies.
- In October 2003, 1,903,348 ordinary shares of 10p each were issued at a price of 15.083p each, resulting in a share premium of £96,747, which has been treated as a merger reserve as consideration for the acquisition of Haslimann Taylor Limited.
- In December 2003, 871,210 ordinary shares of 10p each were issued at a price of 19.75p each, resulting in a share premium of £172,064, which has been treated as a merger reserve as consideration for the acquisition of Haslimann Taylor Limited.
- In December 2003, 1,000 ordinary shares of 10p each were issued for cash consideration as a result of the exercise of options under the Company's Executive Share Option Schemes, resulting in a share premium of £16.

Share options

The following share options were outstanding under the original Executive Share Option Scheme at 31 December 2003 and 31 December 2002:

	2003		2002	
Exercise period:	**Number of shares**	**Exercise price per share**	Number of shares	Exercise price per share
May 1996 to May 2003	–	–	25,000	40.5p
	–		25,000	

In November 1994, the Company's original Executive Share Option scheme ("the old scheme") expired in relation to the granting of further options. At an Extraordinary General Meeting held on 2 August 1996, shareholders adopted an Approved Executive Share Option Scheme ("the Approved Scheme") and also an Unapproved Executive Share Option Scheme ("the Unapproved Scheme"), together "the schemes". The Unapproved Scheme enables options to be granted in excess of the £30,000 limit currently allowed by the Inland Revenue. The new schemes are administered by the Company's Remuneration Committee.

In June 2001 the shareholders approved a new share option scheme, the Huntsworth PLC (Chief Executive) Unapproved Share Option Scheme, specifically for Lord Chadlington. In 2001 the Company further took advantage of the provision of an Executive Management Incentive Scheme to award share options to senior executives in conjunction with other schemes.

In June 2002 the shareholders approved a new share option scheme, the Huntsworth PLC Non-Executive Directors Share Option Scheme, specifically for non-executive directors. At the same time the Huntsworth PLC (Chief Executive) Unapproved Share Option Scheme was extended to enable any executive director to participate in the scheme, and the scheme was renamed the Huntsworth (Executive Directors) Unapproved Share Option Scheme.

Following the authority given by the Shareholders at the Company's Annual General Meeting held on 22 July 2003 to amend the rules of the Huntsworth Share Option Schemes, existing Options (except those granted under the Savings Related Scheme) were amended on 23 July 2003 by the exercise price being set at 11.625p per Ordinary Share, any performance targets being removed, and becoming only exercisable as to 50% of the options on three years from the date of the rebasing or, if later, the date of grant and 50% as to four years from such date.

21. Called up share capital (continued)

The following share options were outstanding under the Approved Scheme at 31 December 2003 and 31 December 2002:

	2003		2002	
Exercise period:	**Number of shares**	**Exercise price per share**	Number of shares	Exercise price per share
December 1999 to December 2006	**100,000**	**10.0p**	100,000	10.0p
December 2003 to December 2010	**4,000**	**30.0p**	46,000	30.0p
June 2004 to June 2011	**21,000**	**38.4p**	637,000	38.4p
June 2004 to June 2011	**–**	**–**	80,000	39.1p
September 2004 to September 2011	**–**	**–**	23,000	25.8p
October 2004 to October 2011	**–**	**–**	1,000	24.6p
November 2004 to November 2011	**21,000**	**24.5p**	247,000	24.5p
June 2005 to June 2012	**220,000**	**18.5p**	938,000	18.5p
July 2006 to July 2013	**3,512,000**	**11.625p**	–	–
	3,878,000		2,072,000	

The following share options were outstanding under the Unapproved Scheme at 31 December 2003 and 31 December 2002:

	2003		2002	
Exercise period:	**Number of shares**	**Exercise price per share**	Number of shares	Exercise price per share
May 2001 to May 2011	**–**	**–**	500,000	32.5p
June 2001 to June 2011	**–**	**–**	219,337	38.4p
November 2004 to November 2011	**–**	**–**	2,000	24.5p
November 2001 to November 2011	**–**	**–**	1,612,404	25.8p
July 2006 to July 2013	**1,139,785**	**11.625p**	–	–
	1,139,785		2,333,741	

The following share options were outstanding under the Huntsworth Enterprise Management Incentive Scheme (EMIS) at 31 December 2003 and 31 December 2002:

	2003		2002	
Exercise period:	**Number of shares**	**Exercise price per share**	Number of shares	Exercise price per share
June 2001 to June 2006	**–**	**–**	260,416	30.3p
June 2001 to June 2011	**–**	**–**	740,298	38.4p
November 2001 to November 2011	**–**	**–**	62,014	25.8p
June 2004 to June 2011	**–**	**–**	200,000	38.4p
January 2002 to January 2012	**–**	**–**	325,582	25.8p
June 2002 to June 2011	**260,416**	**38.4p**	–	–
July 2006 to July 2013	**5,280,430**	**11.625p**	–	–
	5,540,846		1,588,310	

The following share options were outstanding under the Huntsworth (Executive Directors) Unapproved Scheme at 31 December 2003 and 31 December 2002:

	2003		2002	
Exercise period:	**Number of shares**	**Exercise price per share**	Number of shares	Exercise price per share
June 2001 to June 2006	**–**	**–**	1,739,584	30.3p
June 2001 to June 2011	**–**	**–**	4,000,000	38.4p
June 2002 to June 2007	**–**	**–**	2,000,000	26.5p
June 2002 to June 2012	**–**	**–**	4,000,000	18.5p
July 2006 to July 2013	**11,139,785**	**11.625p**	–	–
	11,139,785		11,739,584	

21. Called up share capital (continued)

The following share options were outstanding under the new Huntsworth PLC Non-Executive Unapproved Scheme at 31 December 2003 and 31 December 2002:

	2003		2002	
Exercise period:	**Number of shares**	**Exercise price per share**	Number of shares	Exercise price per share
June 2002 to June 2012	**–**	**–**	1,500,000	18.5p
July 2006 to July 2013	**1,500,000**	**11.625p**	–	–
	1,500,000		1,500,000	

The following share options were outstanding under the new Huntsworth PLC Savings Related Share Option Scheme at 31 December 2003 and 31 December 2002:

	2003		2002	
Exercise period:	**Number of shares**	**Exercise price per share**	Number of shares	Exercise price per share
December 2006 to May 2007	**1,694,740**	**11.2p**	–	–
December 2008 to May 2009	**790,795**	**11.2p**	–	–
	2,485,535		–	

22. Reserves

The Group	Share premium account £000	Other reserves £000	Investment in own shares £000	Profit and loss account £000
At 1 January 2003	13,148	3,277	–	(20,658)
Arising on share issues	–	182	–	–
Currency translation movements	–	–	–	(12)
Shares acquired during the year	–	–	(5)	–
Profit for the year	–	–	–	1,070
At 31 December 2003	**13,148**	**3,459**	**(5)**	**(19,600)**

The Company				
At 1 January 2003	13,148	3,277	–	1,141
Arising on share issues	–	182	–	–
Shares acquired during the year	–	–	(5)	–
Loss for the year	–	–	–	(197)
At 31 December 2003	**13,148**	**3,459**	**(5)**	**944**

The directors do not believe that the Other reserves which represent merger reserves arising on acquisitions are distributable.

The directors believe that distributable reserves are £944,000.

The Investment in own shares represents shares acquired in the Company by the Huntsworth Employee Benefit Trust (the "Trust"). The purpose of the Trust is to facilitate and encourage the ownership of shares by employees, by acquiring shares in the Company and distributing them in accordance with employee share schemes. The Trust may operate in conjunction with the Company's existing share option schemes and other share schemes that may apply from time to time.

At 31 December 2003 the Trust held 50,000 shares in the Company which had a market value at 31 December 2003 of £9,875, none of which are under option or have been conditionally gifted to employees.

23. Shares to be issued

	2003 £000
At 1 January 2003	2,456
Accrued for acquisitions (see Note 2(ii))	900
Issued during the year in relation to a prior period acquisition	(267)
Reversal of accrual during the year in relation to a prior period acquisition	(94)
At 31 December 2003	**2,995**

The reversal of the accrual during the year in relation to a prior period acquisition relates to a reduction in intermediate consideration for Elizabeth Hindmarch Public Relations Limited.

24. Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Opening shareholders' funds	**12,418**	11,170	**34,217**	32,187
Profit/(loss) for the year	**1,070**	(1,318)	**(197)**	(536)
Exchange adjustments on foreign currency net investments	**(12)**	–	**–**	–
Investment in own shares	**(5)**	–	**(5)**	–
Shares issued on acquisitions	**2,029**	732	**2,029**	732
Shares to be issued on acquisitions	**900**	361	**900**	361
Shares to be issued – adjustment to prior year acquisition	**(94)**	(3,417)	**(94)**	(3,417)
Shares issued for cash consideration	**–**	5,448	**–**	5,448
Share issue costs	**–**	(558)	**–**	(558)
Closing shareholders' funds	**16,306**	12,418	**36,850**	34,217

25. Commitments and contingent liabilities
Operating leases

	Group			Company	
	Property				
2003	In use £000	Vacant/Sub-let £000	Equipment £000	Property in use £000	Equipment £000
Annual net commitments at 31 December 2003 in respect of non-cancellable operating leases expiring in:					
One year	**213**	**185**	**17**	**–**	**1**
Two to five years	**219**	**–**	**215**	**–**	**28**
Over five years	**883**	**94**	**4**	**–**	**6**
	1,315	**279**	**236**	**–**	**35**

2002					
Annual net commitments at 31 December 2002 in respect of non-cancellable operating leases expiring in:					
One year	–	35	94	–	8
Two to five years	83	207	55	–	12
Over five years	871	57	1	–	–
	954	299	150	–	20

25. Commitments and contingent liabilities (continued)

Contingent liabilities

Company

(i) The Company is registered with HM Customs and Excise as a member of a Group for VAT purposes and as a result is jointly and severally liable on a continuing basis for amounts owing by any other members of that Group in respect of unpaid VAT. At the balance sheet date the outstanding liability to VAT in the other group companies amounted to approximately £75,000 (2002: £59,000).

(ii) The Company is a guarantor of the bank borrowings of certain other group companies. At 31 December 2003 the maximum contingent liability in respect of their net borrowings amounted to £206,000 (2002: £nil).

26. Cash flow

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

	2003 Before exceptionals and goodwill £000	**2003 Exceptionals and goodwill (including discontinued operations) £000**	**2003 Total £000**	2002 Total £000
Operating profit/(loss)	**2,271**	**(601)**	**1,670**	(1,013)
Depreciation	**593**	**2**	**595**	351
Tangible fixed assets written off	**–**	**4**	**4**	79
Loss on disposal of tangible fixed assets	**12**	**2**	**14**	16
Amortisation of goodwill	**–**	**170**	**170**	109
(Increase)/decrease in work in progress	**(18)**	**35**	**17**	(8)
(Increase)/decrease in debtors	**(844)**	**213**	**(631)**	1,130
Decrease in creditors	**(724)**	**(301)**	**(1,025)**	(1,377)
(Decrease)/increase in provision for liabilities and charges	**–**	**(1,136)**	**(1,136)**	300
Net cash inflow/(outflow) from operating activities	**1,290**	**(1,612)**	**(322)**	(413)

The net cash outflow from operating activities in 2002 includes cash outflows of £1,993,000 in respect of exceptional items and £345,000 in respect of termination costs of discontinued operations.

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

	2003 £000	2002 £000
Decrease/(increase) in cash in the year	**(673)**	659
Cash inflow from increase in long term borrowings	**(4,980)**	(4,266)
Cash outflow from debt repayment	**–**	4,400
Repayment of capital element of finance leases	**210**	83
Change in net debt resulting from cashflows	**(5,443)**	876
Finance leases acquired with subsidiary	**(95)**	–
New finance leases	**(155)**	(440)
Translation differences	**(39)**	–
(Increase)/decrease in net debt	**(5,732)**	436
Net debt at beginning of year	**(4,759)**	(5,195)
Net debt at end of year	**(10,491)**	(4,759)

(c) Analysis of net debt

	1 January 2003 £000	Cash flow £000	Other £000	**31 December 2003 £000**
Cash at bank and in hand	666	(577)	(9)	**80**
Overdraft	–	(96)	(30)	**(126)**
Net cash	666	(673)	(39)	**(46)**
Committed overdraft repayable between one and two years	(5,050)	(4,980)	–	**(10,030)**
Finance leases	(375)	210	(250)	**(415)**
Net debt	(4,759)	(5,443)	(289)	**(10,491)**

26. Cash flow (continued)

(d) Purchase of subsidiary undertakings

	2003 Fair value £000	2002 Fair value £000
Fair value of assets and liabilities acquired:		
Tangible fixed assets	**257**	316
Work in Progress	**114**	11
Debtors	**1,378**	1,013
Overdraft/cash at bank and in hand	**(1,098)**	1,272
Creditors	**(1,797)**	(1,541)
Net assets acquired	**(1,146)**	1,071
Goodwill	**6,450**	4,757
Consideration	**5,304**	5,828
Satisfied by:		
Cash	**2,279**	3,478
Accrued costs of acquisition	**–**	343
Shares allotted	**2,029**	732
Contingent consideration – cash	**95**	914
Contingent consideration – shares	**901**	361
	5,304	5,828

27. Related party transactions

During the year the Group incurred consultancy costs of £nil (2002: £16,000), at arm's length, from the Quiller Consultancy Limited, a company in which Lord Chadlington, a director of the company, had until 12 September 2002, a beneficial interest. £nil was outstanding at 31 December 2003 (2002: £14,000).

Also during the year the Group incurred consultancy costs, at arms length, in respect of services provided by Baroness Cumberlege amounting to £7,000 (2002: £29,000). £nil was outstanding at 31 December 2003 (2002: £5,000).

28. Post balance sheet events

Since the year end the Group has completed the acquisitions of Trimedia Group, Grayling Group, 60% of Hudson Sandler, Summit Holdings Inc. and Strategy Communications Limited, and has carried out a Placing and Open Offer fund raising of approximately £21 million net of costs.

Trimedia was acquired on 19 April 2004 for an initial consideration €4.4 million (£3.0 million), of which €2.4 million (£1.6 million) was paid in cash, with the balance satisfied by the issue shares. Deferred consideration based on the Trimedia Group's performance for the financial years ending 31 December 2003 to 2006, may be payable up to a maximum of €20.5 million (£13.9 million) payable in cash or shares at the Company's option.

Grayling was acquired on 19 April 2004 for a total consideration of £10.0 million, £6.0 million of which was paid in cash and £4.0 million in shares.

60% of Hudson Sandler Limited was acquired on 17 March 2004 for a consideration of £1,140,000 paid in cash. Key members of management retain a 40% interest. The Company may acquire the management shares in three years' time for a maximum consideration of £5 million based on certain performance criteria.

Summit Holdings Inc. was acquired on 29 April 2004 for an initial consideration of US$961,243, of which US$565,987 was paid in cash and the balance satisfied by the issue of 944, 909 new Ordinary Shares. Deferred consideration of up to $768,979 may be payable, in cash or shares at the Company's option, based on average profits for the years 2004 and 2005.

Strategy Communications Limited was acquired on 6 May for an initial cash consideration of £512,000. Deferred consideration of up to £550,000 may be payable, in cash or shares at the Company's option, depending on revenue levels in the three years following acquisition.

Independent auditors' report to the members of Huntsworth PLC

We have audited the Group's financial statements for the year ended 31 December 2003 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Consolidated Shareholders' Funds and the related notes 1 to 28. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Report of the Directors on Remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, the Report of the Directors on Remuneration and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Report of the Directors on Remuneration to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report of the Directors on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement and Review, the Report of the Directors, the Corporate Governance Statement, the unaudited part of the Report of the Directors on Remuneration and the Notice of the Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report of the Directors on Remuneration to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report of the Directors on Remuneration to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report of the Directors on Remuneration to be audited.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the profit of the Group for the year then ended; and the financial statements and the part of the Report of the Directors on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London
29 June 2004

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at 29 Cloth Fair, London EC1A 7NN at 11am on 22 July 2004, for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and the audited Financial Statements for the year ended 31 December 2003.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2003, as set out on pages 15 to 19 of the Annual Report 2003.
3. To consider and, if thought fit, pass the following resolutions, which will be proposed as ordinary resolutions:
   (i) THAT H Jon Foulds who has attained the age of 70 and is, in accordance with the Company's Articles of Association, now retiring, be and is hereby re-elected a director of the Company.
   (ii) THAT Eugene P. Beard a director who had been appointed since the last Annual General Meeting and is, in accordance with the Company's Articles of Association, now retiring, be and is hereby re-elected a director of the Company.

Special Business

4. To consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution:

   THAT Ernst & Young LLP be and are hereby appointed auditors to the Company to hold office until the conclusion of the next Annual General Meeting at which financial statements are laid before the Company and that the directors be and are hereby authorised to fix their remuneration.
5. To consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution:

   THAT the directors be and are hereby authorised pursuant to Section 80 of the Companies Act 1985, without prejudice to all subsisting authorities, to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of that Act) up to an aggregate nominal amount of £9,474,049, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of the resolution save that the Company may make an offer or agreement before this authority expires which would or might require relevant securities to be allotted after this authority has expired and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
6. To consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution:

   THAT the Huntsworth Matched Share Plan, a summary of the Rules of which is set out in the Notes to the Notice of Annual General Meeting on page 48 of this Notice, is hereby approved and that the Directors be and are hereby authorised to do all acts and things necessary to establish and carry it into effect, including without limitation the specified amendments of the rules of the Company's existing share option schemes, and that the directors be and are hereby authorised to establish and do all acts and things necessary to carry into effect a further plan or plans containing such provisions as the directors may decide subject to the following:

   i) Such plans must operate within the limits on the number of shares which may be made available from time to time under the Plan;

   ii) Such plans must, except to the extent necessary or desirable to take account of overseas tax, securities and exchange control laws, contain limitations so as to ensure, so far as the directors consider practicable, that the participants in such plans are subject to the same limits as employees participating in the Plan; and

   iii) Once established, the provisions of such plans may not be amended without the prior approval of the Company in general meeting if such approval would be required to amend the comparable provisions in the Plan.
7. To consider and, if thought fit, pass the following resolution, which will be proposed as a special resolution:

   THAT the directors be given power pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of that Act) without prejudice to all the subsisting authorities including the authority conferred by resolution 11 as if Section 89(1) of that Act did not apply to the allotment. This power shall expire at the conclusion of the next Annual General Meeting of the Company or fifteen months from the date of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before this authority expires which would or might require equity securities to be allotted after this authority has expired and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

   This power shall be limited to

   (i) the allotment of equity securities in connection with a rights issue; and

   (ii) to the allotment (other than pursuant to sub-paragraph (i)) of equity securities up to an aggregate nominal amount of £1,435,462.

8. To consider and, if thought fit, pass the following resolution, which will be proposed as a special resolution:

   THAT the Company be and is hereby authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985 of ordinary shares of 10p each in the capital of the Company upon and subject to the following conditions:

   (i) the maximum number of ordinary shares hereby authorised to be purchased is 14,354,620 (being 5 per cent of the issued ordinary shares as at 18 June 2004);

   (ii) the maximum price at which ordinary shares maybe purchased is 5 per cent above the average of the middle market quotation for the ordinary shares as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the date of purchase and the minimum price which may be paid is 10p per share (being the nominal value), in each case exclusive of any relevant tax and expenses payable by the Company; and

   (iii) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, save that the Company may before such expiry enter into a contract to purchase ordinary shares under which such purchase would or might be executed wholly or partly after the expiration of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.

9. To consider and, if thought fit, pass the following resolution, which will be proposed as a special resolution:

   THAT the following new clause be inserted into the Articles of the Company:

   "Participation in Meetings by Telephone

   All or any of the directors may participate in a meeting of the Board by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly."

By order of the Board

Adam Hatfield
Secretary
29 June 2004

Registered office: 15–17 Huntsworth Mews, London NW1 6DD

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A separate form of proxy is enclosed.

The following documents will be available for inspection at the Registered Office, during business hours from the date of this notice until the date of the Annual General Meeting, and on that day will be available for inspection at the place of the meeting:

(i) Copies of contracts of service of the directors of the Company.

(ii) The Register of directors' (and their family) interests in the share capital of the Company.

Notes to the notice of annual general meeting

The Huntsworth Matched Share Plan (the "Plan")
Resolution 6 seeks your approval to the introduction of the Huntsworth Matched Share Plan. In order to retain and incentivise its existing management team, the Company is proposing to introduce the new Matched Share Plan. The Plan is designed to align the interests of management and shareholders by encouraging management to invest in the Company's shares in return for a potential future matched award. The Plan will be administered by the Remuneration Committee who will invite at their discretion senior executives and managers to participate. A summary of the terms of the Plan is set out below.

The number of shares which can be used under the new Plan in any ten year period shall be limited to 5% of the Company's issued share capital. However the rules of each of the Company's existing share option schemes shall be amended so that any shares issued or the subject of awards for the purposes of the Plan will be excluded from any limits in those schemes. The Company's current intention is that awards would be satisfied by the transfer of existing shares.

Summary

i) Eligibility

Any executive director or employee of the Huntsworth Group, whose terms of service require him to devote the whole or substantially the whole of this working time to the Group, will be eligible to participate at the discretion of the Remuneration Committee. In order to participate in the Plan, you must first have bought shares in Huntsworth PLC.

ii) Making of awards

In order to receive a matching award from the trustee of the Huntsworth Employee Benefit trust, you must agree that your bought shares will be subject to forfeiture to the Trust if you leave the employment of the Group within five years or such shorter period as the Committee may determine at the Award Date (the "Restricted Period"). Thus you must normally remain in employment with the Group for the Restricted Period to achieve the matching benefit. Your Awards will be personal to you and may not be transferred or assigned. Awards are not pensionable.

iii) Timing

Except for the first Awards, Awards will be made in the six week period following the announcement of interim or annual results for Huntsworth PLC or in exceptional circumstances at such other times as the Committee determine.

iv) Performance criteria

The matching nature of the Plan means the shares that you have bought are at risk when you receive a Matching Award and will remain at risk during the Restricted Period. Having regard to the risk, awards are not subject to any performance conditions.

v) Cessation of employment

The matching benefit will normally vest in the event of the participant ceasing to be a director or employee of the Huntsworth Group during the Restricted Period by reason of death, injury, disability, retirement, redundancy or other reason at the discretion of the Committee. If the cessation event occurs during the Restricted Period then the participant will be entitled to such proportion of the benefit as is equal to the proportion of the Restricted Period expired prior to the cessation event except for death and retirement at normal retirement date where awards will vest in full. In the event of the participant ceasing to be an employee for any other reason the benefit will lapse immediately.

vi) Other events

If another company acquires control of Huntsworth PLC as a result of a general offer for the whole of the issued share capital, the matching benefit will become unconditional. In such circumstances, the Restricted Period ends immediately.

vii) Plan limitations

The number of ordinary shares which may be subject to awards under the Plan will be limited to 5% of the Company's share capital from time to time in force.

The maximum Matching award granted to any individual participant in any year will not exceed twice his annual salary.

viii) Adjustments

Provision will be made for the matching benefit to be adjusted in the event of any issue of shares or other securities of Huntsworth PLC by way of rights or capitalisation (but excluding any scrip dividend) or upon any consolidation, sub-division, reduction or other variation of the Company's share capital.

ix) Variations to the Plan

The Company reserves the right to vary the terms of the Plan but no amendment for the benefit of the participants may occur without the previous sanction of the Company in general meeting (save in respect of minor amendments to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain a favourable tax, exchange control or regulatory treatment for participants or any member of the Huntsworth Group).

x) Dividends

Participants will generally be entitled to receive dividends in respect of the shares which are the subject of the awards.

2004 financial calendar

30 June	2004 financial half year ends
22 July	2004 Annual General Meeting
28 September	announcement of 2004 interim results
31 December	2004 financial year ends

Contact details

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