

Huntsworth PLC

Interim Results for six months to 30 June 2003

PROFITABLE GROWTH CONTINUES

Key Points

- Trading profit from continuing operations of £978,000 (£605,000 six months to June 2002)
- Revenues from continuing operations of £9.8m (£6.8m six months to June 2002)
- Operating company margins 17.1 per cent
- Revenues down 4.1 per cent on a like-for-like basis, reflecting market conditions
- Adjusted earnings per share 0.6 pence (0.6 pence six months to June 2002)
- Acquisition of Hatch strengthens presence in the UK market
- GCG's overseas operations strengthened by start-ups in Madrid and US Public Affairs
- Appointment of Numis as stockbroker and financial advisor
- New clients include Austin Reed, Golden Wonder, Nestle and The Wrigley Company. Further work from existing clients such as AEGON, Marks & Spencer, Novartis, Pfizer and Unilever

Jon Foulds, Chairman of Huntsworth, said:

“As I reported at the time of our AGM, prospects are now more positive than they have been for some time and there are signs of a recovery. We see some evidence that 2004 will show increasing confidence on the part of our clients and that this will translate into greater activity.”

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Interim Results for Six Months to 30 June 2003

Financial Performance

I am pleased to report that the six months to 30 June 2003 has been an important period of growth for the Group. Operating profit from continuing operations before goodwill amortisation was £978,000, compared with £605,000 in the six months to June 2002 – an increase of 62 per cent. Adjusted earnings, being profit from continuing operations before goodwill amortisation but after interest and tax were £817,000 (2002 - £532,000).

After losses from discontinued operations of £257,000 and goodwill amortisation of £74,000, the profit on ordinary activities both before and after tax was £486,000 (2002 - £299,000).

Earnings and cash

Adjusted earnings per share (excluding discontinued operations and goodwill amortisation) were 0.6 pence, compared to 0.6 pence in the six months to June 2002. Basic and diluted earnings per share were 0.3 pence (2002 – 0.3 pence).

Huntsworth generated revenues, excluding discontinued operations, of £9.8m to June 2003 (£6.8m – six months to June 2002).

Operating company margins were 17.1 per cent, before central costs and excluding discontinued operations. It is estimated that like-for-like margins for the Group in the six months to June 2002 were less than 15 per cent, including an estimate for Global Consulting Group (GCG) prior to its acquisition in November 2002.

In the six months Huntsworth generated positive trading cash, excluding exceptional items and discontinued operations, of £123,000. This was after the effect of an increase in working capital as a result of the build up of GCG's balance sheet following its acquisition and the start-up of its Madrid office.

Discontinued operations refers to the business of ARL, a small sales promotion company, which was closed in May 2003.

Balance Sheet

The progressive improvement in the balance sheet has continued, with positive net current assets for the first time since 1999. Bank debt at 30th June 2003 was £6.3m, compared with £4.4m at 31st December 2002. Shareholders' funds increased to £12.9m, compared with £12.4m at 31st December 2002.

Acquisition payments

Acquisition payments made during the six months to 30th June 2003 totalled £904,000, including £361,000 in respect of EHPR and £155,000 in respect of Adamson Ussher. In addition, 2,674,000 shares were issued in respect of the purchase of EHPR.

Further earn-out payments, currently estimated at £2.1m, for EHPR, Harrison Cowley, PBC and Woodside can be met either in cash or in shares at Huntsworth's option.

Operational Review

Revenues and margins

Despite the difficult economic climate overall revenues from continuing operations held up reasonably well, declining by 4.1 per cent on a like-for-like basis. The Group achieved operating margins of 17.1 per cent for the six months which, while lower than that achieved by the businesses owned throughout 2002, was a good result given the impact of GCG which was loss making when it was acquired in November 2002.

PBC and EHPR showed excellent revenue growth during the period. GCG's corporate business was a strong source of new revenue although its investor relations division, probably due to the Iraq conflict, was down compared to the first six months of 2002. Harrison Cowley had a difficult six months, but following a management reorganisation has seen some recovery since June. The rest of our public relations businesses showed growth overall.

Strategy

Huntsworth's strategy remains unchanged, namely to build a public relations group in the consumer, financial, public affairs and technology markets, and to provide a broadly based offering in healthcare communications. With the Hatch acquisition public relations now represent over 80 per cent of group revenues. Huntsworth is able to offer a wide range of public relations, public affairs, financial and investor relations services in an increasing number of markets; as a consequence we are now able to compete for business from larger clients requiring an international service in public relations.

Acquisitions

In July 2003 we announced the acquisition of Hatch, a group of public relations businesses which spans the consumer, financial, media, public affairs and technology sectors. It provides an excellent fit with existing Huntsworth companies, is within our defined strategy, and significantly strengthens the Group's presence in the UK. I am pleased to report that under the strong leadership of its Chief Executive, Michael Murphy, Hatch is showing encouraging early signs of moving into profit.

In May 2003 we acquired Adamson Ussher, a public relations business based in Harrogate, which has been merged with the Leeds office of Harrison Cowley, thus increasing our presence in Yorkshire.

We also announced the acquisition in July of a strategic stake of 25 per cent in Grandfield, a leading independent corporate and financial public relations consultancy, thus further strengthening Huntsworth's links to the London financial markets.

Start-ups

Whilst less dramatic in terms of immediate impact on profits, start-ups can make significant contributions to growth at low initial cost. During the six months GCG opened an office in Madrid, establishing a presence in the growing Spanish market place. In addition, GCG has appointed Geraldine A. Ferraro, the former US congresswoman and candidate for Vice President of the United States, to lead the firm's Public Affairs practice. Huntsworth is committed to growing GCG into a pre-eminent strategic investor relations and corporate communications consulting firm.

Clients

New clients to the Group include Active Value Advisors, Austin Reed, Golden Wonder, Greater London Authority, The Mills Corporation, Nestle, San Miguel, Tyson Foods and The Wrigley Company.

Existing clients who have awarded Group companies new assignments include AEGON, DfES, Etam, Janssen-Cilag, Marks & Spencer, Mitchells & Butlers, Novartis, Pfizer, Quaker, Unilever and Universal Pictures (UK).

Advisors

We are delighted to announce that we have appointed Numis Securities as our stockbrokers and financial advisors. Numis have an unparalleled reputation in the sector in which Huntsworth operates, and will be a valuable advisor as the Group develops.

Outlook

We continue both to pursue opportunities for earnings enhancing acquisitions and start-ups which fit our stated strategic objectives, and to focus on organic growth and managing costs. Over the medium term we also aim to bring the margins of recently acquired businesses into line with our group targets.

We have made substantial progress in building a formidable presence in public relations in the UK and also have the beginnings of an overseas presence. At the same time, we are investing in resources to ensure that we have sufficient central controls as the Group expands. We believe that our businesses, which have strong market presence and are run by an expanding group of highly professional managers, will continue to provide a powerful basis for future profitable growth.

As I reported at the time of our AGM, prospects are now more positive than they have been for some time and there are signs of a recovery. We see some evidence that 2004 will show increasing confidence on the part of our clients and that this will translate into greater activity.



H Jon Foulds

Chairman

23 September 2003

Consolidated Profit & Loss account

	6 Months to 30 June 2003			6 months to 30 June 2002			12 months to 31 December 2002		
	£000		£000	£000		£000	£000		£000
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Turnover	12,866	453	13,319	9,246	1,118	10,364	19,353	1,933	21,286
Cost of sales	(3,033)	(320)	(3,353)	(2,430)	(521)	(2,951)	(5,247)	(1,003)	(6,250)
Revenue	9,833	133	9,966	6,816	597	7,413	14,106	930	15,036
Operating expenses – including exceptional items and goodwill	(8,929)	(390)	(9,319)	(6,257)	(784)	(7,041)	(14,370)	(1,679)	(16,049)
Operating profit/(loss)	904	(257)	647	559	(187)	372	(264)	(749)	(1,013)
Exceptional items	-	-	-	-	-	-	1,433	495	1,928
Goodwill amortisation	74	-	74	46	-	46	109	-	109
Operating profit/(loss) before exceptional items and goodwill	978	(257)	721	605	(187)	418	1,278	(254)	1,024
Net bank and finance lease interest	(161)	-	(161)	(73)	-	(73)	(242)	-	(242)
Profit/(Loss) before tax, exceptional items and goodwill	817	(257)	560	532	(187)	345	1,036	(254)	782
Net bank and finance lease interest			(161)			(73)			(242)
Exceptional finance charge			-			-			(63)
Net interest payable			(161)			(73)			(305)
Profit/(Loss) on ordinary activities before tax			486			299			(1,318)
Taxation			-			-			-
Retained profit/(loss)			486			299			(1,318)
Earnings Per Share:									
Basic and Diluted - pence			0.3			0.3			(1.3)
Adjusted – pence			0.6			0.6			1.0
Consolidated Statement of Total Recognised Gains and Losses									
Profit/(Loss) for the period/year			486			299			(1,318)
Exchange difference on retranslation of net assets of subsidiary undertaking			43			-			-
Total recognised gains and losses relating to the period			529			299			(1,318)

Notes:

- (i) EPS Adjusted is undiluted and is calculated using EPS profits excluding discontinued operations and before all exceptional items and goodwill but after interest and tax.
- (ii) The interim statement has been prepared using the accounting policies set out in the 31 December 2002 accounts.
- (iii) The financial information set out herein does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the 12 months to 31 December 2002 are abridged from the Group's full accounts for that period which received an unqualified auditors' report and have been filed with the Registrar of Companies.
- (iv) The interim results set out above have neither been reviewed nor audited by the Group's auditors.
- (v) The Directors do not propose an interim dividend (previous 12 months nil).

Consolidated Balance Sheet

	30 June 2003	30 June 2002	31 December 2002
	£000	£000	£000
Fixed assets			
Intangible assets	20,492	18,910	20,186
Tangible assets	1,840	1,263	1,859
	22,332	20,173	22,045
Current assets			
Work in progress	117	149	128
Debtors	5,907	4,487	4,833
Cash at bank and in hand	39	-	666
	6,063	4,636	5,627
Creditors due within one year	(6,057)	(5,050)	(6,347)
Net current assets/(liabilities)	6	(414)	(720)
Total assets less current liabilities	22,338	19,759	21,325
Creditors due after more than one year	(6,535)	(5,957)	(5,309)
Provisions for liabilities and charges	(2,868)	(2,333)	(3,598)
	12,935	11,469	12,418
Capital and Reserves			
Called up share capital	14,462	9,250	14,195
Share premium account	13,242	12,617	13,148
Other reserves	3,277	3,131	3,277
Shares to be issued	2,094	5,512	2,456
Profit and loss account	(20,140)	(19,041)	(20,658)
Equity shareholders' funds	12,935	11,469	12,418

Consolidated Cash Flow Statement

	6 months to 30 June 2003		6 months to 30 June 2002		12 months to 31 December 2002	
	£000	£000	£000	£000	£000	£000
Net cash outflow from operating activities		(549)		(116)		(413)
Returns on investments and servicing of finance						
Interest received	9		14		32	
Interest paid	(155)		(88)		(259)	
Finance lease interest paid	(15)		-		(15)	
Exceptional finance charge	(60)		(152)		(152)	
Net cash outflow for returns on investments and servicing of finance		(221)		(226)		(394)
Taxation						
Corporation tax paid		(55)		(199)		(214)
Capital expenditure and financial investment						
Disposal of tangible fixed assets	54		4		30	
Purchase of tangible fixed assets	(162)		(205)		(596)	
		(108)		(201)		(566)
Acquisitions						
Purchase of subsidiary undertakings	(695)		-		(1,969)	
Purchase of unincorporated business	(39)		(1)		(1,733)	
Net cash acquired with subsidiaries	(170)		-		1,272	
Net cash outflow from acquisitions		(904)		(1)		(2,430)
Net cash outflow before financing		(1,837)		(743)		(4,017)
Financing and net cash (outflow)/inflow from financing						
Issue of ordinary share capital	-		-		4,893	
Repayment of capital element of finance leases	(116)		(37)		(83)	
Repayment of loan notes	-		(4,400)		(4,400)	
		(116)		(4,437)		410
Decrease in cash in the period		(1,953)		(5,180)		(3,607)
Reconciliation of net cash flow to movement in net debt						
Decrease in cash in the period		(1,953)		(5,180)		(3,607)
Cash outflow from debt repayment		-		4,400		4,400
Repayment of capital element of finance leases		116		37		83
		(1,837)		(743)		876
Finance leases acquired with subsidiary		(8)		(204)		-
New finance leases		(144)		-		(440)
Translation differences		40		-		-
(Increase)/decrease in net debt		(1,949)		(947)		436
Net debt at beginning of period		(4,759)		(5,195)		(5,195)
Net debt at end of period		(6,708)		(6,142)		(4,759)

Notes to Consolidated Cash Flow Statement

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

	6 months to 30 June 2003	6 months to 30 June 2002	12 months to 31 December 2002
	Total £000	Total £000	Total £000
Operating profit/(loss)	647	372	(1,013)
Depreciation	270	164	351
Tangible fixed assets written off	3	-	79
Loss on disposal of tangible fixed assets	8	-	16
Amortisation of goodwill	74	46	109
Decrease/(increase) in work in progress	42	(39)	(8)
(Increase)/decrease in debtors	(982)	463	1,130
Decrease in creditors	(41)	(787)	(1,377)
(Decrease)/increase in provision for liabilities and charges	(570)	(335)	300
Net cash outflow from operating activities	(549)	(116)	(413)

Net cash inflow/(outflow) from operating activities is analysed as follows:

Before exceptionals and discontinued operations	123	526	1,925
Exceptionals	(487)	(440)	(1,993)
Discontinued operations	(185)	(202)	(345)
	<u>(549)</u>	<u>(116)</u>	<u>(413)</u>

Analysis of net debt	1 January 2003 £000	Cash flow £000	Exchange adjustments £000	New finance leases £000	30 June 2003 £000
Cash at bank and in hand	666	(627)	-	-	39
Overdraft	-	(127)	40	-	(87)
Committed overdraft repayable between one and two years	(5,050)	(1,199)	-	-	(6,249)
Net cash	(4,384)	(1,953)	40	-	(6,297)
Finance leases	(375)	116	-	(152)	(411)
Net debt	(4,759)	(1,837)	40	(152)	(6,708)