

# huntsworth plc

report and accounts 2004

Huntsworth is an international 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.

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## Chairman's statement and review

### Financial performance

I am pleased to report that the results for the year to 31 December 2004 reflect the successful early integration of the recently acquired companies. Operating profit from continuing operations, before exceptional items and goodwill amortisation, was £5,368,000, compared with £2,330,000 for the year to 31 December 2003, an increase of some 130 per cent.

After losses from discontinued operations of £165,000, exceptional items of £1,929,000, goodwill amortisation of £413,000, and share of loss at an associate of £15,000, total operating profit was £2,846,000 (2003: £1,674,000).

### Earnings and revenues

Profits attributable to ordinary shareholders amounted to £1,393,000 (2003: £1,233,000) after net interest of £547,000, tax of £528,000 and minority interests of £378,000.

Adjusted earnings per share (excluding discontinued operations, exceptional items and goodwill amortisation) were 1.5 pence (2003: 1.2 pence). Basic and diluted earnings per share were 0.5 pence (2003: both 0.8 pence).

Huntsworth generated revenues to 31 December 2004 of £44.9 million (excluding discontinued operations), an increase of 104 per cent. compared with 2003 (£22.0 million).

Operating company margins achieved by the continuing operations were 18.9 per cent, before central costs and excluding exceptional items.

Exceptional items (comprising severance costs, other reorganisation costs, transaction abort fees and the write off of an investment in an associate) totalled some £1,929,000. Goodwill amortisation amounted to £413,000.

### Treasury

In the year Huntsworth generated positive operating cash flow, before exceptional items and discontinued operations, of £6,579,000 (2003: £1,349,000).

The placing and open offer completed in April, 2004 raised £20.4 million net of costs. Of this amount £12.0 million was used to fund acquisitions and the balance to reduce bank borrowings.

Huntsworth has a committed three-year unsecured overdraft and guarantee facility of £15 million from Lloyds TSB Bank. The facility is multi-currency, with an interest rate of 1 per cent. over Sterling base rate or equivalent for other currencies. EBITDA interest cover (excluding discontinued operations and exceptional items) was 11.7 times.

Huntsworth has protected its US dollar and Euro earnings for 2005 by taking out average rate options. It is also protected against the effects of interest rate increases by a base interest rate cap on £5 million. This cap runs to August, 2007.

### Tax

Huntsworth incurred a tax charge of £528,000 or 11.4 per cent. of profits (before exceptional items and goodwill). With an increased proportion of overseas operations, and brought forward tax losses not available for all new businesses, tax as a percentage of profits is expected to continue to increase in future. UK tax losses carried forward amount to over £7 million.

### Balance sheet

As at 31 December 2004 net bank debt amounted to £4.1 million (compared with £10.1 million at 31 December 2003) and shareholders' funds amounted to £50.8 million (compared with £16.3 million at 31 December 2003).

### Acquisition payments

Acquisition payments made in the year, including net debt acquired with subsidiaries, totalled £17.2 million. A total of 41.7 million shares were issued in respect of acquisitions.

Further earn-out payments are estimated at £7.8 million of which £7.2 million is payable in cash or in shares at Huntsworth's option, and £0.6 million is payable in cash. In addition, there are payments totalling £2.1 million due in respect of loan notes related to acquisitions. The timing of the aggregate of these payments is £3.1 million in 2005, £0.6 million in 2006, £5.5 million in 2007 and £0.7 million in 2008.

## Operational review

### Revenues and margins

On a like-for-like basis revenues in 2004 were down 0.5 per cent. compared with 2003, and up 0.6 per cent. during the second half. The like-for-like comparison is at constant currency rates and includes all operations (other than Rose & Kindel acquired in December 2004) on a full year basis. As mentioned in the interim results, although Harrison Cowley was profitable in 2004 it had a difficult year, and excluding Harrison Cowley revenue growth was 1.6 per cent. for the year and 3.7 per cent. in the second half. After carrying out a detailed review of Harrison Cowley's operations and a reorganisation of Harrison Cowley's infrastructure, together with its acquisition of Sinclair Mason in February 2005, the business is expected to produce significantly improved results in 2005.

The Group achieved margins of 18.9 per cent. for the year at operating company level, with all businesses acquired in the year trading profitably and making a substantial contribution to operating profits. Margins for companies owned at 31 December 2003 were 19.1 per cent. Excluding Harrison Cowley, these companies achieved margins of 22.4 per cent., which is above our target. The margins of acquired companies were 18.8 per cent.

In order to maintain high margins we will restructure our operations where necessary. To this end, in December we closed a UK fulfilment operation, and sold a US consumer PR business. Their results have been treated as discontinued.

### Acquisitions

In April 2004 we completed the acquisitions of the Trimedia group and of Grayling. Their results have been consolidated since mid April.

Trimedia is one of Europe's leading multi-disciplinary public relations and communications firms with offices in Switzerland, Austria, Germany and France. Grayling is an international public relations, public affairs and events management firm with a strong brand. It substantially increases Huntsworth's offering in the UK and provides us with expanded international reach.

During the year, Global Consulting Group (GCG), our financial PR and public affairs business, acquired 60 per cent. of Hudson Sandler, a leading City financial PR consultancy (March) and Summit, a Chicago based public affairs and corporate communications firm (May). GCG also acquired Ergo, a London based public affairs and corporate communications firm (July), which, together with Hudson Sandler (now GCG Hudson Sandler) gives GCG a substantial UK presence. In December GCG acquired Rose & Kindel, a public affairs consultancy based in Los Angeles and Sacramento, servicing the important California market.

Our healthcare communications business, PBC, has expanded significantly as a result of two acquisitions, namely VB Communications, a UK healthcare advertising, public relations and medical education business, based in Beaconsfield (July), and Avenue HKM, a UK healthcare public relations and medical education business (August).

Harrison Cowley acquired Strategy, a Bristol based public relations company in May, and since the year end has acquired Sinclair Mason, a Leeds based public relations company, which will be integrated into the existing Harrison Cowley operations in the North of England.

### Our updated profile

- Approximately a third of our operations are outside the UK. We have offices in 11 countries, with nearly 90 per cent. of our revenues in public relations.
- We provide services to 18 constituent companies of the FTSE 100, 45 in the Fortune 500 and 48 in the Eurotop 300.
- We now represent 69 clients in more than one country, and 60 clients are serviced by more than one of our brands. These are substantial increases since June when these numbers were 39 and 37 respectively.

In the year our companies won net new business for 2004 of over £12 million.

## Chairman's statement and review (continued)

### Clients

New clients to the Group include Casio, Clear Channel Radio, Jaguar Cars UK, Nikon, Pimms and Sun Chemical Corporation.

Existing clients who have awarded new assignments to Group companies include Bristol Myers-Squibb Company, H J Heinz Co Ltd, Henkel, Novartis, sanofi-aventis, United Biscuits and Wolverhampton & Dudley Breweries PLC.

### Dividends

The Board has declared a special dividend of 0.1p per share bringing the total dividend for 2004 to 0.2 pence. The special dividend was paid on 19 April 2005.

### Outlook

We are very pleased with the performance of the Group and particularly of the companies which have joined us in 2004. These companies have been integrated into the Group quickly and efficiently.

The significant increase in the number of clients using our services in more than one country and across more than one brand is testimony to the success of our strategy of building an international business, with a range of services focussing primarily on public relations, and fostering a strong Group culture. Our successful group of senior managers is key to achieving our objective of creating increased opportunities for Group companies to work together.

Our strong portfolio of brands includes Global Consulting Group, Grayling and Trimedia and such successful specialist agencies as Counsel and EHPR. Our expanded healthcare group integrated particularly well and is now a powerful force in healthcare communications in the UK. We remain confident that our companies can deliver strong growth.

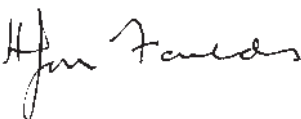
Margins continue to improve and we are now very close to achieving our target of 20 per cent. across the Group. The momentum which characterised the last quarter's trading has continued into the first few months of 2005.

### Merger with Incepta Group plc

Following the merger with Incepta Group plc on 29 April 2005, a number of changes have been made to meet the needs of the new combined Group. The most significant changes have been the restructuring of the Board of Directors and its committees, the issue of new Huntsworth PLC ordinary shares to Incepta shareholders, the arrangement of new banking facilities and the taking out of further exchange protection of the Group's foreign currency earnings.

The Report and Accounts 2004 have been prepared based on the position of the Group prior to the merger with Incepta Group plc, but relevant disclosures have been made of the most significant post merger events up to the date of the signing of the financial statements.

On 12 May 2005 I became Joint Deputy Chairman and Lord Chadlington became Executive Chairman.



**H Jon Foulds**  
26 May 2005

2004 was a year of further considerable progress and development for Huntsworth, marked by the successful integration of the newly acquired companies. The Group has come a long way over the last four years and while there is still much to be achieved, Huntsworth's strategy of building a top quality, high margin international public relations group is proceeding very satisfactorily.

The Huntsworth strategic focus is in five key sectors: consumer, financial and technology public relations, public affairs and an integrated healthcare offering of PR, medical education, advertising and research. We have built the Group across these sectors, and increasingly on an international scale. We have applied strict financial controls in order to achieve strong margins, which we target at 20% at operating company level.

The acquisitions made during the year were significant, but the maximisation of the ongoing operational performance of the Group has been central to what we are trying to achieve – to enhance revenue and margins, in order to deliver real value to all our shareholders. To this end we have continued to improve margins, achieving 19.1 per cent including the newly acquired businesses. Integration and restructuring has continued where appropriate throughout the acquired businesses, to maximise our operational and cost efficiencies. Furthermore, the second half of the year's advancement in revenues on a like-for-like basis was very encouraging. While market conditions appear to be improving for our overall business in a very broad sense, we are still operating in a challenging environment. However, the increasing critical mass and skill sets of our staff in our chosen areas of operation are ensuring that we are well positioned to take advantage of market opportunities, which I believe will continue to improve steadily this coming year. Indeed, exceptionally strong trading in the last two months of the year has given considerable momentum to achieve significant further progress in 2005.

Our operations are led by a group of highly experienced executives with strong international experience. Alison Clarke is responsible for our UK specialist agency group, Michael Murphy is CEO of the enlarged Trimedia Group, Richard Wolff heads our financial PR/Investor Relations and public affairs group, The Global Consulting Group, while David Rowley heads our Healthcare Division and Sally Withey both heads our design operations and drives our margin development programme.

### **Specialist agency group**

The specialist agency group had a good year in spite of competitive market conditions and individual challenges within the companies. All companies with the exception of Harrison Cowley finished ahead of budget.

The Grayling Group had a very strong year with outstanding success in Events. The PR and PA businesses strengthened performance as the year progressed and margins improved in the second half across both disciplines and in overseas operations. Counsel and Haslimann Taylor delivered very strong margins again in 2004. Both companies have a good solid existing client base from which they are developing steady organic growth. EHPR and SCPR continue to perform well.

The challenges at Harrison Cowley continued but with solid progress being made. The acquisition of Strategy Communications has strengthened the senior management team and focused our business in the South West of England into a powerful hub. Since the year end we have acquired Sinclair Mason, based in Leeds, giving us a powerful presence in the North of England, and adding further to our senior Harrison Cowley management.

### **Trimedia**

Following its acquisition in April 2004, I have been delighted by the successful integration of the Trimedia group into Huntsworth and the re-branding of the Hatch Group as Trimedia Communications UK. Performance and margins improved as the year progressed with a strong final quarter. The strengthened European network has enabled the development of international, multi-market clients such as A.T Kearney, OMV and NEC Mitsubishi, and 20 per cent of our business now comes from clients that are served in more than one market. Trimedia has also benefited from impressive client wins in 2004 including Gazprom, Scottish Trade International, the Austrian National Bank, Voestalpine and Casio.

## Chief executive's review (continued)

### **The Global Consulting Group**

2004 saw the further consolidation of GCG as an international financial, corporate and public affairs practice. In the US, we expanded our business, both geographically and in public affairs. The acquisition of Rose & Kindel, the leading Californian-based public affairs advocacy has considerably widened our coverage of the North American market. In the UK, the acquisition of the 60 per cent stake in the London-based financial PR company Hudson Sandler followed by the acquisition of the corporate and public affairs practice, Ergo Communications, substantially enhanced our UK operations. These businesses, now based together in the City of London, have performed strongly during the year, with GCG Hudson Sandler consistently ranking as one of the top five financial PR companies for UK M&A consultancy.

### **Huntsworth Health**

Huntsworth's healthcare strategy has been consistent since the acquisition of PBC Group in 2001, and that is to build an integrated offering in public relations, medical education, marketing research and advertising. To this end, 2004 has been a highly successful year, with the acquisitions of VB Communications and Avenue HKM, ensuring that 'Huntsworth Health' can offer a truly integrated approach to its strong client base. Revenues and profits met expectations during the period, and with a combined staff of over 100, the group is emerging as a major player in the sector.

The majority of business within Huntsworth Health is with the pharmaceutical sector, and almost all of the world's top 30 pharma companies are current clients of the group. Whilst the majority of business is UK focused, some 30% of revenues are from working with global HQs on international projects. Major clients are Pfizer, Abbott and Novartis – all of whom awarded new business during 2004.

### **Design**

Formerly a CFO in the technology consultancy sector, Sally Withey joined Huntsworth in August 2004 to focus on specific projects including potential acquisitions and group companies requiring performance improvement. To date she has been working with Holmes & Marchant, a design company within the group, aligning its business and management team to improve operational efficiencies. This operation is now benefiting from improved operating margins and a sustainable business model. Currently, Sally is also assigned to Harrison Cowley where she is undertaking a similar brief. The business, having recently acquired Sindair Mason, is expected to be positioned to improve margins through 2005.

### **Outlook**

2005 is already proving to be another landmark year for the Group, with the completion of our merger with Incepta. We have doubled our dividend in 2004 compared with 2003, which is symbolic of the momentum that is now so strong within the Group. I look forward to reporting further progress later this year.



**Lord Chadlington**  
26 May 2005

## Directors and advisors

### **H Jon Foulds**

#### **Chairman and director (Joint Deputy Chairman from 12 May 2005)**

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 (Executive Chairman from 12 May 2005)**

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 partner of Fauchier Partners LLP and Chairman of ComMedica Limited. He is a former Vice Chairman of 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.

The directors shown above (with the exception of Eugene Beard who was appointed on 1 February 2004), served throughout the year ended 31 December 2004 and up to 12 May 2005, when the Board of Directors was restructured following the merger with Incepta Group plc (see page 10 for further details).

#### **Company Secretary**

Jeremy White

#### **Registered office**

15-17 Huntsworth Mews  
London NW1 6DD  
020 7408 2232

#### **Registered number**

1729478

#### **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

#### **Stockbrokers**

Numis Securities Ltd  
Cheapside House  
138 Cheapside  
London EC2V 6LH

#### **Bankers**

Lloyds TSB Bank plc  
25 Gresham Street  
London  
EC2V 7HN

#### **Registrars and transfer office**

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

# 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 2004.

## 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 attributable to shareholders for the financial year of £1,393,000 (2003: £1,233,000).

A more detailed review of the business and future developments is included in the Chairman's Statement and Chief Executive's Review on pages 2 to 6.

## Dividends

The directors declared a second interim dividend of 0.1p per share which was paid on 19 April 2005 and was in addition to the interim dividend of 0.1p per share paid on 1 November 2004, making the total of ordinary dividends £607,000 for the year (2003: £163,000).

## Financial resources

After reviewing the Group's performance and future cash flows, and in view of the fund raising of approximately £20.4 million, completed in April 2004, and increased 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

The only Board change during the year ended 31 December 2004 was the appointment of Eugene Beard as a non-executive director on 1 February 2004.

Details of directors who served during the year and their remuneration are set out in the Report of the Directors on Remuneration on pages 15 to 18.

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

## Substantial shareholdings prior to merger with Incepta Group plc

Apart from the interests of the directors set out in the Report of the Directors on Remuneration, according to the share register kept by the Company registrars, there were the following holdings of 3 per cent or more of the Company's ordinary shares of 10 pence each at 22 April 2005.

	% of shares	Number of shares
Aberforth Partners	11.4	34,836,497
3i Group plc	7.7	23,547,169
Lloyds TSB Group plc	7.4	22,683,961
Havas Shared Services Limited	5.9	18,181,818
Bridgepoint Capital	5.6	17,142,991
Deutsche Asset Management	4.3	13,158,622
J P Morgan Fleming	4.3	13,074,240
Artemis Investment Management	4.0	12,233,678

## Share capital

During the year 141,348,781 new 10p ordinary shares were issued with an aggregate value of £30.5 million with 99,354,546 shares being in respect of a placing and open offer in April 2004, 41,667,021 shares as part of the consideration paid for corporate acquisitions and the balance of 327,214 shares being as a result of the exercise of employee share options. For further details of share capital movements during the year including share options granted and exercised, see Note 21 to the financial statements.

Under the terms of the merger with Incepta Group plc, as at 26 May the Company had issued a further 590,931,170 new Huntsworth ordinary shares to existing Incepta shareholders.

It is proposed, in line with common practice, that the directors be authorised to allot relevant securities in the Company up to an aggregate nominal amount of £29,622,372 without reference to the Company in general meeting for a period ending at the conclusion of the Annual General Meeting in 2006.

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 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 2006 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 £4,488,238.

It is also proposed that on admission of the Company's shares to the Official List of the UK Listing Authority and trading on the London Stock Exchange, all the issued and authorised but unissued share capital of the Company be consolidated and divided into ordinary shares of 50 pence each. An ordinary resolution will therefore be proposed at the Annual General Meeting to consider and if thought fit pass the resolution to consolidate the Company's issued share capital.

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. Shareholder consent is sought for the Company to purchase up to a maximum in aggregate of 44,882,382 ordinary shares of 10 pence each in the share capital of the Company (or 8,976,476 ordinary 50 pence shares if the share consolidation resolution is passed), representing 5 per cent of the issued share capital at 26 May 2005. 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.

#### **Scrip dividend alternative**

An ordinary resolution is to be proposed at the Annual General Meeting to authorise Directors to permit ordinary shareholders to receive any dividends declared by the Directors in the next five years, in whole or in part in the form of new ordinary shares in the capital of the Company credited as fully paid up instead of cash alone.

#### **Adoption of new Articles Of Association**

A special resolution is to be proposed at the Annual General Meeting to adopt new Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association.

#### **Employees**

Huntsworth's policy is that the selection of employees for recruitment, training, development and promotion should be determined solely on their skills, abilities and other requirements which are relevant to the job. The Company's equal opportunities policy is designed to ensure that disabled people are given the same consideration as others and enjoy the same training, development and prospects as other employees

The Company makes extensive use of its intranet as a communication tool to provide employees with the information they need to understand and achieve the objectives of the Group, and regular training sessions are held to keep staff up to date with developments in the public relations sector and provide additional skills in areas outside their immediate responsibilities. In addition regular meetings are held between local management and employees to allow a free flow of information and ideas.

Employees are encouraged to participate in the success of the business through the Group's matched share and share option schemes.

#### **Donations**

During the year the Group made charitable donations of £17,127 (2003: £6,950). There were political contributions of £273 (\$500) made in the United States in the year (2003: £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.

## Report of the directors (continued)

### 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 2004, the Company's trade creditors represented the equivalent of 34 days' invoicing by suppliers (2003: 39 days).

### Post balance sheet events

On 23 February 2005 Sinclair Mason Limited was acquired at an initial cost of £1.1million (see Note 28 to the financial statements).

On 29 April 2005, Huntsworth PLC announced that its merger offer for Incepta Group plc was unconditional in all respects. Under the terms of the merger offer, the Company has issued to date 590,931,170 new Huntsworth ordinary shares as part of the consideration for the acquisition of 100% of the issued share capital of Incepta Group plc.

As a result of the merger with Incepta Group plc, the Board of Directors of Huntsworth was restructured as follows: on 12 May 2005, H Jon Foulds stepped down as non-executive Chairman and was elected as non-executive Joint Deputy Chairman and Lord Chadlington stepped down as Chief Executive and was elected as Executive Chairman of the Board. On the same date Richard Nichols was appointed Chief Executive, Francis Maude appointed non-executive Joint Deputy Chairman and Robert Alcock and Charles Good appointed as non-executive directors of the Company.

On behalf of the Board

**Roger M Selman**  
Finance Director  
26 May 2005

## Corporate governance

The Board is committed to high standards of corporate governance and 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 on Corporate Governance issued in July 2003 and annexed to the Listing Rules of the Financial Services Authority (the Code).

### **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 18, 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. The Huntsworth PLC non-executive Directors Share Option Scheme provides a basis for aligning the interests of the non-executive directors with those of the Company's shareholders. One of the non-executive directors, Mr Brooke, has the role of senior non-executive director. The biographies of the directors appear on page 7. 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 8.

The Board has a formal schedule of matters specifically reserved to it for decision. The Board generally 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. Monthly Board papers containing current and forecast trading results, treasury and shareholder information are distributed in advance of the meetings to allow time for preparation by directors and minutes of the meetings are circulated to all directors. The Board also has direct access to senior operational management within the Group 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 Senior non-executive Director ensures that the directors have access to independent professional advice, if required, at the Company's expense.

All directors are subject to re-appointment by shareholders at the first Annual General Meeting after their appointment and thereafter one third of the Board retire annually by rotation. Non-executive directors are appointed for an initial period of three years, subject to re-appointment.

#### **Board performance evaluation**

Currently the performance of the Board is assessed informally by the Chairman and the Chief Executive and the strengths and weaknesses identified are discussed at meetings of the Board.

In 2005 the Board intends to introduce a more formalised system of evaluation whereby the Executive Chairman conducts one on one meetings with each director to discuss their performance. In addition the Company Secretary will prepare a questionnaire on the effectiveness of Board processes for completion by Board members. Any improvements to Board processes required will be implemented based on these recommendations.

#### **Committees of the Board**

The following Committees deal with specific aspects of the Group's affairs and all the committees have specific terms of reference which can be obtained from the Company Secretary and will be on display at the Company's Annual General Meeting.

#### **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 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 and pension rights. Such recommendations are determined after a review of the performance of the individual and by reference to the Company's financial results. 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 2004.

## Corporate governance (continued)

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

Further details of the Company's policies on remuneration, service contracts, and share options are given in the Report of the Directors on Remuneration on pages 15 to 18.

### Nominations committee

Whilst the Board accepts that there should be a formal, rigorous and transparent procedure for the appointment of new Board directors, given the size of the Board it is not considered necessary to form a separate Nominations Committee. Subsequent to the merger with Incepta Group plc a Nominations Committee has been formed.

### 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. Members of the Audit Committee have broad financial experience which has been gained in a variety of disciplines and which the Board considers appropriate to enable the committee to carry out its responsibilities. The third non-executive Board director appointed in February 2004, Mr Eugene Beard, is not a member of the Audit Committee and the Company therefore did not comply during 2004 with the Combined Code requirement for the Audit Committee to comprise of at least three non-executive directors. The Board however considers that given the size of the Group, two UK based non-executive directors are sufficient to meet the responsibilities of the Audit Committee. Subsequent to the merger with Incepta Group plc the Audit Committee will be comprised of three non-executive directors.

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. In particular the Audit Committee oversees the nature and amount of non-audit work undertaken by the auditors each year to ensure that external auditor independence is safeguarded.

In addition to the more routine items of business, in 2004 the Audit Committee received reports on the implications for the Company of the introduction of International Financial Reporting Standards and reviewed the actions being taken to comply with those standards in the 2005 interim accounts.

The Audit Committee is aware of the need to introduce a system whereby employees may confidentially raise concerns about possible improprieties in matters of financial reporting or other matters and this will be addressed during 2005.

### 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 order to create an ongoing process to fulfil this responsibility the Board has established a number of measures in order to identify, evaluate and manage the key financial, operating and compliance risks faced by the Group and these have been in place throughout the year and up to the date of the signing of the accounts. These measures are summarised below:

The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks. 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 and 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 findings of the Audit Committee are communicated to the Board.

The Group currently does not have a formal internal audit function. The Group does however employ a Head Office based team of finance managers who visit the Group operating companies and review their key controls and reporting systems. This team reports to the Group Finance Director and their reports are provided to the Chief Executive and appropriate actions taken to address any weaknesses in internal controls that are identified.

The Board intends to further strengthen the risk evaluation and internal control review processes during 2005.

**Attendance at meetings**

Details of attendances of directors and Committee members at the principal Board and Committee meetings in 2004 are as follows:

	Board (Total 11)	Audit (Total 2)	Remuneration (Total 8)
Lord Chadlington	11	—	—
H Jon Foulds	11	2	8
Roger M Selman	11	—	—
Anthony L Brooke	11	2	8
Eugene P Beard (appointed 1 February 2004)	9	—	—

**Relations with shareholders**

The Company maintains an active dialogue with its institutional shareholders and city analysts through regular meetings and presentations, the outcome of which are reported to the Board to ensure it keeps in touch with their views.

All shareholders are welcome to attend the Company's Annual General Meeting and are encouraged to take advantage of the opportunity to direct questions to members of the Board. An overview of the Company's results and future development plans is given by the Chairman at the Annual General Meeting prior to the commencement of the formal business of the meeting.

**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 Code throughout the year except for the following and the reasons for non-compliance are explained in the report above:

The requirement that the Audit Committee consists of at least three non-executive directors (provision C.3.1 of the Combined Code).

The requirement that the Audit Committee should review procedures by which staff can raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters (provision C.3.4 of the Combined Code).

On behalf of the Board

**Roger M Selman**  
Finance Director  
26 May 2005

## 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.

On behalf of the Board

**Roger M Selman**  
Finance Director  
26 May 2005

# Report of the directors on remuneration

The directors present their remuneration report for the year ended 31 December 2004. The disclosures on pages 15 to 18 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 and directors interests in shares 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 pages 11 to 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 any 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. These awards are entirely at the discretion of the Remuneration Committee.

## **Long term incentive plans**

The Company currently operates option schemes for both the executive directors and non-executive directors.

During 2004 the Company introduced the Huntsworth Matched Share Plan for UK and certain overseas based staff, which includes the executive directors. Under this plan employees and directors are invited to purchase existing ordinary shares in the Company on terms the effect of which is that for each ordinary share purchased, employees or directors will receive at no further cost to them, one further ordinary share (each a 'matched share'). Subject to certain limited exceptions employees and directors must remain in employment with the Huntsworth Group for a period of five years to achieve the matching benefit but otherwise no performance criteria apply. In the event that an employee leaves the Group within five years, under certain circumstances the employee receives the proceeds of the sale of the matched share at market value and forfeits the right to the ordinary share purchased.

## **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 contract of Lord Chadlington was varied by letter on 16 February 2005 so that it would be terminable on twelve months' notice and extend the period of his service beyond the AGM in 2006 which it was recognised would be Lord Chadlington's normal retirement date. Lord Chadlington has given assurances to the Board that he will remain committed to the Group on a full time basis until at least the end of 2008.

The service contract of Roger Selman was varied by letter on 16 February 2005, so that it would be terminable on twelve months notice on either side. He will, post the merger with Incepta Group plc, remain as a director and in Huntsworth's employment for the purposes of seeing through the integration of the two groups and the implementation of the strategic review. It is intended that when his successor is appointed he will leave the Board.

## Report of the directors on remuneration (continued)

### Directors' service contracts (continued)

#### Executive directors

	Date of original contract	Notice period
Lord Chadlington	27 April 2001	1 year
Roger M Selman	19 September 2001	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 letter of appointment for Mr Foulds has recently been extended for a further year and Mr Brooke's was extended last year for a further three years. 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.

Details of the letters of appointment of the non-executive directors are set out below.

	Date of original letter	Date of expiry	Notice period
H Jon Foulds	11 April 2001	10 April 2006	3 months
Anthony L Brooke	11 April 2001	10 April 2007	3 months
Eugene P Beard (appointed February 2004)	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:

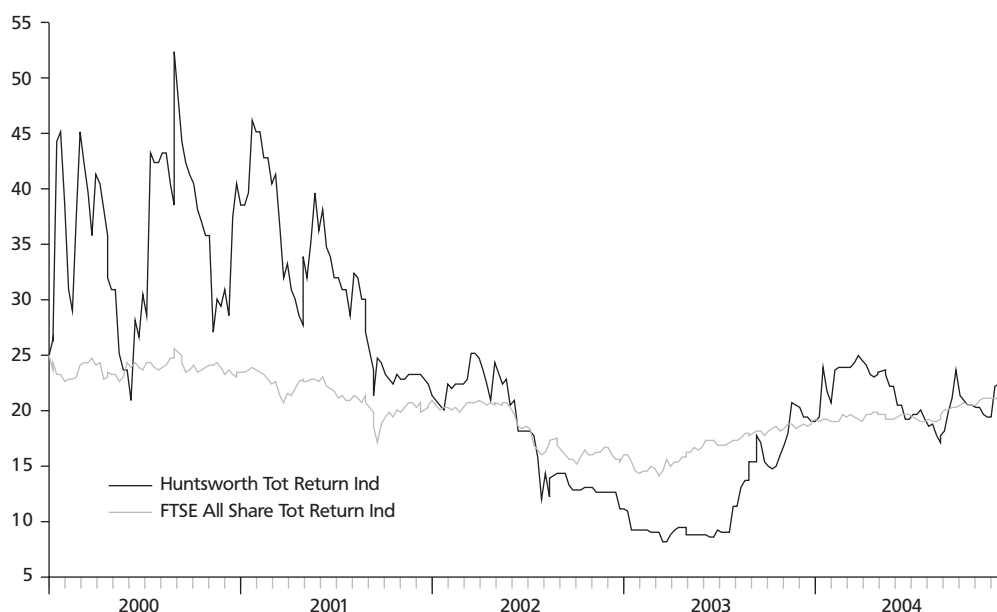
	31 December 2004	1 January 2004 or subsequent date of appointment
Lord Chadlington*	<b>8,597,054</b>	7,868,926
H Jon Foulds	<b>2,300,000</b>	2,174,632
Anthony L Brooke	<b>950,000</b>	864,760
Roger M Selman**	<b>358,126</b>	233,332
Eugene P Beard	<b>883,347</b>	883,347

\* of this amount 270,314 are conditionally beneficially held under the Matched Share Scheme

\*\* of this amount 54,063 are conditionally beneficially held under the Matched Share Scheme and 83,333 are non-beneficial interests.

### 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

	Salary and fees £000	Benefits £000	Total 2004 £000
<b>2004</b>			
<b>Chairman</b>			
H Jon Foulds	40	—	40
<b>Executive</b>			
Lord Chadlington <sup>(1)</sup>	425	61	486
Roger M Selman <sup>(2)</sup>	235	15	250
<b>Non-executive</b>			
Anthony L Brooke	25	—	25
Eugene P Beard (appointed 1 February 2004)	23	—	23
<b>Total 2004</b>	<b>748</b>	<b>76</b>	<b>824</b>
<b>2003</b>			
	£000	£000	£000
<b>Chairman</b>			
H Jon Foulds	40	—	40
<b>Executive</b>			
Lord Chadlington <sup>(1)</sup>	300	33	333
Roger M Selman <sup>(2)</sup>	140	13	153
<b>Non-executive</b>			
Anthony L Brooke	20	—	20
<b>Total 2003</b>	<b>500</b>	<b>46</b>	<b>546</b>

### Notes

(1) Lord Chadlington was awarded a discretionary bonus of £125,000 (2003: £200,000 which was waived) in the year.

(2) Including a bonus of £95,000 (2003: £10,000).

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.

On 16 February 2005 the Remuneration Committee of the Board approved an increase in Lord Chadlington's basic salary from £300,000 per annum to £400,000 per annum effective 1 January 2005.

### Highest paid director

The aggregate emoluments of the highest paid director were £486,000 for the year (2003: £333,000).

## Report of the directors on remuneration (continued)

### 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, none of which have performance targets. The interests of the current executive directors at 31 December 2004 were as follows:

Scheme	At 1 January 2004	Granted in year	At 31 December 2004	Exercise price (pence)	Exercise period
<b>Lord Chadlington</b>					
Huntsworth (Executive Directors) Unapproved Scheme	4,569,893	—	<b>4,569,893</b>	11.625p	Jul 2006 – Jul 2013
Huntsworth (Executive Directors) Unapproved Scheme	4,569,892	—	<b>4,569,892</b>	11.625p	Jul 2007 – Jul 2013
EMIS <sup>(1)</sup>	430,108	—	<b>430,108</b>	11.625p	Jul 2006 – Jul 2013
EMIS <sup>(1)</sup>	430,107	—	<b>430,107</b>	11.625p	Jul 2007 – Jul 2013
Huntsworth Savings Related Share Option Scheme	66,222	—	<b>66,222</b>	11.2p	Dec 2006 – May 2007
Huntsworth Savings Related Share Option Scheme	—	12,105	<b>12,105</b>	15.26p	Sept 2007 – Feb 2008
<b>Total Lord Chadlington</b>	10,066,222	12,105	<b>10,078,327</b>		
<b>Roger M Selman</b>					
Unapproved Executive Scheme	569,893	—	<b>569,893</b>	11.625p	Jul 2006 – Jul 2013
Unapproved Executive Scheme	569,892	—	<b>569,892</b>	11.625p	Jul 2007 – Jul 2013
Huntsworth (Executive Directors) Unapproved Scheme	1,000,000	—	<b>1,000,000</b>	11.625p	Jul 2006 – Jul 2013
Huntsworth (Executive Directors) Unapproved Scheme	1,000,000	—	<b>1,000,000</b>	11.625p	Jul 2007 – Jul 2013
EMIS <sup>(1)</sup>	430,108	—	<b>430,108</b>	11.625p	Jul 2006 – Jul 2013
EMIS <sup>(1)</sup>	430,107	—	<b>430,107</b>	11.625p	Jul 2007 – Jul 2013
Huntsworth Savings Related Share Option Scheme	66,222	—	<b>66,222</b>	11.2p	Dec 2006 – May 2007
Huntsworth Savings Related Share Option Scheme	—	12,105	<b>12,105</b>	15.26p	Sep 2007 – Feb 2008
<b>Total Roger M Selman</b>	4,066,222	12,105	<b>4,078,327</b>		
<b>Total executive directors' share options</b>	14,132,444	24,210	<b>14,156,654</b>		

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 which has no performance targets. The interests of the non-executive directors at 31 December 2004 were as follows:

	At 1 January 2004	Granted in year	At 31 December 2004	Exercise price (pence)	Option period
H Jon Foulds	375,000	—	<b>375,000</b>	11.625p	Jun 2005 – Jun 2012
H Jon Foulds	375,000	—	<b>375,000</b>	11.625p	Jun 2006 – Jun 2012
Anthony L Brooke	250,000	—	<b>250,000</b>	11.625p	Jun 2005 – Jun 2012
Anthony L Brooke	250,000	—	<b>250,000</b>	11.625p	Jun 2006 – Jun 2012
Eugene P Beard	—	500,000	<b>500,000</b>	25.25p	Mar 2007 – Mar 2014
Eugene P Beard	—	500,000	<b>500,000</b>	25.25p	Mar 2008 – Mar 2014
<b>Total non-executive directors' share options</b>	1,250,000	1,000,000	<b>2,250,000</b>		

(1) Enterprise Management Incentive Scheme.

The market price of the shares at 31 December 2004 was 22p and the range during 2004 was 17.25p to 25.25p.

This report was approved by the Board on 26 May 2005.

**H Jon Foulds**  
26 May 2005

We have audited the Group's financial statements for the year ended 31 December 2004 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, 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 Directors' Remuneration Report 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**

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards. The directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and 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 Directors' Remuneration Report 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 nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 Directors' Report, unaudited part of the Directors' Remuneration Report, Chairman's Statement, Chief Executive's Review and Corporate Governance Statement. 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 within it.

### **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 Directors' Remuneration Report 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 Directors' Remuneration Report 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 Directors' Remuneration Report 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 2004 and of the profit of the Group for the year then ended; and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

**Ernst & Young LLP**  
Registered Auditor  
London  
26 May 2005

# Consolidated profit and loss account for the year ended 31 December 2004

	Notes	2004			2003		
		Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total £000
<b>Turnover</b>							
Excluding acquisitions		30,886	694	31,580	28,704	575	29,279
Acquisitions		32,689	—	32,689	—	—	—
	3	63,575	694	64,269	28,704	575	29,279
Cost of sales		(18,713)	(200)	(18,913)	(6,671)	(387)	(7,058)
<b>Revenue</b>							
Excluding acquisitions		22,956	494	23,450	22,033	188	22,221
Acquisitions		21,906	—	21,906	—	—	—
	3	44,862	494	45,356	22,033	188	22,221
<b>Operating expenses</b>							
Excluding acquisitions		(22,379)	(750)	(23,129)	(20,052)	(499)	(20,551)
Acquisitions		(19,366)	—	(19,366)	—	—	—
	4, 8	(41,745)	(750)	(42,495)	(20,052)	(499)	(20,551)
<b>Operating profit/(loss)</b>	6						
Excluding acquisitions		577	(256)	321	1,981	(311)	1,670
Acquisitions		2,540	—	2,540	—	—	—
<b>Group operating profit/(loss)</b>		3,117	(256)	2,861	1,981	(311)	1,670
Exceptional items	7	1,838	91	1,929	179	—	179
Goodwill amortisation		413	—	413	170	—	170
<b>Operating profit/(loss) before exceptional items and goodwill</b>							
– Excluding acquisitions		1,847	(165)	1,682	2,330	(311)	2,019
– Acquisitions		3,521	—	3,521	—	—	—
		5,368	(165)	5,203	2,330	(311)	2,019
Net interest payable		(547)	—	(547)	(441)	—	(441)
<b>Profit/(loss) before tax, exceptional items and goodwill</b>		4,821	(165)	4,656	1,889	(311)	1,578
Share of operating (loss)/profit of associate				(15)			4
<b>Total operating profit</b>				2,846			1,674
Net interest payable	5			(547)			(441)
<b>Profit on ordinary activities before tax</b>				2,299			1,233
Taxation	9			(528)			—
<b>Profit on ordinary activities after taxation</b>				1,771			1,233
Minority interests – equity				(378)			—
<b>Profit for the financial year attributable to members of the parent company</b>				1,393			1,233
Ordinary dividends on equity shares	11			(607)			(163)
<b>Retained profit</b>				786			1,070
<b>Earnings per share:</b>							
Basic and diluted – pence	12			0.5			0.8
Basic adjusted – pence	12			1.5			1.2

# Balance sheets as at 31 December 2004

	Notes	Group		Company	
		2004 £000	2003 £000	2004 £000	2003 £000
<b>Fixed assets</b>					
Intangible assets	13	<b>60,043</b>	26,097	—	—
Tangible assets	14	<b>2,680</b>	1,918	<b>307</b>	297
Investments	15	—	173	<b>55,292</b>	41,380
		<b>62,723</b>	28,188	<b>55,599</b>	41,677
<b>Current assets</b>					
Work in progress		<b>1,148</b>	226	—	—
Debtors	16	<b>18,046</b>	6,818	<b>34,835</b>	10,199
Cash at bank and in hand		<b>2,773</b>	80	<b>5</b>	1
		<b>21,967</b>	7,124	<b>34,840</b>	10,200
<b>Creditors due within one year</b>	17	<b>(21,774)</b>	(6,633)	<b>(3,974)</b>	(931)
<b>Net current assets</b>		<b>193</b>	491	<b>30,866</b>	9,269
<b>Total assets less current liabilities</b>		<b>62,916</b>	28,679	<b>86,465</b>	50,946
<b>Creditors due after more than one year</b>	18	<b>(6,889)</b>	(10,263)	<b>(16,030)</b>	(13,763)
<b>Provisions for liabilities and charges</b>	19	<b>(5,215)</b>	(2,110)	<b>(31)</b>	(333)
<b>Net assets</b>		<b>50,812</b>	16,306	<b>70,404</b>	36,850
<b>Capital and reserves</b>					
Called up share capital	21	<b>30,444</b>	16,309	<b>30,444</b>	16,309
Share premium account	22	<b>23,615</b>	13,148	<b>23,615</b>	13,148
Other reserves	22	<b>7,902</b>	3,459	<b>7,902</b>	3,459
Shares to be issued	23	<b>7,157</b>	2,995	<b>7,157</b>	2,995
Investment in own shares	22	<b>(8)</b>	(5)	<b>(8)</b>	(5)
Profit and loss account	22	<b>(18,997)</b>	(19,600)	<b>1,294</b>	944
<b>Equity shareholders' funds</b>	24	<b>50,113</b>	16,306	<b>70,404</b>	36,850
<b>Minority interests</b>		<b>699</b>	—	—	—
<b>Total shareholders funds</b>		<b>50,812</b>	16,306	<b>70,404</b>	36,850

The financial statements were approved by the directors on 26 May 2005 and signed on their behalf by:

Lord Chadlington

Roger M Selman

## Consolidated cash flow statement for the year ended 31 December 2004

	Notes	2004		2003	
		£000	£000	£000	£000
<b>Net cash inflow/(outflow) from operating activities</b>	26(a)		<b>4,635</b>		(322)
<b>Returns on investments and servicing of finance</b>					
Interest received		75		34	
Interest paid		(528)		(379)	
Finance lease interest paid		(42)		(36)	
Exceptional finance charge paid		—		(60)	
Dividends paid to minority interests		(130)		—	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(625)</b>		(441)
<b>Taxation</b>					
UK corporation tax paid		(319)		(111)	
Overseas corporation tax paid		(230)		—	
UK corporation tax received		8		—	
Overseas corporation tax received		19		—	
<b>Net cash outflow from taxation</b>			<b>(522)</b>		(111)
<b>Capital expenditure and financial investment</b>					
Disposal of tangible fixed assets		65		90	
Purchase of tangible fixed assets		(380)		(350)	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(315)</b>		(260)
<b>Acquisitions</b>					
Purchase of subsidiary undertakings	26(d)	(18,164)		(2,933)	
Purchase of share in associated undertaking		—		(169)	
Purchase of unincorporated business		—		(104)	
Net cash/(debt) acquired with subsidiaries	26(d)	927		(1,098)	
<b>Net cash outflow from acquisitions</b>			<b>(17,237)</b>		(4,304)
<b>Equity dividends paid</b>			<b>(467)</b>		—
<b>Net cash outflow before financing</b>			<b>(14,531)</b>		(5,438)
<b>Financing and net cash inflow from financing</b>					
Net proceeds from the issue of ordinary share capital		20,436		—	
Net proceeds from the issue of ordinary share capital in subsidiaries		450		—	
Purchase of own shares		(3)		(5)	
Repayment of capital element of finance leases		(272)		(210)	
(Decrease)/increase in long term borrowings		(3,303)		4,980	
			<b>17,308</b>		4,765
<b>Increase/(decrease) in cash in the year</b>	26(b)		<b>2,777</b>		(673)

## Consolidated statement of total recognised gains and losses for the year ended 31 December 2004

	2004 £000	2003 £000
Profit for the year	786	1,070
Exchange differences on retranslation of net assets of subsidiary undertakings	(183)	(12)
<b>Total recognised gains and losses relating to the year</b>	<b>603</b>	1,058

# Notes to the financial statements

## 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 or statement of total recognised gains and losses as appropriate.

### 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.

The turnover and revenue are calculated on a prudent basis to reflect the fair value of the proportion of the work carried out in the year, by recording turnover and related costs (as defined in Work in progress below) 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 2004.

### 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.

Motor vehicles                              25%

The carrying values of tangible fixed assets are reviewed for impairment periodically 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.

## Notes to the financial statements (continued)

### 1. Principal accounting policies (continued)

#### 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.

#### 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 with the exception of long term loans to subsidiaries which are taken to reserves.

##### 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.

#### Shares to be issued – contingent consideration

Shares to be issued in respect of earn-outs are either estimated or known liabilities that may be settled in cash or shares at the option of the Company, or will be settled in shares.

#### Investments

##### Company

Investments in subsidiaries included in the Company's balance sheet are stated at cost or nominal value of shares issued where merger relief is taken, less any provision for impairment.

## 2. Acquisitions

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

### (i) Hudson Sandler Limited

On 17 March 2004 the Group acquired 60% of the issued share capital of Hudson Sandler Limited. The fair value of the consideration given for the acquisition, including related costs, was £1,412,000. An initial payment of £1,140,000 was paid in cash and costs relating to the acquisition amounted to £272,000. Key members of management retain a 40% interest in the business and this is included within minority interests. Huntsworth may acquire the management shares in three years' time for a maximum consideration of £5 million, such amount to be based on certain performance criteria.

Goodwill of £1,454,000 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/(liabilities) acquired:

	Book value £000	Fair value adjustments £000	Fair value £000
Assets and liabilities acquired:			
Tangible fixed assets	62	—	62
Debtors	471	(21)	450
Cash at bank and in hand	324	—	324
Creditors and provisions	(648)	(230)	(878)
Net assets/(liabilities) acquired	209	(251)	(42)

The fair value adjustments relate to the writing off of a deferred tax asset acquired, corporation tax, property and other cost accruals.

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

	£000
Turnover	425
Operating loss	(14)
Loss before tax	(260)
Taxation	51
Loss after tax	(209)

### (ii) Grayling

On 19 April 2004 the Group acquired the whole issued share capital of the Grayling Group. The fair value of the consideration given for the acquisition, including related costs, was £10,730,000. A payment of £6,000,000 was paid in cash and £4,000,000 by the issue of 18,181,818 shares at 22p each. Costs relating to the acquisition amounted to £730,000.

Goodwill of £10,440,000 in respect of this acquisition has been determined as an 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/(liabilities) acquired:

	Book value £000	Accounting policy alignment £000	Fair value adjustments £000	Fair value £000
Assets and liabilities acquired:				
Tangible fixed assets	527	(66)	—	461
Work in progress	828	—	—	828
Debtors	2,882	—	(47)	2,835
Cash at bank and in hand	374	—	—	374
Creditors and provisions	(3,244)	—	(964)	(4,208)
Net assets/(liabilities) acquired	1,367	(66)	(1,011)	290

Accounting policy alignment adjustment relates to the useful life of tangible fixed assets. Fair value adjustments relate to bad debt provision, the provisions for property leases and other cost accruals.

## Notes to the financial statements (continued)

### 2. Acquisitions (continued)

#### (ii) Grayling (continued)

The Grayling Group made a profit after tax of £25,000 in the year ended 31 December 2003. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£000
Turnover	3,336
Operating loss	(149)
Loss before tax	(132)
Taxation	—
Loss after tax	(132)

#### (iii) Trimedia

On 19 April 2004 the Group acquired the whole issued share capital of CMC Corporate & Marketing Communications Investments AG, the holding company of the Trimedia Group. The fair value of the consideration given for the acquisition, including related costs, was £8,303,000. An initial payment of £1,597,000 was paid in cash and £1,334,000 was satisfied by the issue of 5,388,826 shares at 24.75p each. Costs relating to the acquisition amounted to £983,000.

Deferred consideration up to a total maximum of €20.5m is payable dependent on the performance of the Trimedia Group. Such consideration will be settled in cash or shares at the then market value at the discretion of Huntsworth. Of the maximum amount payable, £4,389,000 (€6,200,000) has been accrued as at 31 December 2004. The euro amount of 6.2 million has not been hedged due to the uncertainty of the amount payable which is dependent on the future profitability of the Trimedia Group.

Goodwill of £11,644,000 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/(liabilities) acquired:

	Book value £000	Fair value adjustments £000	Fair value £000
Assets and liabilities acquired:			
Intangible fixed assets	5,954	(5,954)	—
Tangible fixed assets	451	—	451
Investments	17	(17)	—
Work in progress	74	—	74
Debtors	3,626	(44)	3,582
Cash at bank and in hand	(1,542)	—	(1,542)
Creditors and provisions	(3,969)	(1,937)	(5,906)
Net assets/(liabilities) acquired	4,611	(7,952)	(3,341)

Fair value adjustments relate to the write off of acquired goodwill, investments, certain cost accruals and property provisions.

CMC Corporate & Marketing Communications Investments AG made a consolidated loss after tax of £136,343 in the year ended 31 December 2003. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£000
Turnover	3,024
Operating profit	367
Profit before tax	84
Taxation	(10)
Profit after tax	74

## 2. Acquisitions (continued)

### (iv) Summit Holdings Inc.

On 29 April 2004 the Group acquired the whole issued share capital of Summit Holdings Inc. The fair value of the consideration given for the acquisition, including related costs, was £503,000. An initial payment of £433,000 was satisfied by £211,000 in cash and £222,000 by the issue of 944,909 shares at a price of 23.5p each. Costs relating to the acquisition amounted to £70,000.

Deferred consideration, up to a maximum of \$768,979 (£400,530) is payable dependent on the performance of Summit Holdings Inc. Such consideration will be settled in cash or shares at the then market value at the discretion of Huntsworth. Of the maximum amount payable nothing has been accrued at 31 December 2004.

Goodwill of £589,000 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.

#### Fair value of assets/(liabilities) acquired:

	Book value £000	Fair value adjustments £000	Fair value £000
Assets and liabilities acquired:			
Debtors	141	(12)	129
Cash at bank and in hand	(90)	—	(90)
Creditors and provisions	(125)	—	(125)
Net liabilities acquired	(74)	(12)	(86)

Fair value adjustments relate to a pre-acquisition bad debt provision.

Summit Holdings Inc made a profit after tax of £65,000 (\$117,000) in the year ended 31 December 2003. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£000
Turnover	555
Operating loss	(30)
Loss before tax	(30)
Taxation	—
Loss after tax	(30)

### (v) Strategy Communications Limited

On 6 May 2004 the Group acquired the whole issued share capital of Strategy Communications Limited. The fair value of the consideration given for the acquisition, including related costs, was £1,142,000. An initial payment of £512,000 was paid in cash and costs relating to the acquisition amounted to £80,000.

Deferred consideration is payable based on the average revenues for the 18 months ending 30 November 2005. A minimum of £300,000 and a maximum of £500,000 is due after 30 November 2005. Final deferred consideration of a maximum of £50,000 may be payable in 3 years time depending on revenue levels in the three years following acquisition. Such consideration will be settled in cash or shares at the then market value at the discretion of Huntsworth. The full amount payable of £550,000 has been accrued at 31 December 2004.

Goodwill of £1,170,000 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/(liabilities) acquired:

	Book value £000	Accounting policy alignment £000	Fair value adjustments £000	Fair value £000
Assets and liabilities acquired:				
Tangible fixed assets	37	(11)	—	26
Debtors	269	—	(10)	259
Cash at bank and in hand	64	—	—	64
Creditors and provisions	(185)	—	(192)	(377)
Net assets/(liabilities) acquired	185	(11)	(202)	(28)

Accounting policy alignment relates to the useful lives of tangible fixed assets. Fair value adjustments relate to the provisions for property leases and other cost accruals.

## Notes to the financial statements (continued)

### 2. Acquisitions (continued)

#### (v) Strategy Communications Limited (continued)

Strategy Communications Limited made a profit after tax of £136,000 in the year ended 30 September 2003. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£000
Turnover	844
Operating profit	70
Profit before tax	68
Taxation	(12)
Profit after tax	56

#### (vi) VB Communications Limited

On 1 July 2004 the Group acquired the whole issued share capital of VB Communications Limited. The fair value of the consideration given for the acquisition, including related costs, was £4,444,000. An initial payment of £1,912,500 was paid in cash, £1,100,000 by the issue of 5,662,810 new ordinary shares at 19.425p and £337,500 was paid in the form of Huntsworth guaranteed loan notes which are redeemable at any time from 1 January 2005 to 1 July 2007. Costs relating to the acquisition amounted to £179,000.

Deferred consideration is payable based on the average profits for the 3 years ending 30 June 2007 up to a maximum of £3,000,000. Such consideration will be settled in cash or shares at the then market value at the discretion of Huntsworth. Of the maximum amount payable £915,000 has been accrued at 31 December 2004.

Goodwill of £3,702,000 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:			
Tangible fixed assets	130	—	130
Work in progress	222	—	222
Debtors	721	—	721
Cash at bank and in hand	790	—	790
Creditors and provisions	(824)	(297)	(1,121)
Net assets acquired	1,039	(297)	742

Fair value adjustments relate to pre-acquisition property, corporation tax and bonus provisions.

VB Communications Limited made a profit after tax £351,000 in the year ended 31 December 2003. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£000
Turnover	2,241
Operating profit	174
Profit before tax	194
Taxation	—
Profit after tax	194

## 2. Acquisitions (continued)

### (vii) Ergo Communication Services Limited

On 14 July 2004 the Group acquired the whole issued share capital of Ergo Communication Services Limited. The fair value of the consideration given for the acquisition, including related costs, was £2,141,000. An initial payment of £1,026,000 was paid in cash and £933,000 was satisfied by the issue of 4,741,880 new ordinary shares at a price of 19.667p each. Costs relating to the acquisition amounted to £155,000.

Deferred consideration of up to £1,635,000 may be payable in the form of loan notes or shares at the then market value, at Huntsworth's option, based on growth in Ergo's average profits for the three years ending 30 June 2007. Of the maximum amount payable £27,000 has been accrued at 31 December 2004.

Goodwill of £2,022,000 in respect of this acquisition has been determined as having an 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:			
Tangible fixed assets	114	(27)	87
Debtors	434	—	434
Cash at bank and in hand	286	—	286
Creditors and provisions	(445)	(243)	(688)
Net assets acquired	389	(270)	119

Fair value adjustments relate to pre-acquisition accrued income, property, corporation tax and other cost accruals.

Ergo Communication Services Limited made a profit after tax of £309,000 in the year ended 30 April 2004. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£000
Turnover	324
Operating loss	(6)
Loss before tax	(6)
Taxation	—
Loss after tax	(6)

### (viii) Avenue Healthcare Knowledge Management Limited

On 6 August 2004 the Group acquired the whole issued share capital of Avenue Healthcare Knowledge Management Limited. The fair value of the consideration given for the acquisition, including related costs, was £2,021,000. An initial payment of £1,037,000 was paid in cash and £591,000 was satisfied by the issue of 3,112,632 new ordinary shares at a price of 19p each. Costs relating to the acquisition amounted to £143,000.

Deferred consideration of a maximum of £250,000 may be payable depending on revenue levels in the 12 months to 31 July 2005. Some 53% of the deferred consideration is to be paid in cash and the balance of 47% is to be satisfied by the issue of new ordinary shares in Huntsworth PLC, at the market value at the date of payment. The maximum amount payable of £250,000 has been accrued at 31 December 2004.

Goodwill of £1,427,000 in respect of this acquisition has been determined as having an 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:			
Tangible fixed assets	283	—	283
Work in progress	13	—	13
Debtors	851	—	851
Cash at bank and in hand	552	—	552
Creditors and provisions	(759)	(346)	(1,105)
Net assets acquired	940	(346)	594

Fair value adjustments relate to pre-acquisition property provisions and other cost accruals.

## Notes to the financial statements (continued)

### 2. Acquisitions (continued)

#### (viii) Avenue Healthcare Knowledge Management Limited (continued)

Avenue Healthcare Knowledge Management Limited made a loss after tax of £642,000 in the year ended 31 December 2003. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£000
Turnover	1,696
Operating loss	(71)
Loss before tax	(66)
Taxation	29
Loss after tax	(37)

#### (ix) Rose & Kindel Inc.

On 21 December 2004 the Group acquired the whole issued share capital of Rose & Kindel Inc. The fair value of the consideration given for the acquisition, including related costs, was £2,453,000. An initial payment of £1,645,000 was paid in cash. Costs relating to the acquisition amounted to £130,000.

Deferred consideration of a maximum of \$6,000,000 (£3,125,000) may be payable in cash or shares at the then market value, at Huntsworth's option, based on the growth in the annual average profits of the Company in the three years following completion. Of the maximum amount payable £678,000 has been accrued at 31 December 2004.

Goodwill of £2,127,000 in respect of this acquisition has been determined as having an 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	Accounting policy alignment £000	Fair value £000
Assets and liabilities acquired:			
Tangible fixed assets	72	1	73
Debtors	165	5	170
Cash at bank and in hand	171	—	171
Creditors and provisions	(5)	(83)	(88)
Net assets acquired	403	(77)	326

Accounting policy alignment relates to restatement of opening balance sheet from cash to accruals accounting basis.

Rose & Kindel Inc made a profit after tax of £135,000 in the year ended 31 December 2003. Its summarised profit and loss account for the subsequent period up to the date of its acquisition is as follows:

	£000
Turnover	2,470
Operating loss	(42)
Loss before tax	(42)
Taxation	—
Loss after tax	(42)

#### (x) Fair value adjustments in respect of prior year acquisitions

On 23 July 2003 the Group acquired Hatch Group Limited which was provisionally valued in the 2003 accounts in accordance with FRS7 and a further fair value adjustment of £130,000 has been made in the year ended 31 December 2004 accounts for property dilapidation provisions. The difference has been taken as an adjustment to goodwill on acquisition. On 17 October 2003 the Group acquired Haslimann Taylor Limited which was provisionally valued in the 2003 accounts in accordance with FRS7 and a further fair value adjustment of £59,000 has been made in the year ended 31 December 2004 accounts for corporation tax liabilities. The difference has been taken as an adjustment to goodwill on acquisition.

### 3. Turnover and segmental analysis

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

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

	United Kingdom		Other European		USA		Rest of World		Total	
	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000
<b>Group turnover</b>										
Continuing operations	<b>43,838</b>	23,220	<b>14,031</b>	302	<b>5,151</b>	5,182	<b>555</b>	—	<b>63,575</b>	28,704
Discontinued operations	<b>84</b>	575	—	—	<b>610</b>	—	—	—	<b>694</b>	575
	<b>43,922</b>	23,795	<b>14,031</b>	302	<b>5,761</b>	5,182	<b>555</b>	—	<b>64,269</b>	29,279
<b>Revenue</b>										
Continuing operations	<b>31,340</b>	17,087	<b>9,050</b>	303	<b>4,034</b>	4,643	<b>438</b>	—	<b>44,862</b>	22,033
Discontinued operations	<b>54</b>	188	—	—	<b>440</b>	—	—	—	<b>494</b>	188
	<b>31,394</b>	17,275	<b>9,050</b>	303	<b>4,474</b>	4,643	<b>438</b>	—	<b>45,356</b>	22,221
<b>Operating profit/(loss)</b>										
Continuing operations	<b>6,482</b>	3,434	<b>1,201</b>	—	<b>656</b>	594	<b>113</b>	—	<b>8,452</b>	4,028
Discontinued operations	<b>(56)</b>	(217)	—	—	<b>(64)</b>	—	—	—	<b>(120)</b>	(217)
	<b>6,426</b>	3,217	<b>1,201</b>	—	<b>592</b>	594	<b>113</b>	—	<b>8,332</b>	3,811
Exceptional items and goodwill amortisation	i) <b>(1,428)</b>	(282)	<b>(705)</b>	—	<b>(209)</b>	(67)	—	—	<b>(2,342)</b>	(349)
Central costs									<b>(3,129)</b>	(1,792)
<b>Group operating profit</b>									<b>2,861</b>	1,670
Share of operating (loss)/profit of associate									<b>(15)</b>	4
Net interest									<b>(547)</b>	(441)
<b>Profit on ordinary activities before taxation</b>									<b>2,299</b>	1,233
<b>Net assets/(liabilities)</b>										
Continuing operations	<b>(2,170)</b>	508	<b>(1,893)</b>	33	<b>1,480</b>	337	<b>(36)</b>	—	<b>(2,619)</b>	878
Discontinued operations	—	(178)	—	—	<b>(140)</b>	—	—	—	<b>(140)</b>	(178)
	<b>(2,170)</b>	330	<b>(1,893)</b>	33	<b>1,340</b>	337	<b>(36)</b>	—	<b>(2,759)</b>	700
Intangible assets	ii) <b>43,859</b>	24,272	<b>11,644</b>	—	<b>4,540</b>	1,825	—	—	<b>60,043</b>	26,097
Net debt									<b>(6,472)</b>	(10,491)
<b>Total net assets</b>									<b>50,812</b>	16,306

i) £91,000 of exceptional costs shown under the USA geographic region are in respect of discontinued activities. All other exceptional items and goodwill amortisation relate to continuing activities.

ii) Intangible assets all relate to continuing operations.

## Notes to the financial statements (continued)

### 4. Operating expenses

	2004		2003	
	Continuing operations £000	Discontinued operations £000	Continuing operations £000	Discontinued operations £000
Operating expenses before exceptional items and goodwill:				
Excluding acquisitions	<b>20,937</b>	<b>659</b>	19,703	499
Acquisitions	<b>18,557</b>	—	—	—
Exceptional items and goodwill	<b>2,251</b>	<b>91</b>	349	—
<b>Total operating expenses</b>	<b>41,745</b>	<b>750</b>	20,052	499

### 5. Net interest payable

	2004 £000	2003 £000
Interest receivable	<b>75</b>	34
Interest payable on bank loans and overdrafts	<b>(537)</b>	(439)
Interest payable on finance leases	<b>(42)</b>	(36)
Interest payable on loan notes	<b>(39)</b>	—
Other interest payable	<b>(4)</b>	—
<b>Interest payable</b>	<b>(622)</b>	(475)
	<b>(547)</b>	(441)

### 6. Operating profit

Operating profit is stated after charging/(crediting):

	2004 £000	2003 £000
Auditors' remuneration:		
Audit services	<b>248</b>	153
Non-audit services	<b>50</b>	47
Depreciation of owned tangible fixed assets	<b>891</b>	480
Depreciation of tangible fixed assets held under finance leases	<b>168</b>	115
Amortisation of intangible fixed assets	<b>413</b>	170
Loss on disposal of tangible fixed assets	<b>67</b>	12
Rental income	<b>(172)</b>	(16)
Operating lease rentals:		
Land and buildings	<b>2,852</b>	1,324
Equipment, including motor vehicles	<b>296</b>	261

Note: non-audit fees paid to the auditors, relating to and treated as acquisition or share issue costs, amounted to £1,050,000 (2003: £272,000).

## 7. Exceptional items

	2004 £000	2003 £000
Property costs:		
Net provision for vacant leasehold properties	137	—
Fixed asset write offs of surplus leasehold improvements and office equipment costs	50	—
	<b>187</b>	—
Reorganisation costs:		
Reorganisation and redundancy costs	1,812	357
Reversal of provisions not utilised	(400)	(178)
Write down of investment in associate undertaking	151	—
Aborted acquisition costs	179	—
	<b>1,742</b>	179
	<b>1,929</b>	179

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 onerous property lease costs. The reversal of provisions not utilised has been treated as exceptional as the original charge establishing the provision was treated as exceptional.

## 8. Employee information

	2004	2003
Average number of persons employed during the year was:		
Client handling and design	475	233
Administration	121	72
	<b>596</b>	305

During 2004 196 employees were based outside the UK (2003: 46).

	2004 £000	2003 £000
Employee costs, before exceptional items, of all employees included above:		
Gross wages and salaries	23,599	12,180
Social security costs	2,215	1,271
Other pension contributions	767	223
	<b>26,581</b>	13,674

The Group makes contributions to employees' personal pension plans. The pension cost charged for such plans amounted to £767,000 (2003: £223,000) during the year. Outstanding contributions of £14,000 (2003: £29,000) were payable to such funds at 31 December 2004. Prepaid contributions of £2,000 (2003: £3,000) are included in prepayments.

## Notes to the financial statements (continued)

### 9. Taxation on profit on ordinary activities

The Group made a profit before tax of £2,299,000 during the year (2003: profit £1,233,000).

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

	2004 £000	2003 £000
Profit on ordinary activities before tax	2,299	1,233
Corporation tax charge at 30%	690	370
Effects of:		
Expenses not deductible for tax purposes	275	102
Capital allowances for period in excess of depreciation	(33)	(273)
Provisions utilised	(113)	(251)
Higher tax rates on overseas earnings	9	—
Tax losses (utilised)/not utilised	(165)	52
	663	—
Deferred tax credited to profit and loss account	(135)	—
Current tax charge for the year	528	—

### 10. Profit/(loss) attributable to members of Huntsworth PLC

The profit for the year of £350,000 (2003: loss of £197,000) attributable to the shareholders of Huntsworth PLC has been dealt with in the financial statements of that Company.

### 11. Dividends

	2004 £000	2003 £000
Equity dividends on ordinary shares:		
Interim paid 0.1p (2003: 0.1p)	304	163
Special second interim paid 0.1p (2003: Nil)	303	—
	607	163

### 12. Earnings per share

The basic earnings per share calculation is based on the profit on ordinary activities after taxation and minority interests of £1,393,000 (2003: profit of £1,233,000) and on 257,954,372 ordinary shares (2003: 151,209,921 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 all share options outstanding at the year end.

Adjusted earnings per share are calculated to provide information to shareholders about continuing trading performance. The adjusted earnings per share calculation is based on the profit on ordinary activities after taxation and minority interests excluding discontinued operations, exceptional items and exceptional operating items, and goodwill amortisation, being a profit of £3,900,000 (2003: profit of £1,830,000) and on 257,954,372 ordinary shares (2003: 151,209,921 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:

	2004 pence	2003 pence
Basic earnings per share	0.5	0.8
Exceptional items	0.7	0.1
Goodwill	0.2	0.1
Discontinued operations	0.1	0.2
Adjusted earnings per share	1.5	1.2

### 13. Intangible fixed assets

The Group	Goodwill £000
<b>Cost</b>	
At 1 January 2004	26,428
Arising on acquisitions in the year	34,575
Adjustment to acquisitions in prior years	(216)
<b>At 31 December 2004</b>	<b>60,787</b>
<b>Amortisation</b>	
At 1 January 2004	331
Charge for the year	413
<b>At 31 December 2004</b>	<b>744</b>
<b>Net book value at 31 December 2004</b>	<b>60,043</b>
Net book value at 31 December 2003	26,097

Of the total cost of £60,787,000 (2003: £26,428,000), £4,923,000 (2003: £1,795,000) is being amortised over ten years and £55,864,000 (2003: £24,633,000) 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. Goodwill in relation to prior year acquisitions has been adjusted to take into account additional costs payable on acquisitions, adjustments to deferred consideration and additional fair value adjustments identified.

### 14. Tangible fixed assets

The Group	Short leasehold land and buildings £000	Equipment fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2004	501	2,686	310	3,497
Acquisitions	609	911	117	1,637
Additions	60	341	117	518
Disposals	(80)	(78)	(181)	(339)
Written off	(144)	(55)	—	(199)
Exchange differences	14	12	1	27
<b>At 31 December 2004</b>	<b>960</b>	<b>3,817</b>	<b>364</b>	<b>5,141</b>
<b>Depreciation</b>				
At 1 January 2004	111	1,434	34	1,579
Charge for the period	157	759	143	1,059
Disposals	(23)	(65)	(79)	(167)
Written off	(14)	—	—	(14)
Exchange differences	2	1	1	4
<b>At 31 December 2004</b>	<b>233</b>	<b>2,129</b>	<b>99</b>	<b>2,461</b>
<b>Net book value at 31 December 2004</b>	<b>727</b>	<b>1,688</b>	<b>265</b>	<b>2,680</b>
Net book value at 31 December 2003	390	1,252	276	1,918

Short leasehold land and buildings includes improvements to leasehold properties.

Motor vehicles held under finance leases had a net book value at 31 December 2004 of £192,000 (2003: £178,000). Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2004 of £160,000 (2003: £207,000).

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

## Notes to the financial statements (continued)

### 14. Tangible fixed assets (continued)

The Company	Equipment fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>			
At 1 January 2004	687	101	788
Additions	102	117	219
Disposals	—	(102)	(102)
<b>At 31 December 2004</b>	<b>789</b>	<b>116</b>	<b>905</b>
<b>Depreciation</b>			
At 1 January 2004	478	13	491
Charge for the period	97	39	136
Disposals	—	(29)	(29)
<b>At 31 December 2004</b>	<b>575</b>	<b>23</b>	<b>598</b>
<b>Net book value at 31 December 2004</b>	<b>214</b>	<b>93</b>	<b>307</b>
Net book value at 31 December 2003	209	88	297

Motor vehicles held under finance leases had a net book value at 31 December 2004 of £94,000 (2003: £87,000). Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2004 of £47,000 (2003: £54,000).

### 15. Investments

#### The Group

#### Associate

	Share of net tangible assets £000	Goodwill £000	Total £000
At 1 January 2004	36	137	173
Share of loss retained by associate	(15)	—	(15)
Written down	(21)	(137)	(158)
<b>At 31 December 2004</b>	<b>—</b>	<b>—</b>	<b>—</b>

Investment in an associate undertaking represents the acquisition of 25% of Grandfield Limited on 10 July 2003. This investment was written down to the amount realised in February 2005 when the Group disposed of its shareholding, giving an exceptional loss of £151,000 (see Note 7).

#### The Company

	Shares at cost £000	Long term debt at cost £000	Total £000
At 1 January 2004	20,690	20,690	41,380
Acquisitions of subsidiary undertakings	33,105	—	33,105
Movement in investment in prior year acquisitions	(46)	—	(46)
Transfers to sub-holding companies	(19,147)	—	(19,147)
Capitalisation of long term debt	6,500	(6,500)	—
<b>At 31 December 2004</b>	<b>41,102</b>	<b>14,190</b>	<b>55,292</b>

The ownership of most subsidiaries is held through sub-holding companies. During the year the Company partly transferred the ownership of newly acquired subsidiaries to sub-holding companies for shares. In addition the reduction in deferred consideration arising on a prior year acquisitions, and consequent reduction in cost of investments, has been reflected in the Company's investment in these sub-holding companies.

## 15. Investments (continued)

Details of the Company's principal operating subsidiary undertakings at 31 December 2004, 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(\*):

Subsidiary undertakings:	Proportion of nominal value of issued shares held	Principal activity
Avenue Healthcare Knowledge Management Limited	*90%	Public relations consultants
CMC Corporate & Marketing Communications Investments AG <sup>(1)</sup>	*100%	Sub-holding company
Elizabeth Hindmarch Public Relations Limited	*100%	Public relations consultants
Ergo Communication Services Limited	100%	Public relations consultants
Grayling SA <sup>(2)</sup>	*70%	Public relations consultants
Grayling Asia Pte Limited <sup>(3)</sup>	*70%	Public relations consultants
Grayling China Limited <sup>(4)</sup>	*70%	Public relations consultants
Grayling Gilmore Limited <sup>(5)</sup>	*70%	Public relations consultants
Grayling International Limited	*70%	Sub-holding company
Grayling UK Limited	*70%	Public relations consultants
Harrison Cowley Limited	*100%	Public relations consultants
Harvard Public Relations Sarl <sup>(6)</sup>	*100%	Public relations consultants
Haslimann Taylor Limited	*100%	Public relations consultants
Hatch-group Limited	*100%	Public relations consultants
Hatch International Limited	*100%	Public relations consultants
Huntsworth Financial Inc <sup>(7)</sup>	*92%	Sub-holding company
HF Global Consulting Group Inc <sup>(7)</sup>	*92%	Public relations consultants
HF Global Consulting Group Limited	*100%	Public relations consultants
Holmes & Marchant Communications Limited	*100%	Marketing services consultants
Holmes & Marchant Corporate Design Limited	*100%	Marketing services consultants
Holmes & Marchant International Limited	*100%	Design consultants
Hudson Sandler Limited	60%	Public relations consultants
Huntsworth Financial Global Consulting Group SL <sup>(8)</sup>	*92%	Public relations consultants
Huntsworth Financial Group Limited	*92%	Sub-holding company
Huntsworth Healthcare Group Limited	*90%	Sub-holding company
Huntsworth Investments Limited	100%	Sub-holding company
Jago Pearce Healthcare Limited	*90%	Public relations consultants
MacLaurin Limited	*100%	Public relations consultants
PBC Marketing Limited	*90%	Healthcare communications and research
Root Market Research Limited	*90%	Healthcare communications and research
Rose & Kindel Inc <sup>(7)</sup>	*92%	Public relations consultants
Strategy Communications Limited	100%	Public relations consultants
Summit Holdings Inc <sup>(7)</sup>	*92%	Public relations consultants
Summit Consulting Inc <sup>(7)</sup>	*92%	Public relations consultants
The Counsel Group Limited	*100%	Public relations consultants
Trimedia Communications Austria GmbH <sup>(9)</sup>	*100%	Public relations consultants
Trimedia Communications Deutschland GmbH <sup>(10)</sup>	*100%	Public relations consultants
Trimedia Communications France SAS <sup>(6)</sup>	*100%	Public relations consultants
Trimedia Communications Suisse SA <sup>(1)</sup>	*100%	Public relations consultants
Trimedia (International) AG <sup>(1)</sup>	*100%	Sub-holding company
Trimedia Munchen GmbH <sup>(10)</sup>	*51%	Public relations consultants
Trimedia Communications UK Limited	*100%	Public relations consultants
VB Communications Limited	*90%	Public relations consultants
Woodside Communications Limited	*100%	Public relations consultants

1 Incorporated in Switzerland

4 Incorporated in Hong Kong

7 Incorporated in the United States of America

10 Incorporated in Germany

2 Incorporated in Belgium

5 Incorporated in Ireland

8 Incorporated in Spain

3 Incorporated in Singapore

6 Incorporated in France

9 Incorporated in Austria

## Notes to the financial statements (continued)

### 16. Debtors

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Trade debtors	<b>13,649</b>	5,312	—	501
Amounts owed by subsidiary undertakings	—	—	<b>33,360</b>	9,053
Other debtors	<b>1,638</b>	280	<b>816</b>	507
Prepayments and accrued income	<b>2,759</b>	1,226	<b>659</b>	138
	<b>18,046</b>	6,818	<b>34,835</b>	10,199

Included within prepayments and accrued income for the Group is £159,000 (2003: £113,000) in respect of long term rent deposits. Also included within prepayments and accrued income for the Group and Company is £376,000 (2003: £Nil) due after more than one year which relates to contributions made to the Matched Share Plan.

### 17. Creditors due within one year

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank overdrafts	<b>141</b>	126	—	—
Trade creditors	<b>5,901</b>	1,825	<b>223</b>	197
Obligations under finance leases	<b>135</b>	182	<b>30</b>	40
Taxation and social security	<b>4,791</b>	1,103	<b>427</b>	194
Accruals and deferred income	<b>7,539</b>	2,991	<b>709</b>	290
Other creditors	<b>883</b>	243	<b>201</b>	47
Loan notes payable	<b>2,080</b>	—	<b>2,080</b>	—
Dividends payable	<b>304</b>	163	<b>304</b>	163
	<b>21,774</b>	6,633	<b>3,974</b>	931

The Group creditor for taxation and social security includes provision for corporation tax amounting to £1,312,000 (2003: £69,000). The Company creditor for taxation and social security includes UK corporation tax payable amounting to £Nil (2003: £Nil).

#### Amounts due under finance leases:

	2004 £000	2003 £000
<b>The Group</b>		
Amounts payable:		
Within one year	<b>163</b>	216
In two to five years	<b>168</b>	250
	<b>331</b>	466
Less: finance charges allocated to future periods	<b>(34)</b>	(51)
	<b>297</b>	415
<b>The Company</b>		
Amounts payable:		
Within one year	<b>45</b>	48
In two to five years	<b>102</b>	92
	<b>147</b>	140
Less: finance charges allocated to future periods	<b>(15)</b>	(12)
	<b>132</b>	128

## 18. Creditors due after more than one year

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Committed overdraft repayable between two and five years	<b>6,727</b>	10,030	<b>15,928</b>	13,675
Obligations under finance leases	<b>162</b>	233	<b>102</b>	88
	<b>6,889</b>	10,263	<b>16,030</b>	13,763

The Group has a committed overdraft facility with Lloyds TSB Bank plc for a total of £15 million with an expiry date of 30 June 2007.

The facility is secured by a composite guarantee among the Group's principal subsidiaries, and is subject to certain financial covenants. Interest is payable at a margin of 1% over the Lloyds TSB base rate. Additional banking facilities have been agreed following the merger with Incepta Group plc.

## 19. Provision for liabilities and charges

The Group	2004 £000	2003 £000
Deferred taxation: accelerated capital allowances	—	119
Deferred consideration	<b>202</b>	453
Provision for vacant properties	<b>2,362</b>	988
Provision for reorganisation costs	<b>2,651</b>	550
	<b>5,215</b>	2,110

The movement in the year on Group provisions comprises:

	Deferred taxation <sup>(a)</sup> £000	Deferred consideration <sup>(b)</sup> £000	Property <sup>(c)</sup> £000	Reorganisation <sup>(d)</sup> £000	Total £000
At 1 January 2004	119	453	988	550	2,110
Provisions upon acquisition	16	427	2,071	2,207	4,721
Release of provision not utilised	(135)	(139)	(336)	(107)	(717)
Charged to profit and loss account	—	—	320	629	949
Transferred to creditors due within one year	—	(566)	—	—	(566)
Exchange differences	—	27	39	19	85
Utilised	—	—	(720)	(647)	(1,367)
<b>At 31 December 2004</b>	<b>—</b>	<b>202</b>	<b>2,362</b>	<b>2,651</b>	<b>5,215</b>

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

(b) Deferred consideration relates to the acquisition of a Grayling group subsidiary and Trimedia group subsidiaries (see Note 2(ii) and 2(iii)).

(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 and relates to the restructuring of Group businesses.

## Notes to the financial statements (continued)

### 19. Provision for liabilities and charges (continued)

The Company	2004 £000	2003 £000
Deferred taxation: accelerated capital allowances	—	61
Deferred consideration	—	222
Provision for property	—	16
Provision for reorganisation costs	31	34
	<b>31</b>	<b>333</b>

The movement in the year on Company provisions comprises:

	Deferred taxation £000	Deferred consideration £000	Property £000	Reorganisation <sup>(a)</sup> £000	Total £000
At 1 January 2004	61	222	16	34	333
Release of provision not utilised	(61)	—	(15)	—	(76)
Transferred to creditors due within one year	—	(47)	—	—	(47)
Utilised	—	(175)	(1)	(3)	(179)
<b>At 31 December 2004</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>31</b>	<b>31</b>

(a) Reorganisation provisions relate to pension costs and are expected to be incurred within one year of the balance sheet date.

### 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 period under review, the Group's policy that no trading in financial instruments should be undertaken. The main risks arising from the Group's financial instruments are interest rate and foreign exchange risk.

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

#### Interest rate risk profile and foreign currency exposures of financial liabilities and assets

The interest rate risk profile and foreign currency exposures of the financial liabilities of the Group as at 31 December 2004 and 31 December 2003 were as follows:

Financial liabilities	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest is paid £000
Sterling	11,692	8,807	293	2,592
US Dollar	126	—	—	126
Euro	1,955	141	—	1,814
Swiss Franc	683	—	—	683
Other currencies	4	—	4	—
<b>At 31 December 2004</b>	<b>14,460</b>	<b>8,948</b>	<b>297</b>	<b>5,215</b>
Sterling	12,436	10,030	415	1,991
US Dollar	126	126	—	—
At 31 December 2003	12,562	10,156	415	1,991

Sterling floating rate liabilities at 31 December 2004 comprised a bank overdraft that bears interest based on the Lloyds TSB base rate and loan notes payable that bear interest based on LIBOR. The year ended 31 December 2003 balance comprised purely the bank overdraft bearing interest based on the Lloyds TSB base rate. In August 2004 the Group put in place an interest rate cap at a rate of 6.5%. The cap, linked to base rate, is for a principal sum of £5 million and expires in July 2007.

The weighted average period until maturity of fixed rate financial liabilities is 18 months (2003: 19 months) and their weighted average interest rate is 6% (2003: 7%).

Financial liabilities on which no interest is paid as at both 31 December 2004 and 31 December 2003 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 1.12 years (2003: 1.33 years).

## 20. Financial instruments (continued)

### 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 2004 the Group had foreign currency exposures as shown above in relation to financial liabilities and below in respect of financial assets.

The Group has entered into Sterling Average Rate Options in respect of \$2.0 million and €2.5 million at exchange rates of 1.85 and 1.45 respectively. These options are for the period 4 January 2005 to 30 December 2005.

The foreign currency profiles in respect of financial assets as at 31 December 2004 and 31 December 2003 were as follows:

	Cash and bank £000
Financial assets	
Sterling	633
US Dollar	247
Euro	1,276
Swiss Franc	356
Other currencies	261
<b>At 31 December 2004</b>	<b>2,773</b>
Sterling	80
Other currencies	—
At 31 December 2003	80

Floating rate surplus cash earns interest based on relevant local LIBID equivalents.

### Borrowing facilities

#### Maturity analysis

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

	Bank loans and overdrafts £000	Finance leases £000	Provisions for liabilities and charges £000
<b>2004</b>			
Repayable:			
Within one year or on demand	141	135	3,753
Between one and two years	—	162	815
Between two and five years	6,727	—	357
After five years	—	—	290
	<b>6,868</b>	<b>297</b>	<b>5,215</b>
<b>2003</b>			
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

## Notes to the financial statements (continued)

### 20. Financial instruments (continued)

#### 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 and assets at 31 December 2004 and at 31 December 2003. 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.

	2004		2003	
	Book value £000	Fair value £000	Book value £000	Fair value £000
<b>Financial liabilities</b>				
Bank loans and overdrafts	141	141	126	126
Committed overdraft repayable between two and five years	6,727	6,727	10,030	10,030
Finance leases	297	297	415	415
Loan notes	2,080	2,080	—	—
Property provisions	2,362	2,362	988	988
Reorganisation provisions	2,651	2,651	550	550
Deferred consideration	202	202	453	453
<b>Financial assets</b>				
Cash and bank balances	2,773	2,773	80	80
Derivative financial instruments held to manage the interest rate profile				
Assets	26	2	—	—
Derivative financial instruments held to manage foreign exchange exposure				
Assets	48	50	—	—

### 21. Called up share capital

Group and Company	Number of shares	Nominal value £000
Ordinary shares of 10p each		
Authorised at 1 January 2004	250,000,000	25,000
Increase in authorised capital at an EGM on 13 April 2004	150,000,000	15,000
<b>Authorised at 31 December 2004</b>	<b>400,000,000</b>	<b>40,000</b>
	Number of shares	£000
Ordinary shares of 10p each		
Called up, fully allotted and fully paid:		
At 1 January 2004	163,092,294	16,309
Placing and open offer	99,354,546	9,935
Issued to acquire Grayling group	18,181,818	1,818
Issued to acquire Trimedia group	5,388,826	539
Issued to acquire Summit Holdings Inc	944,909	95
Issued to acquire VB Communications Limited	5,662,810	566
Issued to acquire Ergo Communication Services Limited	4,741,880	475
Issued as additional consideration for the acquisition of the Hatch group of companies	3,000,000	300
Issued to acquire Avenue Healthcare Knowledge Management Limited	3,112,632	311
Issued as additional consideration for the acquisition of PBC Marketing Services Limited	634,146	63
Issued on exercise of employee share options	327,214	33
<b>At 31 December 2004</b>	<b>304,441,075</b>	<b>30,444</b>

## 21. Called up share capital (continued)

During the year the following shares were issued:

- In April 2004, 99,354,546 ordinary shares of 10p each with an aggregate value of £21,858,000 were issued at a price of 22p each in respect of a placing and open offer, resulting in share premium of £11,922,545 less placement costs incurred of £1,460,383 written off against the share premium account (see note 22).
- In April 2004, 18,181,818 ordinary shares of 10p each with an aggregate value of £4,000,000 were issued at a price of 22p each, as consideration for the acquisition of Grayling group, resulting in a share premium of £2,181,818, which has been treated as a merger reserve.
- In April 2004, 5,388,826 ordinary shares of 10p each with an aggregate value of £1,333,734 were issued at a price of 24.75p each, as consideration for the acquisition of Trimedia group, resulting in a share premium of £794,852, which has been treated as a merger reserve.
- In April 2004, 944,909 ordinary shares of 10p each with an aggregate value of £222,054 were issued at a price of 23.5p each, as consideration for the acquisition of Summit Holdings Inc, resulting in a share premium of £127,563, which has been treated as a merger reserve.
- In July 2004, 5,662,810 ordinary shares of 10p each with an aggregate value of £1,100,000 were issued at a price of 19.425p each, as consideration for the acquisition of VB Communications Limited, resulting in a share premium of £533,720, which has been treated as a merger reserve.
- In July 2004, 4,741,880 ordinary shares of 10p each with an aggregate value of £932,585 were issued at a price of 19.667p each, as consideration for the acquisition of Ergo Communications Services Limited, resulting in a share premium of £458,398, which has been treated as a merger reserve.
- In August 2004, 3,112,632 ordinary shares of 10p with an aggregate value of £591,400 each were issued at a price of 19p each, as consideration for the acquisition of Avenue Healthcare Knowledge Management Limited, resulting in a share premium of £280,137, which has been treated as a merger reserve.
- In September 2004, 3,000,000 ordinary shares of 10p each with an aggregate value of £300,000 were issued at a price of 10p each, as additional consideration for the acquisition of the Hatch group of companies.
- In October 2004, 634,146 ordinary shares of 10p each with an aggregate value of £130,000 were issued at a price of 20.5p each, as additional consideration for the acquisition of PBC Marketing Limited, resulting in a share premium of £66,585, which has been treated as a merger reserve.
- During 2004, 327,214 ordinary shares of 10p each with an aggregate value of £38,008 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 £5,287.

## Share options

The following share options were outstanding under the Approved Scheme at 31 December 2004 and 31 December 2003:

Exercise period:	2004		2003	
	Number of shares	Exercise price per share	Number of shares	Exercise price per share
December 1999 to December 2006	100,000	10p	100,000	10.0p
December 2003 to December 2010	3,000	30p	4,000	30.0p
June 2004 to June 2011	16,000	38.4p	21,000	38.4p
November 2004 to November 2011	14,000	24.5p	21,000	24.5p
June 2005 to June 2012	180,000	18.5p	220,000	18.5p
July 2006 to July 2013	899,000	11.625p	1,191,500	11.625p
April 2007 to April 2014	341,610	23.5p	—	—
July 2007 to July 2013	899,000	11.625p	1,191,500	11.625p
July 2007 to July 2014	323,000	19.35p	—	—
October 2007 to October 2014	243,750	21.5p	—	—
April 2008 to April 2014	341,595	23.5p	—	—
July 2008 to July 2014	322,976	19.35p	—	—
October 2008 to October 2014	243,750	21.5p	—	—
	<b>3,927,681</b>		<b>2,749,000</b>	

## Notes to the financial statements (continued)

### 21. Called up share capital (continued)

#### Share options (continued)

The following share options were outstanding under the Unapproved Scheme at 31 December 2004 and 31 December 2003:

Exercise period:	2004		2003	
	Number of shares	Exercise price per share	Number of shares	Exercise price per share
July 2006 to July 2013	<b>1,011,893</b>	<b>11.625p</b>	1,058,893	11.625p
April 2007 to April 2014	<b>2,129,659</b>	<b>23.5p</b>	—	—
July 2007 to July 2013	<b>1,011,892</b>	<b>11.625p</b>	1,058,892	11.625p
July 2007 to July 2014	<b>100,000</b>	<b>19.6p</b>	—	—
April 2008 to April 2014	<b>2,129,652</b>	<b>23.5p</b>	—	—
July 2008 to July 2014	<b>100,000</b>	<b>19.6p</b>	—	—
October 2007 to October 2014	<b>41,598</b>	<b>21.5p</b>	—	—
October 2008 to October 2014	<b>41,598</b>	<b>21.5p</b>	—	—
	<b>6,566,292</b>		2,117,785	

The following share options were outstanding under the Huntsworth Enterprise Management Incentive Scheme (EMIS) at 31 December 2004 and 31 December 2003:

Exercise period:	2004		2003	
	Number of shares	Exercise price per share	Number of shares	Exercise price per share
June 2002 to June 2011	—	—	260,416	38.4p
July 2006 to July 2013	<b>2,500,216</b>	<b>11.625p</b>	2,640,216	11.625p
April 2007 to April 2014	<b>1,620,904</b>	<b>23.5p</b>	—	—
July 2007 to July 2013	<b>2,500,214</b>	<b>11.625p</b>	2,640,214	11.625p
July 2007 to July 2014	<b>203,046</b>	<b>19.7p</b>	—	—
July 2007 to July 2014	<b>310,077</b>	<b>19.35p</b>	—	—
July 2007 to July 2014	<b>64,500</b>	<b>19.6p</b>	—	—
October 2007 to October 2014	<b>539,652</b>	<b>21.5p</b>	—	—
April 2008 to April 2014	<b>1,620,899</b>	<b>23.5p</b>	—	—
July 2008 to July 2014	<b>203,044</b>	<b>19.7p</b>	—	—
July 2008 to July 2014	<b>310,077</b>	<b>19.35p</b>	—	—
July 2008 to July 2014	<b>64,500</b>	<b>19.6p</b>	—	—
October 2008 to October 2014	<b>539,652</b>	<b>21.5p</b>	—	—
	<b>10,476,781</b>		5,540,846	

The following share options were outstanding under the Huntsworth (Executive Directors) Unapproved Scheme at 31 December 2004 and 31 December 2003:

Exercise period:	2004		2003	
	Number of shares	Exercise price per share	Number of shares	Exercise price per share
July 2006 to July 2013	<b>5,569,893</b>	<b>11.625p</b>	5,569,893	11.625p
July 2007 to July 2013	<b>5,569,892</b>	<b>11.625p</b>	5,569,892	11.625p
	<b>11,139,785</b>		11,139,785	

## 21. Called up share capital (continued)

### Share options (continued)

The following share options were outstanding under the Huntsworth PLC non-executive Unapproved Scheme at 31 December 2004 and 31 December 2003:

Exercise period:	2004		2003	
	Number of shares	Exercise price per share	Number of shares	Exercise price per share
June 2005 to June 2012	750,000	11.625p	750,000	11.625p
June 2006 to June 2012	750,000	11.625p	750,000	11.625p
July 2006 to July 2013	75,500	11.625p	75,500	11.625p
March 2007 to March 2014	500,000	25.25p	—	—
April 2007 to April 2014	223,404	23.5p	—	—
July 2007 to July 2013	75,500	11.625p	75,000	11.625p
March 2008 to March 2014	500,000	25.25p	—	—
April 2008 to April 2014	223,403	23.5p	—	—
	<b>3,097,807</b>		<b>1,650,500</b>	

The following share options were outstanding under the Huntsworth PLC Savings Related Share Option Scheme at 31 December 2004 and 31 December 2003:

Exercise period:	2004		2003	
	Number of shares	Exercise price per share	Number of shares	Exercise price per share
December 2006 to May 2007	1,411,076	11.2p	1,694,740	11.2p
September 2007 to February 2008	1,098,368	15.26p	—	—
December 2008 to May 2009	653,807	11.2p	790,795	11.2p
September 2009 to February 2010	341,997	15.26p	—	—
	<b>3,505,248</b>		<b>2,485,535</b>	

## 22. Reserves

	Share premium account £000	Other reserves £000	Investment in own shares £000	Profit and loss account £000
<b>The Group</b>				
At 1 January 2004	13,148	3,459	(5)	(19,600)
Arising on share issues (see Note 21)	10,467	4,443	—	—
Currency translation movements	—	—	—	(183)
Shares acquired during the year	—	—	(3)	—
Profit for the year	—	—	—	786
<b>At 31 December 2004</b>	<b>23,615</b>	<b>7,902</b>	<b>(8)</b>	<b>(18,997)</b>
<b>The Company</b>				
At 1 January 2004	13,148	3,459	(5)	944
Arising on share issues (see Note 21)	10,467	4,443	—	—
Shares acquired during the year	—	—	(3)	—
Profit for the year	—	—	—	350
<b>At 31 December 2004</b>	<b>23,615</b>	<b>7,902</b>	<b>(8)</b>	<b>1,294</b>

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 £1,294,000.

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 2004 the Trust held 77,500 shares (2003: 50,000 shares) in the Company which had a market value at 31 December 2004 of £17,050 (2003: £9,875), none of which are under option or have been conditionally gifted to employees at the year end.

## Notes to the financial statements (continued)

### 23. Shares to be issued

	2004 £000
At 1 January 2004	2,995
Accrued for acquisitions (see Notes 2(iii), 2(iv), 2(v), 2 (vi), 2(vii), 2 (viii) and 2(ix))	6,677
Issued during the year in relation to prior period acquisitions	(430)
Transfer into loan notes and classified as creditors due within one year	(1,742)
Reversal of accrual during the year in relation to a prior period acquisition	(343)
<b>At 31 December 2004</b>	<b>7,157</b>

The reversal of the accrual during the year in relation to a prior period acquisition relates to a reduction in the final consideration for PBC Marketing Limited and estimated final consideration for the Hatch group of companies.

### 24. Reconciliation of movements in shareholders' funds

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Opening shareholders' funds	<b>16,306</b>	12,418	<b>36,850</b>	34,217
Profit/(loss) for the year	<b>786</b>	1,070	<b>350</b>	(197)
Exchange adjustments on foreign currency net investments	<b>(183)</b>	(12)	—	—
Investment in own shares	<b>(3)</b>	(5)	<b>(3)</b>	(5)
Shares issued on acquisitions	<b>8,180</b>	2,029	<b>8,180</b>	2,029
Shares to be issued on acquisitions	<b>6,677</b>	900	<b>6,677</b>	900
Shares to be issued – adjustment to prior year acquisition	<b>(343)</b>	(94)	<b>(343)</b>	(94)
Shares to be issued – reclassified to creditors due within one year	<b>(1,743)</b>	—	<b>(1,743)</b>	—
Shares issued for cash consideration	<b>21,896</b>	—	<b>21,896</b>	—
Share issue costs	<b>(1,460)</b>	—	<b>(1,460)</b>	—
Closing shareholders' funds	<b>50,113</b>	16,306	<b>70,404</b>	36,850

### 25. Commitments and contingent liabilities

#### Operating leases

	Group			Company	
	Property in use £000	Vacant/sub-let £000	Equipment £000	Property in use £000	Equipment £000
<b>2004</b>					
Annual commitments at 31 December 2004 in respect of non-cancellable operating leases expiring in:					
One year	<b>361</b>	—	<b>68</b>	<b>8</b>	<b>8</b>
Two to five years	<b>908</b>	—	<b>101</b>	—	—
Over five years	<b>1,613</b>	<b>125</b>	—	<b>173</b>	—
	<b>2,882</b>	<b>125</b>	<b>169</b>	<b>181</b>	<b>8</b>
<b>2003</b>					
Annual 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

## 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 £72,000 (2003: £75,000).
- (ii) The Company is a guarantor of the bank borrowings of certain other Group companies. At 31 December 2004 the maximum contingent liability in respect of their net borrowings amounted to £133,000 (2003: £206,000).

## 26. Cash flow

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

	2004 Before exceptionals and goodwill £000	2004 Exceptionals and goodwill (including discontinued operations) £000	2004 Total £000	2003 Total £000
Operating profit/(loss)	5,368	(2,507)	2,861	1,670
Depreciation	1,049	10	1,059	595
Loss on write down of associated undertaking	—	151	151	—
Tangible fixed assets written off	—	50	50	4
Loss on disposal of tangible fixed assets	5	62	67	14
Amortisation of goodwill	—	413	413	170
Decrease/(increase) in work in progress	239	(25)	214	17
(Increase)/decrease in debtors	(1,655)	44	(1,611)	(631)
Increase/(decrease) in creditors	1,573	167	1,740	(1,025)
Decrease in provision for liabilities and charges	—	(309)	(309)	(1,136)
Net cash inflow/(outflow) from operating activities	6,579	(1,944)	4,635	(322)

The net cash outflow from operating activities in 2003 includes cash outflows of £1,320,000 in respect of exceptional items and £351,000 in respect of termination costs of discontinued operations.

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

	2004 £000	2003 £000
Increase/(decrease) in cash in the year	2,777	(673)
Cash inflow from increase in long term borrowings	—	(4,980)
Cash outflow from debt repayment	3,303	—
Repayment of capital element of finance leases	272	210
Change in net debt resulting from cash flows	6,352	(5,443)
Finance leases acquired with subsidiaries	(60)	(95)
New finance leases	(137)	(155)
Cancelled finance leases	43	—
Loan notes issued	(2,080)	—
Translation differences	(99)	(39)
Decrease/(increase) in net debt	4,019	(5,732)
Net debt at beginning of year	(10,491)	(4,759)
Net debt at end of year	(6,472)	(10,491)

## Notes to the financial statements (continued)

### 26. Cash flow (continued)

#### (c) Analysis of net debt

	1 January 2004 £000	Cash flow £000	Other £000	31 December 2004 £000
Cash at bank and in hand	80	2,652	41	<b>2,773</b>
Overdraft	(126)	125	(140)	<b>(141)</b>
Net cash/(overdraft)	(46)	2,777	(99)	<b>2,632</b>
Committed overdraft repayable between two and five years	(10,030)	3,303	—	<b>(6,727)</b>
Finance leases	(415)	272	(154)	<b>(297)</b>
Loan notes issued	—	—	(2,080)	<b>(2,080)</b>
Net debt	(10,491)	6,352	(2,333)	<b>(6,472)</b>

#### (d) Purchase of subsidiary undertakings

	2004 Fair value £000	2003 Fair value £000
Fair value of assets and liabilities acquired:		
Tangible fixed assets	<b>1,573</b>	257
Work in progress	<b>1,138</b>	114
Debtors	<b>9,431</b>	1,378
Cash at bank and in hand/(overdraft)	<b>927</b>	(1,098)
Creditors	<b>(14,684)</b>	(1,797)
Net liabilities acquired	<b>(1,615)</b>	(1,146)
Goodwill	<b>34,359</b>	6,450
Consideration	<b>32,744</b>	5,304
Satisfied by:		
Cash	<b>18,164</b>	2,279
Shares allotted	<b>8,610</b>	2,029
Deferred consideration – cash	<b>1,456</b>	95
Deferred consideration – loan notes	<b>337</b>	—
Deferred consideration – shares or cash	<b>4,177</b>	901
	<b>32,744</b>	5,304

### 27. Related party transactions

There were no related party transactions that required disclosure during the year.

### 28. Post balance sheet events

Since the year end the Group has completed the acquisition of Sinclair Mason Limited.

Sinclair Mason Limited was acquired on 23 February 2005 for an initial consideration £1.1 million, of which £620,000 was paid in cash, with the balance satisfied by the issue of shares. Additional consideration may be payable after one year and three years of trading based on profits of the business up to an approximate maximum of £2.8 million.

On 29 April 2005, Huntsworth PLC announced that its merger offer for Incepta Group plc was unconditional in all respects.

Under the terms of the merger offer, the Company has issued to date 590,931,170 new Huntsworth ordinary shares as part of the consideration for the acquisition of 100% of the issued share capital of Incepta Group plc. As a result of the merger with Incepta Group plc, the Board of Directors of Huntsworth was restructured and details of the changes in the composition of the Board can be found in the Report of the Directors on page 10.

## 2005 financial calendar

30 June	2005 financial half year end
5 July	2005 Annual General Meeting
September	announcement of 2005 interim results
31 December	2005 financial year end

## Contact details

Lord Chadlington	Executive Chairman	+44 (0)20 7408 2232	email: <a href="mailto:lordchadlington@huntsworth.com">lordchadlington@huntsworth.com</a>
Roger M Selman	Finance Director	+44 (0)20 7408 2232	email: <a href="mailto:roger.selman@huntsworth.com">roger.selman@huntsworth.com</a>

**huntsworth plc**

15-17 Huntsworth Mews

London NW1 6DD

Tel: +44 (0)20 7408 2232

Fax: +44 (0)20 7493 3048

[www.huntsworth.com](http://www.huntsworth.com)