Huntsworth plc Annual Report and Accounts 2008

Annual Report and Accounts
2008

HUNTSWORTH

Getting the message right

Contents

Highlights
2008

£159.1m
Revenue up by 4.5%

£24.0m
Profit before tax and highlighted items up by 9.9%

8.5p
Earnings per share before highlighted items up by 7.6%

2.7p
Dividend per share up 8.0%

Revenue
- Revenue up 4.5% at £159.1 million (2007: £152.3 million)
- Net new business wins of £47.1 million
- Organic[1] revenues up 3%

Operating margin[2]
- Operating margin pre central costs maintained at 21.0% (2007: 21.0%)
- Operating margin post central costs up to 16.5% (2007: 15.9%)

Profit before tax
- Profit before tax and highlighted items up 9.9% to £24.0 million (2007: £21.9 million)
- Profit before tax after highlighted items up 87% to £20.1 million (2007: £10.8 million)

Earnings per share
- Earnings per share before highlighted items up 7.6% to 8.5p (2007: 7.9p)
- Earnings per share after highlighted items down 19% to 4.8p (2007: 5.9p)

Dividend
- Proposed final dividend up 8.1% to 2.0p (2007: 1.85p) giving a total dividend up 8.0% to 2.7p (2007: 2.5p)

Cash flow
- Cash flow from operating activities of £28.8 million, representing a cash conversion of 110%

Debt
- Net debt reduced to £33.5 million (2007: £54.1 million)

Notes:
1. Organic revenues are at actual exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals.
2. All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation of intangible assets, profit on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net restructuring and other non-recurring items.

Our Business

We are an international public relations and healthcare communications group.

Our portfolio comprises some of the world's leading PR agency brands with expertise in areas which include corporate communications, financial communications, public affairs and consumer together with an integrated healthcare offer.

All our work in every discipline is designed to understand and engage stakeholders, communicating with them – in the right way, at the right time, with the right message.

An increasing number of clients are recognising the importance of building and maintaining their reputation and realise that PR disciplines can provide a cost effective entry point and deliver exceptional return on investment.

Corporate Communications

Core areas of work include:
- Reputation management
- Stakeholder engagement
- Corporate social responsibility
- Media relations and training
- Business to business communications

Building corporate reputations

Building and protecting corporate reputation is a high priority in every boardroom and, in today's uncertain times and 24/7 new media environment, it is more valued than ever.

Our corporate communications experts develop planned, sustained campaigns to ensure the widest possible audience understands the values, principles and people that lie behind some of the world's biggest companies.

This work is increasingly international in scope as globalised businesses compete for share of voice on the international stage around issues such as climate change, innovation and corporate citizenship.

Financial Communications

Core areas of work include:
- Investor relations
- Mergers and acquisitions
- IPOs and share offers
- Emerging markets
- Litigation support

Connecting with financial audiences

Huntsworth companies are trusted partners for many corporate clients, investment banks, private equity houses and major law firms.

In a world of unprecedented uncertainty and instability, effective communications with the financial community are even more important. This requires expertise, peerless contacts as well as speed of thought and action.

As well as major operations in all the key financial centres, Huntsworth is a leader in emerging market financial communications – working with companies, institutions and governments from new markets and helping them build their relationships with international audiences.

Public Affairs

Core areas of work include:
- Strategic advice, counsel and training
- Risk analysis and political monitoring
- Stakeholder mapping and communication
- Perception audits and surveys

Understanding legislation and regulation

For major international businesses, the regulatory environment presents a complex ever-changing picture of overlapping local, national, regional and international law makers and legislative programmes. Helping companies to understand how this impacts on their current and future business and marketplace is a vital aspect of management in today's economy.

From expert researchers through to analysts and lobbyists, we help our clients understand how political and regulatory change might affect them and devise plans and strategies to help them present the most effective case possible to support their organisations' goals.

Consumer

Core areas of work include:
- Business and brand awareness
- Media relations
- Events
- Viral campaigns

Engaging with consumers

As advertising declines in effectiveness, companies are increasingly turning to public relations to connect with existing and potential consumers alike. This activity ranges from product launches to brand revitalisation programmes; from experiential events that directly engage consumers through to digital communications harnessing the power of social media.

Huntsworth companies represent many of the world's most famous and most successful consumer brands and do so in territories all over the globe.

Huntsworth Health

Core areas of work include:
- Medical communications
- Public relations
- Market research
- Digital communications
- Advertising
- Sales training

An integrated offering

Healthcare is perhaps the most dynamic industry of the modern age because of a combination of the sheer scale of the investment and of the value of the potential breakthroughs being pursued.

Huntsworth's offer is unique – we apply specialist teams to all aspects of the marketing mix to drive improved value for all of our clients. With over 60% of our staff holding primary or secondary science degrees, we are able to ensure that not only do we deliver scientifically sound communications, but that we are able to deliver them through a variety of media channels to our clients' core customers.

Our Markets

We are an international public relations and healthcare communications group operating from 69 principal offices in 29 countries around the world.

Our network goes beyond our major offices, with a series of hubs and affiliates covering six continents. Our comprehensive presence means we can offer international experience and solutions combined with specialist local knowledge and understanding.

UK

Offices

44% of Group revenue comes from our UK operations

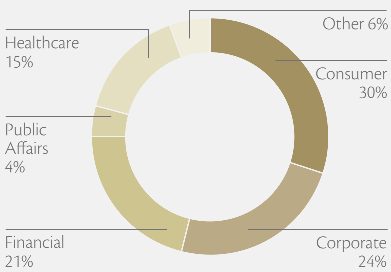
Geographies:
- Offices in 14 cities
- 12 London offices

Employees:
- 700 employees

£70.9m

Revenue 2008 (2007 £71.8m)

Split of the business



Europe

Offices

26% of Group revenue comes from European businesses

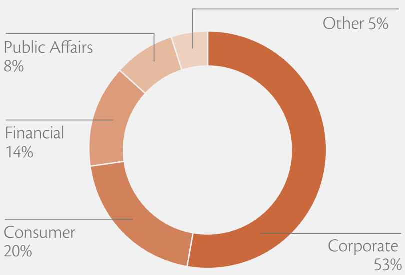
Geographies:
- Offices in 24 countries
- Offices in all the major European cities
- Located in 13 key Eastern European markets

Employees:
- 500 employees

£42.0m

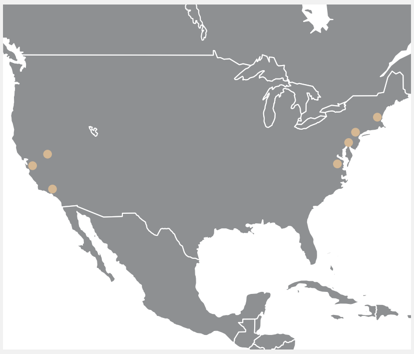
Revenue 2008 (2007 £38.4m)

Split of the business



USA

Offices



26% of Group revenue comes from our US operations

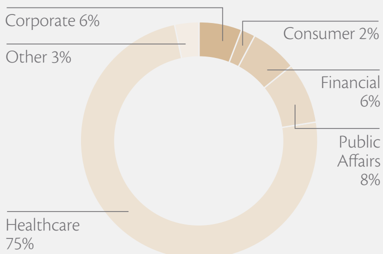
Geographies:
- Offices in 7 cities
- Business concentrated on the East and West Coast key markets

Employees:
- 350 employees

£40.6m

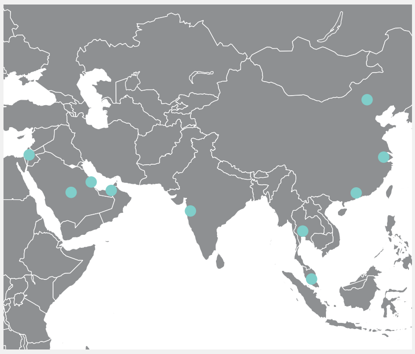
Revenue 2008 (2007 £37.6m)

Split of the business



Rest of the World

Offices



4% of Group revenue comes from the Rest of the World

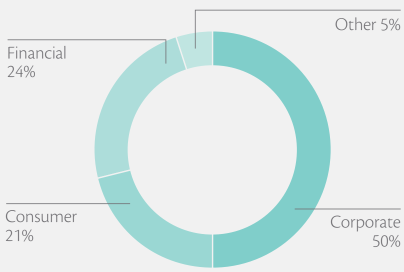
Geographies:
- Offices in 8 countries
- Expansion into UAE and Saudi Arabia with the acquisition of Momentum in February 2009

Employees:
- 100 employees

£5.9m

Revenue 2008 (2007 £4.8m)

Split of the business



Chairman's Statement

Richard Sharp, Non-executive Chairman

I am grateful to our clients, our staff and our shareholders for their support of the Company as we look forward to an interesting and challenging 2009

Having taken over as Huntsworth's Chairman in May 2008, I am happy to report that your Company has performed well in 2008. I am very grateful to my predecessor, Jon Foulds, for the leadership he brought to Huntsworth and the strong financial condition in which he has left the Company. He led the Group with vision and determination. He has laid the firm foundations for this business. I and all the shareholders should thank him most warmly for his considerable achievement.

The Company's 2008 results reflect the resilience of its portfolio of businesses, its breadth of clients and the diverse geographies and industries which it services.

31% of our 2008 revenues were serviced by more than one company – up from 29% last year: a little over half of our net new business in 2008 came from existing clients and clients lost in the year fell to just 4%. And our Group clients have already committed 78% of our budgeted fees for 2009.

The Group central management maintains a vigorous and detailed focus on the financial performance of the operating companies throughout Huntsworth and I am particularly pleased with the margins for 2008, the level of cash generation in the business and the debt reduction which has taken place. The overall financial condition of the companies is robust and our banking facilities were put in place in 2007 and remain committed until 2012 on attractive terms.

Huntsworth combines strong central management with entrepreneurial and focused business leadership in the operating companies. Given the difficult economic circumstances, you should feel very pleased that your Company has generated an organic increase in revenues in 2008 and has maintained a very strong customer franchise.

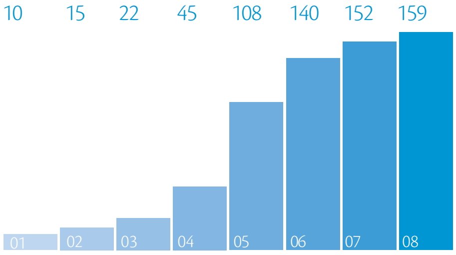
Our focus in 2009 will be for the Company to be proactive in addressing its client needs. We will seek to drive superior operating performance, maintain financial discipline and only contemplate acquisitions which are clearly value added and shareholder value enhancing.

2009 will present unique challenges throughout the world economy. The strong culture of Huntsworth, the client driven approach to business and the breadth of operations should see it perform well in these difficult market conditions.

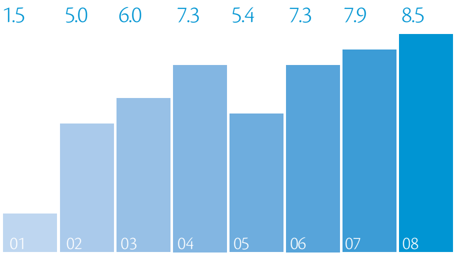
My goal is to maximise shareholder value. As an expression of confidence in our business, I am happy to report an increased dividend for 2008. I am grateful to our clients, our staff and our shareholders for their support of the Company as we look forward to an interesting and challenging 2009.

Richard Sharp
Chairman
20 March 2009

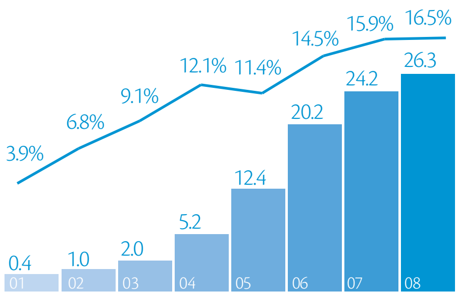
8 Year revenue growth[1]
£m



8 Year adjusted EPS growth[1]
pence



8 Year underlying operating profit and margin trends[1]
£m



31%

of 2008 revenues serviced by more than one company

1 Excluding discontinued operations

Operating Review

Lord Chadlington,
Chief Executive Officer

Sally Withey,
Chief Operating Officer

"We have developed a Group-wide culture of rigorous focus on margin management"

Overview

Huntsworth continued to produce strong revenues, profits and margins in 2008:

- Revenue up 4.5% at £159.1 million (2007: £152.3 million)
- Organic[1] revenues up 3%
  - Public Relations revenues up 5%
  - Huntsworth Health revenues down 1%
- Revenue down 1.9% at constant currencies[2]
- Profit before tax up 9.9% to £24.0 million (2007: £21.9 million)
- Group won £47.1 million of net new business in the year – 54% from existing clients

The Portfolio

Huntsworth has two principal areas of activity – Public Relations (74% of Group revenue) and Huntsworth Health (26% of Group revenue).

Our broad spread of businesses across public relations practices and industry sectors together with our geographic profile and no reliance on any individual client enabled the Group to balance areas of growth and decline and increase margins during the year. We outlined at our interim results how we expected the different public relations and public affairs disciplines to trade through a downturn. To date, the global recession has affected our businesses broadly as anticipated. Financial projects have fallen but financial retainers remain strong,

21%

Operating margin – maintained in line with 2007

Note:
1 Organic revenues are at actual exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals.
2 Constant currency results are calculated by restating prior year local currency amounts using current year exchange rates.

consumer revenues have been boosted as advertising budgets have been switched to public relations and public affairs, and Huntsworth Health are proving more sensitive to political and drug release cycles than the broader economic cycle.

During 2008 the Group worked for over 2,500 clients and provided services to 49 companies in the FTSE 100, 101 in the Fortune 500, 111 in the Eurotop 300 and 39 of the world's 50 largest healthcare companies. Despite a more challenging economic climate our client profile remains broadly similar to last year, having retained 24 of 2007's top 25 clients, with client attrition rates lower than last year at 4% (2007: 5%).

We have benefited from our international profile with approximately 40% of our profits after associates denominated in US Dollars and 20% in Euros and we have an option to hedge the translation risk on our 2009 profits should these currencies weaken.

The Group is not exposed to any dominant clients with the largest client representing 1.1% of revenue, the top 10 clients account for 7.8% and the top 25 clients only 14.8%. Average fee income per client on a continuing basis is £49,000 for Public Relations and £96,000 for Huntsworth Health which may lead to less cyclicality in our revenues as compared with other bigger ticket marketing spends. The Group employs 1,650 staff with an average fee income per employee of £93,000, up from £86,000 in 2007.

We have developed a Group-wide culture of rigorous focus on margin management with systems in place to monitor portfolio companies' margins on a weekly basis. With approximately 70% of the next 12 months revenue visible at any given time and 12% of our costs variable, we believe we are well placed to manage our operating margins closely and tightly even in a tough climate.

Over the year we have made progress on simplifying our group structure, merging brands and creating efficiencies whenever possible.

2,500

Clients serviced by the Group in 2008

Our predominant brands include Trimedia, Red, Grayling, Citigate and Huntsworth Health. However with 26 individual trading brands across the Group we believe there is scope for further co-operation and efficiency and will continue to look for further opportunities to enable our companies to work more closely together as our international network client base grows.

In February 2009 we acquired Momentum International Limited in Dubai which provides a platform for future growth in the Middle East.

Public Relations

Within our public relations agencies, which represent 74% of Group revenues, we offer a range of practices which all performed slightly differently in 2008 as we began to trade through the downturn. Overall, public relations organic revenue growth was 5% in the year.

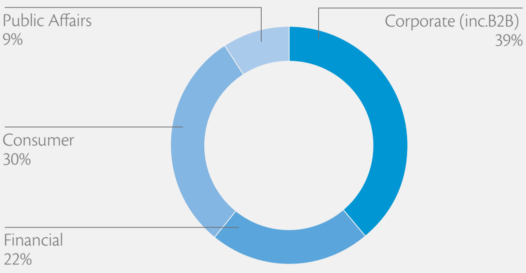
Areas of activity include Consumer, Corporate and Financial Communications, and Public Affairs.

Consumer Communications

Whilst advertising revenues have been falling across the globe, our consumer revenues have continued to grow organically, up 8% in 2008. This forward momentum has continued into the first few weeks of 2009.

The Red Consultancy, one of our leading consumer agencies, grew its client base substantially and delivered a broad spectrum of campaigns. These included brand building for Coors Brewers, product launches for Carling, support for Cadbury's commercials promoting 'Glass and a Half Full Productions', an educational campaign for the Lego range, helping Chevron promote renewable energy initiatives and a profile building campaign for Ebookers.

PR Revenue by Type of Work



Operating Review continued

Corporate Communications

Corporate and B2B revenues were up 6% organically. Reputation Management, Corporate and Social Responsibility (CSR) and the Environment remained strong as well as Crisis and Issues communications.

Significant wins for Citigate included the launch and ongoing retainer mandate from private jet start-up Jet Republic, a pan-European brief from investment management firm Legg Mason, work to help Indian outsourcing company Patni to support the growth of its operations in Europe, a new agreement to raise the profile of international insulation company Rockwell with consumers, architects and contractors and the pan-European media brief for ING Investment Management.

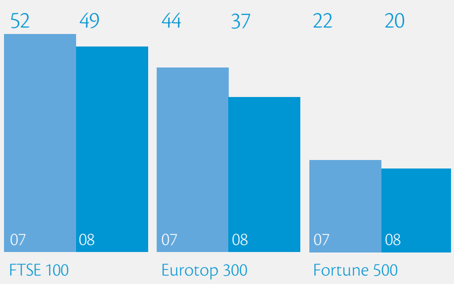
At Trimedia, our internationally-recognised work in the Corporate and Social Responsibility area continued to develop for clients such as Coca -Cola, Land Rover, Kraft Foods and B.T. We developed a new niche in 'Cleantech' working for clients such as Akzo Nobel as well as specialising in handling major international product recalls.

Grayling handled major activities for several aerospace clients, including Rolls-Royce and Embraer. Client wins included a pan-Asian remit for the world's leading digital security provider, Gemalto, and an increase in corporate work for financial clients including BlackRock and Threadneedle.

Corporate and public affairs work now constitutes the largest slice of revenue for Mmd consolidating its position as the leading dedicated consultancy, by breadth and reputation, across the Central & Eastern European and Eurasian regions. Two leading examples of our work in 2008 included chairing the first PR committee within the Association of European Businesses in Russia and helping to launch the British Serbian Chamber of Commerce in both Serbia and the United Kingdom.

Public sector work was strong including contracts won for Becta promoting the objective of encouraging the use of information and communication technology in education and UK Online's campaign to get the whole UK population online.

Percentage of companies in leading indices served by the Group
%



Communications and reputation management is proving to be even more critical than in previous downturns – together with increased sophistication in traditional public relations and digital activities – but we are seeing our clients tending to engage us on a project basis to overcome budgetary constraints.

Financial Communications

Overall Financial Communications declined organically by 4%. As expected, financial projects – which now account for only 4% of Group revenues – have declined by 25%. However, our substantial financial retainer base has grown by 3% as clients see the benefit of more sophisticated communications particularly in financial calendar work and investor relations. Our core clients remain stable as we help them to communicate during challenging times and the revenue base remains strong going into 2009.

Despite the decline in the IPO market, Citigate's financial team advised on the two largest European IPOs of 2008 – New World Resources and EDP Renováveis – and also advised on Globaltrans, the largest IPO by a Russian company in 2008.

In addition, Citigate continued to maintain its presence in the depleted M&A sector, ending the year rated 2nd for volume of global, European and Asia Pacific mid market deals. Most notable deals include Pernod Ricard's €5.6 billion acquisition of Vin & Spirit, NYSE Euronext acquisition of 25% of Doha Securities Market, Nike's £285 million acquisition of Umbro and the €385 million acquisition of Ebro Puleva S.A. by Associated British Foods.

Our investor relations practice continues to advise a growing number of major clients with increasing demand for bespoke research into investor attitudes and perception of companies' strategies to better inform their Boards. Global execution of complex investor relations solutions continued to drive business activity in 2008. China was a major growth area with numerous new wins among Chinese companies contracting Grayling for full service investor relations programmes to support their US stock listings. Grayling spearheaded the launch of the New York Representative Office of the City of Shenzhen, a city of twelve million people.

£49,000

Average fee per public relations client

How we manage our business

Margin management

We have a strong track record of managing margins, even in challenging markets.

Cash management

We place a strong focus on working capital management and cash conversion.

Communication

Our business heads are in regular contact with the centre, ensuring that key issues are identified and dealt with efficiently.

Business tracking

Our new business tracker gives us visibility of client gains and losses on a weekly basis enabling us to closely monitor and respond to changing circumstances.

> Much of our profiling and external communications over the last year has focused on the digital arena and the growing need for online communications

14%

Huntsworth Health organic profit growth

Within the South American region our investor relations team provided leadership training for the senior management team of Cemig, one of the largest electric energy utilities in Brazil, and also extended its relationship with Banco Itau, among the largest banks in the southern hemisphere, by providing comprehensive financial community and event management services in the United States, United Kingdom, Austria and Brazil.

Public Affairs

Our Public Affairs firms grew revenues organically by 33% in 2008. A new US President along with political change and budgetary crisis in California have provided new opportunities. We also continued to win new clients as preparations begin for the upcoming General Election in the United Kingdom and we expect this trend to continue into 2009.

Grayling, supported by Trimedia, was appointed by 'REACHforLIFE' to co-ordinate an integrated public affairs and public relations campaign delivered by our network in the United Kingdom, Brussels, France, Germany and the Netherlands with the objective of the campaign to ignite a debate through the business media on the European Union chemicals policy in Brussels and the four member states.

Grayling was retained by a coalition of the biggest names in philanthropy to oppose efforts to impose undue government burdens on some of the world's largest foundations. IBM appointed them to promote their traffic congestion solution to the Los Angeles County Metropolitan Transportation Authority. Additionally Grayling has been working with several clients managing California's water crisis and the impact of climate change on the Southern California water supply.

Citigate provided public affairs advice to five FTSE 100 companies: Associated British Foods, Experian, Scottish & Southern, Tullow Oil and Lloyds TSB. Advisory work included Lloyds TSB's merger with HBOS and Tullow Oil's increasing presence in sub-Saharan Africa.

Huntsworth Health

Huntsworth Health accounts for 26% of Group revenues. Average annualised fees per client brand were £96,000, the top client brand provides 0.9% of total Group revenue and the top 10 client brands provide 5.9%.

In 2008 the recent US acquisitions successfully adapted to the Huntsworth Group profit culture, with Huntsworth Health margins improving to 21.1% to give organic profit growth of 14%.

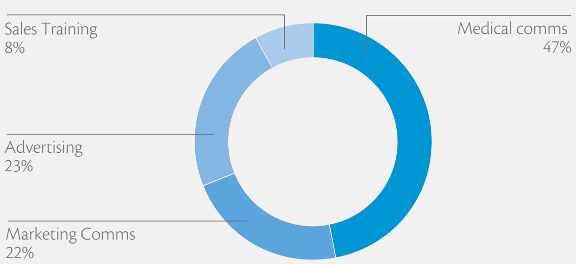
Huntsworth Health's global operations comprise some 400 healthcare specialists providing services in analytics, marketing communications, medical communications, public relations, advertising and sales training. Our strategy is to focus on the high science 'evidence-based' communications through our scientifically qualified and experienced staff. We continue to see a market shift towards niche, specialist brands, which plays strongly into our high-science, high creativity focus with our core areas of marketing and medical communications growing revenues organically by 15% and 10% respectively.

We responded to our clients' increasing demands for pan-European campaigns, with assignments at double the level of the previous year, by opening an office in Basel where a number of major pharmaceutical companies are based.

Our advertising activities which account for 23% of divisional revenues were down 12% on an organic basis, impacted by the pharmaceutical industry's shift away from advertising to more evidence-based communications activities.

We have also benefited from our own highly successful digital operations as clients switched from conventional advertising to digital media, evidenced by a very significant contract from Wyeth, one of the world's leading pharmaceutical companies, which we expect to be worth US$10 million over the next four years.

Huntsworth Health Revenue by Type of Work



Organic revenue declines of 38% were seen in our sales training company, which represents 8% of the division's revenues. This was due to a management issue which has now been rectified and this business is showing good sales momentum and is expected to return to growth in the second half of 2009.

Digital and On-line Communication

Much of our profiling and external communications over the last year has focused on the digital arena and the growing need for online communications to form a central part of all ongoing and new client work. We have seen growing interest among current and potential clients in trialling new and innovative ways of reaching their target audience or, indeed, diluting the impact of critical comment.

At Trimedia, we continued to develop our expertise in digital media with numerous examples such as the creation of an innovative dialogue oriented internet platform for the major Swiss energy company Alpiq.

Citigate's broad development of its digital capabilities led to its appointment to support high profile behaviourally targeted advertising company Phorm, as well as new briefs from brands such as Talk Talk and Jet Republic.

We have seen digital revenues in Huntsworth Health grow by over 2.6 times versus 2007 and continue to forecast substantial growth in interactive work during 2009.

£96,000

Average fee per Huntsworth Health client

> Our talent pool, best practice systems and commitment to quality ensure we achieve creative excellence for our clients

Balance Sheet

Our balance sheet continues to be strong. Net debt to EBITDA is at a ratio of 1.1 times with interest cover of 6.7 times. We have £82.5 million of loan facilities available to July 2012, reducing from £90 million in 2010 and £87 million in 2011. This currently leaves us with over £50 million of working headroom. Deferred consideration commitments are very manageable in the context of our profits and facilities with 82% of profits expected to be free from earn-out by the end of 2009. We expect the Group to have net debt below £10 million and be earn-out free by the end of 2012 assuming profits at current levels and no further acquisitions. Cash conversion remains a priority with a conversion rate of 110% in 2008.

Our proposed final dividend is up 8.1% to 2.0p (2007: 1.85p) with the total dividend up 8.0% to 2.7p (2007: 2.5p).

Creative Excellence

Our talent pool, best practice systems and commitment to quality ensure we achieve creative excellence for our clients. We have won a number of major industry awards which are a public recognition of that achievement.

Trimedia, our full service network in 11 European countries, topped another successful year by winning two major industry accolades, Best European Public Relations Company in the Excellence Awards as judged by leading in-house practitioners and Best Multinational Company to Work For in The Holmes Report Sabre Awards on a poll of staff across all companies in our peer group. Other awards included an accolade from client Microsoft who voted Trimedia's work as the best in the CEMEA region.

Trimedia's sister agency M*m*d was delighted to receive the award for Best EMEA Public Affairs consultancy 2008 by the prestigious Holmes Report.

8.0%
Increase in total dividend

1,650
Employees

Grayling won a PRCA award for its work on behalf of the Honey Association.

The Red Consultancy won many high profile awards including PR Week Best Public Sector Campaign for the second successive year as well as being named Media Employer of the Year for its outstanding approach to people retention and development.

Both Trimedia and The Red Consultancy were awarded Best Companies To Work For 2009 in the Sunday Times rankings.

Citigate has enjoyed numerous successes throughout the year including a Sabre Award for client AXA which won Best UK and Ireland Public Relations Campaign and Best Corporate Communications Campaign in the CIPR Excellence Awards for client MoneyExpert.com.

Huntsworth Health has also been recognised within the healthcare industry including five Awards of Excellence at the RX Club Awards in the USA and five finalist places at the Communique Awards in the UK. Their Aggrenox e-learning campaign for Boehringer Ingelheim won Gold at the Hermes Creative Awards in the USA and an Award of Distinction at the Communicator Awards.

Executive 2008 bonus waiver

The Executive Directors have waived their entitlement to a cash bonus in 2008 and are thus eligible to be considered for awards over shares vesting in 2011 and 2012. It is considered that any such awards would further align their interests with shareholders in these difficult markets. The full amount of the 2008 bonus entitlement is accounted for in 2008.

Outlook

Whilst our outlook for 2009 remains cautious, the year has started well with over 78% of 2009 Group revenues already committed. The new business pipeline and pitch activity remain strong. With a high level of visibility of revenues we retain considerable flexibility to maintain margins through the careful management of variable costs.

With the strength of our brands across the world and good visibility of revenues, the Board has confidence that the Group is very well positioned for 2009 and beyond.

Peter Chadlington
Chief Executive

Sally Withey
Chief Operating Officer
20 March 2009

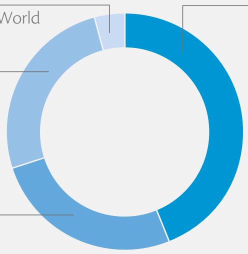
“The new business pipeline and pitch activity remain strong”

Financial Review

Tymon Broadhead, Group Finance Director

- Revenue up 4.5% to £159.1 million
- Profit before tax up 9.9% to £24.0 million
- Basic EPS up 7.6% to 8.5p
- Total dividends up 8% to 2.7p
- Strong operating cash flow
- Net debt reduced by £20.6 million to £33.5 million

Revenue by geographic region



Introduction

All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation of intangible assets, profit on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net restructuring and other non-recurring items.

Organic growth is based on revenues at actual exchange rates, adjusted to include pre-acquisition revenues and exclude disposals.

Revenue and profits

Group revenue for the year ended 31 December 2008 increased by 4.5% to £159.1 million (2007: £152.3 million). On a constant currency basis, which excludes the impact of the recent strengthening the Euro and US Dollar against Sterling, revenue was down 1.9% compared with last year.

Revenues grew organically from our public relations businesses by 4.9% and Huntsworth Health was down 0.8% giving overall organic revenue growth of 3.3%.

Geographically, 44% of Group revenues came from the UK, 26% from the US, 19% from Western European countries, 7% from Eastern Europe and 4% from the Rest of the World. The Group extended its reach into the UAE in 2008 through the establishment of an office in Doha. This regional presence has been strengthened in 2009 through the acquisition of Momentum in February which has offices in Dubai and Riyadh together with a network across the GCC markets.

The Group now represents 285 clients in more than one country (2007: 255) and 428 are served by more than one company (2007: 436). Our largest client represents 1.1% of revenue with the top 10 clients accounting for 8% and the top 25 clients 15%. Average fee income per client was £53,000 (2007: £58,000) and 31% of revenues were earned through companies working together with other group companies.

£24.0m

Profit before tax – up 9.9%

By industry sector the revenue profile is broadly 26% Pharmaceuticals, 13% Financial Services, 10% Information Technology, 6% Food & Drink, 6% Industrial, 6% Government & Public Sector and 6% Retail & Leisure.

Revenues grew organically from our Public Relations businesses by 4.9% and Huntsworth Health was down 0.8% giving overall organic revenue growth of 3.3%.

Group operating profits before central costs were up 4.4% at £33.5 million (2007: £32.1 million). Group operating margin before central costs was 21.0% (2007: 21.0%) reflecting a 21.0% margin for Public Relations businesses and 21.1% for Huntsworth Health. Operating margin after central costs was 16.5% (2007: 15.9%).

Operating profit after central costs for the year was up 8.7% to £26.3 million (2007: £24.2 million) – down 0.3% at constant currency.

Profit before tax increased by 9.9% to £24.0 million (2007: £21.9 million).

Highlighted items

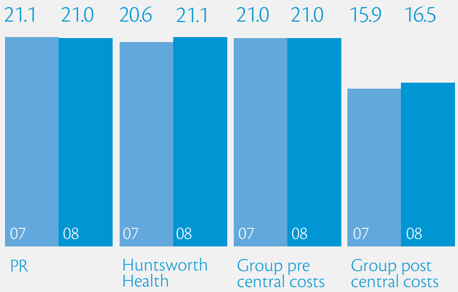
Operating highlighted items of £1.5 million include £5.0 million for the amortisation of intangible assets and £0.6 million for non-cash share-based acquisition payments deemed as remuneration, offset by £4.1 million for the profit on the disposal of subsidiaries which principally comprises CapitalBridge (£2.2 million) and the release of provisions and accruals in respect of prior year disposals (£1.8 million).

After these highlighted items, statutory reported operating profit was up 56.2% to £24.8 million (2007: £15.9 million).

Total highlighted items of £3.9 million include £2.4 million for the impairment of the Group's investment in associates.

Operating margin

%



Tax

The tax charge of £10.1 million comprises an underlying tax charge of £6.3 million together with a charge of £3.8 million on highlighted items. The full year underlying tax rate is 26.1%. The tax charge of £3.8 million in highlighted items includes a charge of £6.2 million on the disposal of CapitalBridge.

Earnings

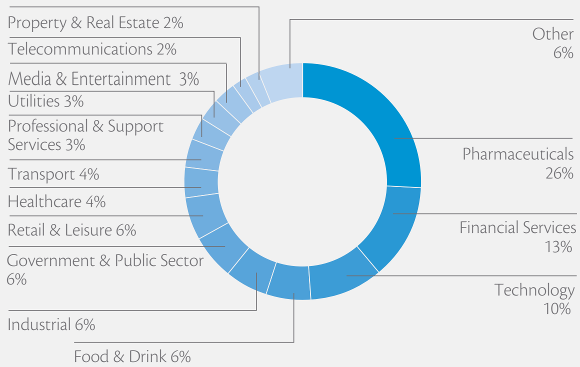
Profits attributable to ordinary shareholders rose 9.9% to £17.4 million (2007: £15.8 million). Profits after highlighted items attributable to ordinary shareholders amounted to £9.8 million (2007: £11.9 million).

Basic earnings per share were up 7.6% to 8.5p (2007: 7.9p). Diluted earnings per share were 8.3p (2007: 7.8p). Basic earnings per share after highlighted items decreased by 18.6% to 4.8p per share (2007: 5.9p).

Dividends

After the exceptional increase in the final dividend in 2007 following the disposal of CapitalBridge, the Board will propose at the forthcoming AGM on 14 May 2009 a final dividend of 2.0p per share, in line with our progressive dividend policy, which will provide an increased total dividend of 2.7p, up 8.0% on 2007. The record date for this dividend will be 29 May 2009 and it is payable on 3 July 2009. A scrip dividend alternative will be available.

Revenue by sector



Financial Review continued

Net debt at 31 December 2008 has been reduced by £20.6 million to £33.5 million

Balance sheet and cash flow

Net debt at 31 December 2008 has been reduced by £20.6 million to £33.5 million (2007: £54.1 million).

Operating cash flow was £28.8 million and cash conversion was 110%. This is before a £4.4 million cash impact relating to highlighted items.

Other principal movements in net debt during the year were net payments for interest, tax and fixed assets of £10.0 million, dividends received from associates of £2.1 million, receipts from disposals of £14.4 million (principally CapitalBridge), acquisitions and earn out payments of £9.4 million, dividends of £4.7 million and purchase of shares for share incentive schemes of £0.2 million.

The Group's bank facilities comprise a revolving credit facility and a committed overdraft totalling £90 million to July 2010 with £87 million continuing until July 2011 and £82.5 million until July 2012 as our term loan is repaid. Net debt to EBITDA was at a ratio of 1.1 times at 31 December 2008 and interest cover (excluding highlighted items and imported interest) was 6.7 times (2007: 5.4 times).

Earn-out payments

Future earn-out payments as at 31 December 2008 are estimated at £18.5 million, all of which can be paid in cash. The timing of these payments is £3.1 million in 2009, £3.0 million in 2010 and £12.4 million in 2011.

If we satisfy all earn-outs in cash and continue a progressive dividend policy, the Group would expect to have net debt below £10 million and be earn-out free by the end of 2012.

1.1 times

Net debt to EBITDA ratio

Shareholdings

Shareholdings of Directors, employees and employee trusts represent approximately 19% of the Group's issued share capital. Institutional shareholdings hold 73% with the top 10 holding some 64% as of 11 March 2009.

Key Performance Indicators ('KPIs')

The Group's KPIs are outlined in various sections of this review. Whilst there are many financial measures that the Group monitors on a regular basis, our core financial objectives are:

- Operating margins before highlighted items of over 20%
- Operating margins after central costs and before highlighted items of over 15%
- Two-thirds of revenues on annual retainer or repeat business
- Cash conversion of profits in excess of 100%

Key risks and uncertainties

Our key risks and uncertainties are identified as: dependence on key personnel and relationships with clients; management of growth; failure of information systems; competition in the provision of services; fluctuations of revenues, expenses and operating results; currency rate risk; and exposure to a downturn in the public relations industry. The Group views its staff as its most important resource since a highly motivated employee base is essential to its continued success. The Group's policy is to recruit both Directors and staff of the highest quality and to remunerate them accordingly. The Group operates both short-term and long-term incentive plans. Further details of these plans are shown in the Report of the Directors on Remuneration.

110%

Cash conversion

Corporate social responsibility

Regular consideration is given to the significance of social, environmental, ethical, health and safety and employee matters. Further details are set out in the Report of the Directors.

Tymon Broadhead
Group Finance Director
20 March 2009

Directors and Advisors

01 Richard Sharp (53)

Non-Executive Chairman

Richard Sharp joined the Huntsworth Board as Non-Executive Chairman in May 2008. He joined Goldman Sachs in 1984, became a partner in 1994, and worked across the Goldman Sachs business, heading the capital markets, investment banking and private equity divisions. He was a member of the European Management Committee and a director of Goldman Sachs International. He retired as Chairman of Goldman Sachs' European Principal Investment Area at the end of 2006. He is a former director of Cognis AG, the German chemical company, and ISS, the Danish-based global outsourcing company. He is Chairman of the Royal Academy Trust and a trustee of the Institute of Cancer Research.

02 Lord Chadlington (66)

Chief Executive

Lord Chadlington has spent his entire working life in communications, as a journalist after graduating from Cambridge University and later in public relations both in-house and consultancy. He founded Shandwick in 1974 and the company was publicly listed in 1984. He established Shandwick as the largest PR consultancy in the UK, holding that position 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. Lord Chadlington is a non-executive director of Britax Childcare Holdings Limited.

03 Sally Withey (46)

Chief Operating Officer

Sally Withey has been with Huntsworth for five years and prior to her appointment as Chief Operating Officer in March 2008 was the Group Finance Director. Previously she was Chief Financial Officer, Europe, of the Nasdaq-listed technology company Predictive Inc. She is an associate of the Chartered Institute of Management Accountants and has over 20 years' experience working in people businesses.

04 Tymon Broadhead (42)

Finance Director and Company Secretary

Tymon Broadhead joined Huntsworth in May 2005 after the merger with Incepta Group plc, where he had previously been Group Financial Controller since 2002. At Huntsworth he has been Deputy Finance Director and Company Secretary and was appointed Group Finance Director in March 2008. He is a qualified chartered accountant and worked at PricewaterhouseCoopers in various audit and business advisory roles from 1990 to 2001.

05 Robert Alcock (67)

Senior Independent Non-Executive Director

Robert Alcock is Chairman of the Audit Committee, Chairman of the Nominations Committee and a member of the Remuneration Committee. He was a member of the board of directors of Incepta Group plc from 2001 and joined the Huntsworth Board in 2005 following Huntsworth's merger with Incepta. He is currently a non-executive director of Connaught plc and Leed Petroleum plc and Chairman of Next Pension Trustees Limited. Previous positions include Group Managing Director of Norcros plc, European Finance Director of RJR Nabisco Inc., Chief Financial Officer and Senior Vice President of Black & Decker Inc., and non-executive director of Capita Group plc.

06 Anthony Brooke (62)

Independent Non-Executive Director

Anthony Brooke is Chairman of the Remuneration Committee and a member of the Audit Committee. He is a non-executive director of Quintessentially (UK) Limited. He is a former partner of Fauchier Partners LLP and a former Vice Chairman of S.G. Warburg & Co. Ltd.

07 Eugene Beard (74)

Independent Non-Executive Director

Eugene Beard is a director and Vice Chairman of Old Westbury Funds and a director of MARC USA, Cambridge Technology and One to One Interactive. Eugene Beard retired as Vice Chairman, Finance and Operations of the global marketing services group, The Interpublic Group of Companies, Inc. (IPG), in December 1999, remaining as a special advisor until December 2003.

08 Lord Puttnam (68)

Independent Non-Executive Director

Lord Puttnam joined the Huntsworth Board in September 2007. He began his career in advertising, moving into film production in the late 1960s in which, over the next 30 years, he enjoyed many notable successes including Midnight Express, Chariots of Fire, Local Hero, The Killing Fields and The Mission. Since retiring from film production in the late 1990s he has concentrated on education and politics. In 2002 he was elected UK president of UNICEF. He is currently Deputy Chairman of Channel 4 and Chairman of the digital advertising agency, Profero. He remains active in Parliament and was recently Chairman of the Joint Parliamentary Committee on the Climate Change Bill.

The Directors shown above represent those in office at 31 December 2008.

01

02

03

04

05

06

07

08

Company Secretary
Tymon Broadhead

Registered Number
1729478

Registered Office
15–17 Huntsworth Mews
London NW1 6DD

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

Solicitors
Slaughter & May
One Bunhill Row
London EC1Y 8YY

Bankers
Lloyds TSB Bank PLC
10 Gresham Street
London EC2V 7AE

The Royal Bank of Scotland PLC
280 Bishopsgate
London EC2M 4RB

Stockbrokers
Numis Securities Ltd
10 Paternoster Square
London EC4M 7LT

Registrars
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 2008.

Activity

The principal activity of the Group is the provision of public relations and healthcare communications consultancy services.

Business review and future developments

The consolidated income statement is set out on page 38 and shows a profit attributable to shareholders of £9,777,000 (2007: profit of £11,889,000).

A more detailed review of the business and future developments is included in the Operating Review and Financial Review on pages 8 to 19.

Financial risk management

Details of the Group's financial instruments, policies and strategies are set out in Note 21 to the consolidated financial statements.

Dividends

The Directors recommend a final dividend of 2.0 pence per share for the year ended 31 December 2008. An interim dividend of 0.7 pence per share was paid on 7 November 2008, making a total of ordinary dividends of 2.7 pence per share for the year (2007: 2.5 pence per share). The Company offers a scrip dividend alternative to the payment of dividends in cash.

Because of the implementation of International Financial Reporting Standards ('IFRS'), dividends are now recognised in the accounts in the year in which they are paid, or in the case of a final dividend when approved by shareholders, such that the amount recognised in the 2008 accounts comprises 2007's final dividend and 2008's interim dividend.

Going concern

The Group's activities are set out in the Operating Review. The Group's financial position, cashflows and borrowing facilities are described in the Financial Review on pages 16 to 19.

After reviewing the Group's performance and future cash flows, the Directors consider 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

Biographical details of the Directors in office at 20 March 2009 are set out on page 20.

The Directors who held office during the year were Richard Sharp (appointed 15 May 2008), H Jon Foulds (resigned 15 May 2008), Lord Chadlington, Robert Alcock, Eugene Beard, Anthony Brooke, Lord Puttnam, Tracey Reid (resigned 30 December 2008), Sally Withey and Tymon Broadhead (appointed 12 March 2008).

The interests of the Directors in office at 31 December 2008 in the shares of the Company and its subsidiary undertakings together with their remuneration are set out in the Report of the Directors on Remuneration on pages 31 to 36.

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

Substantial shareholdings

As at 20 March 2009, the Company had been notified of the following holdings of 3% or more of voting rights in its shares under the Disclosure and Transparency Rules of the FSA.

	% of share capital	Number of shares
Aberforth Partners	19.27	40,862,780
Fidelity International	12.74	27,010,375
Baillie Gifford	6.84	13,927,349
TCS Capital	6.11	12,960,452
Mann Made Trustees Limited	3.28	6,880,355

Percentages are based on date of notification as opposed to current issued share capital figure.

Share capital

Changes in the Company's share capital during the year are given in Note 22 to the consolidated financial statements.

Employees

Huntsworth is committed to the continuous development of its employees. The Group's people are integral to the success of the business and as a result the Group pursues employment practices which are designed to attract, retain and develop this talent to ensure the Group retains its market leading position with motivated and satisfied employees.

The Group's policy for the selection of employees for recruitment, training, development and promotion is determined solely on their skills, abilities and other requirements which are relevant to the job.

The Group assists its employees in achieving an appropriate work/life balance, including polices on parental, maternity and paternity leave, emergency time off and flexible working where possible. The Group'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. Where existing employees become disabled it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training.

The Group makes 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 as well as to encourage communication across the Group so that employees can share and benefit from experience and knowledge. Employees receive regular updates on corporate performance and business developments through various formal and informal channels.

The Group operates a number of other policies and procedures designed to support its employees at work and in their career progression. Many Group companies operate their own internal training programmes to keep staff up to date with developments in the public relations sector and provide additional skills in areas both within and outside their immediate responsibilities such as people management and leadership development, client management and international client director training. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

To take a few examples:

- RED and Trimedia were each named in the Sunday Times 2009 list of the UK's 100 Best Small Companies to work for;
- Trimedia International runs a 'Talent Factory' whereby staff from different countries work in virtual trans-national teams to develop a pitch for a fictional client, guided by a professional training company and then present their pitch to a panel of senior executives.
- M*m*d runs the M*m*d Academy which is a training and development programme that provides theoretical and practical training for executives and managers with sessions held monthly, led by internal and external specialists.
- During the year, RED launched an internal REDucation programme for employees, delivering courses on a number of topics ranging from client relations to time management and finance training.

Health and safety

Due to the nature of the business, this is not a significant area of risk. However, the Group follows the recommended guidelines with regard to health and safety.

Environment

Due to the nature of its businesses, the Group does not have a high environmental impact. Its principal impact arises from energy, paper and water consumption.

The Group recognises its responsibilities to conserve resources and is committed to continuous improvement in the environmental impact of its operations. The Group has an environmental policy that is designed to reduce wastage by raising employee awareness, encouraging participation and continual improvement through education and training in environmental matters. This commitment is also demonstrated by ensuring our environmental standards are reflected in our policy towards contractors and suppliers.

Many of the Group's business practices tend to support environmental good practice, such as minimising energy and water consumption, reducing paper wastage through reuse and recycling, using paper from sustainable forests, reducing business travel by replacing face to face meetings with conference calls or video-conferencing, using electricity generated from renewable sources, encouraging staff to switch off electronic appliances and to travel to work by foot, bike or public transport.

To take a few examples:

- By recycling Corporate Head Office saved the equivalent of 74 trees and 8.1 tonnes of CO_2 and Citigate Dewe Rogerson in London saved the equivalent of 304 trees and 30 tonnes of CO_2.
- Huntsworth Health in the UK worked with Cyclescheme with approximately 15% of its workforce taking part. In addition, Huntsworth Health introduced recycling for plastics, cans, paper and cardboard and continues to review their recycling policy in order to reduce levels of waste.
- Trimedia achieved some notable successes in terms of encouraging pro-environmental behaviour within the business. A staff survey carried out in December 2008 found that 88% of respondents felt they had modified their environmental behaviour for the better and 97% knew where to access key documents such as the company's environmental policy and environmental commitments. Trimedia also launched its Guide to Carbon-Efficient PR Campaigns for staff and clients and began work towards the first three phases of the IEMA's Acorn Scheme.
- In the US, Citigate Cunningham's Cambridge office became a certified green business, and the company received recognition for its environmentally friendly practices. Awards included the City of Cambridge's GoGreen Award in Transportation and the Stevie's Award in Environmental Stewardship for overall efforts to reduce waste and energy use, recycle and increase employee awareness programmes.
- In Europe, Trimedia Belgium encourages home-work travel efficiency and savings on carbon dioxide emissions by recommending staff to work from home in the event of heavy traffic in Brussels.

Environmental performance will continue to be monitored and improvements made wherever possible.

Community

The Group recognises its responsibility towards the communities in which its businesses operate. In support of our communities, a number of Group businesses in the UK, the US and Europe organise fundraising and volunteering activities for staff to raise money for charity as well as offering pro bono support to non-profit projects.

The Group is committed to building a culture which recognises its responsibilities to a wide range of stakeholders and which values accountability, transparency and disclosure. As a business that advises company boards, the Group is acutely aware of the importance of corporate responsibility, ethical behaviour and values in the creation and cultivation of corporate reputation. The Group recognises that it needs to maintain and operate to the highest standards.

Donations

During the year the Group made charitable donations of £65,000 (2007: £49,000).

The Political Parties, Elections and Referendums Act 2000 ('the Act') requires disclosure of any donations made by companies to an EU Political Organisation (including a registered political party in the UK) or any EU Political Expenditure incurred which is in excess of £200. 'EU Political Organisation' and 'EU Political Expenditure' are both defined in the Act.

Although the Company does not make donations to political parties within the normal meaning of that expression, as part of their normal work on behalf of clients and as part of their own marketing, certain companies in the Group need to attend or sponsor events which are organised by political parties or other political organisations, for which a charge is made.

These companies also from time to time invite clients and prospective clients to attend events that fall within the meaning of the Act's provisions. The Act defines 'donations' very broadly such that this sort of activity falls within its ambit. It similarly defines EU Political Organisation widely such that it includes, for example, bodies concerned with policy review and law reform, with representation of the business community or with the representation of their communities or special interest groups, which the companies may wish to support.

During the year, these Group companies made the following payments by way of sponsorship, attendance costs, or permitting staff paid time off to campaign in local elections in the United Kingdom that fall within the definition of 'political donation' introduced by the Political Parties, Elections and Referendums Act: £1,000 to the Scottish Labour Party, £800 to the Labour Party, £14,535 to the Conservative Party, and £100 to Plaid Cymru.

Payment of creditors

The Group's subsidiaries are mainly agency businesses and third party costs are incurred principally on behalf of clients and 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 2008, the Company's trade creditors represented the equivalent of 57 days' invoicing by suppliers (2007: 56 days).

Auditors

Ernst & Young LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Report of the Directors are listed on pages 20 to 21. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

Subsequent to the year end, on 17 February 2009, the Group acquired the entire share capital of Momentum International Limited, a public relations consultancy based in Dubai, for an initial consideration of US$2,800,000 (£2,000,000) in cash.

Additional information for shareholders

The following information, which summarises certain provisions of the current Articles of Association of Huntsworth plc ('the Articles') and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together 'the Companies Acts'), is required to be provided to shareholders as a result of the implementation of the European Directive on Takeover Bids (2004/25/EC) into English law. This is a summary only and the relevant provisions of the Articles and the Companies Acts should be consulted if further information is required.

Share capital

On 31 December 2008 each issued ordinary share of 50p in the capital of the Company was subdivided and converted into one new ordinary share of 1p nominal value and one deferred share of 49p nominal value. As a result, the Company has two classes of share capital which is divided into ordinary shares of 1p each and deferred shares of 49p each.

As at 31 December 2008, the Company's issued share capital comprised 212,012,343 ordinary shares of 1p each and 212,012,343 deferred shares of 49p each.

Rights and obligations attaching to shares

Subject to applicable law and to any existing shareholders' rights, shares may be issued with or have attached to them such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board (as defined in the Articles) may decide. Subject to the Articles, the Companies Acts and to any resolution passed by the Company and without prejudice to any rights attached to existing shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board which may offer, allot, grant options over or otherwise deal with or dispose of them to such persons, at such times and for such consideration and upon such terms as the Board may decide.

Voting rights

Upon a show of hands every member who is present in person at a general meeting of the Company and entitled to vote shall have one vote. On a poll every member who is present in person or by proxy shall have one vote for every share held by him. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

The notice of any general meeting of the Company shall specify the deadlines in relation to exercising voting rights with respect to each resolution to be proposed at such meeting. Votes are exercisable at the general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person or by proxy. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for holding the meeting, except in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, for which proxy forms must be received not less than 24 hours before the time appointed for the taking of the poll.

No member shall be entitled in respect of any share held by him to attend or vote (either personally or by proxy) at any general meeting or class meeting of the Company or upon a poll or to exercise any other right conferred by membership in relation to general meetings or polls unless all calls or other sums presently payable by him in respect of that share have been paid. In addition, no member shall be entitled to vote if he has been served with a restriction notice (as defined in the Articles) after the failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

The Company is not aware of any agreements between shareholders that may result in restrictions on the exercise of voting rights.

Dividends and other payments

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking pari passu with or after those shares.

Variation of rights

Subject to the Companies Acts, all or any of the rights attached to any existing class of shares may from time to time be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of an extraordinary (or special) resolution passed at a separate general meeting of the holders of those shares.

Restrictions on transfer of shares

The Board may permit title to shares of any class to be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form or with the transfer of the shares by means of a relevant system. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the Uncertificated Securities Regulations (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. The transferor of a share shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register in respect of it. The Board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer of any share which is not a fully paid share. The Board may also decline to register any transfer of a certificated share unless:

(i) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
(ii) the instrument of transfer is in respect of only one class of share; and
(iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

Other restrictions on the transfer of shares in the Company may from time to time be imposed:

(i) by applicable laws and regulations (for example, insider trading laws and market requirements relating to close periods);
(ii) pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's securities; and
(iii) in relation to shares issued pursuant to acquisitions made by the Company.

As at 31 December 2008, shares totalling approximately 3.2% of the issued share capital of the Company were subject to lock-in restrictions as set out below:

Number of shares	Lock-in expiry date
1,602,710	31 January 2009
984,463	25 September 2009
2,332,928	30 September 2009
1,919,097	31 December 2009

Such shares are also subject to a restriction on transfer to the extent that any sale of such shares must be effected through the Company's corporate broker.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Rights and obligations attaching to the deferred shares

The holders of deferred shares are not entitled to receive dividends when declared nor the Company's report and accounts. The holders of deferred shares have no right as such to receive notice of or to attend or vote at any general meeting of the Company unless a resolution to wind up the Company or to vary or abrogate the rights attaching to the deferred shares is proposed. The deferred shares are also subject to the following terms:

(a) the deferred shares may not be transferred without the prior written consent of the Directors of the Company;
(b) holders of deferred shares are not entitled to receive any share certificate in respect of their holdings;
(c) any cancellation of the deferred shares for no consideration by way of reduction of capital shall not involve a variation or abrogation of the rights attaching thereto; and
(d) the Company has irrevocable authority at any time to appoint any person to execute on behalf of the holders of the deferred shares a transfer thereof and/or an agreement to transfer the same, in either case, to Numis Securities Limited or such other person as the Company may determine and to execute any other documents which such person may consider necessary or desirable to effect such transfer, in each case without obtaining the sanction of the holder(s) and without any payment being made in respect of such acquisition; and
(e) the entitlement of a holder of a deferred share on a return of assets on a winding up of the Company is limited to the repayment of the amount paid up or credited as paid up on such share up to a maximum of 49 pence per share and shall be paid only after the holders of any and all ordinary shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those ordinary shares held by them at that time plus the payment in cash or specie of £10,000,000 for every 1p paid up or credited as paid up on those ordinary shares.

The rights attached to the deferred shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or pari passu with or subsequent to such shares or by any amendment or variation to the rights of any other class of shares of the Company.

Significant direct or indirect holdings of securities and special rights

Directors' interests in the share capital of the Company are shown in the table on page 33. Major interests in the share capital of the Company (i.e. 3% or more) of which the Company has been notified are shown in the table on page 22. There are no securities which carry special rights with regard to the control of the Company.

Employee Share Trust

The Huntsworth Employee Benefit Trust ('EBT') holds approximately 4.3% of the issued share capital of the Company on trust for the benefit of employees of the Huntsworth Group and their dependants. The voting rights in relation to these shares are exercised by the Trustees. The Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants.

Appointment and replacement of Directors
Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate Directors) shall be not less than two nor more than twelve in number. Directors may be appointed by the Company by ordinary resolution or by the Board. Any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for election but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting.

At annual general meetings of the Company, certain Directors shall retire by rotation in accordance with the Combined Code on Corporate Governance. The Directors to retire by rotation shall be:
(i) those who held office at the time of the two preceding annual general meetings and who did not retire at either of them;
(ii) those who have held office for a continuous period of nine years or more; and
(iii) those who have been appointed by the Board since the last annual general meeting.

The Company may by special resolution remove any Director before the expiration of his term of office. The office of Director shall be vacated if:
(i) he resigns or offers to resign and the Board resolves to accept such offer;
(ii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number;
(iii) he is or has been suffering from mental ill health;
(iv) he is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his office is vacated;
(v) he becomes bankrupt or compounds with his creditors generally;
(vi) he is prohibited by law from being a Director;
(vii) he ceases to be a Director by virtue of the Companies Acts; or
(viii) he is removed from office pursuant to the Articles.

Amendment to the Articles
Any amendments to the Articles may be made in accordance with the provisions of the Companies Acts by way of a special resolution.

Powers of the Directors
Subject to the provisions of the Companies Acts, the memorandum of association of the Company and the Articles and to any directions given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company, to issue debentures and other securities and to give security, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

Repurchase of shares
Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Acts. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The Company has the power to buy back up to 31,589,839 ordinary shares during the period up to the next annual general meeting. The minimum price which must be paid for such shares is 1 pence and the maximum price payable is the higher of (i) 5% above the average of the middle market quotations for ordinary shares (as derived from the London Stock Exchange Daily List) for the five dealing days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out.

Significant agreements
The following significant agreement contains provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:
- Under the £85 million credit facility agreement dated 27 July 2007 between, amongst others, the Company, Lloyds TSB Bank plc (as facility agent) and the banks named therein as lenders and the £5 million committed overdraft facility dated 27 July 2007 between, amongst others, the Company and Lloyds TSB Bank plc, upon a change of control, the agent may, if the lenders so require, cancel the facilities by giving not less than 30 days' notice and declare all outstanding amounts under the facilities, together with accrued interest, immediately due and payable.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Tymon Broadhead
Company Secretary
20 March 2009

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 provisions set out in Section 1 of the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006 and appended to the Listing Rules ('the Code').

The Board and its Committees

The Board

The Board comprises the Independent Non-Executive Chairman, the Chief Executive, the Chief Operating Officer, the Finance Director and four independent Non-Executive Directors. Until 30 December 2008, the Human Resources Director was also a member of the Board. 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 31 to 36, 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 provided a basis for aligning the interests of the Non-Executive Directors with those of the Company's shareholders. It is not intended to make any further awards under this scheme.

One of the Non-Executive Directors, Robert Alcock, has the role of Senior Independent Director.

The biographies of the Directors appear on page 20. These demonstrate a range of experience and sufficient calibre to bring independent judgement 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 30 and a statement on going concern is given on page 22.

The Board has a formal schedule of matters specifically reserved to it for decision-making. The Board meets at least six times a year and additionally as necessary and is responsible for 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 receives presentations from Executive Directors and from divisional management on specific issues as well as having 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 Independent Director ensures that the Directors have access to independent professional advice, if required, at the Company's expense.

All Directors are subject to reappointment by shareholders at the first Annual General Meeting after their appointment and thereafter at least every three years. Non-Executive Directors are appointed for an initial period of three years, subject to reappointment.

Attendance at meetings

Details of attendance of Directors and Committee members at the principal Board and Committee meetings in 2008 are as follows:

	Board	Audit	Remuneration	Nominations
Richard Sharp (appointed 15 May 2008)	4 of 4	—	—	—
H Jon Foulds (resigned 15 May 2008)	5 of 5	—	—	1 of 1
Lord Chadlington	8 of 9	—	—	1 of 1
Robert Alcock	9 of 9	4 of 4	6 of 6	1 of 1
Eugene Beard	8 of 9	—	—	—
Anthony Brooke	8 of 9	4 of 4	6 of 6	—
Lord Puttnam	8 of 9	—	—	—
Tracey Reid (resigned 30 December 2008)	9 of 9	—	—	—
Sally Withey	9 of 9	—	—	—
Tymon Broadhead	5 of 6	—	—	—

If a Director is absent from a meeting, his or her views are sought in advance and then put to the meeting.

Board performance evaluation

The performance of the Board is assessed by the Chairman and the Chief Executive and the strengths and weaknesses identified are discussed at meetings of the Board. The Board uses performance evaluation questionnaires. Any improvements required are implemented based on the results.

During 2008, the Executive Directors were also subject to a review by a personal development consultant, the results of which were presented to the Non-Executive Directors.

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.

Audit Committee

The Audit Committee is chaired by the Company's Senior Independent Director, Robert Alcock, and its other member is Anthony Brooke. 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 Audit Committee provides a forum for reporting by the Group's external and internal auditors. Meetings are also attended, by invitation, by the Chief Executive and the Finance Director. There is provision for the external and internal auditors to discuss any concerns they may have with the Committee in the absence of management if necessary.

The Audit Committee is responsible for reviewing a wide range of matters including the interim and annual financial statements, monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders and reviewing the Group's whistleblowing policy. 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 2008, the Audit Committee also advised the Board on the appointment and remuneration of an outsourced internal audit provider and discussed the nature, scope and results of their work with them as well as approving the internal audit plan for 2009.

Nominations Committee

The Nominations Committee met formally once during the year and comprised Robert Alcock (Chairman), Jon Foulds and Lord Chadlington. The Nominations Committee meets as necessary and ensures that for all senior and main Board appointments, due consideration of external and internal candidates is given prior to making recommendations to the full Board. Where appropriate, as with the appointment in March 2008 of the new Chairman, Richard Sharp, external search consultants are used. The appointments of Sally Withey to Group Chief Operating Officer from Group Finance Director and Tymon Broadhead to Group Finance Director from Deputy Finance Director in March 2008 were internal appointments. In 2009, Lord Puttnam has replaced Jon Foulds on the committee.

Remuneration Committee

The Remuneration Committee is chaired by Anthony Brooke and its other member is Robert Alcock. Meetings are also attended, by invitation, by the Chairman, the Human Resources Director (to 30 December 2008), the Chief Executive, the Chief Operations Officer and the Finance Director. 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-based incentive plans 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. External advice from a leading firm of remuneration consultants is sought when necessary.

Further details of the Company's policies on remuneration, service contracts, and share-based incentive plans are given in the Report of the Directors on remuneration on pages 31 to 36.

Internal control

The Board is responsible for establishing and maintaining the Group's system of internal control and for 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 generally meets at least six times a year, and is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks. 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.

Corporate Governance continued

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.

In prior years, the Group has not had a formal internal audit function. Instead it has employed a head office team of finance managers who visit the Group operating companies and review their key controls and reporting systems. In early 2008, because of the increasing size and geographical reach of the Group especially following the acquisitions of Mmd in 2006 and Dorland and Axis in 2007, it was decided to set up an internal audit function outsourced from a mid-tier accountancy firm. Work commenced in the second quarter of 2008 and follows a risk-based approach taking into account the size, history, trading performance and management of each subsidiary. The results of the internal audits are reported to the Audit Committee.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. A risk review report, which identifies key risks, the impact should they occur, and actions being taken to manage those risks to the desired level, is produced annually and reviewed regularly to ensure relevant actions are taken and new risks evaluated by each business unit and by each Group departmental head. In addition, proposed improvements to the way that risks are managed are also reported. It is designed to manage rather than to eliminate the risks inherent in achieving the Group's business objectives and can therefore provide only reasonable and not absolute assurance against material misstatement or loss.

Detailed internal financial procedures are set out for operating units. Self certification control questionnaires are completed by the head of finance at each operating unit and are reviewed by Group Finance and the results are reported to the Audit Committee. A review of the self certification control questionnaires also forms part of each internal audit visit.

The Directors are satisfied that the procedures in place throughout the year ensured full compliance with the internal control requirements of the Combined Code.

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.

Statement of Directors' Responsibilities for the Group Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Group has complied with IFRS subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors on Remuneration

This remuneration report is made by the Board for the year ended 31 December 2008. It has been prepared on its behalf and for its approval by the Remuneration Committee. The report, which complies with the Directors' Remuneration Report Regulations 2002, sets out how the principles of the Combined Code relating to Directors' remuneration are applied. The Remuneration Committee believes that the Company was compliant with the provisions of the Combined Code relating to Directors' remuneration throughout the period.

The disclosures on pages 31 to 36 relating to the Remuneration Committee, remuneration policy, Executive Director remuneration, Directors' interests in contracts and other transactions with Group companies, Directors' service contracts, Directors' interests in shares and shareholder value have not been subject to audit. All other disclosures have been audited.

Remuneration Committee

The Remuneration Committee is responsible for the design and development of remuneration policies for the Executive Directors of the Company and other senior executives of the Group. The composition, chairmanship and activities of the Remuneration Committee are set out on page 29. The members of the Committee are both shareholders and option holders and receive remuneration as set out in this report. They abstain from participating in remuneration matters where their own interests are concerned and have no involvement in the day to day management of the Group's operations. Other Directors attend meetings by invitation only. The Board reviews the policy and sets the remuneration for Non-Executive Directors.

During the financial period under review, the Remuneration Committee sought the assistance of the Chairman, Chief Executive and Group Director of Human Resources relating to Directors' performance and remuneration.

During the year the Remuneration Committee contracted PricewaterhouseCoopers to advise on executive and long term incentive remuneration requirements.

Remuneration policy

The objective of the Remuneration Committee is to provide appropriate remuneration packages to attract, retain and motivate Executive Directors and senior executives of the highest calibre. The aim of the Group's remuneration policy is to ensure that key executives are appropriately rewarded for their individual contributions to the Group's performance, commensurate with their duties and responsibilities.

The Remuneration Committee believes that shareholders' interests are best served by providing executives with remuneration packages which have a significant emphasis on performance related pay through long term share incentive schemes.

The remuneration of Executive Directors consists of:

- Basic Salary: This is based on comparable positions in businesses of similar international span and complexity.
- Annual Bonus: This is based on the achievement of financial targets at Group level. The awards under this scheme are variable, dependent on performance, and are determined by the Remuneration Committee on an annual basis.
- Deferred Share Bonus Plan: Under this Plan, an Executive Director may receive an award of Huntsworth shares which will vest at a pre-determined time in the future subject to continued employment.
- Long-term Incentive Plans: Under these Plans, Executive Directors may receive awards of share options and/or shares. The awards under these Plans are variable and are determined on an annual basis by the Remuneration Committee.
- Pension: These are all defined contribution schemes, relating to a percentage of basic salary. Other than basic salary, no elements of remuneration are pensionable. The Chief Executive receives no pension contribution from the Company.
- Benefits in kind: These can comprise car or car allowance, medical expenses insurance, life insurance, permanent health and accident insurance.

Remuneration details for each Director are given on page 33.

The Remuneration Committee, in conjunction with its advisors, reviews best practice and the competitive environment, when considering the appropriate remuneration for Executive Directors. In addition, the Remuneration Committee considers the appropriate balance of remuneration between fixed and variable pay.

The Remuneration Committee has also reviewed the Group's pension and severance payment policies and considers these to be acceptable.

For Non-Executive Directors, the Board considers market practice to ensure that Huntsworth is able to attract the highest calibre of expertise to its Board and to reflect individual Directors' responsibilities and time commitments. In the past Huntsworth has granted options to Non-Executive Directors. As in 2007, Huntsworth has not granted any new options to Non-Executive Directors in 2008 and will not grant any such options in the future.

Executive Director remuneration

Basic salary and benefits

Huntsworth structures remuneration packages for Executive Directors according to the particular function and level of responsibility of each individual Director, taking into account the remuneration structures and salary levels at comparable companies, particularly in the media sector, and those of similar complexity and international nature.

Annual Bonus

Huntsworth operates an annual bonus scheme providing a non-pensionable cash bonus for Executive Directors. The scheme is reviewed each year by the Remuneration Committee. The annual bonus allocation is capped at a maximum of 75% of annual salary in the case of the Chief Executive and Chief Operating Officer and 50% of annual salary for other Executive Directors.

Report of the Directors on Remuneration

continued

Awards are made at the discretion of the Remuneration Committee and are based on the achievement of specific performance targets for each Director. For 2008, these targets included:

- Achievement of predetermined levels of earnings per share
- Achievement of certain levels of cash generation
- Achievement of certain personal objectives

The Executive Directors have agreed to waive their cash bonus entitlement in 2008 and will be considered for a share award under the Deferred Share Bonus Plan, details of which are set out below. The grant of awards under the Deferred Share Bonus Plan is intended to be made shortly after the preliminary announcement of the 2008 results.

Deferred Share Bonus Plan

The Huntsworth Deferred Share Bonus Plan was adopted by the Remuneration Committee in January 2009. Under this Plan, where an executive has waived all or a part, as determined by the Remuneration Committee, of their right to a cash bonus in respect of a particular financial year, the Committee will consider granting the executive an award of Huntsworth shares with an aggregate market value of no more than 125% of the bonus amount that would otherwise have been payable to the executive. If the executive remains employed by the Company, their award of shares will normally vest in full. There are no other performance criteria attached to the awards under the Plan. The shares cannot vest earlier than the first anniversary of the grant date and it is anticipated that for 2009 awards vesting will be split such that one half will vest on the second anniversary of the grant date and the other half will vest on the third anniversary of the grant date. On the granting of an award, the Remuneration Committee will determine whether executives will receive on vesting the benefit of any dividends paid over the deferral period.

Long-term incentive plans

The Company currently operates the following schemes for both Executive Directors and other senior executives of the Group:

Huntsworth Performance Share Plan ('PSP')

This long-term incentive plan was approved at the 2006 Annual General Meeting. Under the plan, participants may receive in any one year awards of Huntsworth shares having a value of up to two times basic salary. The vesting of these shares is contingent both on the participant remaining with the Group for three years from the date of award and the Group meeting specific performance targets. 50% of each award vests after three years providing Huntsworth achieves a predetermined level of growth in Earnings Per Share ('EPS') and 50% on attaining a predetermined level of Total Shareholder Return ('TSR'). There are no retesting provisions.

The EPS performance condition is based on annual growth in adjusted undiluted EPS. The base EPS for the 2008 grants was 7.9 pence per share (being the EPS for the year to 31 December 2007 as reported in the 2007 financial statements). Awards made in March 2008 had an EPS condition of annual growth of at least 4% above the Retail Price Index ('RPI'). During the year, following consultation with advisors, graded vesting was introduced and the growth target was made independent of RPI. Awards made in September 2008 were subject to the following graded vesting:

Average annual EPS growth	Proportion of award vesting
Less than 4.5%	Nil
4.5%	12.5%
5.5%	25%
6.5%	50%

Vesting between the various growth targets will be pro-rated on a straight line basis.

The TSR performance condition is based on Huntsworth achieving a TSR of no less than the median of a specific group of comparable companies. The comparator group for awards in 2007 and 2008 was Aegis, Cello, Chime Communications, Creston, Havas, M&C Saatchi, Media Square, Omnicom, Publicis and WPP.

Huntsworth Matched Share Plan ('MSP')

Huntsworth also offers certain UK and overseas based employees (including Executive Directors) the opportunity to buy shares through the Huntsworth Matched Share Plan. Under this plan, employees and Directors are invited to purchase existing ordinary shares of the Company and to receive, at no cost, one additional ordinary share for each share purchased. Subject to certain limited exceptions, employees and Directors must remain in employment with the Group for a period of three years to achieve the matching benefit but otherwise no performance criteria apply. Awards in respect of 113,569 shares were made in 2008 under the Huntsworth Matched Share Plan, of which 12,178 were to Executive Directors.

Executive Share Option Scheme 2006

The Executive Share Option Scheme was approved at the 2006 Annual General Meeting. The scheme has a performance target of EPS growth of 4% over RPI, compounded annually, over a three-year vesting. There were no new grants of options to Executive Directors in 2008.

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

Executive Directors are employed under the terms of written service agreements with no fixed term which set out their responsibilities and obligations to the Company and the terms of their employment as follows:

	Date of original contract	Notice period
Lord Chadlington	3 July 2006	1 year
Sally Withey	1 June 2006	1 year
Tymon Broadhead	12 March 2008	1 year
Tracey Reid (resigned 30 December 2008)	31 March 2006	1 year

Non-Executive Directors

The Non-Executive Directors have letters of appointment which provide for an initial period of three years, or two years in the case of Eugene Beard. The letter of appointment of Richard Sharp will expire at the Annual General Meeting in 2011. The letter of appointment of Eugene Beard has been extended from 15 May 2008 to the 2009 Annual General Meeting. The letter of appointment of Anthony Brooke has been extended from 12 June 2007 to the 2009 Annual General Meeting and Robert Alcock's has been extended from 12 June 2007 to the 2010 Annual General Meeting. The remuneration of the Non-Executive Directors is solely by way of fees, which are set by the Board. Certain Non-Executive Directors have participated in the past in the Huntsworth plc Non-Executive Directors Share Option Scheme. As stated above, it is not intended to make any further awards under this 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
Richard Sharp	10 March 2008	AGM 2011	3 months
Anthony Brooke	11 April 2001	AGM 2009	3 months
Eugene Beard	1 February 2004	AGM 2009	3 months
Lord Puttnam	12 July 2007	31 August 2010	3 months
Robert Alcock	12 May 2005	AGM 2010	3 months

Directors' interests in shares

The Directors were interested (all beneficially unless otherwise stated) in the following number of ordinary shares of 1p each in the Company (2007: ordinary shares of 50p each):

	20 March 2009	31 December 2008	31 December 2007 or date of appointment
Richard Sharp (appointed 15 May 2008)	**3,237,716**	3,237,716	1,154,716
Lord Chadlington[1]	**3,958,974**	3,958,974	2,702,363
Anthony Brooke	**440,000**	440,000	190,000
Eugene Beard	**563,624**	563,624	250,000
Robert Alcock	**155,442**	155,442	54,606
Lord Puttnam	**90,000**	90,000	–
Sally Withey[2]	**24,356**	24,356	–
Tymon Broadhead (appointed 12 March 2008)	**18,696**	18,696	6,196

1 Of this amount 533,142 were conditionally beneficially held under the Matched Share Plan on 31 December 2007 and 31 December 2008, and 54,062 were so held on 20 March 2009.

2 Of this amount 12,178 are conditionally beneficially held under the Matched Share Plan.

Directors' emoluments

2008	Salary and fees £000	Bonus[1] £000	Benefits £000	Total £000	Waived bonus[1] £000	Pension £000
Non-Executive Chairman						
H Jon Foulds (resigned 15 May 2008)	41	–	–	41	–	–
Richard Sharp (appointed 15 May 2008)	94	–	–	94	–	–
Executive						
Lord Chadlington	599	–	47	646	449	–
Tracey Reid (resigned 30 December 2008)	150	–	14	164	–	17
Sally Withey	292	–	13	305	225	35
Tymon Broadhead (appointed 12 March 2008)	145	–	2	147	90	17
Non-Executive						
Robert Alcock[2]	52	–	–	52	–	–
Eugene Beard	30	–	–	30	–	–
Anthony Brooke	42	–	–	42	–	–
Lord Puttnam	30	–	–	30	–	–
Total 2008	**1,475**	**–**	**76**	**1,551**	**764**	**69**

1 The Executive Directors participate in the Annual Bonus Scheme outlined on pages 31 to 32. For 2008, each Executive Director met their respective bonus targets and would have been entitled to a cash bonus payment subject to continued employment. However in January 2009, the Executive Directors agreed to waive their cash bonuses which would have been £764,250 in aggregate and will be considered for a share award under the Deferred Share Bonus Plan, details of which are set out on page 32. The grant of awards under the Deferred Share Bonus Plan is intended to be made shortly after the preliminary announcement of the 2008 results.

2 Robert Alcock also receives fees of £30,000 per annum as Non-Executive Chairman of Citigate Dewe Rogerson Limited.

Report of the Directors on Remuneration
continued

Directors' emoluments continued

2007	Salary and fees £000	Bonus[1] £000	Benefits £000	Total £000	Pension £000
Non-Executive Chairman					
H Jon Foulds	102	–	–	102	–
Executive					
Lord Chadlington[2]	575	431	50	1,056	–
Tracey Reid[3]	154	77	15	246	16
Sally Withey[4]	200	100	14	314	24
Non-Executive					
Robert Alcock[5]	50	–	–	50	–
Eugene Beard	27	–	–	27	–
Anthony Brooke	40	–	–	40	–
Lord Puttnam (from 1 September 2007)	10	–	–	10	–
Total 2007	**1,158**	**608**	**79**	**1,845**	**40**

1 The Executive Directors participate in the Annual Bonus Scheme outlined on pages 31 to 32. In 2007, each Executive Director met their respective bonus targets and was entitled to a bonus payment as outlined below.
2 Lord Chadlington was awarded a bonus of £431,250 – 75% of base salary. He has no entitlement to a pension.
3 Tracey Reid was awarded a bonus of £77,305 – 50% of base salary.
4 Sally Withey was awarded a bonus of £100,000 – 50% of base salary.
5 With effect from 1 February 2007, Robert Alcock also received fees of £30,000 per annum as Non-Executive Chairman of Citigate Dewe Rogerson Limited.

Pensions
Sally Withey, Tymon Broadhead and Tracey Reid (up to 30 December 2008) are each entitled to an annual pension allowance of 12% of their basic salary.

Highest paid Director
The aggregate emoluments of the highest paid Director were £646,000 for the year (2007: £1,056,000).

Directors' interests in share options
The interests in share options of the current Executive Directors at 31 December 2008 were as follows:

Scheme	At 1 January 2008 or date of appointment	Granted during year	Exercised during year	**At 31 December 2008 or date of cessation**	Exercise price (pence)	Option period
Lord Chadlington						
Huntsworth (Executive Directors) Unapproved Scheme	913,979	–	–	**913,979**	58.125	Jul 2006–Jul 2013
Huntsworth (Executive Directors) Unapproved Scheme	913,978	–	–	**913,978**	58.125	Jul 2007–Jul 2013
Enterprise Management Incentive Scheme	86,022	–	–	**86,022**	58.125	Jul 2006–Jul 2013
Enterprise Management Incentive Scheme	86,021	–	–	**86,021**	58.125	Jul 2007–Jul 2013
Huntsworth Savings Related Share Option Scheme	2,421	–	(2,421)	**–**	76.3	Sept 2007–Feb 2008
Performance Share Plan	570,000	–	–	**570,000**	nil	Jan 2010–Jan 2017
2006 Executive Share Option Scheme	1,016,166	–	–	**1,016,166**	108.25	Jan 2010–Jan 2017
Total Lord Chadlington	**3,588,587**	**–**	**(2,421)**	**3,586,166**		
Sally Withey						
Enterprise Management Incentive Scheme	92,930	–	–	**92,930**	107.50	Oct 2007–Oct 2014
Unapproved Executive Scheme	7,069	–	–	**7,069**	107.50	Oct 2007–Oct 2014
Performance Share Plan	135,707	–	–	**135,707**	nil	Dec 2009–Dec 2016
Performance Share Plan	–	238,480	–	**238,480**	nil	Mar 2011–Mar 2018
Performance Share Plan	–	449,438	–	**449,438**	nil	Sept 2011–Sept 2018
2006 Executive Share Option Scheme	415,692	–	–	**415,692**	98.25	Dec 2009–Dec 2016
Total Sally Withey	**651,398**	**687,918**	**–**	**1,339,316**		

Scheme	At 1 January 2008 or date of appointment	Granted during year	Exercised during year	**At 31 December 2008 or date of cessation**	Exercise price (pence)	Option period
Tracey Reid (resigned 30 December 2008)						
Performance Share Plan	89,567	–	–	**89,567**	nil	Dec 2009–Dec 2016
Performance Share Plan	–	116,454	–	**116,454**	nil	Mar 2011–Mar 2018
Performance Share Plan	–	206,741	–	**206,741**	nil	Sept 2011–Sept 2018
2006 Executive Share Option Scheme	274,357	–	–	**274,357**	98.25	Dec 2009–Dec 2016
Total Tracey Reid	**363,924**	**323,195**	**–**	**687,119**		
Tymon Broadhead						
Performance Share Plan	–	151,898	–	**151,898**	nil	Mar 2011–Mar 2018
Performance Share Plan	–	269,662	–	**269,662**	nil	Sept 2011–Sept 2018
Incepta Executive Long Term Incentive Plan	2,621	–	–	**2,621**	106.81	Nov 2005–Nov 2012
Incepta Executive Long Term Incentive Plan	47,048	–	–	**47,048**	103.87	Nov 2007–Nov 2014
Total Tymon Broadhead	**49,669**	**421,560**	**–**	**471,229**		
Total Executive Directors' share options	**4,653,578**	**1,432,673**	**(2,421)**	**6,083,830**		

The Company has an option scheme under which Non-Executive Directors are able to subscribe for ordinary shares in the Company, being the Huntsworth plc Non-Executive Directors Share Option Scheme. This Scheme has no performance targets.

The interests of the Non-Executive Directors at 31 December 2008 were as follows:

Scheme	At 1 January 2008	Granted	Lapsed	**At 31 December 2008 or date of cessation**	Exercise price (pence)	Option period
Huntsworth plc Non-Executive Directors Share Option Scheme						
H Jon Foulds (resigned 15 May 2008)	75,000	–	–	**75,000**	58.125	Jul 2006–Jul 2013
H Jon Foulds (resigned 15 May 2008)	75,000	–	–	**75,000**	58.125	Jul 2007–Jul 2013
Anthony Brooke	50,000	–	–	**50,000**	58.125	Jul 2006–Jul 2013
Anthony Brooke	50,000	–	–	**50,000**	58.125	Jul 2007–Jul 2013
Eugene Beard	100,000	–	–	**100,000**	126.25	Mar 2007–Mar 2014
Eugene Beard	100,000	–	–	**100,000**	126.25	Mar 2008–Mar 2014
Incepta Save As You Earn Scheme						
Robert Alcock	3,420	–	(3,420)	–	88.63	Jan 2008–Jun 2008
Total Non-Executive Directors' Share Options	**453,420**	**–**	**(3,420)**	**450,000**		

The market price of the shares at 31 December 2008 was 24.5 pence and the range during 2008 was 19.5 pence to 89.5 pence.

Gains made by directors on share options

Set out below are the gains made by Directors on share options exercised during 2008. The gains represent the difference between the share price at the point of exercise and the exercise price, regardless of whether or not the shares have been retained.

	2008 £'000	2007 £'000
Lord Chadlington	**–**	–

Report of the Directors on Remuneration

continued

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 and the FTSE All Share Media Index also measured on a daily basis by Total Shareholder Return. The FTSE All Share Index was selected as it represents a broad equity market index.

Source : Thomson Datastream
All lines show total return rebased to 25 on 1 January 2004

Changes in Directors' interests in shares since 31 December 2008

There have been no changes to the interests of Directors in Huntsworth shares nor in options over Huntsworth shares between 31 December 2008 and 20 March 2009 other than the following awards made on 21 January 2009 under the 2006 Executive Share Option Scheme:

	Granted	Exercise Price	Option period
Lord Chadlington	1,250,000	32.50	Jan 2012 to Jan 2019
Sally Withey	700,000	32.50	Jan 2012 to Jan 2019
Tymon Broadhead	400,000	32.50	Jan 2012 to Jan 2019

The above options have a performance condition such that the Company's share price must grow by at least 25% over the three year performance period.

External appointments

With specific approval of the Board, Executive Directors may accept external appointment as Non-Executive Directors of other companies and retain any fees paid to them. During the year ended 31 December 2008, Lord Chadlington served as a Non-Executive Director of Britax Childcare Holdings Limited but received no fees for his services.

This report was approved by the Board on 20 March 2009.

Anthony Brooke
Chairman, Remuneration Committee
20 March 2009

Independent Auditors' Report
to the members of Huntsworth plc

We have audited the Group financial statements of Huntsworth plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement and the Group Statement of Recognised Income and Expense and the related notes 1 to 28. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Huntsworth plc for the year ended 31 December 2008 and on the information in the Report of the Directors on Remuneration that is described as having been audited.

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

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the directors includes that specific information presented in the Operating Review and the Financial Review that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 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 group financial statements. The other information comprises only the Chairman's Statement, the Operating Review, the Financial Review, the Report of the Directors, the Corporate Governance statement, the Statement of Directors Responsibilities, the unaudited part of the Report of the Directors on Remuneration and the Five Year Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group 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 group financial statements 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 group financial statements.

Opinion
In our opinion:
- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the group financial statements.

Ernst & Young LLP
Registered auditor
London
20 March 2009

Consolidated Income Statement
for the year ended 31 December 2008

	Notes	2008 Before highlighted items £000	2008 Highlighted items (Note 6) £000	2008 Total £000	2007 Before highlighted items £000	2007 Highlighted items (Note 6) £000	2007 Total £000
Turnover		**209,870**	**–**	**209,870**	202,318	–	202,318
Revenue	4	**159,132**	**–**	**159,132**	152,271	–	152,271
Operating expenses	5	**(132,814)**	**(1,501)**	**(134,315)**	(128,052)	(8,345)	(136,397)
Operating profit	4	**26,318**	**(1,501)**	**24,817**	24,219	(8,345)	15,874
Share of post-tax profit of associates	15	**2,373**	**(2,373)**	**–**	2,730	(2,716)	14
Profit before interest and taxation		**28,691**	**(3,874)**	**24,817**	26,949	(11,061)	15,888
Finance income	7	**385**	**–**	**385**	585	–	585
Finance costs	7	**(5,058)**	**–**	**(5,058)**	(5,673)	–	(5,673)
Profit before tax		**24,018**	**(3,874)**	**20,144**	21,861	(11,061)	10,800
Taxation (expense)/credit	9	**(6,262)**	**(3,823)**	**(10,085)**	(5,196)	6,974	1,778
Profit for the year		**17,756**	**(7,697)**	**10,059**	16,665	(4,087)	12,578
Attributable to:							
Parent company's equity shareholders		**17,395**	**(7,618)**	**9,777**	15,827	(3,938)	11,889
Minority interests		**361**	**(79)**	**282**	838	(149)	689
		17,756	**(7,697)**	**10,059**	16,665	(4,087)	12,578

	Notes	2008	2007
Earnings per share	11		
Basic – pence		**4.8**	5.9
Diluted – pence		**4.7**	5.9
Adjusted basic – pence[1]		**8.5**	7.9
Adjusted diluted – pence[1]		**8.3**	7.8

1 Adjusted basic and diluted earnings per share are calculated based on profit for the year adjusted for highlighted items and the related tax effects (Note 11).

Consolidated Balance Sheet
as at 31 December 2008

	Notes	2008 £000	2007 £000
Non-current assets			
Intangible assets	12	**258,857**	225,283
Property, plant and equipment	13	**5,605**	6,050
Investment in associates	15	**3,802**	4,849
Derivative financial assets	21(b)	**52**	107
Deferred tax assets	20	**3,844**	8,532
		272,160	244,821
Current assets			
Work in progress		**1,340**	963
Trade and other receivables	16	**45,666**	47,823
Corporation tax receivable		**1,679**	2,035
Derivative financial assets	21(b)	**–**	74
Cash and short-term deposits	26(d)	**13,774**	6,939
		62,459	57,834
Assets held for sale	3	**–**	12,825
Current liabilities			
Bank loans and overdrafts	21(b), 26(d)	**–**	(77)
Loan notes payable	26(c)	**–**	(1,137)
Obligations under finance leases	18	**(242)**	(212)
Trade and other payables	17	**(51,783)**	(55,527)
Corporation tax payable		**(5,771)**	(5,664)
Provisions	19	**(6,750)**	(12,478)
		(64,546)	(75,095)
Non-current liabilities			
Bank loans and overdrafts	21(b), 26(c)	**(46,172)**	(59,126)
Obligations under finance leases	18	**(94)**	(270)
Provisions	19	**(18,544)**	(12,853)
Trade and other payables	17	**(313)**	(256)
Derivative financial liabilities	21(b)	**(818)**	(361)
Deferred tax liabilities	20	**(3,879)**	(6,163)
		(69,820)	(79,029)
Liabilities held for sale	3	**–**	(918)
Net assets		**200,253**	160,438
Equity			
Called up share capital	22,24	**106,006**	105,000
Share premium account	24	**23,760**	23,620
Merger reserve	24	**51,122**	50,866
Foreign currency translation reserve	24	**33,279**	(641)
Hedging reserve	24	**(752)**	(276)
Investment in own shares	24	**(5,965)**	(5,427)
Retained earnings	24	**(8,196)**	(14,664)
Equity attributable to equity holders of the parent		**199,254**	158,478
Minority interests		**999**	1,960
Total equity		**200,253**	160,438

The financial statements were approved by the Directors on 20 March 2009 and signed on their behalf by:

Peter Chadlington
Chief Executive

Tymon Broadhead
Group Finance Director

Consolidated Cash Flow Statement
for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Cash inflow from operating activities			
Cash inflow from operations	26(a)	**24,471**	25,230
Interest paid		**(4,309)**	(4,723)
Interest received		**411**	464
Cash flows from hedging activities		**–**	(411)
Corporation tax paid		**(4,323)**	(4,524)
Net cash inflow from operating activities		**16,250**	16,036
Cash inflow/(outflow) from investing activities			
Acquisitions of subsidiaries		**(6,593)**	(26,238)
Repayment of loan notes issued as acquisition consideration		**(1,137)**	–
Disposal of subsidiaries		**13,979**	3,077
Acquisition of minority interest		**(2,517)**	–
Cost of internally developed intangible assets		**(240)**	–
Purchases of property, plant and equipment		**(1,628)**	(2,121)
Proceeds from sale of property, plant and equipment		**56**	84
Proceeds from sale of associates		**231**	3
Dividends received from associates		**2,114**	1,682
Net cash acquired with subsidiaries		**–**	(477)
Net overdraft/(cash) disposed of with subsidiaries		**154**	(558)
Net cash inflow/(outflow) from investing activities		**4,419**	(24,548)
Cash (outflow)/inflow from financing activities			
Proceeds from issue of ordinary shares		**20**	367
Purchase of own shares		**(216)**	(1,771)
Repayment of finance lease liabilities		**(249)**	(165)
Net (repayment)/drawdown of borrowings		**(13,055)**	9,967
Dividends paid to minority interests		**(14)**	(74)
Dividends paid to shareholder of acquired business		**(321)**	(321)
Dividends paid to equity holders of the parent		**(4,708)**	(3,209)
Net cash (outflow)/inflow from financing activities		**(18,543)**	4,794
Increase/(decrease) in cash and cash equivalents		**2,126**	(3,718)
Movements in cash and cash equivalents			
Increase/(decrease) in cash and cash equivalents		**2,126**	(3,718)
Effects of exchange rate fluctuations on cash held		**4,786**	255
Cash and cash equivalents at 1 January		**6,862**	10,325
Cash and cash equivalents at 31 December	26(c), (d)	**13,774**	6,862

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Movement in financial instruments	24	**(476)**	(276)
Tax recognised directly in equity	9,24	**463**	78
Currency translation on disposal of subsidiaries	24	**760**	(31)
Currency translation differences	24	**33,160**	3,060
Net income recognised directly in equity		**33,907**	2,831
Profit for the year		**10,059**	12,578
Total recognised income for the year		**43,966**	15,409
Attributable to:			
– Equity holders of the Company		**43,684**	14,720
– Minority interests		**282**	689
		43,966	15,409

Notes to the Consolidated Financial Statements

for the year ended 31 December 2008

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 1985. On 20 March 2009 the consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Directors.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

2. Significant accounting policies

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The Group's significant accounting policies are listed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Interpretations effective in 2008

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following accounting standards and interpretations for the first time. Adoption of these standards and interpretations did not have any effect on the financial position of the Group.

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Basis of consolidation

Huntsworth plc ('the Company') is a limited company incorporated and domiciled in the United Kingdom. These financial statements consolidate the financial statements of Huntsworth plc and all of its subsidiaries.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements from the date of acquisition or to the date of 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. Minority interests represent the portion of profit and loss and net assets in subsidiaries that is not held by the Group and is presented separately from parent shareholders' equity in the consolidated balance sheet.

Turnover and revenue

Group turnover represents amounts received or receivable from clients, exclusive of value added tax, for the rendering of services and comprises charges for fees, commissions, rechargeable expenses incurred on behalf of clients and sales of marketing products.

Group revenue is turnover less amounts payable on behalf of clients to external suppliers where they are retained to perform part of a specific client project or service, 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.

For revenue derived from retainers and time charge fees for services provided, revenue is recognised when the service is performed in accordance with the contract and the stage of completion. For fixed fee projects, once the final outcome can be assessed with reasonable certainty, revenue is recognised as the contract activity progresses.

Revenue in the form of commissions on media placements and fees for creative and production services provided is recognised as the services are performed.

Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Associates are accounted for under the equity method of accounting, where the investment in the associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of the operations of the associate after tax. Associates have 31 December reporting dates and their accounting policies conform to those used by the Group.

2. Significant accounting policies continued

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits. Bank overdrafts are an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Goodwill and intangible assets

Goodwill arising on consolidation, being the excess of the fair value of the consideration paid over the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities acquired, is capitalised as an asset in the balance sheet. The Group has taken advantage of the first time adoption exemptions in IFRS 1 and consequently goodwill arising before the date of transition to IFRS has been retained at its carrying value as at 1 January 2004.

Goodwill is reviewed for impairment annually and in any periods in which events or changes in circumstances indicate the carrying value may not be recoverable. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units that are expected to benefit from the synergies of the combinations. Impairment testing is determined by assessing the recoverable amount of the cash generating units to which the goodwill relates. If the recoverable amount is less than the carrying amount of the cash generating units, the impairment loss is allocated first to reduce the carrying amount of the goodwill and then to other assets of the units.

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units to which the goodwill is allocated. The value in use calculation requires the entity to estimate future cash flows expected to arise from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at the balance sheet date was £236.8 million (2007: £202.2 million). More details are given in Note 12.

Acquired intangible assets comprise separable corporate brand names and customer relationships. Intangible assets are amortised systematically over their estimated useful lives, which vary from 3 to 20 years depending on the nature of the asset. These intangible assets are reviewed for impairment in any periods in which events or changes in circumstances indicate the carrying value may not be recoverable.

Costs associated with the development of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs are recognised as intangible assets. These costs are amortised over their estimated useful lives.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the possibility of recovery is assessed as being remote.

Property, plant and equipment

Property, plant and equipment 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 property, plant and equipment less the estimated residual value, on a straight-line basis, over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:

Motor vehicles	25%
Equipment, fixtures and fittings	15%–35%

Leasehold improvements are amortised over the period of the lease, from 3 to 15 years.

The carrying values of property, plant and equipment 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 recharged.

2. Significant accounting policies continued

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting not taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductable temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the amounts involved are material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects the current market assessment of the time value of money and, when appropriate, the risks specific to the liability. Where discounting is applied to provisions, the increase in the value of the provision due to the passage of time is recognised as a finance cost.

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.

Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element that is contingent on the future financial performance of the acquired entity. No material contingent consideration will become payable unless the acquired entity delivers greater revenues or profits during the earn-out period than those used for calculating the initial consideration. The provision for contingent consideration for acquisitions represents the Directors' best estimate of the amount expected to be payable in cash or shares.

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 income statement 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 income statement on a straight line basis over the lease term. Sublet income on operating leases is recognised on a straight line basis over the lease term.

2. Significant accounting policies continued

Foreign currencies

Sterling is the functional currency of Huntsworth plc and the presentational currency of the Group. The functional currency of subsidiaries is the local currency of the economic environment in which they operate. Transactions denominated in foreign currencies are initially translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

The financial statements of subsidiaries are translated into the presentational currency of the Group on consolidation. Assets and liabilities are translated at the exchange rate ruling at the balance sheet date with items in the income statement being translated at the average rate for the period. Exchange differences arising on consolidation are recorded in a separate component of equity, but are recognised in the consolidated income statement on disposal of the subsidiary to which they relate. The Group has elected not to record cumulative translation differences arising prior to the transition date as permitted by IFRS 1. In utilising this exemption, all cumulative translation differences are deemed to be zero as at 1 January 2004 and all subsequent disposals shall exclude any translation differences arising prior to the date of transition.

Goodwill and fair value adjustments arising on the acquisition of an overseas subsidiary are treated as assets and liabilities of the overseas subsidiary and translated at the closing rate.

Derivative financial instruments

The Group uses derivative financial instruments to reduce its exposure to foreign exchange and interest rate movements. The Group does not hold or issue derivative financial instruments for financial trading purposes but derivatives that do not qualify for hedge accounting are accounted for at fair value through the income statement. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date with gains and losses on revaluation being recognised immediately in the income statement.

Cash flow hedges are used to hedge against fluctuations in future cash flows on the Group's debt funding due to movements in interest rates. When a cash flow hedge is employed, the effective portion of the change in the fair value of the hedging instrument is recognised directly in equity (hedging reserve) until the gain or loss on the hedged item is realised. Any ineffective portion is always recognised in the income statement.

Foreign currency instruments are used to hedge against unfavourable exchange rate fluctuations that affect the results of the Group's overseas operations when translated into Sterling. Hedge accounting is not applied to these instruments and the associated cost is recognised at fair value through the income statement. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of derivatives is determined by reference to market values for similar instruments.

Borrowing costs and finance income

Borrowing costs are recognised as an expense when incurred. Finance income is recognised as the interest accrues (using the effective interest rate method).

Share-based payments

Equity-settled transactions

The Group issues equity-settled share-based payments to certain employees. The Group has used binomial and Monte Carlo share option valuation models for the purposes of calculating the fair value of the share-based payment granted to employees. The cost of share-based payments is recognised in the income statement as an expense spread over the relevant vesting period, with a corresponding increase in equity.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The fair value of options in acquired companies which are rolled over into the Group's option schemes is pro-rated between the pre and post-acquisition periods in accordance with the vesting period.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2008

2. Significant accounting policies continued

***Share-based payments** continued*

In accordance with the first time adoption exemptions available under IFRS 1, the Group elected to fair value only equity instruments that have been granted after 7 November 2002 that had not vested by 1 January 2005.

Cash-settled transactions

The Group issues cash-settled share-based payments to certain employees under the Matched Share Plan scheme.

The cost of cash-settled transactions is initially measured at the grant date using the market value of the shares at the date of grant. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in the income statement for the period.

Employee share ownership plans

Consideration paid to acquire shares in Huntsworth plc through Employee Benefit Trusts has been deducted from equity.

Employee benefits

All accumulating employee compensated absences that are unused at the balance sheet date are recognised as a liability.

Dividends

Interim dividends are recognised as a deduction from equity in the period in which they are paid. Final dividends are recognised in the period in which they are approved by the Company in general meeting.

Pensions

The Group operates defined contribution money purchase pension schemes and makes contributions to individual employees' personal pension schemes. The Group's contributions are charged against profits in the year in which the related employee services are performed.

New standards and amendments not applied

Standards, interpretations and amendments to existing standards that have been published as mandatory for later accounting periods but are not yet effective and have not been adopted early by the Group are as follows:

IFRS 2 (amendment) – Share-Based Payment (effective from 1 January 2009) clarifies the definition of vesting conditions and provide guidance on the accounting treatment of cancellations by parties other than the entity.

IFRS 3 (revised) – Business Combinations (effective for accounting periods beginning on or after 1 July 2009) presents significant changes to the accounting for acquisitions, with movements in expected payments of contingent consideration from initial expectations being re-measured through the income statement and all acquisition related costs being expensed.

IAS 27 (revised) – Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2009) will require transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions will no longer result in gains and losses and goodwill being recognised.

IFRS 8 – Operating segments (effective from 1 January 2009) replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131 – Disclosures About Segments of an Enterprise and Related Information. The new standard uses a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

IAS 1 (revised) – Presentation of Financial Statements revised (effective from 1 January 2009). The revised statement will prohibit the presentation of items of income and expenses in the statement of changes in equity. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

IFRS 5 (amendment) – Non-Current Assets Held for Sale and Discontinues Operations (effective for accounting period beginning on or after 1 July 2009) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal plan results in loss of control.

IAS 23 (amendment) – Borrowing Costs (effective from 1 January 2009). The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.

IAS 28 (amendment) – Investments in Associates (effective from 1 January 2009) requires an investment in an associate to be classified as a single asset for impairment testing.

IAS 32 (amendment) – Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 January 2009) clarifies the treatment of puttable financial instruments.

IAS 36 (amendment) – Impairment of Assets (effective for accounting periods beginning on or after 1 January 2009) requires that when fair value less cost to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use calculations must be made.

2. Significant accounting policies continued

New standards and amendments not applied continued

IAS 38 (amendment) – Intangible Assets (effective from 1 January 2009) states that a prepayment for assets may only be recognised in the event of obtaining right of access to goods or receipt of services.

IAS 19 (amendment) – Employee Benefits (effective from 1 January 2009) clarifies the distinction between long-term and short-term employee benefits. The other amendments to the standard will not be relevant to the Group.

IAS 39 (amendment) – Financial Instruments: Recognition and Measurement (effective from 1 January 2009) clarifies a number of detailed items within the standard.

IFRIC 13 – Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008) requires that loyalty credit awards granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008) clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentational currency, and hedging instruments may be held anywhere in the Group.

Unless otherwise stated, the Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Critical accounting estimates and assumptions

In preparing its financial statements, the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Carrying value of goodwill and other intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the procedures set out in Note 12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c) Provisions

The Group has recorded a provision for contingent deferred consideration on a number of acquisitions. These calculations require significant judgements and are based on budgeted revenues and profits of the relevant businesses for 2009 and beyond.

The Group also provides for the costs of reorganisation that has occurred due to the Group's acquisition and disposal activity and also following the Group's merger with Incepta. These provisions are based on the best estimates of management.

In addition, the Group provides for the costs of property leases where the property is vacant or if the lease is considered onerous. The quantification of these provisions depends upon the Group's ability to exit the leases early or to sublet the properties and has been determined based on external professional advice. 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 leases in question, which range from one to seven years.

3. Acquisitions and disposals

i) Acquisitions

a) Grayling International Limited minority interest

On 14 March 2008, the Group purchased an additional stake of 20% of the issued share capital of Grayling International Limited for cash consideration of £2,398,000, taking the Group's overall shareholding in the company to 90%. This resulted in a reduction of minority interests in the balance sheet of £1,103,000 and additional goodwill being recognised of £1,295,000.

b) Huntsworth Financial Group Limited minority interest

On 6 May 2008, the Group purchased the remaining stake of 8% of the share capital of Huntsworth Financial Group Limited, for cash consideration of £102,000, taking the Group's overall shareholding in the company to 100%.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2008

3. Acquisitions and disposals continued

ii) Disposals

a) Bachler

On 1 February 2008, the Group sold its 35% investment in Bachler & Partners Crisis and Security Consulting GmbH for cash consideration of €300,000 (£231,000).

b) CapitalBridge

On 20 February 2008, the Group sold the business and substantially all of the assets, properties and rights of CapitalBridge Inc. and CapitalBridge Limited, and the entire issued share capital of Citigate Data Consulting Limited and CapitalBridge (Pty) Limited (all together 'CapitalBridge') to Ipreo for US$31.7 million before costs of $2.0 million (approximately £16.3 million and £1.0 million respectively). CapitalBridge was the Group's non-core shareholder identification, analytics and investor relations technology business. The assets and liabilities of CapitalBridge were classified as held for sale as at 31 December 2007. The disposal generated profit before tax of £2.2 million and a tax expense of £6.2 million.

c) GCG Madrid

On 1 July 2008, the Group sold its 100% investment in Huntsworth Financial Global Consulting Group, S.L.U. for nil consideration.

4. Segmental analysis

Business segments

The following table analyses the revenue and operating profit and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2008:

Year ended 31 December 2008	Public Relations £000	Huntsworth Health £000	Group items £000	**Total £000**
Revenue				
External	118,039	41,093	–	**159,132**
Intra-group eliminations	214	–	(214)	**–**
Segmental revenue	118,253	41,093	(214)	**159,132**
Operating profit				
Segment operating profit before highlighted items	24,779	8,687	–	**33,466**
Unallocated expenses	–	–	(7,148)	**(7,148)**
Operating profit before highlighted items	24,779	8,687	(7,148)	**26,318**
Highlighted items – operating expenses	(1,302)	(2,030)	1,831	**(1,501)**
Operating profit				**24,817**
Share of profit of associates	2,373	–	–	**2,373**
Highlighted items – impairment of investment in associates	(2,373)	–	–	**(2,373)**
Profit before interest and taxation				**24,817**
Net finance costs				**(4,673)**
Profit before tax				**20,144**
Taxation				**(10,085)**
Profit for the year				**10,059**
Assets and liabilities				
Segment assets	245,219	80,076		**325,295**
Interests in associates	3,802	–		**3,802**
Unallocated assets				**5,522**
Total assets				**334,619**
Segment liabilities	(60,633)	(17,676)		**(78,309)**
Unallocated liabilities				**(56,057)**
Total liabilities				**(134,366)**
Other segment information				
Capital expenditure – property, plant and equipment	1,293	335		**1,628**
Capital expenditure – intangible assets	1,359	240		**1,599**
Depreciation of property, plant and equipment	1,781	686		**2,467**
Amortisation of intangible assets	2,990	2,057		**5,047**

Unallocated expenses comprise central head office costs. Unallocated assets and liabilities include current and deferred taxation and bank debt.

4. Segmental analysis continued

The following table analyses the revenue and operating profit and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2007.

Year ended 31 December 2007	Public Relations £000	Huntsworth Health £000	Group items £000	Total £000
Revenue				
External	121,843	30,428	–	152,271
Intra-group eliminations	236	–	(236)	–
Segmental revenue	122,079	30,428	(236)	152,271
Operating profit				
Segment operating profit before highlighted items	25,770	6,281	–	32,051
Unallocated expenses	–	–	(7,832)	(7,832)
Operating profit before highlighted items	25,770	6,281	(7,832)	24,219
Highlighted items – operating expenses	(6,391)	(1,954)	–	(8,345)
Operating profit				15,874
Share of profit of associates	2,730	–	–	2,730
Highlighted items – impairment of investment in associates	(2,716)	–	–	(2,716)
Profit before interest and taxation				15,888
Net finance costs				(5,088)
Profit before tax				10,800
Taxation				1,778
Profit for the year				12,578
Assets and liabilities				
Segment assets	235,019	65,045		300,064
Interests in associates	4,849	–		4,849
Unallocated assets				10,567
Total assets				315,480
Segment liabilities	(56,230)	(27,110)		(83,340)
Unallocated liabilities				(71,702)
Total liabilities				(155,042)
Other segment information				
Capital expenditure – property, plant and equipment	1,521	600		2,121
Capital expenditure – intangible assets	–	33,545		33,545
Depreciation of property, plant and equipment	1,879	476		2,355
Amortisation of intangible assets	4,653	1,309		5,962

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2008

4. Segmental analysis continued
Geographical segments
The following tables analyse the Group's revenue and operating profit excluding highlighted items together with certain asset information by geographical segments for the years ended 31 December 2008 and 31 December 2007.

	2008 £000	2007 £000
Revenue		
United Kingdom	**70,861**	71,750
Other European	**42,033**	38,408
USA	**40,592**	37,591
Rest of World	**5,860**	4,758
Eliminations	**(214)**	(236)
Total	**159,132**	152,271
Operating profit before highlighted items		
United Kingdom	**16,554**	15,610
Other European	**7,722**	8,091
USA	**7,616**	6,996
Rest of World	**1,574**	1,354
Segment operating profit before highlighted items	**33,466**	32,051
Unallocated expenses	**(7,148)**	(7,832)
Operating profit before highlighted items	**26,318**	24,219
Highlighted items – operating expenses	**(1,501)**	(8,345)
Operating profit	**24,817**	15,874
Carrying amount of segment assets		
United Kingdom	**145,442**	149,548
Other European	**86,905**	71,535
USA	**87,257**	76,486
Rest of World	**9,493**	7,344
Unallocated assets	**5,522**	10,567
Total	**334,619**	315,480
Additions to property, plant and equipment		
United Kingdom	**811**	1,344
Other European	**507**	537
USA	**241**	199
Rest of World	**69**	41
Total	**1,628**	2,121

5. Operating profit

Operating profit is stated after charging/(crediting):

	2008 £000	2007 £000
Auditors' remuneration	**614**	769
Depreciation of owned property, plant and equipment (Note 13)	**2,264**	2,256
Depreciation of property, plant and equipment held under finance leases (Note 13)	**203**	99
Loss on disposal of property, plant and equipment	**19**	9
Net foreign exchange (profit)/loss	**(1,380)**	655
Operating lease rentals:		
Lease payments	**9,530**	8,374
Sublet income	**(1,716)**	(1,628)
Employee costs (Note 8)	**94,675**	90,565
Other administration costs	**28,605**	26,953
Operating expenses – excluding highlighted items	**132,814**	128,052
Highlighted items (Note 6)	**1,501**	8,345
	134,315	136,397

Auditors' remuneration

	2008 £000	2007 £000
Fees payable to the Company's Auditors for the statutory audit of the Company's and consolidated annual financial statements	**200**	225
Other services:		
The auditing of financial statements of the Company's subsidiaries pursuant to legislation	**278**	319
Other services pursuant to legislation	**50**	79
Other services relating to taxation	**71**	71
Other services	**15**	75
	414	544
Total remuneration included in operating expenses	**614**	769

In addition to the services listed above, £nil (2007: £160,000) of non-audit services has been capitalised within goodwill, being costs of acquisition.

6. Highlighted items

The following highlighted items have been recognised in arriving at profit before tax:

	2008 £000	2007 £000
Charged to operating profit		
Amortisation of intangible assets	**5,026**	5,962
(Profit)/loss on disposal of subsidiaries	**(4,147)**	1,877
Acquisition payments to employees deemed as remuneration	**616**	468
Net restructuring and other non-recurring costs	**6**	38
	1,501	8,345
Charged to profit before tax		
Impairment of investment in associates	**2,373**	2,716
	3,874	11,061

Highlighted items charged to profit before tax comprise significant non-cash charges and non-recurring items which are highlighted in the income statement because, in the opinion of the Directors, separate disclosure is helpful in understanding the underlying performance of the business.

Amortisation of intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from 3 to 20 years depending on the nature of the asset. These are significant non-cash charges which arise as a result of acquisitions.

Profit/loss on disposal of subsidiaries

The profit on disposal of subsidiaries principally arises from the sale of the CapitalBridge business to Ipreo (£2.2 million) (Note 3) and the release of provisions for indemnities and accruals on previous disposals that are no longer required (£1.8 million). The loss in 2007 related to the disposal of the Citigate Broadstreet events business.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2008

6. Highlighted items continued
Acquisition payments to employees deemed to be remuneration
Certain payments of consideration to non-shareholding employees of acquired businesses under arrangements set up prior to acquisition are deemed to be remuneration in the post-acquisition period. These costs will cease once the relevant earn-outs have been settled. This remuneration is not payable to the individuals concerned until the end of the earn-out period. In the meantime, the related assets and liabilities are held in a separately managed fund within the Group. The balance on the fund is included in other debtors.

Net restructuring and other non-recurring costs
Net restructuring and other non-recurring costs comprise expenses relating to the integration and restructuring of businesses within the Group together with certain other non-recurring costs. In 2008, the balance related to the cost of certain restructuring across the Group (£0.8 million), offset by the release of surplus reorganisation provisions (£0.8 million). In 2007, the balance principally represents costs of restructuring the Group's healthcare businesses (£0.6 million) and its operations in Italy and Spain (£0.5 million), together with other non-recurring costs (£0.5 million), offset by the release of surplus provisions (£1.6 million), principally relating to vacant property, which had been successfully sublet.

Impairment of investment in associates
On 15 February 2006 the Company announced that it had reached an agreement to sell Citigate Sard Verbinnen ('CSV') by the end of 31 December 2009. Under the sale agreements, 51% was acquired by certain executives of CSV on 5 January 2007 and the remaining 49% will be acquired no later than 31 December 2009 for a fixed amount.

Following the sale the Company has been accounted for as an associated undertaking from 1 January 2007. Consequently all profits recognised subsequently are matched by an equal and opposite impairment of the Group's investment in the entity.

7. Finance costs and income

	2008 £000	2007 £000
Bank interest payable	**4,241**	4,699
Loan note interest	**5**	33
Finance lease interest	**37**	27
Financial instruments	**32**	314
Imputed interest on property provisions	**202**	194
Imputed interest on deferred consideration	**541**	406
Finance costs	**5,058**	5,673
Bank interest receivable	**(132)**	(283)
Other interest receivable	**(253)**	(302)
Finance income	**(385)**	(585)
Net interest payable	**4,673**	5,088

8. Employee information
Average number of employees during the year was:

	2008 Number	2007 Number
Public Relations	**1,346**	1,473
Huntsworth Health	**416**	324
	1,762	1,797

	2008 £000	2007 £000
Employee costs of all employees including Directors:		
Wages and salaries	**81,298**	76,951
Social security costs	**9,351**	8,516
Pension contributions	**2,692**	2,470
Share-based payment charge	**1,334**	2,628
	94,675	90,565

8. Employee information continued

Directors' emoluments	2008 £000	2007 £000
Directors' emoluments	**1,551**	1,845
Number of Directors accruing benefits under:		
Defined contribution schemes	**3**	2

The Group makes contributions to employees' personal defined contribution pension plans.

Details of Executive and Non-Executive Directors' emoluments and their interests in shares and options of the Company are shown within the Report of the Directors on Remuneration in the sections 'Directors' emoluments', 'Directors' interests in shares' and 'Directors' interests in share options'.

In 2008, each Executive Director met their respective bonus targets and was entitled to a cash bonus payment. However in January 2009, the Executive Directors agreed to waive their cash bonus entitlement of £764,250 in aggregate and will be considered for a share award under the Deferred Share Bonus Plan, details of which are set out on page 32. The grant of awards under the Deferred Share Bonus Plan is intended to be made shortly after the preliminary announcement of the 2008 results.

9. Taxation

The major components of income tax expense/(credit) for the year ended 31 December 2008 are:

	Before highlighted items 2008 £000	Highlighted items 2008 £000	Total 2008 £000	Before highlighted items 2007 £000	Highlighted items 2007 £000	Total 2007 £000
Consolidated income statement						
Current income tax						
Current income tax expense/(credit)	**6,271**	**1,394**	**7,665**	4,973	(462)	4,511
Adjustments in respect of prior years	**(972)**	**–**	**(972)**	201	–	201
	5,299	**1,394**	**6,693**	5,174	(462)	4,712
Deferred income tax						
Deferred income tax expense/(credit)	**296**	**1,810**	**2,106**	388	(6,611)	(6,223)
Adjustments in respect of prior years	**667**	**619**	**1,286**	(366)	99	(267)
	963	**2,429**	**3,392**	22	(6,512)	(6,490)
Income tax expense/(credit)	**6,262**	**3,823**	**10,085**	5,196	(6,974)	(1,778)
Consolidated statement of recognised income and expense						
Current tax credit						
Exchange differences	**(330)**	**–**	**(330)**	–	–	–
	(330)	**–**	**(330)**	–	–	–
Deferred tax expense/(credit)						
Net revaluation of share-based remuneration	**78**	**–**	**78**	(78)	–	(78)
Financial instruments fair value movement	**(211)**	**–**	**(211)**	–	–	–
	(133)	**–**	**(133)**	(78)	–	(78)
Tax credit recognised in equity	**(463)**	**–**	**(463)**	(78)	–	(78)

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2008

9. Taxation continued

Factors affecting the tax charge for the year

The tax expense for the year is lower than the effective standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below.

	Before highlighted items 2008 £000	Highlighted items 2008 £000	Total 2008 £000	Before highlighted items 2007 £000	Highlighted items 2007 £000	Total 2007 £000
Profit/(loss) before tax	**24,018**	**(3,874)**	**20,144**	21,861	(11,061)	10,800
Notional income tax expense/(credit) at the effective UK statutory rate of 28.5% (2007: 30%) on profit/(loss) before tax	**6,845**	**(1,104)**	**5,741**	6,558	(3,318)	3,240
Effects of:						
Permanent items	**1,078**	**3,416**	**4,494**	940	843	1,783
Impact of share-based remuneration	**689**	**–**	**689**	475	–	475
Different tax rates on overseas profits	**578**	**1,093**	**1,671**	889	(55)	834
Impact of changes in statutory tax rates	**(41)**	**25**	**(16)**	211	(470)	(259)
Adjustments in respect of prior years	**(305)**	**619**	**314**	(165)	99	(66)
Utilisation and recognition of tax losses	**(2,454)**	**(226)**	**(2,680)**	(2,897)	(4,208)	(7,105)
Unrelieved current year losses	**11**	**–**	**11**	97	89	186
Movements in other temporary differences	**(139)**	**–**	**(139)**	(912)	46	(866)
Income tax expense/(credit)	**6,262**	**3,823**	**10,085**	5,196	(6,974)	(1,778)

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 28.5% (2007: 30%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

Included within the highlighted items income tax expense of £3.8 million is a £6.2 million tax expense with respect to the disposal of CapitalBridge (see Note 3).

The comparative balances have been reclassified to separately disclose the effect of share-based remuneration.

10. Dividends

	2008 £000	2007 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2006 – 1.3 pence	**–**	2,649
Interim dividend for the year ended 2007 – 0.65 pence	**–**	1,363
Final dividend for the year ended 2007 – 1.85 pence	**3,825**	–
Interim dividend for the year ended 2008 – 0.7 pence	**1,459**	–
	5,284	4,012

Shareholdings under the Group's Employee Benefit Trust of 3,279,805 and 3,673,651 shares waived their rights to the 2007 final and 2008 interim dividends respectively (2007: 5,138,154 and 5,430,960 respectively).

A final dividend of 2.0 pence per share has been proposed for approval at the Annual General Meeting in 2009 and has not been recognised as a liability at 31 December 2008.

11. Earnings per share

The data used in the calculations of the earnings per share numbers is summarised in the table below:

	2008		2007	
	Earnings £000	**Weighted average number of shares 000's**	Earnings £000	Weighted average number of shares 000's
Basic	**9,777**	**205,034**	11,889	200,957
Diluted	**9,777**	**208,613**	11,889	202,432
Adjusted basic	**17,395**	**205,034**	15,827	200,957
Adjusted diluted	**17,395**	**208,613**	15,827	202,432

The basic earnings per share calculation is based on the profit for the year attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated based on the profit for the year attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the year adjusted for the potentially dilutive impact of employee share option schemes and shares to be issued as part of contingent consideration on acquisitions of subsidiaries.

Adjusted earnings per share is calculated in order to provide information to shareholders about continuing trading performance and is based on the profit attributable to parent company shareholders excluding highlighted items together with related tax effects as set out below:

	2008 £000	2007 £000
Earnings:		
Profit for the year attributable to parent company's shareholders	**9,777**	11,889
Highlighted items (net of tax) attributable to the parent company's shareholders	**7,618**	3,938
Adjusted earnings	**17,395**	15,827

	2008 000's	2007 000's
Number of shares:		
Weighted average number of ordinary shares – basic and adjusted	**205,034**	200,957
Effect of share options in issue	**3,579**	1,401
Effect of deferred contingent consideration	**–**	74
Weighted average number of ordinary shares – diluted	**208,613**	202,432

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2008

12. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Software development costs £000	Total £000
Cost					
At 1 January 2007	18,333	12,963	208,780	–	240,076
Arising on acquisitions in the year	3,670	4,849	25,026	–	33,545
Adjustment to prior year acquisitions	–	–	(4,062)	–	(4,062)
Arising on disposal of subsidiaries in the year	(841)	–	(7,249)	–	(8,090)
Reclassified to assets held for sale	–	(604)	(11,572)	–	(12,176)
Exchange differences	284	165	2,884	–	3,333
At 31 December 2007	21,446	17,373	213,807	–	252,626
Arising on acquisitions in the year	–	–	1,359	–	1,359
Adjustment to prior year acquisitions	49	–	6,189	–	6,238
Capitalised development costs	–	–	–	240	240
Exchange differences	3,721	2,941	29,495	25	36,182
At 31 December 2008	**25,216**	**20,314**	**250,850**	**265**	**296,645**
Amortisation and impairment charges					
At 1 January 2007	4,423	5,754	17,103	–	27,280
Charge for the year	960	5,002	–	–	5,962
Arising on disposal of subsidiaries in the year	(102)	–	(5,902)	–	(6,004)
Reclassified to assets held for sale	–	(521)	–	–	(521)
Exchange differences	83	129	414	–	626
At 31 December 2007	5,364	10,364	11,615	–	27,343
Charge for the year	1,050	3,976	–	21	5,047
Exchange differences	989	1,948	2,459	2	5,398
At 31 December 2008	**7,403**	**16,288**	**14,074**	**23**	**37,788**
Net book value at 31 December 2008	**17,813**	**4,026**	**236,776**	**242**	**258,857**
Net book value at 31 December 2007	16,082	7,009	202,192	–	225,283

Brands and customer relationships are being amortised over their useful economic lives of between 3 and 20 years. Details of acquisitions made during the period are set out in Note 3.

Adjustments to goodwill on prior year acquisitions represent changes to contingent deferred consideration payable.

12. Intangible assets continued

Impairment testing for cash generating units containing goodwill

Goodwill acquired through business combinations is allocated to cash generating units ('CGUs') for impairment testing as follows:

	2008 £000	2007 £000
Citigate	**47,862**	44,049
Trimedia	**60,827**	50,635
Grayling	**22,891**	19,461
Red	**19,870**	19,704
M*m*d	**17,064**	13,728
Other	**13,541**	13,104
Total Public Relations	**182,055**	160,681
Huntsworth Health	**54,721**	41,511
Total	**236,776**	202,192

The key assumptions used in determining the value in use are:

Operating cash flow forecasts

Operating cash flow forecasts for the initial five year period are calculated as operating profit before depreciation and amortisation and are based on the 2009 budgets approved by management and past experience of historic trends.

Long-term growth rate

After the initial five year forecast period, a long-term growth rate of 2.5% (2007: 2.5%) has been applied to the cash flow forecasts into perpetuity.

Pre-tax risk adjusted discount rate

The pre-tax discount rates applied range from 14% to 16.5%. The discount rates applied to the cash flows of the Group's operations are based on the risk free rate for 20 year UK government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the Group's individual CGUs. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment ('beta') applied to reflect the risk of the Group relative to the market as a whole.

Sensitivity to changes in assumptions

Forecast future cash flows are inherently uncertain and could change materially over time due to the impact of, inter alia, market growth, discount rates and unexpected changes in key clients or key personnel. Other than as disclosed below, management believe that no reasonably possible change in any of the key assumptions would cause the carrying value of any cash generating unit to exceed its recoverable amount.

As at 31 December 2008, the date of the Group's annual impairment test, the estimated recoverable amount of the Citigate CGU exceeds the carrying value by £5,700,000. The table below shows the key assumptions used in the value in use calculations and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value in each case.

	Assumptions used for value in use calculations Citigate	Value required for carrying value to equal the recoverable amount Citigate
Pre-tax adjusted discount rate	15.0%	16.2%
Long-term growth rate	2.5%	1.2%
Percent of forecast operating cash flows achieved during initial five year period	–	90%

13. Property, plant and equipment

	Leasehold improvements £000	Equipment fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2007	2,559	6,107	349	9,015
Acquisitions	282	1,040	1	1,323
Additions	593	1,405	123	2,121
Disposal of subsidiaries	(34)	(428)	–	(462)
Disposals	(45)	(314)	(123)	(482)
Reclassified to assets held for sale	(77)	(191)	–	(268)
Exchange differences	26	127	10	163
At 31 December 2007	3,304	7,746	360	11,410
Additions	322	1,286	20	1,628
Disposal of subsidiaries	–	(188)	–	(188)
Disposals	(25)	(82)	(44)	(151)
Exchange differences	284	1,356	58	1,698
At 31 December 2008	**3,885**	**10,118**	**394**	**14,397**
Depreciation				
At 1 January 2007	632	2,816	164	3,612
Charge for the period	525	1,750	80	2,355
Disposal of subsidiaries	(29)	(218)	–	(247)
Disposals	(44)	(196)	(90)	(330)
Reclassified to assets held for sale	(22)	(125)	–	(147)
Exchange differences	18	96	3	117
At 31 December 2007	1,080	4,123	157	5,360
Charge for the period	659	1,734	74	2,467
Disposal of subsidiaries	–	(144)	–	(144)
Disposals	(9)	(51)	(15)	(75)
Exchange differences	169	985	30	1,184
At 31 December 2008	**1,899**	**6,647**	**246**	**8,792**
Net book value at 31 December 2008	**1,986**	**3,471**	**148**	**5,605**
Net book value at 31 December 2007	2,224	3,623	203	6,050

Motor vehicles held under finance leases had a net book value at 31 December 2008 of £48,000 (2007: £45,000). Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2008 of £342,000 (2007: £418,000).

14. Subsidiaries

Details of the Company's principal operating subsidiary undertakings at 31 December 2008, which are all registered and operating in Great Britain, unless indicated otherwise, are set out below. Shares held by an intermediate holding company are indicated with an asterisk (*):

Subsidiary undertaking	Proportion of nominal value of issued ordinary shares held	Principal activity
Apothecom Associates LLC[1]	*90%	Healthcare communications and research
Axiom Professional Health Learning LLC[1]	*90%	Healthcare communications and research
Axis Healthcare Communications LLC[1]	*90%	Healthcare communications and research
Citigate Cunningham LLC[1]	*100%	Public Relations consultants
Citigate Dewe Rogerson Limited	100%	Public Relations consultants
Citigate First Financial B.V.[2]	*100%	Public Relations consultants
Citigate & Trimedia Norden AB[3]	*100%	Public Relations consultants
Citigate S.r.l.[4]	*100%	Public Relations consultants
Sanchis Communication S.L.[5]	*100%	Public Relations consultants
Deskmedia SAS[6]	*100%	Public Relations consultants
Dorland Corporation[1]	*90%	Healthcare communications and research
Brand Health International Limited	*90%	Healthcare communications and research
GCG Rose & Kindel Inc.[1]	*100%	Public Relations consultants
Grayling UK Limited	*90%	Public Relations consultants
Helix Medical Communications LLC[1]	*90%	Healthcare communications and research
HF Global Consulting Group Inc.[1]	*100%	Public Relations consultants
Hudson Sandler Limited	*80%	Public Relations consultants
Huntsworth Health Limited	*90%	Healthcare communications and research
M*md* Corporate Public Affairs & Public Relations Consultants (Cyprus) Limited[7]	*100%	Public Relations consultants
PR Force Public Relations & Press Relations N.V.[8]	*100%	Public Relations consultants
The Quiller Consultancy Limited	*80%	Public Relations consultants
The RED Consultancy Limited	*100%	Public Relations consultants
Trimedia Communications Austria GmbH[9]	*100%	Public Relations consultants
Trimedia Communications Deutschland GmbH[10]	*100%	Public Relations consultants
Trimedia Communications Suisse SA[11]	*100%	Public Relations consultants
Trimedia Limited	*100%	Public Relations consultants

1 Incorporated in the United States of America
2 Incorporated in the Netherlands
3 Incorporated in Sweden
4 Incorporated in Italy
5 Incorporated in Spain
6 Incorporated in France
7 Incorporated in Cyprus
8 Incorporated in Belgium
9 Incorporated in Austria
10 Incorporated in Germany
11 Incorporated in Switzerland

Notes to the Consolidated Financial Statements continued
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15. Investment in associates
Details of the Group's associates at 31 December 2008 are as follows:

Name of associate	Ownership	Principal activity
Capital Communications Kft	40%	Public Relations
Sard Verbinnen LLC	49%	Public Relations

The following table illustrates summarised financial information of the Group's combined investment in associates:

	2008 £000	2007 £000
Share of the associates' balance sheet:		
Total assets	**3,847**	5,193
Total liabilities	**(45)**	(344)
Net assets	**3,802**	4,849

	2008 £000	2007 £000
Share of the associates' revenue and profit:		
Revenue	**10,116**	10,151
Profit after tax (before highlighted items)	**2,373**	2,730
Profit after tax	**–**	14
Carrying amount of the investment	**3,802**	4,849

16. Trade and other receivables

	2008 £000	2007 £000
Trade receivables	**37,051**	40,278
Less: provision for impairment of trade receivables	**(1,844)**	(1,542)
Trade receivables – net	**35,207**	38,736
Other debtors	**1,897**	1,429
Prepayments and accrued income	**8,148**	7,282
VAT receivable	**414**	376
	45,666	47,823

Included within other debtors are balances of £539,000 (2007: £368,000) that are receivable between one and two years. All other debtors are due within one year. There are no differences between the book value and fair value of the above receivables.

As of 31 December 2008, trade receivables of £1,844,000 (2007: £1,542,000) were impaired. Movements in the provision are as follows:

	2008 £000	2007 £000
At 1 January	**1,542**	1,261
Provision for receivables impairment	**824**	519
Receivables written off during the year as uncollectable	**(633)**	(56)
Unused amounts reversed	**(23)**	(223)
Foreign exchange movements	**134**	41
At 31 December	**1,844**	1,542

As at 31 December, the analysis of trade receivables that were not impaired is as follows:

			Past due but not impaired			
At 31 December	Total £000	Neither past due or impaired £000	<30 days £000	30–60 days £000	60–90 days £000	>90 days £000
2008	**35,207**	**22,735**	**7,763**	**3,031**	**1,477**	**201**
2007	38,736	24,013	10,400	3,198	1,076	49

17. Trade and other payables

Current

	2008 £000	2007 £000
Trade creditors	**12,969**	12,606
Other taxation and social security	**5,636**	6,452
Accruals and deferred income	**30,034**	32,971
Other creditors	**3,144**	3,498
	51,783	55,527

Non-current

	2008 £000	2007 £000
Other creditors	**313**	256
	313	256

18. Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 £000	2007 £000	2008 £000	2007 £000
Amounts payable:				
Within one year	**258**	243	**242**	212
In two to five years	**102**	286	**94**	270
	360	529		
Less: finance charges allocated to future periods	**(24)**	(47)		
Present value of lease obligations (Note 26(c))	**336**	482	**336**	482

19. Provisions

	2008 £000	2007 £000
Deferred consideration	**18,516**	15,377
Provision for property	**5,937**	6,509
Provision for reorganisation	**841**	3,445
	25,294	25,331

The movement in the year on Group provisions comprises:

	Deferred consideration £000	Property £000	Reorganisation £000	Total £000
At 1 January 2007	18,372	7,880	3,596	29,848
Provision upon acquisition	10,557	2,442	–	12,999
Release of provision not utilised	(5,975)	(1,615)	(66)	(7,656)
Arising during the year	2,646	97	506	3,249
Exchange differences	226	(21)	–	205
Utilised	(10,855)	(2,468)	(591)	(13,914)
Unwind of discount	406	194	–	600
At 31 December 2007	15,377	6,509	3,445	25,331
Release of provision not utilised	–	(25)	(2,353)	(2,378)
Arising during the year	6,188	258	131	6,577
Exchange differences	3,735	875	–	4,610
Utilised	(7,325)	(1,882)	(382)	(9,589)
Unwind of discount	541	202	–	743
At 31 December 2008	**18,516**	**5,937**	**841**	**25,294**
Current	3,158	2,876	716	6,750
Non-current	15,358	3,061	125	18,544

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2008

19. Provisions continued

Deferred consideration for acquisitions

Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element, payable in either cash or cash/shares at the Company's option that is contingent on the future financial performance of the acquired entity. The Group anticipates settling the majority of the deferred consideration provisions over the next three years.

Property provision

Provision for property represents amounts set aside in respect of property leases which are vacant or onerous. The quantification of these provisions depends upon the Group's ability to exit the leases early or to sublet the properties and has been determined based on external professional advice. 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 leases in question, which range from one to seven years.

Reorganisation provision

As a result of acquisitions and disposals of subsidiaries, the Group has implemented a number of restructuring initiatives. In addition, when disposing of businesses, normal commercial warranties and indemnities have been given to purchasers, and provisions have been made to cover the best estimate of the Group's exposure. The release of the provision not utilised during the year represents the resolution of indemnities on previous disposals and the release of surplus restructuring provisions which were recognised on prior acquisitions.

20. Deferred tax

	Tax depreciation £000	Share based remuneration £000	Tax losses £000	Intangible assets £000	Other temporary differences £000	Total £000
At 1 January 2007	279	–	1,980	(6,336)	(75)	(4,152)
Credit/(expense) to income	216	315	5,423	1,000	(464)	6,490
Credit to equity	–	78	–	–	–	78
Exchange differences and other movements	–	–	–	(864)	817	(47)
At 31 December 2007	495	393	7,403	(6,200)	278	2,369
Credit/(expense) to income	188	(71)	(5,576)	1,085	982	(3,392)
(Expense)/credit to equity	–	(78)	–	–	211	133
Transfer from current tax	–	–	–	–	81	81
Exchange differences and other movements	(293)	36	1,206	(1,008)	833	774
At 31 December 2008	**390**	**280**	**3,033**	**(6,123)**	**2,385**	**(35)**

After netting off balances within countries, the following are the deferred tax assets and liabilities recognised in the consolidated balance sheet:

	2008 £000	2007 £000
Deferred tax balances:		
Deferred tax assets	**3,844**	8,532
Deferred tax liabilities	**(3,879)**	(6,163)
Net deferred tax (liability)/asset	**(35)**	2,369

Deferred tax has been calculated using the anticipated rates that will apply when the assets and liabilities are expected to reverse. The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

Unrecognised deferred tax assets totalling £7.2 million (2007: £8.2 million) have not been recognised on the basis that their economic benefit is uncertain. These comprise tax losses and other temporary differences of £3.7 million (2007: £4.7 million) and capital losses of £3.5 million (2007: £3.5 million). Of this total, tax losses of £1.5 million will expire at various dates between 2010 and 2029 and the remaining losses can be carried forward without restriction.

No deferred tax liability is recognised on temporary differences of £17.7 million (2007: £12.0 million) relating to the unremitted earnings of overseas operations as the Group is able to control the timing of the reversal of their temporary differences and it is probable that they will not reverse in the foreseeable future. The prior year provision of £0.3 million in relation to unremitted oversees earnings has been released in the current year.

21. Financial instruments

21(a). Financial risk management, policies and strategies

The Group's principal financial instruments comprise bank loans, bank overdrafts, loan notes, finance leases and cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. During the year the Group has financed its business through an overdraft facility and a revolving credit facility arranged with Lloyds TSB Bank plc and The Royal Bank of Scotland plc (Note 26(c)).

The Group also enters into derivative transactions, primarily interest rate swaps and caps and foreign currency average rate options. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. 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 cash flow interest rate risk, foreign exchange risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this, the Group enters into interest rate swaps and caps. These agreements are designated to hedge underlying debt obligations. During 2008, after taking into account the effect of interest rate swaps and caps, approximately 77% of the Group's borrowings were at a fixed or capped rate of interest.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings).

		Effect on profit before tax	
	Increase/decrease in basis points	**2008 £000**	2007 £000
United Kingdom	+100	**(355)**	(545)
USA	+100	**(3)**	(42)
United Kingdom	–100	**443**	567
USA	–100	**3**	42

Foreign currency risk

As a result of significant operations in the United States and the Eurozone, the Group's balance sheet can be affected significantly by movements in the US Dollar and Euro exchange rates against Sterling. This is largely through the retranslation of the Group's foreign operations' results and balances into Sterling. The Group has few transactional currency exposures other than certain foreign currency bank accounts and intercompany balances that are held between companies with different presentational currencies.

The following table demonstrates the sensitivity to reasonably possible changes in the US Dollar and Euro exchange rates, with all other variables held constant, of the Group's profit before tax.

		Effect on profit before tax	
	Strengthening/ (weakening) of Sterling	**2008 £000**	2007 £000
US Dollar	+10%	**(520)**	(204)
Euro	+10%	**70**	(111)
US Dollar	–10%	**572**	204
Euro	–10%	**(77)**	111

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2008

21. Financial instruments continued
21(a). Financial risk management, policies and strategies continued
Credit risk
The Group trades only with recognised, creditworthy third parties. Customers who wish to trade on credit terms are generally subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and derivative financial instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

Liquidity risk
The Group manages its liquidity risk through a 5 year committed revolving credit facility with Lloyds TSB Bank PLC and The Royal Bank of Scotland plc (see Note 26(c)).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2008 and 2007 based on contractual undiscounted payments. During 2008, the Group turned £30 million of revolving credit facility into a term loan maturing in 2012, with repayments of £3 million due in 2010 and £4.5 million due in 2011.

At 31 December 2008	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	Total £000
Interest bearing loans and borrowings	–	3,000	4,500	38,672	–	46,172
Obligations under finance leases	242	75	13	6	–	336
Trade and other payables	51,783	313	–	–	–	52,096
	52,025	**3,388**	**4,513**	**38,678**	**–**	**98,604**

At 31 December 2007	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	Total £000
Interest bearing loans and borrowings	77	–	–	–	59,126	59,203
Loan notes payable	1,137	–	–	–	–	1,137
Obligations under finance leases	212	250	14	6	–	482
Trade and other payables	55,527	256	–	–	–	55,783
	56,953	506	14	6	59,126	116,605

Capital management
The primary objective of the Group's capital management policy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The gearing ratio as at 31 December 2008 and 31 December 2007 was as follows:

	2008 £000	2007 £000
Total borrowings	**47,274**	61,076
Less cash and cash equivalents	**(13,774)**	(6,939)
Net debt	**33,500**	54,137
Total equity	**200,253**	160,438
Total capital	**233,753**	214,575
Gearing ratio (%)	**14%**	25%

Total borrowings comprise bank loans and overdrafts, obligations under finance leases, and interest rate swaps and caps.

21. Financial instruments continued

21(b). Financial instruments – detailed disclosures

Fair values of financial liabilities and assets

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.

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 2008.

Financial liabilities	2008 Book value £000	2008 Fair value £000
Bank overdrafts	(172)	(172)
Bank loans	(46,000)	(46,000)
Obligations under finance leases	(336)	(360)
Trade and other payables	(52,096)	(52,096)
Deferred consideration – cash or shares	(18,516)	(18,516)
Interest rate swap	(818)	(818)

Financial assets	2008 Book value £000	2008 Fair value £000
Cash and bank balances	13,744	13,744
Trade and other receivables	45,666	45,666
Interest rate caps	52	52

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 2007.

Financial liabilities	2007 Book value £000	2007 Fair value £000
Bank overdrafts	(213)	(213)
Bank loans	(58,990)	(58,990)
Obligations under finance leases	(482)	(527)
Trade and other payables	(55,783)	(55,783)
Deferred consideration – cash or shares	(15,377)	(15,377)
Interest rate swap	(361)	(361)

Financial assets	2007 Book value £000	2007 Fair value £000
Cash and bank balances	6,939	6,939
Trade and other receivables	47,823	47,823
Interest rate caps	107	107
Average rate currency options	74	74

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2008

21. Financial instruments continued
21(b). Financial instruments – detailed disclosures continued
Interest rate risk profile of financial liabilities
The interest rate risk profile, by maturity, of the Group's financial instruments that are exposed to interest rate risk of the Group as at 31 December 2008 and 31 December 2007 was as follows:

At 31 December 2008	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	Total £000
Fixed rate:						
Obligations under finance leases	(242)	(75)	(13)	(6)	–	(336)
Bank loans	–	–	–	(10,000)	–	(10,000)
Floating rate:						
Cash	13,744	–	–	–	–	13,744
Bank overdrafts	–	–	–	(172)	–	(172)
Bank loans	–	(3,000)	(4,500)	(28,500)	–	(36,000)
	13,502	**(3,075)**	**(4,513)**	**(38,678)**	**–**	**(32,764)**

At 31 December 2007	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	Total £000
Fixed rate:						
Obligations under finance leases	(212)	(250)	(14)	(6)	–	(482)
Bank loans	–	–	–	–	(10,000)	(10,000)
Floating rate:						
Cash	6,939	–	–	–	–	6,939
Bank overdrafts	(65)	–	–	–	(148)	(213)
Bank loans	(12)	–	–	–	(48,978)	(48,990)
Loan notes	(1,137)	–	–	–	–	(1,137)
	5,513	(250)	(14)	(6)	(59,126)	(53,883)

The other financial instruments of the Group that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk. Floating rate surplus cash earns interest based on relevant local LIBID equivalents. Bank overdrafts bear interest based on the Lloyds TSB base rate. The bank loans and loan notes payable bear interest based on LIBOR in the relevant country.

Interest bearing loans and borrowings

	Effective interest rate	Maturity	**2008 £000**	2007 £000
Current				
Obligations under finance leases	7%	2009	**(242)**	(212)
Loan notes	LIBOR –1%	–	**–**	(1,137)
Bank overdrafts	UK Base rate +1.15%	–	**–**	(65)
Current portion of bank loans	LIBOR + margin	2009	**–**	(12)
			(242)	(1,426)
Non-current				
Obligations under finance leases	7%	2010–2011	**(94)**	(270)
Bank overdraft	UK Base rate +1.15%	2012	**(172)**	(148)
Bank loan under fixed rate swap[1]	6% + margin	2012	**(10,000)**	(10,000)
Bank loan under capped rate[1]	Capped at 6% + margin	2010	**(10,000)**	(10,000)
Bank loan under capped rate[1]	Capped at 6.5% + margin	2012	**(20,000)**	(20,000)
Variable rate bank loan[1]	LIBOR + margin	2012	**(6,000)**	(18,978)
			(46,266)	(59,396)
At 31 December 2008			**(46,508)**	(60,822)

1 The underlying liability for the above marked items is the 5 year committed revolving credit facility with Lloyds TSB Bank plc and The Royal Bank of Scotland plc (see Note 26(c)). The margin is variable between 0.6% and 1.25% depending on the Group's net debt to EBITDA ratio.

22. Called up share capital

Authorised	Deferred shares Number of shares	Deferred shares Nominal value £000	Ordinary shares Number of shares	Ordinary shares Nominal value £000
At 1 January 2007	–	–	220,000,000	110,000
Increase in authorised capital at the AGM on 12 June 2007	–	–	130,000,000	65,000
At 31 December 2007	–	–	350,000,000	175,000
Share split approved at the EGM on 30 December 2008	212,012,343	103,886	6,761,395,193	(103,886)
At 31 December 2008	**212,012,343**	**103,886**	**7,111,395,193**	**71,114**

At an Extraordinary General Meeting held on 30 December 2008, the shareholders approved, by ordinary resolution, that the Company's authorised but un-issued share capital of 137,987,657 ordinary shares of 50 pence each would be subdivided into 50 new ordinary shares of 1 pence.

Called up, fully allotted and fully paid	Deferred shares Number of shares	Deferred shares Nominal value £000	Ordinary shares Number of shares	Ordinary shares Nominal value £000	Total nominal value £000
At 1 January 2007	–	–	203,549,481	101,775	101,775
Issued to acquire minority interest in CMC Corporate & Marketing Communications Investments AG	–	–	931,749	466	466
Issued as interim consideration for the acquisition of Quiller Associates Limited	–	–	569,920	285	285
Issued as final consideration to acquire PR Force Public Relations and Press Relations NV	–	–	61,373	31	31
Issued as final consideration to acquire VB Communications Limited	–	–	1,394,771	697	697
Issued as intermediate consideration for the acquisition of the M*m*d Group	–	–	2,332,928	1,166	1,166
Scrip dividends	–	–	679,827	340	340
Issued on exercise of employee share options	–	–	480,202	240	240
At 31 December 2007	–	–	210,000,251	105,000	105,000
Issued as final consideration to acquire PR Force Public Relations and Press Relations NV	–	–	133,255	67	67
Issued as intermediate consideration for the acquisition of the M*m*d Group	–	–	984,463	492	492
Scrip dividends	–	–	860,753	430	430
Issued on exercise of employee share options	–	–	33,621	17	17
Share split approved at the EGM on 30 December 2008	212,012,343	103,886	–	(103,886)	–
At 31 December 2008	**212,012,343**	**103,886**	**212,012,343**	**2,120**	**106,006**

During the year the following shares were issued:

- In August 2008, 133,255 ordinary shares of 50 pence each with an aggregate value of £76,222 were issued at a price of 57.2 pence each, as final consideration for the acquisition of PR Force Public Relations and Press Relations NV, resulting in a merger reserve of £9,594;
- In October 2008, 984,463 ordinary shares of 50 pence each with an aggregate value of £738,347 were issued at a price of 75.0 pence each, as intermediate consideration for the acquisition of M*m*d Central & Eastern Europe Limited, resulting in a merger reserve of £246,116;
- The scrip dividends relate to the scrip alternative taken up on the final 2007 dividend in July 2008, resulting in the issue of 860,753 ordinary shares of 50 pence each and share premium of £150,201; and
- In 2008, 33,621 ordinary shares of 50 pence each were issued for cash consideration as a result of the exercise of options under the Company's various share option schemes, resulting in a share premium of £3,172.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2008

22. Called up share capital continued
At an Extraordinary General Meeting held on 30 December 2008, the shareholders approved, by ordinary resolution, that the Company's issued share capital of 212,012,343 ordinary shares of 50 pence each would be subdivided into one new ordinary share of 1 pence and one deferred share of 49 pence.

The deferred shares shall have no entitlement to any dividend or any other distribution or return of capital and shall not be entitled to any further or other right of participation in the assets of the Company and the holders of deferred shares shall have no right as such to receive notice of or to attend or vote at any general meeting of the Company unless a resolution to wind up the Company or to vary or abrogate the rights attaching to the deferred shares is proposed.

23. Share-based payments
The share option schemes for employees of the Group are summarised in the following table:

Name of share option scheme	Length of share option	Exercise period	Exercise price[1] (pence)	Exercise conditions
Huntsworth share option schemes				
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Dec 2009–Oct 2018	46.5–98.3	100% EPS growth
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Dec 2009–Oct 2018	46.5–108.25	100% EPS growth
1996 Huntsworth Approved Executive Share Option Scheme	10 years	Jun 2004–Jun 2016	58.1–192.0	50% after 3 years' service 50% after 4 years' service
1996 Huntsworth Unapproved Executive Share Option Scheme	10 years	Jul 2006–Aug 2016	58.1–117.5	50% after 3 years' service 50% after 4 years' service
Huntsworth (Executive Directors) Unapproved Scheme	10 years	Jul 2006–Jul 2013	58.1	50% after 3 years' service 50% after 4 years' service
Huntsworth Enterprise Management Incentive Scheme	10 years	Jul 2006–Oct 2014	58.1–117.5	50% after 3 years' service 50% after 4 years' service
Huntsworth plc Non-Executive Directors Unapproved Scheme	10 years	Jul 2006–Nov 2015	58.1–126.3	50% after 3 years' service 50% after 4 years' service
Huntsworth plc Savings Related Share Option Scheme	3/5 years	Sep 2007–Feb 2010	56.0–76.3	100% after 3/5 years' service
Huntsworth Performance Share Plan	10 years	Feb 2009–Sep 2018	nil	50% EPS growth 50% TSR performance
Incepta Group share option schemes				
Incepta Group plc Employee Share Option Scheme Approved	10 years	Jul 2006–Jul 2013	79.7–119.5	100% after 3 years' service
Incepta Group plc Executive Share Option Plan Unapproved	10 years	Jul 2006–Jul 2013	119.5	100% after 3 years' service
Incepta Group plc Executive Long-term Incentive Plan	10 years	Nov 2005–Nov 2014	103.9–106.8	100% after 3 years' service

1 Adjusted for share consolidation on 14 July 2005.

23. Share-based payments continued

In addition to the above share option schemes, the Group also operates the Huntsworth Matched Share Plan for certain UK and overseas staff. Under this plan, employees purchase existing ordinary shares in the Company on terms such that for each ordinary share purchased, employees will receive, at no further cost to them, the equivalent value of one further ordinary share in cash at the date of vesting. Subject to certain limited exceptions, employees must remain in employment with the Huntsworth Group for a period of three years to achieve the matching benefit but otherwise no performance criteria apply.

The following share options were outstanding under the nine Huntsworth share option schemes at 31 December 2008 and 31 December 2007:

	2008		2007	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	12,331,522	53.3	10,948,206	56.4
Granted during the year	4,786,974	24.6	2,206,010	105.4
Forfeited during the year	(423,891)	70.3	(458,835)	99.7
Exercised during the year	(52,621)	38.0	(363,859)	69.0
Outstanding at the end of the year	16,641,984	45.2	12,331,522	53.3
Exercisable at the end of the year	5,210,912	77.9	4,428,782	70.3

The weighted average share price at the date of exercise for share options exercised during the year was 69.1 pence (2007: 102.2 pence). The options outstanding at the end of the year have a weighted average remaining life of 7.3 years (2007: 5.7 years).

The estimated average fair value of the options granted during the year is 29.5 pence (2007: 65.4 pence).

The fair value of share options under the old Incepta share option schemes were pro rated between pre and post-acquisition periods, in accordance with the vesting period, on acquisition at 29 April 2005. The following share options were outstanding under the Incepta share option schemes at 31 December 2008 and 31 December 2007:

	2008		2007	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	2,486,425	105.8	2,658,565	104.4
Forfeited during the year	(897,425)	96.8	(59,741)	241.4
Exercised during the year	–	–	(112,399)	103.9
Outstanding at the end of the year	1,589,000	106.3	2,486,425	105.8
Exercisable at the end of the year	1,589,000	106.3	2,444,111	106.1

The weighted average share price at the date of exercise for share options exercised during 2007 was 116.9 pence. The options outstanding at the end of the year have a weighted average remaining life of 5.5 years (2007: 6.3 years).

Fair value of share options

The fair value of share options granted in 2008 and 2007 was calculated using either the binomial option pricing model or the Monte Carlo model. The inputs to these models were:

	2008	2007
Weighted average share price	50.0 pence	106.6 pence
Weighted average exercise price	24.6 pence	49.9 pence
Expected volatility	41%	32%
Expected life	3–10 years	3–10 years
Risk free rate	4.5%	5.5%
Expected dividend yield	4.0%	1.5%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The Group recognised total expenses of £1,581,000 (2007: £2,107,000) related to equity-settled share-based transactions during the year.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2008

23. Share-based payments continued

The fair value of the cash-settled options for the Matched Share Plan is measured at the grant date using the market value of the shares at the date of grant. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss.

Fair value of share options

The carrying amount of the liability relating to the cash-settled options under the Matched Share Plan at 31 December 2008 is £772,000 (2007: £925,000), and the net credit to the income statement for the year is £246,000 (2007: charge of £521,000). A total of 103,225 shares under the Matched Share Plan vested during the year (2007: 80,000).

24. Reserves

Movements during the year were as follows:

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Investment in own shares £000	Retained earnings £000	Total £000
Balance at 1 January 2007	101,775	23,162	48,088	(3,670)	–	(4,000)	(24,511)	140,844
Currency translation differences	–	–	–	3,060	–	–	–	3,060
Disposal of subsidiaries	–	–	–	(31)	–	–	–	(31)
Profit for the year	–	–	–	–	–	–	11,889	11,889
Shares issued for cash	240	127	–	–	–	–	–	367
Acquisitions of subsidiaries	2,645	–	2,778	–	–	–	–	5,423
Purchase of own shares	–	–	–	–	–	(1,771)	–	(1,771)
Disposal of purchased own shares	–	–	–	–	–	344	(56)	288
Share issue costs	–	(30)	–	–	–	–	–	(30)
Movement in financial instruments	–	–	–	–	(276)	–	–	(276)
Credit for share-based payments	–	–	–	–	–	–	1,920	1,920
Deferred tax on share-based payments	–	–	–	–	–	–	78	78
Scrip dividend	340	361	–	–	–	–	–	701
Equity dividends	–	–	–	–	–	–	(3,910)	(3,910)
Dividends to minority interests	–	–	–	–	–	–	(74)	(74)
Balance at 31 December 2007	105,000	23,620	50,866	(641)	(276)	(5,427)	(14,664)	158,478
Currency translation differences	–	–	–	33,160	–	–	–	33,160
Movement in financial instruments	–	–	–	–	(476)	–	–	(476)
Tax recognised directly in equity	–	–	–	–	–	–	463	463
Disposal of subsidiaries	–	–	–	760	–	–	–	760
Profit for the year	–	–	–	–	–	–	9,777	9,777
Shares issued for cash	17	3	–	–	–	–	–	20
Acquisitions of subsidiaries	559	–	256	–	–	–	–	815
Purchase of own shares	–	–	–	–	–	(538)	–	(538)
Share issue costs	–	(13)	–	–	–	–	–	(13)
Credit for share-based payments	–	–	–	–	–	–	1,438	1,438
Scrip dividend	430	150	–	–	–	–	–	580
Equity dividends	–	–	–	–	–	–	(5,284)	(5,284)
Transfer from minority interests	–	–	–	–	–	–	74	74
Balance at 31 December 2008	**106,006**	**23,760**	**51,122**	**33,279**	**(752)**	**(5,965)**	**(8,196)**	**199,254**

24. Reserves continued

Merger reserve

The merger reserve is used to record the premium on shares issued as consideration (both initial and deferred) for acquired businesses where the Group acquires 90% or more of the ordinary share capital of the acquired business.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of overseas subsidiaries. As described in Note 2, all cumulative translation differences at 1 January 2004 are deemed to have been zero.

Hedging reserve

The hedging reserve is used to record movements in the fair value of the Group's derivative financial instruments that qualify for hedge accounting and are deemed to be effective hedges.

Investment in own shares

Investment in own shares represents the cost of own shares acquired in the Company by the Huntsworth Employee Benefit Trust and other Employee Benefit Trusts (the 'Trusts'). The purpose of the Trusts 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 Trusts 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 2008 the Trusts held 6,933,596 shares (2007: 5,432,602 shares) in the Company which had a market value at 31 December 2008 of £1,699,000 (2007: £4,862,000).

25. Commitments and contingent liabilities

Operating leases – Group as a lessee

The Group has entered into commercial property leases and leases on certain items of office furniture and equipment.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2008 are as follows:

	2008 £000	2007 £000
One year	**9,863**	8,632
Two to five years	**16,313**	18,050
Over five years	**568**	2,202
	26,744	28,884

Operating leases – Group as a lessor

The Group has entered into commercial property leases over the Group's surplus office buildings.
Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2008 are as follows:

	2008 £000	2007 £000
One year	**805**	1,202
Two to five years	**1,485**	1,541
Over five years	**–**	–
	2,290	2,743

Contingent liabilities

Under the terms of certain acquisition agreements, additional consideration is payable by the Company and certain of its subsidiary undertakings contingent on the future financial performance of the acquired entities. The estimated amount of such contingent consideration is included in 'Provisions', see Note 19.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2008

26. Cash flow analysis
(a) Reconciliation of operating profit to net cash inflow from operations

	2008 £000	2007 £000
Operating profit	**24,817**	15,874
Depreciation	**2,467**	2,355
Share option charge	**1,335**	2,628
Loss on disposal of property, plant and equipment	**19**	9
Amortisation of intangible assets	**5,047**	5,962
(Profit)/loss on disposal of subsidiaries	**(4,147)**	1,877
(Increase)/decrease in work in progress	**(195)**	1,922
Decrease/(increase) in debtors	**8,774**	(1,153)
Decrease in creditors	**(10,627)**	(1,019)
Decrease in provisions	**(3,019)**	(3,225)
Net cash inflow from operations	**24,471**	25,230

Net cash inflow from operations is analysed as follows:

	2008 £000	2007 £000
Before highlighted items	**28,824**	29,657
Highlighted items	**(4,353)**	(4,427)
Net cash inflow from operations	**24,471**	25,230

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

	Note	2008 £000	2007 £000
Increase/(decrease) in cash and cash equivalents in the year		**2,126**	(3,718)
Cash outflow/(inflow) from movements in debt		**13,055**	(9,967)
New derivative financial instruments		**–**	212
Loan notes repaid		**1,137**	–
Repayment of capital element of finance leases		**249**	165
Change in net debt resulting from cash flows		**16,567**	(13,308)
Finance leases acquired with subsidiaries		**–**	(497)
Loan notes issued as acquisition consideration		**–**	(1,137)
Amortisation of loan fees		**(101)**	(89)
Movement in fair value of derivative financial instruments		**(512)**	(466)
Translation differences	26(c)	**4,683**	251
Decrease/(increase) in net debt		**20,637**	(15,246)
Net debt at beginning of year		**(54,137)**	(38,891)
Net debt at end of year		**(33,500)**	(54,137)

26. Cash flow analysis continued

(c) Analysis of net debt

2008	1 January 2008 £000	Cash flow £000	Non-cash movements £000	Foreign exchange £000	**31 December 2008 £000**
Cash and short-term deposits	6,939	2,044	–	4,791	**13,774**
Bank loans and overdrafts (current)	(77)	82	–	(5)	**–**
Net cash and cash equivalents	6,862	2,126	–	4,786	**13,774**
Bank loans and overdrafts (non-current)	(59,126)	13,055	(101)	–	**(46,172)**
Derivative financial assets	107	–	(55)	–	**52**
Derivative financial liabilities	(361)	–	(457)	–	**(818)**
Obligations under finance leases	(482)	249	–	(103)	**(336)**
Loan notes payable	(1,137)	1,137	–	–	**–**
Net debt	(54,137)	16,567	(613)	4,683	**(33,500)**

The Group has a committed overdraft facility with Lloyds TSB Bank plc for a total of £5.0 million and a £85.0 million unsecured revolving multi-currency facility with Lloyds TSB Bank plc and The Royal Bank of Scotland plc. Both facilities are due to expire in July 2012.

At 31 December 2008 the Group had an undrawn committed facility of £43 million available in respect of which all conditions precedent had been met at that date.

2007	1 January 2007 £000	Cash flow £000	Non-cash movements £000	Foreign exchange £000	31 December 2007 £000
Cash and short-term deposits	10,426	(3,747)	–	260	6,939
Bank loans and overdrafts (current)	(101)	29	–	(5)	(77)
Net cash and cash equivalents	10,325	(3,718)	–	255	6,862
Bank loans and overdrafts (non-current)	(49,070)	(9,967)	(89)	–	(59,126)
Derivative financial assets	–	212	(105)	–	107
Derivative financial liabilities	–	–	(361)	–	(361)
Obligations under finance leases	(146)	165	(497)	(4)	(482)
Loan notes payable	–	–	(1,137)	–	(1,137)
Net debt	(38,891)	(13,308)	(2,189)	251	(54,137)

(d) Cash and cash equivalents

	2008 £000	2007 £000
Cash and short-term deposits	**13,774**	6,939
Bank loans and overdrafts (current)	**–**	(77)
Cash and cash equivalents	**13,774**	6,862

(e) Major non-cash transactions

During the year shares were issued as deferred consideration for acquisitions made in the current and prior years (Note 3).

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2008

27. Related party transactions

The ultimate controlling party of the Group is Huntsworth plc (incorporated in the United Kingdom). The Group has a related party relationship with its subsidiaries (Note 14), associates (Note 15), and with Directors and Executive Officers.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below:

	2008 £000	2007 £000
Short-term benefits	**1,551**	1,845
Post-employment benefits	**69**	40
Share-based payments	**439**	628
	2,059	2,513

Transactions with associated undertakings

During the year the Group and its associate Sard Verbinnen LLC carried out work on behalf of each other's clients. Aggregate amounts included in turnover and cost of sales in the consolidated income statement in respect of transactions with associates were £257,000 and £42,000 respectively (2007: £465,000 and £42,000). At 31 December 2008, there was a net trading balance due from associates of £71,000 (2007: £372,000 due from associates).

28. Post balance sheet events

Subsequent to the year end, on 17 February 2009, the Group acquired the entire share capital of Momentum International Limited, a public relations consultancy based in Dubai, for an initial consideration of US $2,800,000 (£2,000,000) in cash. Deferred consideration will be payable, with an interim cash payment based on profits for the year ended 31 December 2009. A final payment based on profits for the four years to 31 December 2011 will be payable in cash or shares at Huntsworth's option. The maximum total consideration payable is US $12,000,000 (£8,400,000). The final payment multiple will be based on the lower of the revenue or earnings growth. In order to generate a payment at the level of the cap, the average growth would need to be in excess of 50% per annum. Full acquisition disclosures will be presented once the fair value accounting has been completed.

Five Year Summary

	IFRS 2008 £000	IFRS 2007 £000	IFRS 2006 £000	IFRS 2005 £000	IFRS 2004 £000
Revenue[1]	**159,132**	152,271	139,747	144,428	45,355
Operating profit before highlighted items[1]	**26,318**	24,219	20,221	14,878	4,944
Highlighted items – operating expenses[1]	**(1,501)**	(8,345)	(13,722)	(44,625)	(2,379)
Net finance costs[1]	**(4,673)**	(5,088)	(2,641)	(3,295)	(547)
Share of profit of associates[1]	**2,373**	2,730	131	142	–
Highlighted items – share of profit of associates[1]	**(2,373)**	(2,716)	–	–	–
Profit/(loss) before tax[1]	**20,144**	10,800	3,989	(32,900)	2,018
Non-current assets	**272,160**	244,821	221,077	205,343	64,954
Net current (liabilities)/assets	**(2,087)**	(17,261)	(17,865)	(14,141)	(4,191)
Net assets	**200,253**	160,438	142,001	137,214	44,081
Equity shareholders' funds	**199,254**	158,478	140,844	136,026	43,382
Minority interests	**999**	1,960	1,157	1,188	699
Basic earnings/(loss) per share (pence)[2]	**4.8**	5.9	1.5	(24.6)	2.4
Diluted earnings/(loss) per share (pence)[2]	**4.7**	5.9	1.4	(24.6)	2.3
Adjusted basic earnings per share (pence)[2]	**8.5**	7.9	7.3	5.4	6.8
Share price – high (pence)[2]	**89.5**	121.0	100.5	116.5	126.3
Share price – low (pence)[2]	**19.5**	70.0	81.3	73.0	86.3

1 Includes continuing and discontinued operations
2 Adjusted for share consolidation on 14 July 2005

Independent Auditors' Report
to the members of Huntsworth plc

We have audited the parent company financial statements of Huntsworth plc for the year ended 31 December 2008 which comprise the Balance Sheet and the related notes 1 to 15. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report of the Directors on Remuneration that is described as having been audited.

We have reported separately on the group financial statements of Huntsworth plc for the year ended 31 December 2008.

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

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, the Report of the Directors on Remuneration and the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Report of the Directors on Remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Report of the Directors on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the parent company directors' report is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Operating Review and the Financial Review that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Statement, the Operating Review, the Financial Review, the Report of the Directors, the Corporate Governance statement, the Statement of Directors Responsibilities, the unaudited part of the Report of the Directors on Remuneration and the Five Year Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company'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 parent company financial statements and the part of the Report of the Directors on Remuneration to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Report of the Directors on Reumeration to be audited.

Opinion
In our opinion:
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent company financial statements.

Ernst & Young LLP
Registered auditor
London
20 March 2009

Company Balance Sheet
as at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible fixed assets	4	**842**	1,148
Investments	5	**246,623**	243,863
Derivative financial assets	10	**52**	107
		247,517	245,118
Current assets			
Debtors	6	**74,991**	76,778
Derivative financial assets	10	**–**	74
Cash at bank and in hand		**1,670**	290
		76,661	77,142
Creditors: amounts falling due within one year	7	**(64,250)**	(50,030)
Provisions for liabilities	9	**(3,178)**	(4,403)
Net current assets		**9,233**	22,709
Total assets less current liabilities		**256,750**	267,827
Creditors: amounts falling due after more than one year			
Bank loans and overdrafts	8	**(50,531)**	(62,692)
Derivative financial liabilities	10	**(818)**	(361)
Provisions for liabilities	9	**(3,234)**	(2,613)
Net assets		**202,167**	202,161
Capital and reserves			
Called up share capital	11	**106,006**	105,000
Share premium account	13	**23,760**	23,620
Merger reserve	13	**51,122**	50,866
Investment in own shares	13	**(5,894)**	(5,356)
Other reserves	13	**4,833**	3,793
Hedging reserve	13	**(752)**	(276)
Profit and loss account	13	**23,092**	24,514
Total shareholders' funds		**202,167**	202,161

The financial statements were approved by the Directors on 20 March 2009 and signed on their behalf by:

Peter Chadlington
Chief Executive

Tymon Broadhead
Group Finance Director

Notes to the Company Financial Statements
for the year ended 31 December 2008

1. Basis of preparation
The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value, and in accordance with applicable accounting standards in the United Kingdom. The basis of preparation is consistent with the financial statements for the previous period. As permitted by Section 230 of the Companies Act 1985, Huntsworth plc has not presented its own profit and loss account. The Company's significant accounting policies are set out below.

2. Significant accounting policies
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 less the estimated residual value, on a straight line basis, over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:

Motor vehicles	25%
Equipment, fixtures and fittings	15%–33%

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.

Deferred tax
Deferred tax is provided at the anticipated rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the amounts involved are significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects the current market assessment of the time value of money and when appropriate the risks specific to the liability. Where discounting is applied to provisions, the increase in the value of the provision due to the passage of time is recognised as a finance cost.

Where a leasehold property substantially ceases to be used for the Company'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.

Acquisitions made by the Company typically involve an earn-out arrangement whereby the consideration payable includes a deferred element that is contingent on the future financial performance of the acquired entity. No material contingent consideration will become payable unless the acquired entity delivers greater revenues or profits during the earn-out period than prior to acquisition. The provision for contingent consideration for acquisitions represents the Directors' best estimate of the amount expected to be payable in cash or shares.

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

Foreign currencies
Sterling is the functional currency and presentational currency of the Company. Transactions denominated in foreign currencies are initially translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and the resulting gains and losses are recorded in the profit and loss account.

Derivative financial instruments
The Company uses derivative financial instruments to reduce its exposure to foreign exchange and interest rate movements. The Company does not hold or issue derivative financial instruments for financial trading purposes but derivatives that do not qualify for hedge accounting are accounted for at fair value through the profit and loss account. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date with gains and losses on revaluation being recognised immediately in the profit and loss account.

2. Significant accounting policies continued

Employee share ownership plans

Shares in the Company held by Employee Benefit Trusts have been included within equity and are stated at cost.

Share-based payments

Equity-settled transactions

The Company issues equity-settled share-based payments to certain employees. The Company has used binomial and Monte Carlo share option valuation models for the purposes of calculating the fair value of the share options granted to employees. The cost of share-based payments to Company employees is recognised in the profit and loss account as an expense spread over the relevant vesting period, with a corresponding increase in equity.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account.

In accordance with the exemptions available under FRS 20, the Company has elected to fair value only equity instruments that have been granted after 7 November 2002 that had not vested by 1 January 2005.

Cash-settled transactions

The Company issues cash-settled share-based payments to certain employees under the Matched Share Plan scheme.

The cost of cash-settled transactions is initially measured at the grant date using the market value of the shares at the date of grant. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit and loss for the period.

Borrowing costs and finance income

Borrowing costs are recognised as an expense when incurred. Finance income is recognised as the interest accrues (using the effective interest rate method).

Dividends

Interim dividends are recognised as a deduction from equity in the period in which they are paid. Final dividends are recognised in the period in which they are approved by the Company in general meeting, as required by FRS 21. Dividends receivable from investments are recognised in the profit and loss account in the period in which they are paid.

Cash flow statement

The Company has applied the exemption available under FRS 1 (Revised) and has not presented a cash flow statement. The cash flow statement has been presented in the Group financial statements.

Related party transactions

In accordance with FRS 8 Related Party Disclosures, the Company is exempt from disclosing transactions with entities that are part of the Huntsworth plc Group, or investees of the Group qualifying as related parties, as it is a parent company publishing consolidated financial statements.

3. Profit attributable to members of Huntsworth plc

The profit for the year of £3,044,000 (2007: £66,000) attributable to the shareholders of Huntsworth plc has been dealt with in the financial statements of that Company.

The auditors' remuneration for audit services to the Company was £95,000 (2007: £105,000).

Details of Executive and Non Executive Directors' emoluments and their interests in shares and options of the Company are shown within the Report of the Directors on Remuneration in the sections 'Directors' emoluments', 'Directors' interests in shares' and 'Directors' interests in share options'.

Notes to the Company Financial Statements continued
for the year ended 31 December 2008

4. Tangible fixed assets

	Equipment fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2008	2,026	89	2,115
Additions	97	–	97
At 31 December 2008	**2,123**	**89**	**2,212**
Depreciation			
At 1 January 2008	940	27	967
Charge for the period	373	30	403
At 31 December 2008	**1,313**	**57**	**1,370**
Net book value at 31 December 2008	**810**	**32**	**842**
Net book value at 31 December 2007	1,086	62	1,148

5. Investments

	Shares at cost £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At 1 January 2008	242,867	33,186	276,053
Transfer to subsidiary undertakings	(966)	–	(966)
Additions	1,419	2,307	3,726
At 31 December 2008	**243,320**	**35,493**	**278,813**
Amounts provided			
At 1 January 2008 and 31 December 2008	**32,190**	**–**	**32,190**
Net book value at 31 December 2008	**211,130**	**35,493**	**246,623**
Net book value at 31 December 2007	210,677	33,186	243,863

The Company's principal trading subsidiaries and associated undertakings, which are all incorporated in Great Britain (except where noted) are listed in Note 14 of the consolidated financial statements.

6. Debtors

	2008 £000	2007 £000
Amounts owed by subsidiary undertakings	**72,182**	74,425
Other debtors	**150**	187
Corporation tax debtor	**1,402**	1,302
Deferred tax assets	**354**	–
Prepayments and accrued income	**903**	864
	74,991	76,778

7. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	**1,292**	1,930
Amounts owed to subsidiary undertakings	**59,078**	42,317
Other taxation and social security	**394**	604
Loan notes	**–**	1,137
Accruals and deferred income	**2,674**	2,611
Other creditors	**812**	1,431
	64,250	50,030

8. Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Bank loans and overdrafts	**50,531**	62,692
	50,531	62,692

9. Provisions for liabilities and charges

The movement in the year on provisions comprises:

	Deferred consideration £000	Property £000	Reorganisation £000	Total £000
At 1 January 2008				
Current	1,482	337	2,584	4,403
Non-current	2,467	146	–	2,613
	3,949	483	2,584	7,016
Arising during the year	4,482	38	–	4,520
Utilised	(3,134)	(187)	(376)	(3,697)
Release of provision not utilised	–	–	(1,573)	(1,573)
Exchange differences	11	–	–	11
Unwind of discount	125	10	–	135
At 31 December 2008	**5,433**	**344**	**635**	**6,412**
Current	2,446	222	510	3,178
Non-current	2,987	122	125	3,234

Deferred consideration for acquisitions

Acquisitions made by the Company typically involve an earn-out arrangement whereby the consideration payable includes a deferred element, payable in cash or shares at the Company's option, that is contingent on the future financial performance of the acquired entity. The Company anticipates settling the majority of the deferred consideration provisions over the next three years.

Property provision

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, which range from one to five years.

Reorganisation provision

As a result of acquisitions and disposals of subsidiaries, the Company has implemented a number of restructuring initiatives. In addition, when disposing of businesses, normal commercial warranties and indemnities have been given to purchasers, and provisions have been made to cover the best estimate of the Group's exposure. The release of the provision not utilised during the year represents the resolution of indemnities on previous disposals.

10. Derivative financial instruments

The Company's principal financial instruments comprise bank loans, bank overdraft, loan notes, finance leases and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company and its subsidiaries. The Company has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations. During the year the Company has financed its business through an overdraft facility and a revolving credit facility arranged with Lloyds TSB Bank plc and The Royal Bank of Scotland plc.

The main risk arising from the Company's financial instruments are interest rate and foreign exchange. During the year, the Company had in place two interest rate caps and an interest rate swap to manage the interest rate profile. Also the Company entered into average rate currency options, to manage the foreign exchange exposure. For full disclosures of the financial instruments see the consolidated Group financial statements (Note 21).

Notes to the Company Financial Statements continued
for the year ended 31 December 2008

11. Called up share capital

Authorised	Deferred shares Number of shares	Deferred shares Nominal value £000	Ordinary shares Number of shares	Ordinary shares Nominal value £000
At 1 January 2007	–	–	220,000,000	110,000
Increase in authorised capital at the AGM on 12 June 2007	–	–	130,000,000	65,000
At 31 December 2007	–	–	350,000,000	175,000
Share split approved at the EGM on 30 December 2008	212,012,343	103,886	6,761,395,193	(103,886)
At 31 December 2008	**212,012,343**	**103,886**	**7,111,395,193**	**71,114**

At an Extraordinary General Meeting held on 30 December 2008, the shareholders approved, by ordinary resolution, that the Company's authorised but un-issued share capital of 137,987,657 ordinary shares of 50 pence each would be subdivided into 50 new ordinary shares of 1 pence.

Called up, fully allotted and fully paid	Deferred shares Number of shares	Deferred shares Nominal value £000	Ordinary shares Number of shares	Ordinary shares Nominal value £000	Total nominal value £000
At 1 January 2008	–	–	210,000,251	105,000	105,000
Issued as final consideration to acquire PR Force Public Relations and Press Relations NV	–	–	133,255	67	67
Issued as intermediate consideration for the acquisition of the M*m*d Group	–	–	984,463	492	492
Scrip dividends	–	–	860,753	430	430
Issued on exercise of employee share options	–	–	33,621	17	17
Share split approved at the EGM on 30 December 2008	212,012,343	103,886	–	(103,886)	–
At 31 December 2008	**212,012,343**	**103,886**	**212,012,343**	**2,120**	**106,006**

During the year the following shares were issued:
- In August 2008, 133,255 ordinary shares of 50 pence each with an aggregate value of £76,222 were issued at a price of 57.2 pence each, as final consideration for the acquisition of PR Force Public Relations and Press Relations NV, resulting in a merger reserve of £9,594;
- In October 2008, 984,463 ordinary shares of 50 pence each with an aggregate value of £738,347 were issued at a price of 75 pence each, as intermediate consideration for the acquisition of M*m*d Central & Eastern Europe Limited, resulting in a merger reserve of £246,116;
- The scrip dividends relate to the scrip alternative taken up on the final 2007 dividend in July 2008, resulting in the issue of 860,753 ordinary shares of 50 pence each and share premium of £150,201; and
- In 2008, 33,621 ordinary shares of 50 pence each were issued for cash consideration as a result of the exercise of options under the Company's various share option schemes, resulting in a share premium of £3,172.

At an Extraordinary General Meeting held on 30 December 2008, the shareholders approved, by ordinary resolution, that the Company's issued share capital of 212,012,343 ordinary shares of 50 pence each would be subdivided into one new ordinary share of 1 pence and one deferred share of 49 pence.

The deferred shares shall have no entitlement to any dividend or any other distribution or return of capital and shall not be entitled to any further or other right of participation in the assets of the Company and the holders of deferred shares shall have no right as such to receive notice of or to attend or vote at any general meeting of the Company unless a resolution to wind up the Company or to vary or abrogate the rights attaching to the deferred shares is proposed.

12. Share-based payments

Name of share option scheme	Length of share option	Exercise period	Exercise price (pence)	Exercise conditions
Huntsworth share option schemes				
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Dec 2009–Oct 2018	46.5–98.3	100% EPS growth
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Dec 2009–Oct 2018	46.5–108.25	100% EPS growth
1996 Huntsworth Approved Executive Share Option Scheme	10 years	Jun 2006–Nov 2015	58.1–192.0	50% after 3 years' service 50% after 4 years' service
1996 Huntsworth Unapproved Executive Share Option Scheme	10 years	Apr 2007–Aug 2014	107.5–117.5	50% after 3 years' service 50% after 4 years' service
Huntsworth (Executive Directors) Unapproved Scheme	10 years	Dec 2009–Jul 2017	58.1	50% after 3 years' service 50% after 4 years' service
Huntsworth Enterprise Management Incentive Scheme	10 years	Jul 2006–Oct 2014	58.1–117.5	50% after 3 years' service 50% after 4 years' service
Huntsworth plc Non-Executive Directors Unapproved Scheme	10 years	Jul 2006–Oct 2014	58.1–107.5	50% after 3 years' service 50% after 4 years' service
Huntsworth plc Savings Related Share Option Scheme	3/5 years	Sep 2007–Feb 2010	56.0–76.3	100% after 3/5 years' service
Huntsworth Performance Share Plan	10 years	Feb 2009–Sep 2018	nil	50% TSR performance 50% EPS growth
Incepta Group share option schemes				
Incepta Group plc Executive Long-term Incentive Plan	10 years	Nov 2005–Nov 2014	103.9–106.8	100% after 3 years' service

In addition to the above share option schemes, the Company also operates the Huntsworth Matched Share Plan. Under this plan, employees purchase existing ordinary shares in the Company on terms such that for each ordinary share purchased, employees will receive, at no further cost to them, the equivalent value of one further ordinary share in cash at the date of vesting. Subject to certain limited exceptions, employees must remain in employment with the Huntsworth Group for a period of three years to achieve the matching benefit but otherwise no performance criteria apply.

Notes to the Company Financial Statements continued

for the year ended 31 December 2008

12. Share-based payments continued

The following share options were outstanding under the nine Huntsworth share option schemes at 31 December 2008 and 31 December 2007:

	2008		2007	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	5,467,910	64.6	3,826,785	64.5
Granted during the year	1,891,696	4.9	1,692,018	108.7
Transferred from other Group companies	100,000	–	–	–
Forfeited during the year	(180,000)	63.3	(8,500)	58.1
Exercised during the year	(2,421)	76.3	(42,393)	73.7
Outstanding at the end of the year	7,277,185	48.2	5,467,910	64.6
Exercisable at the end of the year	2,563,755	62.4	2,499,421	60.6

The weighted average share price at the date of exercise for share options exercised during the year was 79.0 pence (2007: 102.8 pence). The options outstanding at the end of the year have a weighted average remaining life of 4.6 years (2007: 5.6 years).

During 2008 share options were granted, and the estimated average fair value of the options granted during the year is 38.1 pence (2007: 59.5 pence).

The following share options were outstanding under the old Incepta share option schemes at 31 December 2008 and 31 December 2007:

	2008		2007	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	63,560	100.7	72,410	103.5
Forfeited during the year	(13,891)	88.6	(8,850)	123.8
Outstanding at the end of the year	49,669	104.0	63,560	100.7
Exercisable at the end of the year	49,669	104.0	49,669	104.0

The options outstanding at the end of the year have a weighted average remaining life of 5.7 years (2007: 6.5 years).

Fair value of share options

The fair value of share options granted in 2008 and 2007 were calculated using either the binomial option pricing model or the Monte Carlo model. The inputs to these models were:

	2008	2007
Weighted average share price	54.4 pence	108.7 pence
Weighted average exercise price	4.9 pence	65.0 pence
Expected volatility	41%	32%
Expected life	3–10 years	3–10 years
Risk free rate	4.5%	5.5%
Expected dividend yield	4.0%	1.5%

12. Share-based payments continued

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The Company recognised total expenses of £658,000 (2007: £643,000) related to equity-settled share-based transactions during the year.

The fair value of the cash-settled options for the Matched Share Plan is measured at the grant date using the market value of the shares at the date of grant. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss.

The carrying amount of the liability relating to the cash-settled options under the Matched Share Plan at 31 December 2008 is £381,000, and the credit to the income statement for the year is £240,000 (2007: charge of £305,000). No cash-settled options under the Matched Share Plan had vested at 31 December 2008 (2007: nil).

13. Reserves

	Share premium account £000	Merger reserve £000	Investment in own shares £000	Other reserves £000	Hedging reserve £000	Profit and loss account £000	Total £000
At 1 January 2008	23,620	50,866	(5,356)	3,793	(276)	24,514	97,161
Shares issued for cash consideration	3	–	–	–	–	–	3
Acquisition of subsidiaries for shares	–	256	–	–	–	–	256
Share issue costs	(13)	–	–	–	–	–	(13)
Purchase of own shares	–	–	(538)	–	–	–	(538)
Share-based payments	–	–	–	1,040	–	608	1,648
Profit for the year	–	–	–	–	–	3,044	3,044
Movement in financial instruments	–	–	–	–	(476)	–	(476)
Tax recognised in equity	–	–	–	–	–	210	210
Scrip dividend	150	–	–	–	–	–	150
Dividends paid	–	–	–	–	–	(5,284)	(5,284)
At 31 December 2008	**23,760**	**51,122**	**(5,894)**	**4,833**	**(752)**	**23,092**	**96,161**

Investment in own shares

Investment in own shares represents the cost of 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 2008 the Trust held 6,818,923 shares (2007: 5,335,883 shares) in the Company which had a market value at 31 December 2008 of £1,671,000 (2007: £4,776,000).

Other reserves

Other reserves represents the credit to equity where Huntsworth plc grants rights in its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements. The credit represents a contribution from the parent company to its subsidiaries.

14. Commitments and contingent liabilities

Operating leases

31 December 2008	Property in use £000	Equipment £000
Annual net commitments in respect of non cancellable operating leases expiring in:		
One year	–	–
Two to five years	173	–
	173	–

Notes to the Company Financial Statements continued
for the year ended 31 December 2008

14. Commitments and contingent liabilities continued
Operating leases continued

31 December 2007	Property in use £000	Equipment £000
Annual net commitments in respect of non cancellable operating leases expiring in:		
One year	–	2
Two to five years	173	–
	173	2

Contingent liabilities
(i) Under the terms of certain acquisition agreements, additional consideration is payable by the Company and certain of its subsidiary undertakings contingent on the future financial performance of the acquired entities. The estimated amount of such contingent consideration is included in 'Provisions' (Note 9).

(ii) The Company is registered with HM Revenue and Customs 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 £1,845,000 (2007: £1,627,000).

(iii) In connection with the Group's banking and borrowing facilities with Lloyds TSB Bank plc, the Company and certain of its subsidiary undertakings have entered into cross-guarantee and indemnity arrangements with Lloyds TSB Bank plc and The Royal Bank of Scotland plc.

15. Post balance sheet events
Subsequent to the year end, on 17 February 2009, the Group acquired the entire share capital of Momentum International Limited, a public relations consultancy based in Dubai, for an initial consideration of US $2,800,000 (£2,000,000) in cash. Deferred consideration will be payable, with an interim cash payment based on profits for the year ended 31 December 2009. A final payment based on profits for the four years to 31 December 2011 will be payable in cash or shares at Huntsworth's option. The maximum total consideration payable is US$12,000,000 (£8,400,000). The final payment multiple will be based on the lower of the revenue or earnings growth. In order to generate a payment at the level of the cap, the average growth would need to be in excess of 50% per annum.

Statement of Directors' Responsibilities for the Company Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Directory of Huntsworth Companies

EUROPE
(including Eurasia)
UK/LONDON
Huntsworth Head Office
www.huntsworth.com

Citigate Dewe Rogerson
www.citigatedewerogerson.com

Grayling
www.grayling.com

Hudson Sandler
www.hudsonsandler.com

Huntsworth Health
www.hhealthglobal.com

Quiller Consultants
www.quillerconsultants.com

SCPR
www.stephaniechurchillpr.com

Shiny Red
www.shinyred.tv

The Red Consultancy
www.redconsultancy.com

Trimedia Group
www.trimediagroup.com

UK/REGIONAL
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Edinburgh
Northampton
www.citigatedewerogerson.com

Grayling
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Bristol
Cardiff
Edinburgh
www.grayling.com

Haslimann Taylor
Birmingham
www.haslimanntaylor.com

Huntsworth Health
Harpenden
Marlow
www.hhealthglobal.com

Trimedia UK
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Bristol
Edinburgh
Glasgow
Leeds
Manchester
Southampton
Windsor
www.trimediauk.com

AUSTRIA
Trimedia Group
Vienna
www.trimediagroup.com/at

Mmd
Vienna
www.mmdcee.com

AZERBAIJAN
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Baku
www.mmdcee.com

BELGIUM
Citigate
Brussels
www.citigate.be

Citigate Dewe Rogerson
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www.citigatedewerogerson.com

Grayling
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www.grayling.com

Trimedia Group
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www.trimedia.be

BOSNIA & HERZEGOVINA
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Sarajevo
www.mmdcee.com

BULGARIA
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CZECH REPUBLIC
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Prague
www.mmdcee.com

ESTONIA
Mmd
Tallinn
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FRANCE
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Trimedia Group
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www.trimedia.fr

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Frankfurt
www.citigatedewerogerson.com

Trimedia Group
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Frankfurt
www.trimedia.de

HUNGARY
Capital Communications (associate)
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www.capital.hu

Mmd
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www.mmdcee.com

IRELAND
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Dublin
www.grayling.com

ITALY
Citigate
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www.citigate.it

Trimedia Group
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Astana
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Valencia
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Trimedia Group
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www.trimedia-es.com

SWEDEN
Citigate
Stockholm
www.citigatestockholm.com

Trimedia Group
Stockholm
www.trimedia.se

SWITZERLAND
Huntsworth Health
Basel
www.hhealthglobal.com

Trimedia Group
Basel
Geneva
Lausanne
Lugano
St Gallen
Zurich
www.trimedia.ch

TURKEY
Mmd
Istanbul
www.mmdcee.com

UKRAINE
Mmd
Kyiv
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UNITED STATES
Huntsworth Health
Boston
New York
Philadelphia
San Francisco
www.hhealthglobal.com

Citigate Cunningham
Boston
San Francisco
www.citigatecunningham.com

Grayling
Los Angeles (Rose & Kindel)
New York
Sacramento (Rose & Kindel)
www.grayling.com

The Red Consultancy
New York
San Francisco
www.redconsultancy.com

Sard Verbinnen & Co (associate)
Chicago
New York
San Francisco
www.sardverb.com

ASIA PACIFIC

CHINA
Citigate Dewe Rogerson
Beijing
Hong Kong
Shanghai
www.citigatedewerogerson.com

Grayling
Hong Kong
Shanghai
www.grayling.com

INDIA
Citigate Dewe Rogerson
Mumbai
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SINGAPORE
Citigate Dewe Rogerson i.MAGE
www.citigatedewerogerson.com

Grayling
www.grayling.com

THAILAND
Grayling
Bangkok
www.grayling.com

MIDDLE EAST

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Grayling
Tel Aviv
www.grayling.com

QATAR
Citigate Dewe Rogerson
Doha
www.citigatedewerogerson.com

SAUDI ARABIA
Momentum
Riyadh
www.momentum.cc

UNITED ARAB EMIRATES
Momentum
Dubai
www.momentum.cc

Financial Calendar 2009

23 March 2009	Announcement of final results
14 May 2009	Annual General Meeting
27 May 2009	Ex-dividend date for final dividend
29 May 2009	Record date for final dividend
3 July 2009	Final dividend paid
August 2009	Announcement of half year results to 30 June 2009

Group Information

If you would like further information about Huntsworth, please visit our website at www.huntsworth.com.

Investor relations
Should you have any queries, please contact either Lord Chadlington, Sally Withey or Robert Alcock on +44 (0)20 7224 8778. Alternatively you can email your query to lordchadlington@huntsworth.com or sally.withey@huntsworth.com.

Shareholder enquiries
The Company's registrar, Computershare Investor Services PLC, has a website containing a range of information which can be accessed at www.computershare.com. Shareholders can gain access to up to date information on their own holdings, including balance movements and information on recent dividends. With an extensive list of frequently asked questions, the website also provides shareholders with answers to many enquiries, including those concerning change of name or address, share dealing and loss of share certificate or dividend cheque.

Alternatively you can telephone the dedicated Huntsworth shareholder helpline on 0870 707 1048 or write to Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH.

Registered office and group headquarters
Huntsworth plc
15–17 Huntsworth Mews
London NW1 6DD
Telephone: +44(0)20 7224 8778

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Huntsworth plc
15–17 Huntsworth Mews
London NW1 6DD
Tel: +44 (0)20 7224 8778
Email: info@huntsworth.com