

HUNTSWORTH

On track for revenue growth of more than 7% during 2011

Huntsworth PLC

Interim results for the six months to 30 June 2010

Huntsworth PLC, the global public relations and healthcare communications group, today announces its interim results for the six months to 30 June 2010.

Financial highlights

Revenue

- Revenue up to £87.0m (H1 '09: £76.5m)
- Net new business wins of £26.5m up 11% on previous year
- 89% of full year revenues committed for 2010
- Like-for-like revenue growth of 0.4%
- Global revenues up to 8% of group revenues
- Multi office revenues up to 33% of group revenues

Profits

- Operating profits increased by 25.6% to £13.6m (H1 '09: £10.9m)
- Operating margin before central costs up to 20.6% (H1 '09: 19.4%)
- Operating margin post central costs up to 15.7% (H1 '09: 14.2%)
- Profit before tax up 9% to £12.0m (H1 '09: £11.0m)
- Profit before tax after highlighted items up to £9.6m (H1 '09: £1.5m)

Basic earnings per share

- Before highlighted items at 3.9p (H1 '09: 3.8p)
- After highlighted items at 3.0p (H1 '09: 0.1p)

Cashflow and net debt

- Cash flow from operating activities of £8.5m, representing a cash conversion of 63% (H1 '09: 72%)
- Net debt at £55.9m (31 December 2009: £49.0m)

Other highlights

- Interim dividend up 20% to 0.9p (H1 '09: 0.75p)

Notes:

- 1) All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation of intangible assets in 2010. Highlighted items in 2009 comprise amortisation of intangibles, loss on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net brand rationalisation and other non-recurring items.
- 2) Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.
- 3) In July 2010 Huntsworth acquired 100% of the share capital of ScopeMedical Limited a fast growing global medical communications company.

Peter Chadlington, Chief Executive of Huntsworth, said:

“The market is clearly more buoyant than 12 months ago and the outlook is generally more positive. While there are still economic uncertainties throughout the world, our major reorganisation last year is beginning to produce some very positive results and we have 89% of our full year revenues committed. We believe that we are on target to meet full year management expectations and to achieve more than 7% like-for-like revenue growth rates during 2011.”

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A presentation to analysts will take place at 9.30am on 26 August 2010 at the offices of Numis Securities Limited, 5th Floor, 10 Paternoster Square, London, EC4M 7LT.

CHIEF EXECUTIVE'S STATEMENT

Overview

I am pleased to report a set of robust results for the six months to 30 June 2010, in line with half year consensus forecasts. In the first half, revenues were up by 13.7% to £87.0 million and profits before tax and highlighted items, were up 9.0% to £12.0 million. Margins before central costs are 20.6% (ahead of 2009 at 19.4%) and post central cost margins are at 15.7% (2009:14.2%).

Three of the four Huntsworth divisions, which from today report separately, are now recording like-for-like revenue growth rates between 4% and 7%. Grayling, which was the prime vehicle of brand rationalisation last year, has its strongest ever new business pipeline and is expected to return to revenue growth during the second half as new international business wins come on stream. Overall, Huntsworth expects to meet its Group like-for-like revenue targets of more than 7% during 2011.

We have made good progress on our strategy to build a global and international business following last year's brand rationalisation and are pleased to report that global accounts have more than doubled, now representing 8% of Group revenues while multi-office clients are up 24% and now represent 33% of Group revenues.

The new Grayling brand, which was launched on 1 January 2010, has won as a direct result of the rebranding some £5 million of new international business and despite all the changes following the brand rationalisation, still achieved 19.6% operating margins. Underpinned by our success in securing international new business, Grayling is on course to return to revenue growth before the end of this year. This timetable for growth is supported by our experience with Huntsworth Health which was restructured with global capabilities three years ago and today reports like-for-like revenue growth of 7.1% with a significant increase in multi-million dollar international accounts.

Red continues to grow its business very successfully reporting like-for-like revenue growth of 5.0% while Citigate has delivered like-for-like revenue growth of 4.2%.

We now have four strong independent brands. Increased levels of co-operation across the group have resulted in some significant cross divisional success – notably a significant public relations win, the Qatar Financial Centre Authority for Citigate and Grayling and a major win for a top pharmaceutical company secured by Grayling and Huntsworth Health.

Our balance sheet remains strong with debt levels comfortably within our facilities and covenants. Cash conversion in the first half was 63% and we are on track to meet our annual cash conversion target of 100%.

The interim dividend has been increased by 20% as compared to 2009 to 0.9p.

Citigate

- 15% of group revenues
- Like-for-like revenue growth of 4.2%
- 90% of full year revenues committed for 2010
- Operating margins of 22.3%
- Ranked fourth for global M&A, (source: mergermarkets) gaining market share in cross border transactions and advisory work

Citigate delivered a creditable performance in a market where transaction activity was muted and, although activity has increased around the globe, the IPO market in the UK was largely still on hold. However, Citigate was able to boost revenues by undertaking significant project work for existing clients. It also strengthened its position in the M&A market and was ranked fourth in the PR advisor league table for global M&A deals. It is therefore well placed to benefit from any further upturn in activity.

Client wins in the first half include the Qatar Financial Centre Authority (QFCA), easyGroup, PetroNeft Resources plc and Chaucer. QFCA is a global account managed by Citigate and Grayling offices across Europe, the Middle East and Asia.

Citigate advised on a number of transactions including the £1.32 billion acquisition of VT Group plc by Babcock International Group plc, the acquisition of Scott Wilson Group plc by URS Corporation and the \$1.35 billion acquisition of Heritage Oil's Ugandan assets by Tullow Oil plc. It also advised Warburg Pincus on its purchase of both Poundland and Survitec Group Ltd, and on the IPO's of OAO Protek, Russia's biggest since 2007, Russian Sea Group and LBi, Europe's largest marketing and technology agency.

Citigate won some significant corporate retainers including Schrodgers, May Gurney, Foreign Currency Direct, GSK Consumer Healthcare (Corsodyl), Western Gulf Advisory and Direct Line.

As well as winning new mandates, Citigate has maintained healthy margins by keeping tight control of existing retainer income whilst maintaining an active project pipeline. It has also extended the range of services it offers, particularly in the areas of internal communications and digital crisis management, matching its expertise to the current needs of its clients.

Grayling

- 48% of group revenues
- Like-for-like revenue decline of 4.9%
- £5m of international/global business won from new clients on an annualised basis
- Largest ever pipeline of international opportunities
- Network business up from 7% to 10% of Group revenues
- Expanded remits received from 11 of our top 15 clients
- Over €10m of EU tender opportunities
- 89% of full year revenues committed for 2010
- Operating margins at 19.6%

Grayling, which comprises 48% of group revenue established a unifying global brand in January 2010. This significant rationalisation will take time to develop fully but already we have rationalised the management team, made strategic investments in new capabilities and are building a global culture. Our focussed approach includes targeting global and international clients, increasing remits from existing clients and expanding our digital capabilities. Operating margins in the division were strong at 19.6% despite increased pitch activity, a number of investments in senior hires and the creation of a global new business team.

We saw a like-for-like revenue decline of 4.9% in the first six months of 2010, primarily caused by the loss or resignation of commodity business in Grayling and Dutko as we move our focus onto new revenue streams with greater growth potential. Grayling was also affected by the difficult but improving economic environment in Continental Europe.

Grayling has won £5 million of annualised revenues which it would not have been considered for prior to the rebranding, demonstrating an impressive 45% pitch conversion rate. These include Nabucco, Apco, Aviva, The Critical National Infrastructure Authority, Economist Intelligence Unit, Wolf Theiss, Qatar Financial Centre Authority and the Singapore Government.

The division's new capabilities have also helped Grayling to grow 11 of its top 15 clients by an average of 58%. Expanded remits include Chevron, Land Rover, Skype, Reckitt Benckiser, Netviewer and Doro.

These new revenue streams are larger in size than our historical fees and we saw an increase in average fees per client of 7% to £56,000. Retainer revenues increased to 67% of the divisional total.

Our ability to increase fees per client has been significantly strengthened via the strategic acquisition of Dutko in December 2009. Dutko has given us a stronger presence in the United States and allows us to give our clients insight into the US political landscape which is an important element to securing new international revenue streams. Wins which cover both public relations and federal government relations include Council of Naima, Integra and General Motors.

New business wins in recent weeks have been encouraging with net new business wins for the first six months up 9% on 2009. Progress is underpinned by Grayling's strongest ever new business pipeline which currently includes a number of substantial international opportunities at various stages of development. Grayling has also submitted EU global tenders worth a total value of over €10 million. With 89% of forecast full year revenues committed for 2010, Grayling is on track to return to revenue growth in the second half of this year.

Huntsworth Health

- 29% of group revenues
- Like-for-like revenue growth of 7.1%
- 3 global accounts each delivering over £3m of annual revenues
- Largest ever medical communications win, \$3m with Novartis
- Largest ever sales training win with Johnson & Johnson for more than \$1m
- Digital growth of 36%
- 88% of full year revenues committed for 2010
- Operating margins of 20.8%

Huntsworth Health was established as a global brand in 2007 and now has offices in the US, UK, and Asia as well as access to Continental Europe via the Grayling network. The new global structure allowed Huntsworth Health to establish business relationships with 39 of the top 50 pharmaceutical companies and average fee revenue per client across those 39 companies is now greater than £850,000.

'Preferred Provider' status has increased to eight major pharmaceutical companies, up from five when we announced our full year 2009 results with three further major contracts under review.

When we announced our 2009 results, we had two clients delivering over £3 million of revenues. This has increased to three clients in 2010 with one of those clients now awarding us in excess of \$7 million of fee revenue on one of the world's top 10 brands.

Our growth is underpinned by strong digital revenues (up 36%) which have come from the expansion of existing client relationships as well as new client wins.

New business wins of note in the first half include a multi-million dollar win at Novartis, the largest sales training contract ever signed at Johnson & Johnson for more than \$1 million and a large global medical communications project at Pfizer.

New business momentum is very strong with identified new business that has been submitted or in preparation, more than double than at this point in 2009. ScopeMedical, the international medical communications agency acquired in July has successfully integrated into the group providing Huntsworth Health with access to four new global clients that we have not previously worked with.

Red

- 8% of group revenues
- Like-for-like revenue growth of 5.0%
- 93% of full year revenues committed for 2010
- Operating margins of 21.9%
- Public sector losses offset by strong new wins

Red grew again in the first six months of the year after very strong growth in 2009. Wins included Avis, Barclaycard, alli, Kelkoo, Tommee Tippee, Coca Cola, Thistle and Adobe.

Notable campaigns included rolling out a counterfeit medicine campaign across 14 European countries for Pfizer; continuing to create award-winning global programmes for McAfee; digitally-led PR campaigns for Cobra; and supporting Santander's rebrand of Alliance & Leicester with a nationwide community programme.

Committed revenues for 2010 are strong at 93% despite the loss of UK public sector work which previously accounted for approximately 10% of revenues.

Group Outlook

Our major reorganisation last year is beginning to produce some very positive results. We believe that we are on target to meet full year management expectations and to achieve more than 7% like-for-like revenue growth rates during 2011. There is still a lot to do but the pipelines are strong and there are much higher levels of multi-brand revenues across the Group.

To view an interview with Lord Chadlington and Sally Withey on the interim results following last year's brand rationalisation programme, and the outlook for Huntsworth, please view the following link:

<http://www.huntsworth.co.uk/investors.aspx>

REVIEW OF FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS

	2010	Like-for-like growth	2009	
	£'m		£'m	
Revenue				
Citigate	13.5	4.2%	13.1	
Grayling	41.8	(4.9)%	34.6	
Huntsworth Health	25.1	7.1%	22.3	
Red	6.7	5.0%	6.6	
Eliminations	(0.1)		(0.1)	
Total operations	<u>87.0</u>	0.4%	<u>76.5</u>	
Operating profit		Margin		Margin
Citigate	3.0	22.3%	2.9	22.4%
Grayling	8.2	19.6%	6.4	18.4%
Huntsworth Health	5.2	20.8%	4.0	17.9%
Red	1.5	21.9%	1.6	23.7%
Total operations	<u>17.9</u>	20.6%	<u>14.9</u>	19.4%
Central costs	<u>(4.3)</u>		<u>(4.0)</u>	
Profit before highlighted items	13.6	15.7%	10.9	14.2%
Operating highlighted items	<u>(2.4)</u>		<u>(8.3)</u>	
Reported operating profit	<u>11.2</u>		<u>2.6</u>	
Adjusted basic EPS	3.9p		3.8p	
Reported basic EPS	3.0p		0.1p	

Introduction

In the commentary below all results are stated before taking account of highlighted items unless otherwise stated. Highlighted items in 2010 comprise amortisation of intangible assets only. Highlighted items in 2009 comprise amortisation of intangibles, loss on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net brand rationalisation and other non-recurring items.

Like-for-like growth is based on revenues at constant exchange rates, adjusted to include pre-acquisition revenues and exclude disposals/closures.

Revenue and profits

Group revenue in the six months to 30 June 2010 increased by 13.7% to £87.0 million (H1 2009: £76.5 million).

On a like-for-like basis, revenues grew in three of our four divisions with Huntsworth Health at 7.1%, Red at 5.0% and Citigate at 4.2%. Grayling, which saw the main impact of the brand rationalisation at the end of last year saw a like-for-like revenue decline of 4.9% but maintained strong margins and is expected to return to revenue growth before the end of this year. Overall like-for-like revenue grew by 0.4% in the first half of the year.

Group operating profits before central costs in the first half increased by 20.4% to £17.9 million (H1 2009: £14.9 million) and the Group has continued to deliver strong margins. Group operating margin before central costs was 20.6% (H1 2009: 19.4%) with divisional margins ranging between 19.6% (Grayling) and 22.3% (Citigate). Operating margin after central costs was 15.7%, up from 14.2% in the first half of 2009.

Underlying margins adjusted for charges not repeated in the second half (holiday pay and US payroll taxes) were 21.7% pre central costs and 16.9% after central costs.

Operating profit after central costs for the period increased by 25.5% to £13.6 million (H1 2009: £10.9 million).

Profit before tax was up 9% at £12.0 million (H1 2009: £11.0 million).

Currency

Changes in exchange rates have had very little impact on the Group's results in the period.

Highlighted items

Operating highlighted items of £2.4 million in the first half of 2010 relate to the amortisation of intangible assets (H1 2009: total operating highlighted items £8.3 million).

After highlighted items, statutory reported operating profit was £11.2 million (H1 2009: £2.6 million).

Tax

The tax charge of £2.5 million comprises an underlying tax charge of £2.8 million together with a credit of £0.3 million on highlighted items. The underlying tax charge is based on the expected full year underlying tax rate of 23% (year ended 31 December 2009: 25.5%).

Earnings

Profits attributable to ordinary shareholders were £9.2 million (H1 2009: £7.8 million). Profits after highlighted items attributable to ordinary shareholders amounted to £7.1 million (H1 2009: £0.2 million).

Basic earnings per share were 3.9p (H1 2009: 3.8p). Diluted earnings per share were 3.8p (H1 2009: 3.7p). Basic earnings per share after highlighted items were 3.0p (H1 2009: 0.1p).

Dividends

The Board has continued its progressive dividend policy. The interim dividend has been increased by 20% to 0.9p per share (H1 2009: 0.75p). The record date for this dividend will be 1 October 2010 and it is payable on 5 November 2010. A scrip dividend alternative will be available.

Balance sheet and cash flow

The Group remains in a strong financial position and our businesses continue to generate good operating cash flows.

Net debt at 30 June 2010 was £55.9 million (31 December 2009: £39.9 million), well within the Group's debt facilities.

Cash inflow from operations amounted to £8.5 million (H1 2009: £7.8 million). This was before a £3.1 million cash impact relating to prior periods highlighted items. Cash conversion of operating profit into operating cash flows was 63%, in line with normal levels at the half year. For the full year, Huntsworth expects cash conversion to achieve the Group's minimum target of 100%.

Other principal cash flows during the period were net payments for interest, tax and fixed assets of £4.0 million, purchase of shares through the buyback programme of £1.1 million and a net outflow in respect of acquisitions of £6.7 million.

The Group continues to operate well within its banking covenants and facilities which comprise a revolving credit facility and a committed overdraft totalling £87.0 million continuing until 2011 and decreasing to £82.5 million until September 2012 as a term loan is repaid. Net debt to EBITDA was at a ratio of 1.7 times at 30 June 2010 and interest cover (excluding highlighted items and imputed interest) was 14 times (H1 2009: 8 times).

Earn-out payments

Future contingent earn-out payments as at 30 June 2010 are estimated at £30.5 million, comprising £24.2 million payable in cash and £6.3 million payable in cash/shares at Huntsworth's option. The timing of the aggregate of these payments is £3.0 million in 2010, £17.5 million in 2011 (when the final payments are due in relation to the purchase of Axis), £2.8 million in 2012 and £7.2 million in 2013.

Key risks and uncertainties

As detailed on page 19 of the 2009 Annual Report and Accounts, the Group's 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. These risks are not considered to have changed since the 2009 Annual Report and Accounts were published.

Forward looking statements

The interim management report contains certain forward looking statements in respect of Huntsworth plc and the operation of its subsidiaries. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

Notes to Editors:

1. Huntsworth PLC is a global public relations and healthcare communications group with 70 principal offices in 31 countries and 2,080 clients.
2. At 30 June the Group employed approximately 1,630 staff with an average annual fee income per head of £107,000.
3. Group revenue comprises the following key areas of activity: Corporate Communications and Public Affairs account for 35% of Group revenue; Consumer and B2B work account for 17% of Group Revenue; Financial non-deal led Public Relations work is 12%; Financial deal led Public Relations is 2%; Huntsworth Health is 29% and other activities are 5%.
4. By industry sector the revenue profile is broadly 29% Pharmaceuticals; 11% Financial Services; 8% Government & Public Sector; 7% Technology; 6% Retail & Leisure; 6% Healthcare; 5% Food and Drink and 5% Industrial.
5. Geographically, 40% of Group revenue in the first half of 2010 was from the UK; 21% from other European countries; 35% from the US; and 4% from the Rest of the World.
6. As at August 2010 shareholdings of Directors, employees and employee trusts represent approximately 10% of the Group's issued share capital. Institutional shareholdings hold approximately 77%, with the top 10 holding some 60% as of 11 August 2010.

Unaudited Consolidated Income Statement

for the six months ended 30 June 2010

		Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Audited Year ended 31 December 2009 £000
Turnover		111,615	100,280	209,033
Revenue	3	86,993	76,513	156,319
Operating expenses – excluding highlighted items		(73,365)	(65,659)	(133,119)
Operating expenses – highlighted items		(2,462)	(8,300)	(31,109)
Operating expenses – total		(75,827)	(73,959)	(164,228)
Operating profit before highlighted items	3	13,628	10,854	23,200
Highlighted items – operating expenses	4	(2,462)	(8,300)	(31,109)
Operating profit/(loss)		11,166	2,554	(7,909)
Share of post-tax profit of associates		-	1,285	2,095
Highlighted item – impairment of associates	4	-	(1,285)	(2,095)
Finance income	5	15	267	260
Finance costs	5	(1,606)	(1,366)	(2,190)
Profit before tax and highlighted items		12,037	11,040	23,365
Highlighted items	4	(2,462)	(9,585)	(33,204)
Profit/(loss) before tax		9,575	1,455	(9,839)
Taxation (expense)/credit	6	(2,456)	(1,221)	1,246
Profit/(loss) for the period		7,119	234	(8,593)
Attributable to:				
Parent Company's equity shareholders		7,079	193	(8,648)
Non-controlling interests		40	41	55
		7,119	234	(8,593)
Earnings/(loss) per share:				
Basic – pence	8	3.0	0.1	(4.2)
Diluted – pence	8	2.9	0.1	(4.2)
Adjusted basic – pence*	8	3.9	3.8	8.2
Adjusted diluted – pence*	8	3.8	3.7	8.0

*Adjusted basic and diluted earnings per share are calculated based on the profit/(loss) for the period adjusted for highlighted items and the related tax effects (Note 8).

Unaudited Consolidated Statement of Comprehensive Income and Expense

for the six months ended 30 June 2010

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Audited Year ended 31 December 2009 £000
Profit/(loss) for the period	7,119	234	(8,593)
Other comprehensive income/(expense)			
Movement in valuation of interest rate swaps	(499)	(31)	(264)
Tax credit on interest rate swaps	140	-	74
Currency translation differences	3,179	(16,182)	(11,726)
Tax credit/(expense) on currency translation reserve	163	(288)	(136)
Other comprehensive income/(expense) for the period	2,983	(16,501)	(12,052)
Total comprehensive income/(expense) for the period	10,102	(16,267)	(20,645)
Total comprehensive income/(expense) attributable to:			
-Parent Company's equity shareholders	10,062	(16,308)	(20,700)
-Non-controlling interests	40	41	55
	10,102	(16,267)	(20,645)

Unaudited Consolidated Balance Sheet

as at 30 June 2010

		30 June 2010 £000	30 June 2009 £000	Audited 31 December 2009 £000
	Notes			
Non-current assets				
Intangible assets	9	290,243	250,232	287,264
Property, plant and equipment		4,952	4,854	4,933
Investment in associates		52	1,845	59
Other non-current financial assets		104	-	104
Other receivables		336	-	470
Derivative financial assets	10(c)	6	96	71
Deferred tax assets		5,696	2,693	5,469
		301,389	259,720	298,370
Current assets				
Work in progress		1,890	1,345	1,472
Trade and other receivables		44,526	40,422	45,929
Corporation tax receivable		1,333	1,918	917
Derivative financial assets	10(c)	157	366	304
Cash and short-term deposits	10(d)	8,731	6,848	9,394
		56,637	50,899	58,016
Current liabilities				
Bank loans and overdrafts	10(c)	(3,004)	(11)	(3,023)
Obligations under finance leases	10(c)	(68)	(140)	(59)
Trade and other payables		(49,750)	(45,891)	(53,750)
Derivative financial liabilities	10(c)	(92)	-	(92)
Corporation tax payable		(6,155)	(6,395)	(6,086)
Provisions		(20,621)	(11,878)	(10,792)
		(79,690)	(64,315)	(73,802)
Non-current liabilities				
Bank loans and overdrafts	10(c)	(60,068)	(46,071)	(54,550)
Obligations under finance leases	10(c)	(89)	(133)	(88)
Provisions		(14,425)	(16,046)	(28,092)
Trade and other payables		(468)	(263)	(417)
Derivative financial liabilities	10(c)	(1,489)	(849)	(990)
Deferred tax liabilities		(5,349)	(3,001)	(4,309)
		(81,888)	(66,363)	(88,446)
Net assets				
		196,448	179,941	194,138
Equity				
Called up share capital		106,233	106,006	106,233
Shares to be issued		6,921	-	6,921
Share premium account		24,763	23,760	24,763
Merger reserve		56,506	51,122	56,506
Foreign currency translation reserve		24,732	17,097	21,553
Hedging reserve		(1,515)	(783)	(1,016)
Treasury shares		(3,657)	(676)	(2,654)
Investment in own shares		(4,195)	(6,073)	(4,446)
Retained earnings		(13,700)	(11,537)	(14,752)
Equity attributable to equity holders of the parent		196,088	178,916	193,108
Non-controlling interests		360	1,025	1,030
Total equity		196,448	179,941	194,138

Unaudited Consolidated Statement of Cash Flows

for the six months ended 30 June 2010

		Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Audited Year ended 31 December 2009 £000
	Notes			
Cash inflow from operating activities				
Cash inflow from operations	10(a)	5,470	2,596	17,962
Interest paid		(1,246)	(966)	(1,689)
Interest received		15	223	242
Net cash flows from hedging activities		4	-	(497)
Corporation tax paid		(1,746)	(993)	(2,555)
Net cash inflow from operating activities		2,497	860	13,463
Cash outflow from investing activities				
Acquisition of subsidiaries, net of cash acquired		(4,544)	(3,481)	(11,654)
Proceeds on sale and liquidation of subsidiaries, net of cash disposed		-	(375)	(1,402)
Acquisition of non-controlling interests		(2,146)	(315)	(315)
Cost of internally developed intangible assets		(90)	(168)	(186)
Purchase of non-current financial assets		-	-	(104)
Purchases of property, plant and equipment		(1,025)	(758)	(1,697)
Proceeds from sale of property, plant and equipment		26	-	46
Dividends received from associates		-	1,642	3,470
Net cash outflow from investing activities		(7,779)	(3,455)	(11,842)
Cash inflow/(outflow) from financing activities				
Purchase of own shares – investment in own shares		-	(1,453)	(1,499)
Purchase of own shares – treasury shares		(1,061)	(676)	(3,168)
Repayment of finance lease liabilities		(39)	(24)	(151)
Net drawdown of borrowings		5,395	49	4,654
Dividends paid to non-controlling interests		-	(11)	(20)
Dividends paid to equity holders of the parent		-	-	(4,579)
Net cash inflow/(outflow) from financing activities		4,295	(2,115)	(4,763)
Decrease in cash and cash equivalents		(987)	(4,710)	(3,142)
Movements in cash and cash equivalents				
Decrease in cash and cash equivalents		(987)	(4,710)	(3,142)
Effects of exchange rate fluctuations on cash held		343	(2,227)	(1,261)
Cash and cash equivalents at 1 January		9,371	13,774	13,774
Cash and cash equivalents at end of period	10(c), (d)	8,727	6,837	9,371

Unaudited Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010

	Called up share capital £000	Shares to be issued £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Retained earnings £000	Total £000	Non- controlling interests £000	Total Equity £000
At 1 January 2009	106,006	-	23,760	51,122	33,279	(752)	-	(5,965)	(8,196)	199,254	999	200,253
Total comprehensive income for the period	-	-	-	-	(16,182)	(31)	-	-	(95)	(16,308)	41	(16,267)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4)	(4)
Purchase of own shares	-	-	-	-	-	-	(676)	(1,177)	-	(1,853)	-	(1,853)
Settlement of share options	-	-	-	-	-	-	-	1,069	(592)	477	-	477
Credit for share-based payments	-	-	-	-	-	-	-	-	1,427	1,427	-	1,427
Equity dividends	-	-	-	-	-	-	-	-	(4,081)	(4,081)	-	(4,081)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Balance at 30 June 2009	106,006	-	23,760	51,122	17,097	(783)	(676)	(6,073)	(11,537)	178,916	1,025	179,941
Total comprehensive income for the period	-	-	-	-	4,456	(233)	-	-	(8,615)	(4,392)	14	(4,378)
Acquisitions of subsidiaries	210	6,921	-	13,241	-	-	-	-	-	20,372	-	20,372
Purchase of own shares	-	-	-	-	-	-	(2,492)	-	-	(2,492)	-	(2,492)
Settlement of share options	-	-	-	-	-	-	-	2,141	(2,029)	112	-	112
Credit for share-based payments	-	-	-	-	-	-	-	-	1,109	1,109	-	1,109
Share issue costs	-	-	(9)	(10)	-	-	-	-	-	(19)	-	(19)
Scrip dividend	17	-	1,012	-	-	-	-	-	-	1,029	-	1,029
Equity dividends	-	-	-	-	-	-	-	-	(1,527)	(1,527)	-	(1,527)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9)	(9)
Transfers	-	-	-	(7,847)	-	-	514	(514)	7,847	-	-	-
Balance at 31 December 2009 (audited)	106,233	6,921	24,763	56,506	21,553	(1,016)	(2,654)	(4,446)	(14,752)	193,108	1,030	194,138
Total comprehensive income for the period	-	-	-	-	3,179	(499)	-	-	7,382	10,062	40	10,102
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(1,436)	(1,436)	(710)	(2,146)
Purchase of own shares	-	-	-	-	-	-	(1,061)	-	-	(1,061)	-	(1,061)
Settlement of share options	-	-	-	-	-	-	58	251	(152)	157	-	157
Credit for share-based payments	-	-	-	-	-	-	-	-	60	60	-	60
Equity dividends	-	-	-	-	-	-	-	-	(4,802)	(4,802)	-	(4,802)
Balance at 30 June 2010	106,233	6,921	24,763	56,506	24,732	(1,515)	(3,657)	(4,195)	(13,700)	196,088	360	196,448

Notes to the Financial Statements

for the six months ended 30 June 2010

1. BASIS OF PREPARATION

These consolidated interim financial statements, which are condensed and unaudited for the six months ended 30 June 2010, have been prepared in accordance with the Listing Rules of the Financial Services Authority. They have been prepared in accordance with the accounting policies which the Group expects to adopt in its 2010 Annual Report and are consistent with the policies which the Group adopted in the consolidated financial statements for the year ended 31 December 2009, except as noted below. These accounting policies are based on the EU-adopted International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations that the Group expects to be applicable at that time.

The consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, Interim Financial Reporting, as adopted by the EU and under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value.

The information relating to the six months ended 30 June 2010 and 30 June 2009 is unaudited and does not constitute statutory financial statements as defined in Section 435 of the Companies Act 2006. They have however been reviewed by the auditors and their report to the Board of Huntsworth plc is set out on page 26 of this document. The comparative figures for the year ended 31 December 2009 have been extracted from the Group Report and Accounts, on which the auditors gave an unqualified opinion and did not include a statement under section 498 (2) or (3) of the Companies Act 2006. The Group Report and Accounts for the year ended 31 December 2009 have been filed with the Registrar of Companies.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

IFRS 3 'Business Combinations' (revised 2008) makes significant changes to the treatment of acquisition costs and deferred contingent consideration relating to an acquisition. The revised standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. As a consequence of the adoption of this standard, all acquisition related transaction costs are now recorded in the income statement as highlighted items. Contingent consideration relating to acquisitions is measured at fair value at the acquisition date; any subsequent revisions to these estimates will be recorded in the income statement as highlighted items.

IAS 27 'Consolidated and Separate Financial Statements' (revised 2008) no longer restricts the allocation to non-controlling interests of losses incurred by a subsidiary to the amount of the non-controlling equity investment in the subsidiary. Any partial acquisition or disposal of equity interest in a subsidiary that does not result in a gain or loss of control will be accounted for as an equity transaction and will not impact goodwill or give rise to any gain or loss. This change has resulted in a reduction in equity of £1,436,000 in the period which would previously have increased goodwill.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but have no impact on the Group:

- IFRS 2 (amendments) - Share based payments (effective for accounting periods beginning on or after 1 January 2010) ;
- IFRS 5 (amendment) – Non-Current Assets Held for Sale and Discontinued Operations (effective for accounting periods beginning on or after 1 January 2010) ;
- IAS 39 (amendment) – Financial Instruments: Recognition and Measurement (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 17 – Distributions of non-cash assets to owners (effective for accounting periods beginning on or after 1 July 2009) ;
- IFRIC 18 – Transfers of assets from customers (effective for accounting periods beginning on or after 1 July 2009).

Operating segments

As a result of the strategic branding initiative completed in January 2010, the Group has amended its operating segments in order to align them to the new group structure. The Group now has four operating segments – Grayling, Red, Citigate and Huntsworth Health. The new segments reflect the way in which the chief operating decision maker evaluates performance and decides how to allocate resources. The 2009 comparative data has been restated into the new segments.

Going concern

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 Group's financial statements.

Notes to the Financial Statements continued

for the six months ended 30 June 2010

2. ACQUISITIONS

(i) Grayling International non-controlling interest

On 30 March 2010 and 15 April 2010, the Group purchased the remaining 10% stake of the issued share capital of Grayling International Limited in two tranches taking the total ownership interest to 100%. The total cash consideration was £2,066,700.

(ii) Shiny Red non-controlling interest

On 12 February 2010 the Group purchased the remaining 25% stake of the issued share capital of Shiny Red Limited for cash consideration of £78,900 taking the total ownership interest to 100%.

3. SEGMENTAL ANALYSIS

Business segments

The following is an analysis of the Group's revenue and operating profit before highlighted items by reportable segment. The prior year comparative data has been restated as discussed in Note 1.

	Citigate £000	Grayling £000	Huntsworth		Total £000
			Red £000	Health £000	
6 months to 30 June 2010					
Revenue					
Total revenue	13,535	41,826	6,713	25,032	87,106
Intra-group eliminations	(53)	(60)	-	-	(113)
Segment revenue	13,482	41,766	6,713	25,032	86,993
Segment operating profit before highlighted items	3,012	8,180	1,473	5,217	17,882

	Citigate £000	Grayling £000	Huntsworth		Total £000
			Red £000	Health £000	
6 months to 30 June 2009 - Restated					
Revenue					
Total revenue	13,096	34,590	6,647	22,254	76,587
Intra-group eliminations	(67)	-	-	(7)	(74)
Segment revenue	13,029	34,590	6,647	22,247	76,513
Segment operating profit before highlighted items	2,932	6,367	1,576	3,976	14,851

Notes to the Financial Statements continued

for the six months ended 30 June 2010

3. SEGMENTAL ANALYSIS (CONTINUED)

Year ended 31 December 2009 - Restated	Citigate £000	Grayling £000	Red £000	Huntsworth		Total £000
				Health £000		
Revenue						
Total revenue	27,450	70,029	13,161	45,790		156,430
Intra-group eliminations	(111)	-	-	-		(111)
Segment revenue	27,339	70,029	13,161	45,790		156,319
Segment operating profit before highlighted items						
	6,632	13,001	2,607	9,581		31,821

A reconciliation of segment operating profit before highlighted items to profit before tax is provided below:

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Segment operating profit before highlighted items	17,882	14,851	31,821
Unallocated costs	(4,254)	(3,997)	(8,621)
Operating profit before highlighted items	13,628	10,854	23,200
Highlighted items	(2,462)	(8,300)	(31,109)
Operating profit/(loss)	11,166	2,554	(7,909)
Share of profit of associates	-	1,285	2,095
Highlighted items – impairment of investment in associates	-	(1,285)	(2,095)
Net finance costs	(1,591)	(1,099)	(1,930)
Profit/(loss) before tax	9,575	1,455	(9,839)

Notes to the Financial Statements continued

for the six months ended 30 June 2010

4. HIGHLIGHTED ITEMS

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Charged to operating profit			
Amortisation of intangible assets	2,462	2,387	4,770
Impairment of intangible assets	-	-	9,141
Loss on disposal and liquidation of subsidiaries	-	140	7,527
Acquisition payments to employees deemed to be remuneration	-	451	827
Net brand rationalisation and other non-recurring costs	-	5,322	8,844
	2,462	8,300	31,109
Charged to profit before tax			
Impairment of investment in associates	-	1,285	2,095
	2,462	9,585	33,204

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.

Impairment of intangible assets

The impairment of intangible assets in 2009 comprised £9.1 million relating to brands. As a result of the brand rationalisation initiative, brands which were no longer used were impaired to nil carrying value.

Loss on disposal and liquidation of subsidiaries

The loss in 2009 principally related to the liquidation of the Group's operations in Italy and comprised £5.8 million of goodwill and other asset impairments and £1.7 million of cash cost.

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 ceased once the relevant earn-out was settled during 2009.

Net brand rationalisation and other non-recurring costs

As a result of the strategic rebranding initiative, costs of £8.8 million were incurred in 2009. This charge comprised £1.3 million of rebranding, £6.0 million of severance costs and £1.5 million of property costs relating to restructuring of teams and offices to align to the new structure.

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 December 2009 for a fixed amount. Following the sale of the initial 51% in 2007, the Group's investment in CSV was accounted for as an associate. All profits recognised from the date of the initial disposal until the disposal of the final 49% in December 2009 were matched by an equal and opposite impairment of the Group's investment in the entity.

Notes to the Financial Statements continued

for the six months ended 30 June 2010

5. FINANCE COSTS AND INCOME

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Bank interest payable	1,272	940	1,768
Finance lease interest	9	15	26
Fair value movement on financial instruments	65	-	-
Imputed interest on property provisions	45	80	64
Imputed interest on deferred consideration	215	331	332
Finance costs	1,606	1,366	2,190
Bank interest receivable	(12)	(24)	(73)
Fair value movement on financial instruments	-	(44)	(169)
Other interest receivable	(3)	(199)	(18)
Finance income	(15)	(267)	(260)
Net finance costs	1,591	1,099	1,930

6. TAXATION

The tax charge/(credit) for the six months ended 30 June 2010 has been based on an estimated effective tax rate on profit before highlighted items for the full year of 23.0% (year ended 31 December 2009: 25.5%). The tax charge/(credit) is analysed as follows:

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Before highlighted items:			
Current tax	1,704	2,480	4,548
Deferred tax	1,065	609	1,410
	2,769	3,089	5,958
Highlighted items:			
Current tax	(83)	(1,180)	(1,130)
Deferred tax	(230)	(688)	(6,074)
	(313)	(1,868)	(7,204)
Total:			
Current tax	1,621	1,300	3,418
Deferred tax	835	(79)	(4,664)
Total tax charge/(credit)	2,456	1,221	(1,246)

Notes to the Financial Statements continued

for the six months ended 30 June 2010

7. DIVIDENDS

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Equity dividends on ordinary shares:			
Final dividend for the year ended 2008 – 2.0 pence	-	4,081	4,081
Interim dividend for the year ended 2009 – 0.75 pence	-	-	1,527
Final dividend for the year ended 2009 – 2.15 pence	4,802	-	-
	4,802	4,081	5,608

The final dividend for the year ended 31 December 2009 of 2.15 pence per share was approved by shareholders at the Annual General Meeting on 13 May 2010 and was paid on 2 July 2010. This dividend is included in trade and other payables at 30 June 2010.

The proposed 2010 interim dividend of 0.9 pence per share was approved by the Board on 25 August 2010 and in accordance with IFRS has not been included as a deduction from equity at 30 June 2010. The dividend will be paid on 5 November 2010 to those shareholders on the register on 1 October 2010.

8. EARNINGS PER SHARE

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

	Six months ended 30 June 2010		Six months ended 30 June 2009		Year ended 31 December 2009	
	Weighted average number		Weighted average number		Weighted average number	
	Earnings £000	of shares 000's	Earnings £000	of shares 000's	Earnings £000	of shares 000's
Basic	7,079	236,938	193	205,670	(8,648)	208,335
Diluted	7,079	245,903	193	209,383	(8,648)	208,335*
Adjusted basic	9,228	236,938	7,833	205,670	17,128	208,335
Adjusted diluted	9,228	245,903	7,833	209,383	17,128	214,821

*Because basic EPS results in a loss per share the diluted EPS is calculated using the undiluted weighted average number of shares.

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

Diluted earnings per share is calculated based on the profit/(loss) for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the period adjusted for the potentially dilutive impact of employee share option schemes.

Notes to the Financial Statements continued

for the six months ended 30 June 2010

8. EARNINGS PER SHARE (CONTINUED)

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:

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Earnings:			
Profit/(loss) for the period attributable to the Parent Company's shareholders	7,079	193	(8,648)
Highlighted items (net of tax) attributable to the Parent Company's shareholders	2,149	7,640	25,776
Adjusted earnings	9,228	7,833	17,128

9. INTANGIBLE ASSETS

	Brands £000	Customer relationships £000	Goodwill £000	Software development costs £000	Total £000
Cost					
At 1 January 2010	25,074	27,325	289,429	432	342,260
Adjustments to prior year acquisitions	-	-	513	-	513
Capitalised development costs	-	-	-	90	90
Exchange differences	326	836	3,459	-	4,621
At 30 June 2010	25,400	28,161	293,401	522	347,484
Amortisation and impairment charges					
At 1 January 2010	17,397	19,019	18,453	127	54,996
Charge for the period	374	2,089	-	76	2,539
Exchange differences	269	315	(866)	(12)	(294)
At 30 June 2010	18,040	21,423	17,587	191	57,241
Net book value at 30 June 2010	7,360	6,738	275,814	331	290,243
Net book value at 31 December 2009	7,677	8,306	270,976	305	287,264

Brands and customer relationships are being amortised over their useful economic lives of between 3 and 20 years.

Adjustments to acquisitions completed prior to 31 December 2009 comprise changes to estimated contingent deferred consideration and costs of acquisition.

Notes to the Financial Statements continued

for the six months ended 30 June 2010

10. CASH FLOW ANALYSIS

(a) Reconciliation of operating profit to net cash inflow from operations

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Operating profit/(loss)	11,166	2,554	(7,909)
Depreciation	1,169	1,269	2,547
Share option charge	199	1,171	2,005
(Profit)/loss on disposal of property, plant and equipment	(5)	1	(34)
Amortisation of intangible assets	2,539	2,432	4,879
Impairment of intangible assets	-	-	9,141
Expense incurred on hedging activities	273	-	497
Unrealised foreign exchange gain	(129)	-	-
Loss on disposal of subsidiaries	-	140	7,527
Increase in work in progress	(364)	(68)	(184)
Decrease in debtors	2,551	2,095	818
Decrease in creditors	(9,542)	(6,798)	(318)
Decrease in provisions	(2,387)	(200)	(1,007)
Net cash inflow from operations	5,470	2,596	17,962

Net cash inflow from operations is analysed as follows:

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Before highlighted items	8,522	7,764	28,450
Highlighted items	(3,052)	(5,168)	(10,488)
Net cash inflow from operations	5,470	2,596	17,962

Of the 2010 highlighted cash flows, £1.3 million relates to the cash impact of property provisions made in prior periods and £1.7 million is in respect of brand rationalisation provided for in the prior year.

Notes to the Financial Statements continued

for the six months ended 30 June 2010

10. CASH FLOW ANALYSIS (CONTINUED)

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

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Decrease in cash and cash equivalents in the period	(987)	(4,710)	(3,142)
Cash inflow from debt drawdowns	(5,395)	(49)	(4,654)
Bank loans acquired	-	-	(6,558)
Settlement of derivative financial instruments	(277)	444	497
Repayment of capital element of finance leases	38	24	151
Change in net debt resulting from cash flows	(6,621)	(4,291)	(13,706)
Amortisation of loan fees	(74)	(72)	(81)
Movement in fair value of derivative financial instruments	(433)	(65)	(438)
Acquisition of finance leases	(39)	-	9
Translation differences	284	(1,966)	(1,317)
Increase in net debt	(6,883)	(6,394)	(15,533)
Net debt at beginning of period	(49,033)	(33,500)	(33,500)
Net debt at end of period	(55,916)	(39,894)	(49,033)

(c) Analysis of net debt

	30 June 2010 £000	30 June 2009 £000	31 December 2009 £000
Cash and short-term deposits	8,731	6,848	9,394
Overdrafts (current)	(4)	(11)	(23)
Net cash and cash equivalents	8,727	6,837	9,371
Bank loans (current)	(3,000)	-	(3,000)
Bank loans and overdrafts (non-current)	(60,068)	(46,071)	(54,550)
Derivative financial assets	163	462	375
Derivative financial liabilities	(1,581)	(849)	(1,082)
Obligations under finance leases	(157)	(273)	(147)
Net debt	(55,916)	(39,894)	(49,033)

(d) Cash and cash equivalents

	30 June 2010 £000	30 June 2009 £000	31 December 2009 £000
Cash and short-term deposits	8,731	6,848	9,394
Overdrafts (current)	(4)	(11)	(23)
Cash and cash equivalents	8,727	6,837	9,371

Notes to the Financial Statements

continued

for the six months ended 30 June 2010

11. 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 associates and with Directors and executive officers. There were no material related party transactions other than the remuneration of key management personnel in the six months ended 30 June 2010.

12. POST BALANCE SHEET EVENTS

On 9 July 2010, the Group acquired the entire share capital of ScopeMedical Limited, a company incorporated in the UK. The initial cash consideration was £4.6 million of which £0.7 million is deferred for 12 months. Additional consideration is payable dependent on future performance during the period to 31 December 2013 and will be paid in cash or a combination of cash and shares at Huntsworth's discretion. The maximum total consideration payable is £11 million. As at the date of this report, it is impracticable to determine the fair values of the assets and liabilities acquired and the goodwill recognised.

Independent Review Report

To the Board of Huntsworth plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
26 August 2010

Statement of Directors' Responsibilities

for the six months ended 30 June 2010

We confirm that to the best of our knowledge this interim report:

- has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;
- includes a fair review of the information required by the Financial Services Authority's Disclosure and Transparency Rules ('DTR') 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Sally Withey
Chief Operating Officer

Tymon Broadhead
Group Finance Director
26 August 2010