

HUNTSWORTH

Interim results for the six months to 30 June 2017

Continuing recovery with strong organic growth

- Headline profit before tax up by 58%
- Interim dividend increased by 10% to 0.55p
- Strong growth from Huntsworth Health
- Grayling returns to profit
- Acquisition of The Creative Engagement Group (TCEG) in July 2017

Huntsworth plc, the healthcare communications and public relations group, today announces its interim results for the six months to 30 June 2017.

Financial highlights

	30 June 2017	30 June 2016	
Revenue	£94.2m	£86.6m	+9%
Profit / (loss) before tax	£9.2m	£(8.9)m	
Diluted profit / (loss) per share	1.6p	(2.7)p	
Headline operating profit ¹	£11.0m	£7.3m	+50%
Headline profit before tax ¹	£10.0m	£6.4m	+58%
Headline basic & diluted EPS ¹	2.4p	1.7p	+41%
Dividend per share	0.55p	0.50p	+10%
Net debt	£26.8m	£37.1m	

Paul Taaffe, CEO of Huntsworth plc, commented:

“The Group grew very strongly through the first half of 2017 led by Huntsworth Health assisted by favourable movements in exchange rates. Grayling has responded well to last year’s restructuring with a return to profit. Our momentum going into the second half remains strong, driven by continued growth at Huntsworth Health, the first time impact of the TCEG acquisition and improving trading at Grayling.”

Notes:

1. Unless otherwise stated, results have been adjusted to exclude highlighted items. An explanation of how all adjusted measures have been calculated is included in Appendix 1.

Enquiries

Huntsworth

Paul Taaffe, Chief Executive Officer
Neil Jones, Chief Financial Officer

020 3861 3999

Citigate Dewe Rogerson

Simon Rigby
Elizabeth Kittle

020 7638 9571

Chief Executive's Statement

Group overview

Revenues for the first half of 2017 were £94.2 million (2016: £86.6 million), an increase of 9% compared to the prior year, or 7% on a like-for-like² basis. Profit before tax and highlighted items was £10.0 million (2016: £6.4 million), an increase of 58%.

The first half of the year has seen the Group perform strongly, driven by Huntsworth Health, which grew its revenue and profits by nearly 20% on a like-for-like basis, and assisted by a stronger US dollar. In addition, Grayling has returned to profit in the first half of the year, with three of its four operating units now making a positive contribution to the Group. Red has grown well in a flat market, although growth is expected to slow in H2 as client changes begin to impact, while Citigate Dewe Rogerson was slightly behind 2016 mainly due to the previously highlighted weaker trading conditions in Asia.

Our main focus for growth and investment remains Huntsworth Health. Healthcare is a growing sector as clients seek a more differentiated and increasingly digital offering for their medical and marketing communications. To further support this we added The Creative Engagement Group ('TCEG') to our portfolio of leading agencies in July 2017 for cash consideration of £24.7 million. TCEG consists of three agencies that provide experiential marketing, primarily to Healthcare clients, and its acquisition will further strengthen our ability to provide high quality digital creativity to clients, whilst allowing TCEG to benefit from access to the Group's existing Healthcare clients.

The Group's cash flow remained strong during the period, with a net operating inflow before highlighted items of £6.4 million (2016: £0.1 million) representing a cash conversion of 58%, ahead of our normal H1 average. Net debt at 30 June 2017 was £26.8 million (2016: £37.1 million).

Notes:

2. Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures. A reconciliation of like-for-like measures to IFRS measures is included in Appendix 1.

Chief Executive's Statement continued

Divisional overview

Huntsworth Health

First half-year 2017 revenues grew 33% or 20% on a like-for-like basis to £55.3 million, delivering an operating margin of 19.2% (H1 2016 19.4%).

Huntsworth Health continues to perform well, with strong double-digit revenue and operating profit growth. This growth continues to be driven by our largest agencies, with Evoke Health, our full service digital consumer agency, growing like-for-like revenues by 26.4%, and Apothecom, our medical communications and market access agency, growing like-for-like revenues by 15.3%. Together these two agencies now represent over 80% of divisional revenue. Profit margins across the division were in line with 2016 despite continued investment, most notably in a new multicultural agency within Evoke called Fabric together with market access at Apothecom. In terms of geographical split the division remains heavily weighted to the US, with nearly 90% of revenues generated there.

New business momentum remains good going into H2, although revenue growth will be slower than H1, which was exceptionally high. Consistent with our growth plan, we have won business from an expanded client base with wins across our healthcare verticals.

The addition of TCEG's experiential and internal communications skills to the portfolio brings significant revenues from new and existing Healthcare clients, and allows the divisional agencies the ability to offer an expanded range of services, which should allow TCEG to grow its US revenues from its current level of around one third of total revenues.

Chief Executive's Statement continued

Grayling

Grayling revenues fell 24%, or 13% on a like-for-like basis, to £21.0 million, resulting in a profit of £0.4m for the period (H1 2016: loss of £0.1m). This performance is in line with our expectations as we develop Grayling into a more focused business that operates profitable agencies.

At 30 June 2017, continental Europe, the UK operations (together representing circa 70% of divisional revenues) and the Middle East and Africa region are all now profitable. We have further restructured the US PR offering with the aim of returning that business to profitability by the start of 2018.

Performance has differed between regions in the first half of 2017. Continental Europe remains the strongest and most profitable part of the division but has had a mixed performance in H1 with good growth in Eastern Europe offset by a disappointing performance in Western Europe. Overall like-for-like revenues are 6% down on H1 2016.

Following a restructure in 2015/2016 and the elimination of incremental costs from consolidating the London property portfolio, the UK business made good progress, retaining a number of major clients, generating positive net new client wins and attracting high quality new talent.

After a very difficult 2016, the Middle East & Africa division has returned to profit. Following its exit from Turkey and Qatar due to extremely difficult trading and political conditions, the division is now focused on the UAE and Kenya, both of which have made strong progress during the period.

The US business consists of a federal lobbying business in Washington DC, which remains profitable, and a general PR business which continues to transition to a broader client portfolio.

Red

Red performed well in the first half of the year with revenues growing by 5% to £6.9 million. Operating profit for the half year grew by 16% to £1.4 million, with margins improving from 18.2% to 20.1%. Following some movements in the client portfolio, growth is expected to be slower in H2.

Citigate Dewe Rogerson (CDR)

CDR's revenues grew by 2% due largely to the impact of positive exchange rates; on a like-for-like basis revenues fell 3%, to £10.9 million, delivering margins of 13.0% (H1 2016 15.1%).

The decrease was primarily driven by the Asia Pacific offices of CDR, with like-for-like revenues from Greater China down 14% and Singapore down 9%, reflecting a quieter transaction market in these regions.

Trading conditions were mixed in the UK, with a strong performance from financial PR with some notable project wins, offset by a weaker performance from corporate PR. Overall the UK agency saw a small fall in like-for-like revenues and margins, which resulted in an adjustment to staffing levels.

Continental Europe was broadly flat on H1 2016, with a strong performance in the Netherlands largely offset by a weaker performance in France.

Chief Executive's Statement continued

Dividend

Given the strength of the Group's H1 performance and the outlook for the remainder of the year the interim dividend is being raised by 10% to 0.55p (H1 2016: 0.5p).

Group outlook

We expect to see a continued good performance across the Group in the second half of the year, again led by the Healthcare Division, along with the first time inclusion of TCEG. We expect Grayling to continue to deliver improved profitability, whilst CDR should benefit from the cost savings implemented in the first half of the year.

Review of Financial Results

Summary of financial results for the six months ended 30 June 2017

	2017 £m	Like-for- like growth %	2016 £m	
Revenue				
Huntsworth Health	55.4	19.6%	41.5	
Grayling	21.0	(13.3)%	27.8	
CDR	10.9	(3.2)%	10.7	
Red	6.9	5.2%	6.6	
Total revenue	94.2	6.6%	86.6	
	2017 £m	Margin %	2016 £m	Margin %
Operating profit/(loss)				
Huntsworth Health	10.7	19.2%	8.0	19.4%
Grayling	0.4	2.1%	(0.1)	(0.3)%
CDR	1.4	13.0%	1.6	15.1%
Red	1.4	20.1%	1.2	18.2%
Total operations	13.9	14.7%	10.7	12.4%
Central costs	(3.0)		(3.4)	
Associates	0.1		-	
Operating profit before highlighted items	11.0	11.5%	7.3	8.5%
Highlighted items (Note 3)	(0.9)		(15.2)	
Reported operating profit/(loss)	10.1		(7.9)	
Adjusted basic & diluted EPS	2.4p		1.7p	
Reported basic & diluted EPS	1.6p		(2.7)p	

Revenue and profit before highlighted items

Revenue in the six months to 30 June 2017 increased by £7.6 million to £94.2 million (H1 2016: £86.6 million).

On a like-for-like basis, revenues grew by 19.6% in Huntsworth Health and 5.2% in Red. Revenues declined by 13.3% in Grayling and 3.3% in CDR.

Group operating margins rose from 8.5% to 11.5%, primarily reflecting strong growth from Huntsworth Health, which has higher margins, and a return to profitability in Grayling.

Review of Financial Results continued

Highlighted items

Highlighted items in the first half of 2017 relate primarily to the amortisation of intangible assets (£0.4 million) and acquisition related costs (£0.4 million). Highlighted items in H1 2016 included an impairment of £15.0 million in respect of Grayling goodwill.

After highlighted items, the statutory reported operating profit was £10.1 million (H1 2016: loss of £7.9 million).

Currency

The impact of changes in exchange rates against H1 2016 was to increase revenues by £7.9 million and increase operating profits by £2.5 million, which includes £1.3 million of incremental gains on hedging instruments.

Although the average sterling rate in H1 2017 was weaker than H1 2016, sterling actually strengthened between 31 December 2016 and 30 June 2017 resulting in a £3.6 million debit to Other Comprehensive Income and Expense arising from the retranslation of the Group's overseas assets.

Tax

The total tax charge of £3.9 million comprises a tax charge of £2.2 million on underlying earnings and £1.7 million on highlighted items. The pre-highlighted tax expense is based on the expected full year tax rate of 22% (year ended 31 December 2016: 18%). For the periods ended 30 June 2016 and 31 December 2016 the Group has reclassified the deferred tax expense on US intangible assets from profit before tax and highlighted items into highlighted items. This is on the basis that the deferred tax expense would only ever crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale would be a highlighted item.

Earnings per share

Profits attributable to ordinary shareholders before highlighted items were £7.8 million (H1 2016: £5.5 million). Adjusted basic and diluted earnings per share increased to 2.4p (H1 2016: 1.7p).

Profits attributable to ordinary shareholders after highlighted items were £5.3 million (H1 2016: loss £8.9 million), resulting in basic and diluted earnings per share of 1.6p (H1 2016: loss of 2.7p).

Dividends

Given the strength of the Group's H1 performance and the outlook for the remainder of the year the interim dividend is being raised by 10% to 0.55p (H1 2016: 0.5 pence). The record date for this dividend will be 29 September 2017 and it is payable on 6 November 2017. A scrip dividend alternative will be available.

Review of Financial Results continued

Balance sheet and cash flow

Cash inflow from operations totalled £6.4 million (H1 2016: £0.1 million), before highlighted cash outflows of £1.3 million. Other principal cashflows during the period were net payments for interest, tax and non-current assets of £3.1 million (H1 2016: £5.2 million), offset by the proceeds on the sale of Whiteboard and Hudson Sandler of £2.4 million.

Net debt at 30 June 2017 was £26.8 million (30 June 2016: £37.1 million; 31 December 2016: £31.6 million) which is within the Group's available facilities. Financial covenants based on the Group's facility agreements continue to be comfortably met.

On 3 July 2017, after the period end, the Group exercised its accordion option to extend its available facilities to £80 million, which remain committed until 31 May 2019.

Key risks and uncertainties

The Directors monitor the risks that the Group is exposed to and the risk management processes and internal controls in place to mitigate these risks. Our risk management approach is led by the Risk Committee and is designed to identify risks to the Group using both a bottom-up and top-down approach.

The Directors have considered whether the nature or level of risk that the Group is exposed to has changed significantly in the first half of 2017 and have concluded that whilst uncertainties remain in the macroeconomic environment, particularly around the UK's exit from the European Union, the risk profile is largely unchanged. The Directors continue to review risk levels and will act to mitigate any increased risks accordingly.

As described more fully on pages 26 to 29 of the 2016 Annual Report and Accounts, the Group's key risks and uncertainties are identified as:

- economic downturn – this can result in fewer new client mandates, longer procurement processes, pricing pressures and an increased risk of bad debt;
- currency risk – this can cause earnings to fluctuate, particularly as the proportion of the Group's profits made in the US is increasing;
- investment decisions fail to deliver expected growth – investments may be less financially beneficial than anticipated;
- service offering fails to evolve to meet changing market needs – failure to evolve can result in loss of market share, client losses and pressures on pricing;
- loss of key clients – impacting revenue and profit;
- loss of key talent – key individuals maintain client relationships and service quality;
- information systems access and security – breaches could compromise operations;
- loan facility and covenant headroom risk – resulting in reputational damage and/or impairing the Group's ability to make future acquisitions or settle existing obligations;
- legal and regulatory compliance – potentially giving rise to reputational and/or financial damage.

The Group has a number of ongoing processes to identify, evaluate and manage the key financial, operating and compliance risks faced by the Group and for determining the appropriate course of action to manage and mitigate those risks. The Board delegates the monitoring of these internal control and risk management processes to the Audit Committee, and in turn to the Risk Committee. Further details of the risk management processes undertaken are included on page 36 of the 2016 Annual Report and Accounts.

Review of Financial Results continued

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.

Condensed Consolidated Income Statement

for the six months ended 30 June 2017

	Notes	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Turnover		111,949	104,818	216,145
Revenue	2	94,200	86,556	180,137
Operating expenses		(84,178)	(94,436)	(194,723)
Share of profit from associate		99	–	57
Operating profit/(loss)	2	10,121	(7,880)	(14,529)
Finance income	4	3	5	9
Finance costs	4	(941)	(978)	(1,982)
Profit/(loss) before tax		9,183	(8,853)	(16,502)
Comprising:				
Profit before tax and highlighted items	3	10,039	6,354	16,005
Highlighted items	3	(856)	(15,207)	(32,507)
		9,183	(8,853)	(16,502)
Taxation expense	5	(3,882)	(26)	(1,759)
Profit/(loss) for the period attributable to Parent Company's equity shareholders		5,301	(8,879)	(18,261)
Profit/(loss) per share				
Basic – pence	7	1.6	(2.7)	(5.6)
Diluted – pence	7	1.6	(2.7)	(5.6)

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2017

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Profit/(loss) for the period	5,301	(8,879)	(18,261)
Other comprehensive income and expense			
<i>Items that may be reclassified subsequently to the Income Statement</i>			
Currency translation differences	(3,607)	10,786	20,095
Tax credit on currency translation differences	53	386	–
Amounts recognised in the Income Statement on interest rate swaps	128	96	(664)
Movement in valuation of interest rate swaps	41	(754)	231
Tax (expense)/credit on interest rate swaps	(32)	132	82
Total items that may be reclassified subsequently to profit or loss	(3,417)	10,646	19,744
Other comprehensive income and expense for the period	(3,417)	10,646	19,744
Total comprehensive income and expense for the period attributable to Parent Company's equity shareholders	1,884	1,767	1,483

Condensed Consolidated Balance Sheet

as at 30 June 2017

	Notes	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Non-current assets				
Intangible assets	8	155,962	172,506	159,797
Property, plant and equipment		10,470	9,950	11,832
Investment in associate	9	281	–	182
Other receivables		717	170	188
Deferred tax assets		1,462	2,377	926
		168,892	185,003	172,925
Current assets				
Work in progress		7,360	5,021	5,396
Trade and other receivables		62,764	54,671	56,087
Current tax receivable		526	574	1,504
Derivative financial assets	10	495	–	–
Cash and short-term deposits	13	36,656	10,544	14,978
Assets of disposal group classified as held for sale		–	–	3,319
		107,801	70,810	81,284
Current liabilities				
Obligations under finance leases		(2)	(3)	(2)
Bank overdraft		(110)	–	(495)
Trade and other payables		(55,285)	(47,523)	(47,920)
Derivative financial liabilities	10	(232)	(581)	(154)
Current tax payable		(1,542)	(1,044)	(756)
Provisions	12	(521)	(1,322)	(1,979)
		(57,692)	(50,473)	(51,306)
Non-current liabilities				
Bank loans	11	(63,519)	(46,280)	(45,412)
Obligations under finance leases		(3)	(26)	(4)
Trade and other payables		(2,917)	(1,814)	(2,892)
Derivative financial liabilities	10	(124)	(750)	(525)
Deferred tax liabilities		(199)	(199)	(202)
Provisions	12	(1,292)	(2,147)	(1,553)
		(68,054)	(51,216)	(50,588)
Net assets				
		150,947	154,124	152,315
Equity				
Called up share capital		107,188	107,185	107,188
Share premium account		62,926	62,801	62,926
Merger reserve		29,468	29,468	29,468
Foreign currency translation reserve		40,397	34,695	44,004
Hedging reserve		(356)	(750)	(525)
Treasury shares		(1,166)	(1,166)	(1,166)
Investment in own shares held in the Employee Benefit Trusts		(1,764)	(1,867)	(1,764)
Retained earnings		(85,746)	(76,242)	(87,816)
Equity attributable to equity holders of the parent		150,947	154,124	152,315

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2017

	Notes	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Cash inflow/(outflow) from operating activities				
Cash inflow/(outflow) from operations	13(a)	5,106	(1,342)	12,640
Interest paid		(694)	(795)	(1,629)
Interest received		3	4	6
Net tax paid		(1,352)	(505)	(2,107)
Net cash inflow/(outflow) from operating activities		3,063	(2,638)	8,910
Cash inflow/(outflow) from investing activities				
Proceeds from sale of businesses, net of cash disposed		2,375	–	462
Acquisition of intangible assets		–	(488)	(488)
Cost of internally developed intangible assets		(180)	(505)	(933)
Purchases of property, plant and equipment		(887)	(2,930)	(5,053)
Proceeds from sale of property, plant and equipment		–	7	27
Net cash inflow/(outflow) from investing activities		1,308	(3,916)	(5,985)
Cash inflow/(outflow) from financing activities				
Proceeds from sale of own shares to settle share options		–	251	251
Repayment of finance lease liabilities		(1)	(2)	(24)
Net drawdown of borrowings		17,975	6,975	5,975
Dividends paid to equity holders of the parent		–	–	(5,562)
Net cash inflow from financing activities		17,974	7,224	640
Increase in cash and cash equivalents		22,345	670	3,565
Movements in cash and cash equivalents				
Increase in cash and cash equivalents		22,345	670	3,565
Effects of exchange rate fluctuations on cash held		(282)	956	2,000
Cash and cash equivalents at 1 January		14,483	8,918	8,918
Cash and cash equivalents at end of period	13(c)	36,546	10,544	14,483

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017

	Called up share capital £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 Equity £000
At 1 January 2016 (audited)	107,170	62,811	30,369	23,909	(92)	(1,166)	(4,095)	(63,604)	155,302
Loss for the period	–	–	–	–	–	–	–	(8,879)	(8,879)
Other comprehensive income/(expense)	–	–	–	10,786	(658)	–	–	518	10,646
Total comprehensive income/(expense)	–	–	–	10,786	(658)	–	–	(8,361)	1,767
Settlement of deferred consideration	15	–	593	–	–	–	–	–	608
Settlement of share options	–	–	–	–	–	–	2,228	(1,977)	251
Share issue costs	–	(10)	–	–	–	–	–	–	(10)
Charge for share-based payments	–	–	–	–	–	–	–	269	269
Tax on share-based payments	–	–	–	–	–	–	–	8	8
Equity dividends	–	–	–	–	–	–	–	(4,071)	(4,071)
Transfer	–	–	(1,494)	–	–	–	–	1,494	–
At 30 June 2016 (unaudited)	107,185	62,801	29,468	34,695	(750)	(1,166)	(1,867)	(76,242)	154,124
Loss for the period	–	–	–	–	–	–	–	(9,382)	(9,382)
Other comprehensive income/(expense)	–	–	–	9,309	225	–	–	(436)	9,098
Total comprehensive income/(expense)	–	–	–	9,309	225	–	–	(9,818)	(284)
Settlement of share options	–	–	–	–	–	–	103	(103)	–
Share issue costs	–	(11)	–	–	–	–	–	–	(11)
Credit for share-based payments	–	–	–	–	–	–	–	(35)	(35)
Credit for unclaimed dividends	–	–	–	–	–	–	–	11	11
Tax on share-based payments	–	–	–	–	–	–	–	2	2
Scrip dividends	3	136	–	–	–	–	–	–	139
Equity dividends	–	–	–	–	–	–	–	(1,631)	(1,631)
At 31 December 2016 (audited)	107,188	62,926	29,468	44,004	(525)	(1,166)	(1,764)	(87,816)	152,315
Profit for the period	–	–	–	–	–	–	–	5,301	5,301
Other comprehensive (expense)/income	–	–	–	(3,607)	169	–	–	21	(3,417)
Total comprehensive (expense)/income	–	–	–	(3,607)	169	–	–	5,322	1,884
Charge for share-based payments	–	–	–	–	–	–	–	655	655
Tax on share-based payments	–	–	–	–	–	–	–	171	171
Equity dividends	–	–	–	–	–	–	–	(4,078)	(4,078)
At 30 June 2017 (unaudited)	107,188	62,926	29,468	40,397	(356)	(1,166)	(1,764)	(85,746)	150,947

Notes to the Financial Statements

for the six months ended 30 June 2017

1. Basis of preparation

The condensed consolidated unaudited interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, IAS 34 "Interim Financial Reporting" and the Group's accounting policies.

The Group's accounting policies are in accordance with International Financial Reporting Standards as adopted by the European Union and are set out in the Group's Annual Report and Accounts 2016 on pages 68 - 73, except as noted below. These are consistent with the accounting policies which the Group expects to adopt in its 2017 Annual Report. The Group has not early adopted any Standard, Interpretation or Amendment that has been issued but is not yet effective.

The information relating to the six months ended 30 June 2017 and 30 June 2016 is unaudited and does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The information has however been reviewed by the auditors and their report to the Board of Huntsworth plc is set out on page 27 of this document. The comparative figures for the year ended 31 December 2016 have been extracted from the Group's Annual Report and Accounts 2016, on which the auditors gave an unmodified opinion and did not include a statement under section 498 (2) or (3) of the Companies Act 2006. The Group Annual Report and Accounts for the year ended 31 December 2016 have been filed with the Registrar of Companies.

Changes in accounting policies

A number of new and amended IFRS's have been adopted and none had any significant impact on the Group's financial statements. Other than IFRS 15 and IFRS 16, the adoption of the standards, amendments and interpretations issued but not effective is not expected to have a material impact on the Group's financial statements. The Directors are in the process of evaluating the impact of IFRS 15 and IFRS 16.

Going concern

After reviewing the Group's performance, future forecasted performance and cash flows, ability to draw down on its facilities and the covenant requirements of those facilities, and after considering the key risks and uncertainties set out on page 9, the Directors consider that the Group has sufficient 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.

Reclassification of prior period information

For the periods ended 30 June 2016 and 31 December 2016 the Group has reclassified the deferred tax expense on US intangible assets from profit before tax and highlighted items into highlighted items. This is on the basis that the deferred tax expense would only ever crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale would be a highlighted item.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

Notes to the Financial Statements continued

for the six months ended 30 June 2017

2. Segmental analysis

The following is an analysis of the Group's revenue and operating profit before highlighted items by reportable segment.

The Group's business activities are split into four operating divisions: Citigate Dewe Rogerson (CDR), Grayling, Red and Huntsworth Health. These divisions are the basis on which information is reported to the Group's Chief Operating Decision Maker, which has been determined to be the Group Board. The segment result is the measure used for the purposes of performance assessment and represents profit earned by each segment, but before highlighted operating expenses, net finance costs and taxation.

	CDR	Grayling	Red	Huntsworth Health	Total
6 months to 30 June 2017	£000	£000	£000	£000	£000
Segment revenue	10,890	21,028	6,938	55,344	94,200
Segment operating profit before highlighted items	1,417	442	1,391	10,631	13,881

	CDR	Grayling	Red	Huntsworth Health	Total
6 months to 30 June 2016	£000	£000	£000	£000	£000
Segment revenue	10,655	27,817	6,598	41,486	86,556
Segment operating profit/(loss) before highlighted items	1,606	(85)	1,203	8,046	10,770

	CDR	Grayling	Red	Huntsworth Health	Total
Year ended 31 December 2016	£000	£000	£000	£000	£000
Segment revenue	22,087	53,862	13,349	90,839	180,137
Segment operating profit/(loss) before highlighted items	3,584	(750)	2,710	18,299	23,843

Highlighted items are not presented to the Board on a segmental basis.

A reconciliation of segment operating profit before highlighted items to profit/(loss) before tax is provided below:

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Segment operating profit before highlighted items	13,881	10,770	23,843
Unallocated costs	(3,003)	(3,443)	(5,922)
Share of profit from associate	99	–	57
Operating profit before highlighted items	10,977	7,327	17,978
Highlighted items	(856)	(15,207)	(32,507)
Operating profit/(loss)	10,121	(7,880)	(14,529)
Net finance costs	(938)	(973)	(1,973)
Profit/(loss) before tax	9,183	(8,853)	(16,502)

Notes to the Financial Statements continued

for the six months ended 30 June 2017

3. Highlighted items

	Notes	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Profit/(loss) before tax		9,183	(8,853)	(16,502)
Adjustments charged/(credited) to operating expenses:				
Amortisation of intangible assets	8	395	439	840
Goodwill impairment	8	–	15,034	30,499
Impairment of software development costs	8	–	–	239
Restructuring costs		–	443	1,608
Remeasurement of contingent consideration receivable		102	–	–
Acquisition and transaction related charge/(credit)		359	(709)	(679)
Total adjustments charged to operating expenses		856	15,207	32,507
Adjusted profit before tax		10,039	6,354	16,005

	Notes	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Charged to profit before tax		856	15,207	32,507
Taxation expense/(credit) on highlighted items	5	1,673	(873)	(1,132)
Charged to profit for the year		2,529	14,334	31,375

The Group presents highlighted items charged to profit before tax by making adjustments for costs and credits which management believe to be significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings. The Group uses these adjusted measures to evaluate performance and as a method to provide shareholders with clear and consistent reporting.

Notes to the Financial Statements continued

for the six months ended 30 June 2017

3. Highlighted items continued

Amortisation of intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from 2 to 20 years depending on the nature of the asset. The amortisation charge in respect of intangible assets is excluded from adjusted results as they relate to historic business combinations rather than normal ongoing operations.

Goodwill impairment

Impairments totalling £30.5 million were recognised relating to goodwill in the Grayling CGU in 2016. Impairment charges were individually disclosed and excluded from adjusted results as they do not relate to underlying trading.

Impairment of software development costs

The 2016 impairment related to significant adverse changes in the extent to which internally developed software was expected to be used. The charge was excluded from adjusted results as it did not relate to underlying trading.

Restructuring costs

Restructuring costs comprised cost-saving and right-sizing initiatives including severance payments, compensation for loss of office and other contract termination costs. Property costs relating to onerous contract provisions raised for property leases because of restructuring initiatives were included. These costs, which were part of the new management teams strategic refocus of the business, were excluded from adjusted results as they do not relate to underlying trading. These costs have not recurred as the restructuring was completed in 2016.

Remeasurement of contingent consideration receivable

Effective 1 January 2017 the Whiteboard Advisors business was sold for initial consideration of \$2.5million and a deferred element based on future performance. The loss of £0.1million relates to remeasuring the receivable to the period end exchange rate.

Acquisition and transaction related charge/(credit)

Transaction costs are costs incurred in relation to business acquisitions and disposals. These costs are excluded from adjusted results as they are one-off in nature. The credits relate to the subsequent re-measurement of the fair value of deferred contingent consideration. These credits were excluded from adjusted results as they relate to historic business combinations rather than ongoing operations.

Taxation

The tax related to highlighted items is the tax effect of the items above.

4. Finance costs and income

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Bank interest payable	935	958	1,955
Finance lease interest	–	1	–
Imputed interest on long term payables and provisions	6	19	27
Finance costs	941	978	1,982
Bank interest receivable	(1)	(1)	(2)
Other interest receivable	(2)	(4)	(7)
Finance income	(3)	(5)	(9)
Net finance costs	938	973	1,973

Notes to the Financial Statements continued

for the six months ended 30 June 2017

5. Tax

The tax expense for the six months ended 30 June 2017 has been based on an estimated effective tax rate on profit before tax and highlighted items for the full year of 22.0% (year ended 31 December 2016): 18.1%). The tax expense is analysed as follows:

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Total:			
Current tax	3,099	640	1,113
Deferred tax	783	(614)	646
Total tax expense	3,882	26	1,759

Comprising:			
Income tax expense on profit before tax and highlighted items	2,209	899	2,891
Income tax expense/(credit) on highlighted items	1,673	(873)	(1,132)
	3,882	26	1,759

The Finance Act 2016 was substantively enacted on 6 September 2016 and includes legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. The impact of this change is reflected in the numbers presented.

For the periods ended 30 June 2016 and 31 December 2016 the Group has reclassified the deferred tax expense on US intangible assets from profit before tax and highlighted items into highlighted items. This is on the basis that the deferred tax expense would only ever crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale would be a highlighted item.

Notes to the Financial Statements continued

for the six months ended 30 June 2017

6. Dividends

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Equity dividends on ordinary shares			
Final dividend for the year ended 2015 – 1.25 pence	–	4,071	4,071
Interim dividend for the year ended 2016 – 0.5 pence	–	–	1,631
Final dividend for the year ended 2016 – 1.25 pence	4,078	–	–
Total dividend expense	4,078	4,071	5,702

The final dividend for the year ended 31 December 2016 of 1.25 pence per share was approved by shareholders at the Annual General Meeting on 25 May 2017 and was paid on 6 July 2017. This dividend is included in trade and other payables at 30 June 2017.

The 2017 interim dividend of 0.55 pence per share was approved by the Board on 25 July 2017. The dividend will be paid on 6 November 2017 to those shareholders on the register on 29 September 2017.

7. Earnings per share

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Basic earnings/(loss) per share – pence	1.6	(2.7)	(5.6)
Diluted earnings/(loss) per share – pence	1.6	(2.7)	(5.6)
Adjusted basic earnings per share – pence	2.4	1.7	4.0
Adjusted diluted earnings per share – pence	2.4	1.7	4.0

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

	Unaudited 6 months ended 30 June 2017		Unaudited 6 months ended 30 June 2016		Audited Year ended 31 December 2016	
	Earnings/(Loss) £000	Weighted average number of shares 000's	Earnings/(Loss) £000	Weighted average number of shares 000's	Earnings/(Loss) £000	Weighted average number of shares 000's
Basic	5,301	326,248	(8,879)	324,446	(18,261)	325,245
Diluted	5,301	332,770	(8,879)	324,446 ¹	(18,261)	325,245 ¹
Adjusted basic	7,830	326,248	5,455	324,446	13,114	325,245
Adjusted diluted	7,830	332,770	5,455	325,574	13,114	329,488

¹ As the 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 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 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 and shares to be issued as part of contingent consideration on acquisition of subsidiaries.

Notes to the Financial Statements continued

for the six months ended 30 June 2017

7. 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:

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Earnings/(loss):			
Profit/(loss) for the period attributable to the Parent Company's shareholders	5,301	(8,879)	(18,261)
Highlighted items (net of tax) attributable to the Parent Company's shareholders	2,529	14,334	31,375
Adjusted earnings	7,830	5,455	13,114

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Number of shares:			
Weighted average number of ordinary shares – basic and adjusted basic	326,248	324,446	325,245
Effect of share options in issue	6,522	1,128	4,243
Weighted average number of ordinary shares – diluted and adjusted diluted	332,770	325,574	329,488

Notes to the Financial Statements continued

for the six months ended 30 June 2017

8. Intangible assets

	Brands £000	Customer rela- tionships £000	Goodwill £000	Intellectual prop- erty £000	Software devel- opment costs £000	Total £000
Cost						
At 1 January 2017	27,875	35,100	336,775	1,754	4,713	406,217
Capitalised development costs	–	–	–	–	125	125
Foreign exchange movement	(399)	(1,049)	(5,340)	57	(82)	(6,813)
At 30 June 2017	27,476	34,051	331,435	1,811	4,756	399,529
Amortisation and impairment charges						
At 1 January 2017	24,010	34,769	183,322	1,754	2,565	246,420
Charge for the period	249	146	–	–	142	537
Foreign exchange movement	(391)	(1,035)	(2,006)	57	(15)	(3,390)
At 30 June 2017	23,868	33,880	181,316	1,811	2,692	243,567
Net book value at 30 June 2017	3,608	171	150,119	–	2,064	155,962
Net book value at 31 December 2016	3,865	331	153,453	–	2,148	159,797
Net book value at 30 June 2016	4,077	445	165,864	5	2,115	172,506

There are no indicators of impairment for any of the CGUs at 30 June 2017.

9. Investment in associate

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2017:

	6 months ended 30 June 2017 £000
Carrying amount	
At 1 January 2017	182
Share of profit of associate	99
At 30 June 2017	281

Notes to the Financial Statements continued

for the six months ended 30 June 2017

10. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks including foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's Annual Financial Statements as at 31 December 2016. There have been no changes in the Group's risk management policies since the year end.

Fair value measurement

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign exchange derivative	–	495	–	495
	–	495	–	495
Financial liabilities				
Interest rate swap	–	356	–	356
	–	356	–	356

At 30 June 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swap	–	750	–	750
Foreign exchange derivative	–	581	–	581
	–	1,331	–	1,331

At 31 December 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swap	–	525	–	525
Foreign exchange derivative	–	154	–	154
	–	679	–	679

Valuation techniques used to derive Level 2 fair values

Level 2 derivatives comprise foreign exchange derivatives and interest rate swaps. The foreign exchange derivatives have been fair valued using exchange rates that are quoted in an active market. Interest rate swaps are valued using forward interest rates extracted from observable yield curves.

Fair values of other financial liabilities and assets

All financial assets and financial liabilities have been recognised at their carrying values which are not materially different to their fair values.

Notes to the Financial Statements continued

for the six months ended 30 June 2017

11. Bank loans and overdrafts

The Group has a £65 million multi-currency facility agreement with Lloyds Bank plc, HSBC Bank plc and Barclays Bank plc and a £5 million committed overdraft facility with Lloyds Bank plc. This remains unchanged from last year. Both facilities are due to expire in May 2019.

12. Provisions

	Property £000	Reorganisation and other £000	Total £000
At 1 January 2017	2,930	602	3,532
Arising during the year	39	–	39
Released during the year	(20)	(22)	(42)
Utilised	(1,194)	(415)	(1,609)
Transfer	(75)	–	(75)
Foreign exchange movements	(35)	(3)	(38)
Unwind of discount	6	–	6
At 30 June 2017	1,651	162	1,813
Current	380	141	521
Non-current	1,271	21	1,292

Property provisions

Provisions for property represent amounts set aside in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of these provisions has been determined based on external professional advice and is dependent on the Group's ability to exit the leases early or to sublet the properties. In general, property costs are expected to be incurred over a range of one to eight years.

Reorganisation and other provisions

This provision relates principally to redundancy provisions.

Notes to the Financial Statements continued

for the six months ended 30 June 2017

13. Cash flow analysis

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

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Operating profit/(loss)	10,121	(7,880)	(14,529)
Share of profit from associate	(99)	–	(57)
Amortisation of intangible assets	537	539	1,046
Impairment of intangible assets	–	15,034	30,786
Operating profit before non-cash highlighted items	10,559	7,693	17,246
Depreciation	1,423	1,320	2,737
Share option charge	655	269	234
Loss on disposal of property, plant and equipment	3	48	72
Unrealised (profit)/loss on foreign exchange derivatives	(649)	581	154
Remeasurement of contingent consideration receivable	102	–	–
Profit on disposal of subsidiaries and investments	–	–	(436)
Operating cash flow before movements in working capital	12,093	9,911	20,007
Increase in work in progress	(2,067)	(1,336)	(1,712)
Increase in debtors	(7,967)	(6,874)	(6,125)
Increase/(decrease) in creditors	4,426	(1,403)	2,339
Decrease in provisions	(1,379)	(1,640)	(1,869)
Net cash inflow/(outflow) from operations	5,106	(1,342)	12,640
Cash flows from highlighted items	1,300	1,399	2,999
Net cash inflow from operations before highlighted items	6,406	57	15,639

Notes to the Financial Statements continued

for the six months ended 30 June 2017

13. Cash flow analysis continued

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

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Increase in cash and cash equivalents in the period	22,345	671	3,565
Cash inflow from movements in debt	(17,975)	(6,975)	(5,975)
Repayment of capital element of finance leases	1	2	24
Change in net debt resulting from cash flows	4,371	(6,302)	(2,386)
Amortisation and write off of loan fees	(132)	(133)	(264)
New finance lease	–	(7)	(6)
Movement in fair value of derivative financial instruments	818	(1,239)	(587)
Translation differences	(282)	956	2,000
Decrease/(increase) in net debt	4,775	(6,725)	(1,243)
Net debt at beginning of period	(31,614)	(30,371)	(30,371)
Net debt at end of period	(26,839)	(37,096)	(31,614)

(c) Analysis of net debt

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited Year ended 31 December 2016 £000
Cash and short-term deposits	36,656	10,544	14,978
Bank overdraft	(110)	–	(495)
Bank loans	(63,519)	(46,280)	(45,412)
Derivative financial assets/(liabilities)	139	(1,331)	(679)
Obligations under finance leases	(5)	(29)	(6)
Net debt	(26,839)	(37,096)	(31,614)

14. 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 Directors and executive officers. There were no material related party transactions other than the remuneration of key management personnel of £1.2 million in the six months ended 30 June 2017 (2016: £0.9 million).

15. Post balance sheet events

On 1 July 2017 Huntsworth plc acquired all of the issued shares in The Creative Engagement Group Limited for cash consideration of £24.7million.

The financial effects of the above transaction have not been brought into account at 30 June 2017. The operating results and assets and liabilities of the company will be brought into account from 1 July 2017. The fair value calculation of assets and liabilities acquired is on-going.

Independent review report to Huntsworth plc

Report on the consolidated interim financial statements

Our conclusion

We have reviewed Huntsworth plc's consolidated interim financial statements (the "interim financial statements") in the half year report of Huntsworth plc for the 6 month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

1. the Condensed Consolidated Balance Sheet as at 30 June 2017;
2. the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
3. the Condensed Consolidated Cash Flow Statement for the period then ended;
4. the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
5. the explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half year report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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, 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.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
25 July 2017

Statement of Directors' Responsibilities

for the six months ended 30 June 2017

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

- has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- includes a fair review of the information required by the Financial Conduct 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

Paul Taaffe
Chief Executive

Appendix 1: non-IFRS measures

This report makes reference to various non-IFRS measures, which are defined below. All performance based measures are presented to provide insight into ongoing profit generation, both individually and relative to other companies.

Headline operating profit/profit before tax

Calculated as operating profit/profit before tax excluding highlighted items. Highlighted items in the current year comprise amortisation of intangible assets, acquisition/transaction related costs and the remeasurement of contingent consideration receivable. In prior periods, goodwill impairment, restructuring costs and impairment of software development costs were also included in highlighted items.

Both headline profit and IFRS profit measures are presented in the income statement. An analysis of highlighted items is presented in Note 3.

Margin

Headline operating profit as a percentage of revenue.

Headline basic and diluted EPS

Headline basic EPS is calculated using profit for the period before highlighted items. Headline diluted EPS is the same calculation but takes into account the impact of share options in issue and deferred consideration that could be settled in shares. Details of the underlying inputs to headline and IFRS measures of EPS are included in Note 7.

Net debt

Net debt is the total of current and non-current borrowings and derivative financial instruments, less cash and cash equivalents. The group uses this as a measure of indebtedness. An analysis of net debt is included in Note 13.

Highlighted cash flows

Highlighted cash flows are the cash flows directly attributable to the items presented within highlighted items in the income statement. A reconciliation of the difference between cash flows before highlighted items and IFRS cash flows is included in Note 13.

Effective tax rate

The effective tax rate is the tax expense incurred by the Group on profit before tax and highlighted items, expressed as a percentage. This provides a more comparable basis to analyse our tax rate both individually and relative to other companies.

Like-for-like

Like-for-like revenues are stated at constant exchange rates and are adjusted to exclude disposals/closures. Constant currency results are calculated by translating prior period foreign currency results using the current period exchange rate. This provides insight into the organic growth of the business. A reconciliation of the material adjustments made between like-for-like revenue growth and absolute revenue growth are included in the table below:

	CDR	Grayling	Red	Huntsworth Health	Total Group
6 months ended 30 June 2017	£000	£000	£000	£000	£000
IFRS revenue	10,890	21,028	6,938	55,344	94,200
Business closures	-	-	-	-	-
Like-for-like revenue	10,890	21,028	6,938	55,344	94,200

	CDR	Grayling	Red	Huntsworth Health	Total Group
6 months ended 30 June 2016	£000	£000	£000	£000	£000
IFRS revenue	10,655	27,817	6,598	41,486	86,556
Constant exchange rates	600	2,480	-	4,784	7,864
Business closures	-	(6,045)	-	-	(6,045)
Like-for-like revenue	11,255	24,252	6,598	46,270	88,375