HUNTSWORTH

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Huntsworth plc
Annual Report
and Accounts 2016

Huntsworth plc is an international healthcare communications and public relations group

Strategic Report

Corporate Governance

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Other Information

Highlights[1]

	31 December 2016	31 December 2015	Growth %	LFL[2] growth %
Revenue	**£180.1m**	£168.4m	+7%	+1%
Operating loss	**£(14.5)m**	£(37.8)m		
Loss before tax	**£(16.5)m**	£(39.8)m		
Basic & diluted loss per share	**(5.6)p**	(12.3)p		
Headline operating profit[1]	**£18.0m**	£15.3m	+18%	+5%
Headline profit before tax[1]	**£16.0m**	£13.3m	+21%	+6%
Headline basic & diluted EPS[1]	**3.4p**	3.0p	+13%	
Final dividend per share	**1.25p**	1.25p		
Net debt	**£31.6m**	£30.4m		

- Headline profit before tax up 21%
- Strong growth from Huntsworth Health with profits up 33%
- Challenging trading at Grayling but restructuring now complete
- Final dividend maintained at 1.25p
- 52% of revenue now denominated in USD

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The Group has delivered a 21% increase in headline profits as a result of strong growth in Huntsworth Health, Citigate Dewe Rogerson and Red, together with favourable movements in exchange rates. While Grayling declined, the restructuring is now complete and as a result the division is well-placed to return to profitability in 2017.

The Group is now positioned for continued growth, led by Huntsworth Health and supported by favourable exchange rates.

Paul Taaffe
Chief Executive Officer

Notes:
1. Unless otherwise stated, results have been adjusted to exclude highlighted items. An explanation of how all non-IFRS measures have been calculated is included in Appendix 1 on page 105.
2. Like-for-like results are stated at constant exchange rates and are adjusted to include pre-acquisition results and exclude disposals/closures A reconciliation of like-for-like revenue growth to IFRS revenue growth is included in Appendix 1

Group Overview

Our businesses

US revenue £93.9m

1 Healthcare 84%
2 Consumer 10%
3. Public Affairs 4%
4 Financial 1%
5 *Other* 1%

UK revenue £49.6m

1. Healthcare 23%
2. Corporate 18%
3. Consumer 33%
4. Public Affairs 4%
5. *Financial* 18%
6. Other 4%

Europe revenue £25.8m

1. Corporate 54%
2. Consumer 23%
3. Public Affairs 15%
4. Financial 7%
5. *Other* 1%

£180.1m

Global revenue

1,517

Employees

Huntsworth is an international healthcare communications and public relations group operating from 57 principal offices in 27 countries.

Huntsworth Health is a global family of innovative communications agencies that provides an integrated suite of services for the science, health, and wellbeing industries. Huntsworth Health's teams of industry specialists apply innovative and inspirational thought processes to deliver compelling and emotionally engaging content across multiple platforms and channels

Rest of World revenue £10.8m

1. Healthcare	6%
2. Corporate	67%
3. Consumer	11%
4. Financial	14%
5. Other	2%

Grayling develops and manages reputations for a diverse range of organisations across multiple sectors including Consumer Brands, Technology, Energy, Healthcare, Financial Services, Transport & Logistics and Governments. Grayling's offer is rooted in data-driven insights, trusted close working relationships with clients, breakthrough ideas and rapid activation across multiple channels and screens. The approach leads to tangible results for Grayling clients.

Citigate Dewe Rogerson is one of the most recognised names in the corporate and financial public relations industry. CDR offers a full range of communications services including media relations, crisis communications, investor relations, research, public policy and digital communications from offices in the UK, US, Europe and Asia.

57

Principal offices

Red Consultancy is one of the UK's leading multi-specialist, consumer-focused communications consultancies. With capabilities across Corporate, Technology, Healthcare and Digital services, Red Consultancy's clients benefit from its commitment to developing creative talent. This has contributed to the agency winning the highly coveted 'Media Employer of the Year 2016' award

Chairman's Statement

Strong leadership

"We have achieved our objective for 2016 of returning to revenue and profit growth.

Derek Mapp
Chairman

In last year's annual report I stated that the key operational objective for 2016 was to return the Group to revenue and profit growth. I'm pleased to say that we have achieved that with like-for-like revenue growth of 1% and strong growth in headline profit of 21%. This progress represents a good start to Huntsworth's recovery.

After several changes in the previous two years, the Board has enjoyed some welcome stability this year, with all members now fully embedded into the business. The Board did see the departure of Terry Graunke, a Non-Executive Director, in May 2016, and I would like to thank Terry for his support and help in guiding the Group over the critical restructuring period from 2014 to 2016. CEO, Paul Taaffe, and Neil Jones, who joined as CFO on 1 February 2016, now form a very experienced and strong executive management team.

This team has continued to refine and execute the Group's strategy during 2016, with a focus on reducing the cost base and removing loss making agencies. Huntsworth Health, which is now firmly established as the largest division in the Group by both revenues and profits, has continued to deliver strong growth and is the primary focus of the Group's future development. Red continues to prove its credentials as a leading PR business in the UK with good growth in a highly competitive environment and has momentum moving into 2017.

With the restructuring complete and Group profits growing, the key operational objective of 2017 is to accelerate that growth, with improved contributions expected from all divisions.

Citigate Dewe Rogerson has again performed strongly in some regions and less so in others, which are the target for improvement in the coming year. Grayling's performance has been the major disappointment this year with the loss of key contracts in Africa and the Middle East and the restructuring in the US weighing heavily on its profitability. However, the actions taken in late 2015 plus further restructuring undertaken this year are starting to produce results. Grayling is now smaller, more nimble and more focused, and we remain confident that the work we have done has positioned this division to return to improved profitability.

With the restructuring complete and Group profits growing, the key operational objective of 2017 is to accelerate that growth, with improved contributions expected from all divisions. The hard work that has gone into establishing a stronger business is now being seen in the Group's results, and we enter 2017 with confidence for the year ahead.

On behalf of the Board, I would like to thank the management team and staff for their hard work in getting to this stage. I look forward to reporting on our progress in delivering these improvements during 2017.

Derek Mapp
Chairman

Chief Executive's Review

Delivering our full potential

> **"Three of our four divisions grew revenue and profits in 2016, and with the restructuring complete, each business is well positioned for profit growth.**
>
> **Paul Taaffe**
> **Chief Executive Officer**

21%

Growth in headline profit before tax

Huntsworth continued to make progress in 2016 with three of our four divisions growing both revenue and profitability, and the restructuring now complete.

Huntsworth Health was the outstanding performer again this year with double-digit revenue and profit growth, and the organic development of new agency offerings within the consumer-focused Evoke Health. Health remains the key asset within the Group, representing over 50% of our revenues, and will be the focus of our development in the coming year.

Red continued to grow well in a very competitive and sluggish market, holding high margins and continuing to win awards for the high quality work it does for its blue chip client base. Citigate Dewe Rogerson has made a welcome return to revenue and profit growth while making a number of changes to expand into more markets.

Grayling's continued disappointing performance led to a deeper restructuring. As noted earlier in the year, Grayling experienced challenging trading conditions, particularly in the US, which was the main focus of our final phase of restructuring, but also in the Middle East region, where it has suffered client losses and delays in client renewals. During the second half of the year we accelerated Grayling's restructuring, removing unprofitable agencies and closing the state lobbying business in the US, and sold Hudson Sandler to management with the Group while retaining a 25% minority stake. Since the year-end Whiteboard Associates has also been sold to management, allowing Grayling US to focus on its PtR offering.

Alongside these divestments, we have looked to reduce the cost base of each business, including central overhead, by redeploying resources, consolidating the property portfolio further, closing offices where necessary and restructuring others to align them to market needs. 2016 saw restructuring costs of £1.6 million (2015: £3.3 million) as we completed the process we started in mid-2015. We have completed the major restructuring and have now positioned each of our businesses for profit growth in 2017 and beyond.

Group performance overview
The Group's performance this year primarily reflects a combination of strong growth from Huntsworth Health, underperformance from Grayling, and the impact of a favourable move in exchange rates. The following bridge shows the key movements in headline profits before tax in 2016:

The devaluation of Sterling against our main trading currencies over the course of 2016, particularly since the UK's decision to leave the EU, has generated a translational gain of £2.4 million. This has been offset by an incremental loss of £0.6 million on FX forward contracts. Losses from discontinued operations also increased by £0.1 million. Together, these factors left like-for-like profits up £1.7 million.

On a like-for-like basis, Huntsworth Health has generated an additional £2.0 million of profits, driven by strong revenue growth, particularly in the US. In addition, central costs reduced by £1.7 million, reflecting a restructuring of central functions and tighter control over discretionary expenditure. These gains, together with an additional £0.4 million of profits from CDR and Red, were offset by a £3.2 million decrease in profits from Grayling. This has been driven primarily by the META region where trading has been impacted by the loss of a major client and the ending of a key project, and the US where actions have been taken to transition the business to a more stable and profitable client base.

Our strategy

Accelerate growth through a focus on the health sector, including M&A

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Extend and develop new capabilities and services

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Build capacity for Grayling to drive organic revenue and profit growth

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Chief Executive's Review continued

Our business model

Huntsworth provides healthcare communications and public relations services through a network of specialist agencies.

The Group's income statement reflects these trends. Revenues were £180.1 million in 2016 (2015: £168.4 million), with favourable currency movements contributing £14.1 million to revenue. On a like-for-like basis, revenues grew by 1%, reflecting strong growth from Huntsworth Health offset by decreases in Grayling. Headline profit before tax was £16.0 million, an increase of 21%. Operating losses were £14.5 million (2015: loss of £37.8 million), with much of the improvement attributable to a lower goodwill impairment charge. The following table reconciles statutory to headline profits:

£'m	**2016**	2015
Operating loss	**(14.5)**	(37.8)
Goodwill impairment	**30.5**	48.8
Impairment of software development costs	**0.2**	0.6
Amortisation of intangible assets	**0.9**	0.8
Restructuring costs	**1.6**	3.3
Transaction related credit	**(0.7)**	(0.4)
Operating profit before highlighted items	**18.0**	15.3
Margin	***10%***	*9%*
Interest	**(2.0)**	(2.0)
Headline profit before tax	**16.0**	13.3

The Group's effective tax rate has increased to 30% (2015: 27%) of headline profits as the continued growth of Huntsworth Health increases the proportion of the Group's profits that arise in the USA. Before highlighted items, diluted earnings per share is 3.4p (2015: 3.0p), up 13%. After highlighted items, diluted loss per share is 5.6p (2015: 12.3p).

Divisional performance overview
Huntsworth Health
Huntsworth Health is the Group's largest division by both revenue and profit. It has a strong portfolio of specialist healthcare communications agencies that have continued to perform well above industry averages, with double-digit revenue and operating profit growth, and strong operating margins.

Divisional revenues in 2016 were £90.8 million (2015: £72.3 million), up 14% on a like-for-like basis. Operating profits were £18.3 million (2015: £13.8 million), representing operating profit growth of 33% and an operating margin of 20% (2015. 19%).

Growth continues to be driven mainly by the US market where our full service digital consumer agency, Evoke Health, grew like-for-like revenues by 12%, strategic medical agency, ApotheCom, grew like-for-like revenues by 19%, and PR agency, Tonic Life Communications, grew like-for-like revenues by 15%. Huntsworth Health's smaller brands - Audacity, Axiom and Nitrogen - experienced challenging trading conditions with like-for-like revenues down 13%. Actions have been taken to reduce the cost base of these units and they are on track to deliver an improved performance in 2017.

During the year Huntsworth Health invested in new organic growth opportunities with a new Evoke Health office in Los Angeles and a new strategic consulting agency, Traverse Health Strategy. FIRSTHAND, the digitally-driven, full service, marketing communications agency which opened in late 2015, also made a solid contribution to the results. Huntsworth Health will continue to invest in areas which offer the opportunity to accelerate its growth and even better meet the needs of its clients.

All agencies in Huntsworth Health have good momentum going into 2017 with a number of recent significant client wins. As such the division has the foundations for another year of strong revenue and operating profit growth in 2017.

Grayling
Grayling revenues fell 15%, or 17% on a l ike-for-like basis, to £53.9 million, resulting in a loss of £0.8 million (2015 profit of £2.6 million). 2016 has seen a continuation of the restructuring programme begun in 2015, with the closure or disposal of loss-making operations, and the reduction of the cost base.

The overall result masks a varied performance between regions. Continental Europe remains the strongest and most profitable part of the division, although revenues fell by 6% on a like-for-like basis in 2016 reflecting difficult economic conditions. Nevertheless, margins broadly held up on 2015 levels and actions have been taken to deal with the underperforming operations within the region, including the closure of the Swedish office at the end of 2016.

In the UK, the benefits of the restructure in late 2015 have become apparent in the second half of 2016. Nevertheless, the region experienced tough trading over the course of the year with revenues down 23% on a like-for-like basis. In October 2016 the Group completed the disposal of 75% of Hudson Sandler, its niche financial PR business, to management. The Group's remaining stake in the associate business is expected to be earnings enhancing in 2017.

The META region has experienced a difficult trading year with the loss of a major client and the end of one of its biggest projects, which have impacted on its profitability. Changes made should drive more profitability in 2017.

The US business underwent a transitional year, as it exited from its state and local lobbying activities. As part of this, in January 2017 the Group completed the disposal of Whiteboard Advisors, a strategic communications consultancy, to management, for an initial consideration of $2.5 million. In the future, the division will be focused on higher value PR budgets, digital marketing and branding opportunities, all of which are expected to help the region return to growth.

2016 has been a difficult year for Grayling, but Q4 saw revenues stabilise, and with the actions taken over the past twelve months the division is in a good position to return to profitability in 2017.

Citigate Dewe Rogerson
CDR revenues in 2016 were £22.1 million (2015: £20.0 million), representing like-for-like growth of 4%. Operating profits were £3.6 million (2015: £3.1 million), representing a margin of 16% (2015: 15%). Within this overall result, performance has varied between regions in 2016.

The Asian business, based primarily in Hong Kong and Singapore, continued to produce a strong performance in a tough marketplace with like-for-like revenues up 1%. Margins also rose by 5% as the division focused on its operational efficiency.

Continental Europe faced tough comparatives after strong transaction revenues in the Netherlands in 2015, leaving like-for-like revenues across the region down 2%. Nevertheless, continental Europe maintained its strong margins

In the UK, CDR has invested in new talent and has continued to build on sector specialisms. As part of this, it established a presence in New York, which adds to its international reach and allows it access to the US market. The benefits of these investments are starting to be seen, despite continued intense price competition and lower volumes of transaction mandates. Overall, the UK/US business produced like-for-like revenues up 12%, on fractionally lower margins, which will improve as the staff in which we have recently invested reach their full potential.

Red
Red performed strongly in 2016 in what remains a highly competitive environment, and remains a market-leading PR business in the UK. Revenues were £13.3 million (2015: £12.8 million) representing growth of 4%. Operating profits were £2.7 million (2015: £2.6 million), representing a margin of 20% (2015: 20%).

Highlights in 2016 included a major award-winning, digital content-based campaign for Boots Opticians which saw the agency build a world-first children's eye-test book for parents. Other consumer campaigns in the year included stand-out work for McDonald's nationwide restaurant makeover programme and a 'Welcome to Heathrow' online video launch. New clients to the agency included Robinson's soft drinks, Spotify, Gumtree and Trainline. In addition, the agency's outstanding talent development was recognised with its second Media Employer of the Year award.

Growth momentum and organic investment plans give encouragement for continued improvements in 2017.

Group Outlook
The Group is now positioned for continued growth and 2017 has started well. Huntsworth Health continues to grow strongly on the back of multiple client wins, Grayling, Red and CDR are making positive progress, and together with favourable exchange rates, the outlook for 2017 is positive.

Paul Taaffe
20 March 2017

Investing in Innovative Businesses and Inspirational Talent

£90.8m
Revenue

20.1%
Operating margin

51%
Group revenue

Huntsworth Health invests in innovative healthcare communications businesses and the talent that sets those businesses apart from their competitors.

Huntsworth Health is a team of passionate communications professionals that believe in making a difference in health and wellbeing by engaging audiences in experiences that alter perception to precipitate positive behavioural change. Huntsworth Health's agencies are driven by strategy derived from actionable human insights. We use those insights to create emotionally engaging stories and content that communicates the true value of our client's brands.

We make healthcare communications 'human' through a patient-centric lens.

Agile, Nimble, Inquisitive, and Driven by Values
Huntsworth Health is a group of best-in-class boutique agencies with science, medicine, innovation, creativity, and technology as their common DNA. While each agency is focused on the specific needs of their clients, we are agile and nimble and can create an integrated team to address challenges that require a multidisciplinary solution. Our solutions-focused teams work seamlessly together to deliver solutions that build higher brand value for our client's brands.

Creating compelling stories

Genepeeks:
Brand refresh, new website, and marketing collateral

Aurix:
Branding, online strategy, and sales/marketing collateral

Our Approach

- Exceptional brands are built from exceptional strategies. Data that informs our understanding of the world in which individuals will become immersed in a brand are critical to the strategic process. We develop deep insights into individual customer culture, values, norms and behaviour so that we understand how your customers will engage physically and emotionally with your brand.
- Creativity is not a commodity. It's a unique intellectual process driven by talent and fuelled by freedom of thought. Creativity should not be stifled by technology—we embrace the new and exciting creative opportunities that technology is enabling us to leverage into compelling brand experiences and we thrive on the creative process.
- Technology is enabling health and science in a very broad way. We see technology driving two very critical aspects of health and science brand communications:
  - The diagnosis and management of disease on an individual patient level.
  - Immersing healthcare professionals, patients, and consumers in engaging content that informs, educates, and ultimately drives behavioural change.
  - A forum for consumers, patients, and healthcare providers to share opinions, ideas, and concerns about health issues.

Our Vision

We believe that health and wellness is fundamental to being human, that behavioural change requires an intimate understanding of human emotion and the perceptions/beliefs that drive human behaviour, and that improving health and wellness is a human responsibility.

Our Values

We value personal and professional integrity, encourage empathy for one another, our clients, and the customers they serve, and we believe that personal accountability is the highest form of respect—for one's self and for others.

Grayling is a global integrated communications network, covering public relations and public affairs (with embedded digital capabilities).

While 'traditional PR' remains at the heart of many of the agency's briefs, the Company also provides a range of services, from social media management and digital marketing, to brand development and design, and stakeholder engagement to advertising.

In 2016, Grayling secured a number of major new clients, including elevator company, Otis, energy provider, NRG, and consumer tech company, VAIO in the US; Lloyds Banking Group, Virgin Trains and construction group, L&Q in the UK; Meydan Group in the Middle East; the Kenya Bankers Association in Africa; while in continental Europe we have been successful at helping clients navigate multiple markets, as well as winning new mandates from the likes of flydubai, logistics company, Waberer's, sports apparel company, UnderArmour, international healthcare group, BUPA, and restaurant operator, AmRest.

£53.9m

Revenue

(1.4)%

Operating margin

30%

Group revenue

Launched in 2016, The Advantage Series is Grayling's ongoing content program that examines the major reputational, regulatory and communication challenges faced by organisations of all sizes, across industry sectors.

Grayling's annual trends analysis helps clients stay one step ahead by anticipating and capitalising on future trends.

2016 also saw Grayling being recognised for great client work with more than 40 industry awards, for work on behalf of clients including PayPal, Kenya's Ministry of Tourism, Faraday Future, the Croatian National Tourist Board, Marks & Spencer, Grant Thornton, Hilton Worldwide, Novo Nordisk, and Avis Budget Group. Grayling was named Consultancy of the Year at both the European and UK Public Affairs Awards, and Agency of the Year (Eastern Europe) by Holmes Report. In addition to these wins, Grayling was shortlisted for a further 50 awards, for the agency's work with clients from Kleenex (Kimberly Clark) in the Middle East, to Skype and Pokerstars in Europe

Our approach

Grayling aims to create measurable advantage for its clients, through smart and innovative solutions that are rapidly scalable and that deliver against organisational needs.

With on-call senior counsel, powerful content, and unrivalled connections, the company helps its clients to engage, adapt and evolve in fast-changing landscapes, building brand resilience and creating measurable advantage.

Creating value for their clients

Citigate Dewe Rogerson is an international financial and corporate public relations consultancy, which provides seamless communication consultancy across the world's business centres, with a particular focus on major cross-border financial transactions and large multi-nationals looking to broaden their global footprint.

Headquartered in London, Citigate Dewe Rogerson's wholly-owned offices span continental Europe, the US and Asia, working together with trusted affiliates and partners across the rest of the world. The business addresses all major sectors including financial services, technology, professional services, consumer brands, oil & gas, retail, distribution & logistics, healthcare, public sector, manufacturing and aviation.

During 2016 CDR won a number of significant new client mandates including Accor Hotels, Gocompare.com Group and MAXIS Global Benefits Network in the UK. CDR also provided financial public relations support to the UK Government's UKGI Department of Education for the securitisation and sale of income contingent repayment student loans. CDR France completed 2 IPOs in the year for Française de l'Energie and NextStage and worked on a dual track for Medipole, an IPO project which ended in a trade sale to Elsan, one of its competitors. In addition, CDR France managed the buyout of Foncière de Paris by Eurosic against the hostile takeover bid of Gecina. In Greater China, new client mandates included Anta Sports Products Limited, China's biggest sportswear company by market cap, China Aircraft Leasing Company Ltd, a full value-chain aircraft solutions provider and OKLink, a leading global settlement network built on blockchain technology.

Our approach

Citigate Dewe Rogerson's approach is to help clients achieve their business objectives by providing media relations, investor relations, crisis communications, research and analysis, public policy, creative consumer campaigns and digital and social expertise. Citigate Dewe Rogerson understands not only how markets operate but how opinion is formed and how it can be influenced. Citigate Dewe Rogerson is one of the most respected names in communications. Experts in the fields in which it operates, Citigate Dewe Rogerson combines the expertise of bankers, fund managers, in-house investor relations, former journalists and creative communications professionals as well as sector and transaction specialists. Citigate Dewe Rogerson's business and perspective are international and it serves over 500 clients, from new start-ups to some of the world's largest listed companies, governments and other organisations.

Our sectors

£22.1m

Revenue

16.2%

Operating margin

A Global Network

Citigate Dewe Rogerson operates in:

12%

Group revenue

Provoking thought, provoking action

Red Consultancy is a strategic communications consultancy offering PR, digital and content expertise. The agency develops and manages campaigns, runs major press offices and steers brands and businesses through engagement with media, consumers, customers, stakeholders and internal audiences within the UK and beyond.

From its Soho base, Red Consultancy's offer of strategic counsel with flair and creativity is at the heart of its core appeal for clients. The agency's ethos of 'work hard/play nice' is central to building long-term relationships.

The agency's services span media relations programmes aimed at building awareness to targeted experiential events and from launches to repositioning. Campaigns are planned around a complete spectrum of activity reflecting the increased demand for integrated communications which see traditional media relations combined with the development of digital assets backed by targeted media spend.

Red Consultancy's client portfolio includes McDonald's, Johnson & Johnson, Emirates, Activision, Samsung, Adobe, Nestle and Boots.

In the last year, the agency has been appointed by further high-profile brands including Aldi, Trainline, Robinson's, Gumtree and the Coca-Cola London Eye.

The agency has won over 100 industry awards for its work and last year added a further three: the PRCA National Award for Digital and New Media, the In2 Sabre Award for Content Creation and the PRMoment Award for FMCG Marketing Communications Campaign of the Year. It was also named Media Employer of the Year in 2016.

The agency's social media arm, Shiny Red, is the longest standing dedicated offer of its kind in the UK.

Red Consultancy expanded its digital service in 2016 into a full end-to-end digital offering to cater for the increased demand for integrated communications and development of digital assets.

£13.3m
Revenue

20.3%
Operating margin

7%
Group revenue

Our Services

Our main services are:
- Consumer
- Corporate
- Technology
- Healthcare
- Digital
- Creative services

Our brands

Working hard to deliver strong results for clients is balanced by fantastic career development opportunities and benefits. Red Consultancy won the Media Employer of the Year Award in 2016.

Our approach

Red Consultancy offers creative colour and decisive action throughout its thinking and strategy work. Clients say the agency adds value by seeing the big picture and always making a difference with smart comms activities – whether that's building awareness, affinity or improving reputation to lead to increased sales, visits, sign-ups etc.

Our people

The agency employs around 130 people in its Soho office, from talented PR and social media consultants to creative designers and digital build experts. It's a hard-working, straight-talking, no-politics, friendly culture where successes are always shared.

Our Strategy

Strategic priorities

Our four principal agency groups each have sector or service specialisations which are aligned to Group objectives.

Market opportunity
Specialist marketing and communication service agencies that focus on delivering measurable improvements in clients' performance such as brand differentiation and the ability to navigate fast-changing environments will always be in demand.

Huntsworth acquires, creates and develops specialist agencies that deliver marketing and communication services.

The shared objective of all of our Group agencies is to deliver high-value solutions to clients through the integration of our creative and technical expertise along with the quality and speed of our implementation. In so doing we aim to gain further market share.

When this is optimised the result is a faster-growing, higher-margin business, which generates a better return for shareholders.

Strategic priorities	Achievements in 2016
Accelerate growth through a focus on the health sector, including M&A	• Invested in new organic growth opportunities with a new Evoke Health office in Los Angeles and a new strategic consulting agency, Traverse Health Strategy. • FIRSTHAND, the digitally-driven, full service, marketing communications agency, which opened in late 2015, has been fully integrated into operations and has made a solid contribution to results. • Market-leading revenue growth in Huntsworth Health.
Extend and develop new capabilities and services	• Fostered a culture which incentivises the creation of new capabilities. • Capital investment to develop know-how in the business.
Build capacity for Grayling to drive organic revenue and profit growth	• Realigned the cost base with the revenue potential of each business. • Won more than 40 industry awards for client work, and shortlisted for a further 50.

See also Chairman's Statement on page 4 to 5 and Chief Executive's Review on pages 6 to 9.

Plans for 2017	Supporting operational metrics	Risks
• Develop new multicultural offering within Evoke. • Actively explore M&A opportunities, especially in the health sector. • Continue to invest in the best talent available to us to drive growth.	• Organic revenue growth. • Return on investment for acquisitions. • % of revenues in Huntsworth Health.	• Overreliance on health sector. • Acquisitions do not deliver expected benefits. • Loss of key staff.
• Proactive sourcing and development of existing talent across the Group. • Maintenance of client continuity at multiple levels.	• Organic revenue growth. • Net new business. • Pipeline conversion. • Pitch conversion. • Client retention.	• New services do not meet market needs, resulting in a failure to win new business or retain clients.
• Continual increase in quality of pitch preparation and presentation. • Continual improvement across the operational cycle from contract process to service delivery.	• Organic revenue growth. • Net new business. • Pipeline conversion. • Pitch conversion. • Client retention.	• Client dissatisfaction with quality of work. • New services do not meet market needs, resulting in a failure to win new business or retain clients.

See also Chairman's Statement on page 4 to 5 and Chief Executive's Review on pages 6 to 9.

Our principal Group KPIs are set out on page 5.

Our principal risks are described in more detail on pages 26 to 29.

Chief Financial Officer's Report

Strong financial position

"Following strong growth from Huntsworth Health, over half of Group revenue now comes from the Health division and from the US.

Neil Jones
Chief Financial Officer

In 2016 the Group delivered revenues of £180.1 million, up from £168.4 million in 2015. On a divisional basis, 51% of revenue came from Huntsworth Health, 30% from Grayling, 12% from Citigate Dewe Rogerson and 7% from Red.

Geographically, 52% of Group revenue in 2016 was from the US; 28% from the UK; 14% from Europe; and 6% from Asia, the Middle East and Africa.

Revenues by division

1. Health	51%
2. Grayling	30%
3. CDR	12%
4. Red	7%

Revenues by geography

1. US	52%
2. UK	28%
3. Europe	14%
4. Asia	4%
5. META	2%

Currency
The impact of changes in exchange rates versus 2015 was to increase revenues by £14.1 million and increase reported operating profits by £1.8 million.

The weakening of Sterling against the Euro and the Dollar has also resulted in a £20.1 million credit to Other Comprehensive Income and Expense resulting from the retranslation of the Group's overseas assets.

Highlighted items
Operating highlighted items of £32.5 million comprise the following:

	£'m
Goodwill impairment	30.5
Impairment of software development costs	0.2
Amortisation of intangible assets	0.9
Restructuring costs	1.6
Transaction related credit	(0.7)
	32.5

In the Interim Results announced in July 2016, goodwill was impaired by £15.0 million, in respect of Grayling. A further impairment of £15.5 million was booked at 31 December 2016 following the restructure of the US lobbying business, including the post-year-end disposal of Whiteboard Associates.

Restructuring costs incurred during 2016 were in relation to the Group-wide strategic review. Of the total costs of £1.6 million, the majority related to people (£0.9 million) with the remainder being property and associated costs. The transaction related credit of £0.7 million relates primarily to the revaluation of deferred contingent consideration.

Cash flow and Net debt
Cash conversion of operating profit into operating cash flows before highlighted items was 87%, reflecting growth from the Health division and a resultant working capital outflow of £5.5 million.

Operating cash flow before highlighted items was £15.6 million. Free cash flow (after interest, tax and capital expenditure) was £3.9 million, reflecting a cash outflow on highlighted items of £3.0 million and capital expenditure of £5.1 million on property refurbishments across the Group. Dividend payments were £5.6 million.

The resulting net debt at year-end was £31.6 million, down from £37.1 million at 30 June 2016 but marginally up from £30.4 million at 31 December 2015.

Financial covenants based on the Group's facility agreements continue to be comfortably met. The Group has total facilities of £70 million available until May 2019.

Dividends
At the forthcoming AGM the Board will propose a final dividend of 1.25 pence, bringing the total dividend for 2016 to 1.75 pence, in line with 2015. The record date for this dividend will be 26 May 2017 and it will be payable on 6 July 2017. A scrip dividend alternative will be available. The dividend payout ratio for 2016 is 51% (2015: 58%).

Tax
The total tax charge of £1.8 million comprises an underlying tax expense of £4.8 million together with a credit of £3.0 million on highlighted items. The full year underlying tax rate is 30% (2015: 27.0%). The highlighted tax credit of £3.0 million includes a £2.6 million deferred tax credit relating to the goodwill impairment charge in the period. Net corporation tax paid in the year was £2.1 million (2015: £1.3 million).

Earnings per share
Profits attributable to ordinary shareholders before highlighted items were £11.2 million (2015: £9.7 million). Losses after highlighted items attributable to ordinary shareholders are £18.3 million (2015: loss of £39.4 million).

Before highlighted items, basic earnings per share for 2016 is 3.4p (2015: 3.0p) and diluted earnings per share is 3.4p (2015: 3.0p). Basic loss per share after highlighted items is 5.6p (2015: 12.3p) and diluted loss per share after highlighted items is 5.6p (2015: 12.3p).

Neil Jones
20 March 2017

Responsible Business

Introduction

The Group recognises the impact of its business operations on a diverse range of stakeholders, including our employees and the wider community. This report outlines the Group's approach to responsible business practices and details some of the activities that we have undertaken in 2016. We remain dedicated to growing our business and delivering shareholder value while maintaining an uncompromising stance on unethical practices, products or organisations. Our approach reflects the diverse, independent operations of the Group and each business implements these practices in a way that is appropriate for them.

Our ethics

Our overriding aim is to continue to build and support a culture which values openness, accountability and disclosure.

Our Code of Ethics is published on the Group's intranet and all employees have access to Group policies and Bribery Act training via a dedicated policy management system. Each employee is responsible for upholding the principles and practices set out within it. All employees have access to an independent whistleblowing hotline which enables them to voice any concerns without risk.

Before accepting work that may pose an ethical risk, employees are required to seek advice from the responsible person or committee in their company and/or division. In certain circumstances the decision is referred to the Group CEO, who makes the final decision.

Huntsworth seeks to comply with all applicable laws and respect internationally recognised human rights standards in every location in which we operate. We aim to make a positive contribution to human rights through the clients we work with, our choice of suppliers and our own HR policies and practices.

Huntsworth is committed to providing its workers with safe, legal employment in a stimulating and rewarding environment. We are opposed to any form of slavery and human trafficking and the Group's policy is to ensure that it is eradicated from both our business and from our supply chains. Under the Modern Slavery Act 2015, Huntsworth plc is required to prepare an annual slavery and human trafficking statement. The Company's Modern Slavery Statement for the year ended 31 December 2016 was approved by the Board of Huntsworth plc on 15 March 2017 and is available on the Company's website at http://www.huntsworth.com/about-us/responsible-business/.

Our people

The experience, knowledge and creativity of our people is integral to the success of our business. We have in place employment policies and practices that enable us to attract, retain and develop our talent and ensure that the Group retains its market-leading position.

Diversity

We actively deploy recruitment policies and practices which enable us to attract the widest possible sources of talent into our business, which develops an inclusive culture.

All employees are recruited, appraised, trained and promoted on the basis of fairness, professional competence and contribution. We do not discriminate directly or indirectly against any individual on the basis of gender, marital status, race, nationality or ethnic origin, religion or belief, age, sexual orientation, disability, pregnancy or part-time or full-time employment status.

The Group's equal opportunities policy is designed to ensure that disabled people are given the same consideration as others and enjoy the same training, development and prospects as other employees.

In terms of gender diversity, as at 31 December 2016 women accounted for 36% (20) of executive management, 47% (66) of senior management and 64% (929) of total employees. There are currently two female Non-Executive Directors on Huntsworth's Board. The Board understands the benefits of boardroom diversity and its aspiration and expectation is to maintain the proportion of women on the Board to at least the current level, while maintaining flexibility to ensure that all appointments are made on the individual's ability and competency to fulfil the requirements of the role.

Training and development

We aim for all employees to receive an appraisal and performance evaluation at least annually to assist them in their career development. The Group provides access to a number of training initiatives which enable our people to develop skills which will support our businesses' development and strategy.

Each of our Group companies also operate their own internal training programmes to keep staff up to date with developments in their sectors and provide additional skills in areas such as people management, leadership development, client management and international client director training.

Training programmes include a mixture of externally and internally facilitated courses. A number of our businesses allocate a mentor or coach to support personal development, perform appraisals and identify training needs. Our talent management programmes aim to recognise our best talent through both monetary incentives and providing additional development opportunities, for example through secondments into other areas of the business.

Communication

The Group makes use of its intranet as a communication tool and each division also has its own intranet site and communication tools which deliver specialised information and tools which enable our people to work effectively and keep in touch with local news and developments.

Employees have opportunities to attend international conferences on matters of significance to their division as a whole. On a local scale, regular meetings are held between local management and employees to facilitate employee involvement in decision-making and businesses performance.

Health and wellbeing

The Board recognises the need to maintain a safe and healthy working environment for all employees. Each business is responsible for ensuring that they operate in compliance with Group policies and local health and safety legislation.

The Group deploys policies and practices which assist its employees in achieving an appropriate work/life balance, including policies on parental, maternity and paternity leave, emergency time-off and, where applicable, flexible working practices. Initiatives to promote health and wellbeing vary by company and include:

- Flexible working – promoted through a range of schemes including work-from-home schemes and flexible starting times and flexi-hours;
- Flexible benefits packages allowing employees to take their entire package as remuneration or opt for a range of benefits, including private medical insurance, staff pension schemes, life assurance, childcare vouchers, cycle-to-work schemes, discounted lifestyle vouchers or extra holiday days;
- Employee assistance programmes which provide confidential advice and counselling support across a range of areas; and
- Measures to promote a healthy working environment for employees, including on-site facilities for breaks, provision of showers for employees who wish to exercise in lunch breaks or cycle/run to work, provision of fruit and healthy refreshment options.

36%

of executive management are women

47%

of senior management are women

Responsible Business continued

760

trees saved

By recycling, the Group's UK businesses saved the equivalent of 760 trees and 80 tonnes of CO_2 in 2016

Our work
We apply our sustainability principles across all of our operations and wherever possible we make use of technologies that enable us to limit our environmental impact. Employees are trained in video-conferencing and webinar facilities, with virtual meetings being conducted where possible. When travel is the only option, our policy is that public transport should be used where possible.

Many of our businesses have developed specific sustainability, corporate social responsibility and ethical business practices, where we work with our clients to develop, manage and communicate their sustainability and corporate responsibility activities. We work with various 'not for profit' and government organisations to tackle issues relating to the environment and to raise awareness of social issues.

Community
The Group recognises its responsibility towards the communities in which its businesses operate. In support of our communities, Group businesses throughout the world organise activities for staff to raise money for charity as well as offering pro bono support to non-profit projects, helping to raise money and awareness for good causes.

We support our employees in participating in volunteering and fundraising activities. Our businesses have supported a wide range of charities during the year through organising and participating in events. For example, during 2016 Grayling embarked on the 2020 Challenge, targeting 2020 acts of kindness across the global network - from cake sales, through donations to charities, to acts designed to lower the Group's carbon footprint. Citigate Dewe Rogerson in Hong Kong supported the Goodman Magic Mile by providing free PR services as well as cash sponsorship, whilst the staff at Red swapped their beds for sleeping bags and took to the streets to raise money for Centrepoint's Sleepout initiative.

The Group also makes formal contributions to charities. During 2016, the Group donated over £13,000 to 41 different charities around the world.

Environment
The Group recognises its responsibilities to conserve resources and is committed to continuous improvement in the environmental impact of its operations. Due to the nature of our businesses, the Group does not have a high environmental impact. Our principal impact arises from energy, paper and water consumption.

Greenhouse gas emissions
During 2016, we have measured our greenhouse gas ('GHG') emissions from our global operations. The Group measures GHG emissions based on financial control boundaries, so that all operations which are consolidated as subsidiaries in the Group's financial statements are included in the measurement exercise.

We have identified the following key activities as being within the GHG reporting requirements:
- Scope 1: Natural gas, company cars, on-site fuel consumption and refrigerants;
- Scope 2: Purchased electricity, heat and steam.

At present, Scope 3 activities, including business travel, are excluded from the reporting scope.

We have identified GHG emissions per employee as the most appropriate KPI for the Group.

We have collected data from offices across the Group. We have followed the 2013 UK Government Environmental Reporting Guidelines and used emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2016 The results are presented in the table below.

In some offices in the Group's portfolio, electricity and heat charges are included in the office rental charges and therefore information on the exact amounts consumed by those particular businesses is not available. In these instances, we have calculated an estimate based on the size of the property being let and usage data from similar properties. In addition, it has not been practicable to measure the Group's emissions from refrigerants, although these are not expected to be significant.

We are pleased to report a reduction in our carbon emissions this year, as a result of the consolidation of our property portfolio.

	Tonnes of CO_2e 2016	Tonnes of CO_2e 2015
Scope 1	**39**	38
Scope 2	**1,746**	1,800
Total GHG emissions	**1,785**	1,838
Average number of employees	**1,517**	1,570
Emissions per employee	**1.17**	1.17

Actions
A network of Employee Champions promote positive environmental actions around the Group. We aim to minimise energy and water consumption, through encouraging staff to switch off electronic appliances and using electricity generated from renewable sources.

Paper wastage is minimised through promoting reuse, use of electronic communications and using paper from sustainable forests. By recycling, the Group's UK businesses together saved the equivalent of 760 trees and 80 tonnes of CO_2 in 2016.

Our businesses have supported a wide range of charities through out the year

Principal risks

The Group has undertaken a robust assessment of the principal risks facing the Group during the year. 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 Group considers macro, strategic, operational and process risks, which includes all operational, IT and financial risks. The likelihood and impact of each risk is determined using a risk scoring system.

All risks are documented in the Group's risk register which is reviewed by the Risk Committee at least six-monthly or more frequently as required.

The Group obtains various forms of ongoing assurance over the controls in place to mitigate each of the risks identified. Details of the risk management processes undertaken in the year are included in the Corporate Governance Report.

Risk	Risk and impact	Mitigating factors	Trend
Macro			
Economic downturn	Any economic downturn may result in fewer new client mandates, longer procurement processes and a squeeze on pricing, or an outright reduction in business. This can impact both revenue growth and operating margins. Weak economic conditions can increase the length of time that clients take to pay for services, which can put pressure on the Group's working capital. There is also an increased risk of bad debts occurring as a result of clients' financial problems. Subdued global financial markets can result in reductions in the level of transactional activity, reducing client mandates. The UK's decision to leave the EU has increased the level of uncertainty surrounding the economic outlook and therefore this risk has increased since last year.	The Group has a wide spread of clients both across geography and industry sector, reducing reliance on any particular economic environment. Costs are managed in each business such that they can be flexed where needed in a downturn. However, where there are protracted economic difficulties in the Group's key markets, the ability of the Group to minimise the impact is constrained and performance may deteriorate. The Group has formal procedures and processes, including contractual assurance, to mitigate against legal and financial risks associated with both new and existing clients. The Group closely reports and monitors aged debts, and ensures local management have action plans in place to minimise the risk of any loss.	^
Currency risk	A substantial proportion of the Group operates outside of the UK, with significant operations in the USA and Europe. The Group may suffer restrictions on the ability to repatriate cash. Reported Group earnings are impacted by any fluctuation of Sterling relative to other currencies, particularly the US Dollar and Euro. The proportion of the Group's profits made in the US is increasing which increases the level of risk when exchange rates fluctuate. The UK's decision to leave the EU has increased the volatility of exchange rate movements against Sterling.	Most of the Group's revenue is matched by costs arising in the same currency. Foreign exchange exposure is continually monitored, and the Group uses derivative financial instruments to mitigate this risk where deemed necessary. Borrowings are also available to be drawn down in US Dollars and Euros if required to hedge foreign currency exposure. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.	^
Strategic			
Investment decisions fail to deliver expected growth	The Group's strategy includes investing in new business opportunities, talent, start-ups and the acquisition of businesses which will broaden and enhance existing business operations. There is a risk that investments are based on inaccurate information or assumptions which fail to meet client needs and which may result in the investment being less financially beneficial than anticipated.	All significant investments are supported by a business case, which must be approved by executive management and the Board, where appropriate. Rigorous due diligence procedures are performed prior to all acquisitions in order to identify and evaluate potential risks to the extent possible. In addition to the receipt of legal warranties and indemnities, the total consideration paid for a business typically includes an element of deferred consideration contingent upon future performance which mitigates the risk of overpaying for a business.	<>

Principal Risks continued

Risk	Risk and impact	Mitigating factors	Trend
Strategic continued			
New services do not meet changing market needs	The communications industry is always changing, driven by client changes, technological change or emergence of competitors. The Group needs to be pro-active in identifying and delivering solutions to changing client needs. Failure to evolve can result in loss of market share, client losses and pressures on pricing, which can impact on revenue and margins.	The Group's range of services and international footprint increasingly allows us to offer clients an integrated portfolio of services across geographical locations which are attractive to new clients and help to strengthen existing client relationships. The Group continues to diversify its service offering to provide a full spectrum of healthcare communications and public relations services. Reviews of all new business opportunities won and lost across the Group are performed regularly. Appropriate actions are taken where new business conversion rates are below expectations.	<>
Client			
Loss of key clients	Any loss of a key client would result in reduced revenues and profits and potentially an inability to recover amounts due under the contract.	The Group endeavours to build long-term relationships with its clients and to obtain preferred supplier and agency of record status where possible. The Group has a large portfolio of clients and seeks to expand and diversify its client base where possible. There is no dominant client or set of clients. Within each of our large healthcare clients, the Group typically provides services to multiple brands within that client. Client satisfaction reviews are also undertaken periodically to evaluate service quality.	<>
Talent			
Loss of key talent	The Group's talent base is its most important resource. There is strong competition within the industry for experienced healthcare communications and PR professionals. Recruitment and retention of key individuals is important both for maintaining client relationships and ensuring that our services are of the highest quality	The Group's policy is to recruit both Directors and employees of the highest quality and to remunerate them accordingly. The Group carries out succession planning and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key individuals. Restrictive covenants are included in employee contracts where legally enforceable.	<>
Operational			
Information systems access and security	Any information systems failure could negatively impact the Group's business operations, including delays to client work. Unauthorised access to confidential information held by the Group could compromise our client relationships and have a detrimental effect on our reputation. Cyber security risks are perceived to be increasing across the industry at the moment.	Business and IT disaster recovery plans have been put in place to minimise any disruption in the event of an IT failure. External access to data is protected by the Group's IT security, which is reviewed and tested frequently to ensure that the Group's network is as secure as possible. Internal access to data is restricted appropriately. Compliance with data protection legislation is given high priority within the Group.	^

Risk	Risk and impact	Mitigating factors	Trend
Financial & Compliance			
Loan facility and covenant headroom risk	Any liquidity issues could result in reputational damage and potentially impair the Group's ability to make future acquisitions or settle existing obligations.	The Group has £70 million of multi-currency loan facilities with a syndicate of banks maturing in 2019. Management closely monitors all covenants on the Group's facilities and actively manages undrawn headroom. The Group has robust cash management processes including weekly cash reporting from our operations and cash pooling arrangements.	<>
Legal and regulatory compliance	Any failure to adhere to legislative requirements, including imposed sanctions on the supply of services to certain individuals, businesses and countries, could lead to reputational as well as financial damage to the Group.	The Group uses internal and external legal counsel throughout the world to advise on local legal and regulatory requirements and minimise the risk of loss. In-house training is conducted on key legislative matters such as health and safety, and the UK Bribery Act. Policies on gifts, entertainment, anti-bribery and corruption, electronic communications, share trading and confidentiality are communicated to all employees using dedicated Policy Management Software.	<>

Going concern
The Group's activities, financial performance and position, cash flows and borrowing facilities, together with the factors likely to affect its future development, performance and position, over the next 12 months are described above.

After reviewing the Group's performance, future forecasted profits and cash flows, and ability to draw down on its facilities, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors' are satisfied that it is appropriate to adopt the going concern basis in preparing the Company's and the Group's financial statements.

Viability Statement
In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the prospects of the Company over a period longer than 12 months. The Board has conducted this review over a period of three years, which was selected because it is in line with the Group's long-term strategic planning period.

The Group has developed an annual business planning process which comprises a strategic plan; a detailed budget for the next financial year; and financial projections for the two years thereafter, which combine to form a three-year plan. This process produces consolidated and divisional three-year plans which are reviewed and approved by the Board and used to monitor performance. These plans form the basis of detailed cash flow and covenant forecasting used by the Board to assess the ongoing liquidity and solvency of the Group.

In reviewing the three-year plan in 2016, the Board assessed the principal risks associated with the business model and strategy, including the likelihood and potential impact of these occurring. These risks formed the basis of the reverse stress testing undertaken to assess the longer-term viability of the Group. This considered severe but plausible scenarios and the effectiveness of any mitigating actions.

In making their assessment, the Board considered the diversity of the Group's operations, including the number of different agencies which make up the Group, our diverse client portfolio operating in a number of industry sectors and our broad geographic base. This naturally limits the impact on the Group of any individual severe event. The Group's current committed loan facilities, which expire in the final year of review, financial covenants, and other requirements set out therein were also considered.

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment

Corporate Governance Overview

Corporate Governance

Letter from the Chairman

> **"The executive leadership, the Board and its committees were at full strength during 2016 and will continue to guide the Group to achieve its operational objectives with the interests of our shareholders as our overriding goal.**
>
> **Derek Mapp**
> **Chairman**

Letter from the Chairman
This section of the Annual Report provides insight into the activities of the Board during the year and how the Board operates.

Board and Committee changes
In February 2016 we welcomed Neil Jones as Chief Financial Officer. Since this time Neil has been working closely with Paul on the strategic review that commenced in 2015. A number of key areas for improvement in the business were identified and the resulting restructuring actions have been undertaken and completed in 2016. We are pleased with the progress made in the year on the key objectives of returning the Group to sustainable revenue and profit growth.

Owing to his other commitments, in May 2016, Terence M. Graunke resigned as a Non-Executive Director after serving on the Board since 2012. I remain very grateful to Terry for his support since I joined the Huntsworth Board and for his substantial contribution in supporting the transformation of the Board.

We announced in January 2017 that Pat Billingham is to assume the role of Audit Committee Chair from 22 March 2017, succeeding from Andy Boland in that role. Andy will continue to remain as a member of the Audit Committee. The Board would like to thank Andy for his efforts whilst Chair of the Audit Committee. As Pat is an existing member of the Audit Committee, this should ensure a smooth transition.

Risk Committee
The Board has kept under review its approach to risk management and has established during the year a new Risk Committee, which reports to the Audit Committee. The purpose of the Risk Committee is to ensure that effective risk management policies and procedures are established throughout the Huntsworth Group and to identify, assess, monitor and manage risk across the Group. The Risk Committee will direct, oversee, report and make recommendations to the Audit Committee in respect of the management of financial and non-financial risks faced by the Group. During 2016, the Risk Committee has focused on developing the Group's risk appetite as well as managing all aspects of risk reporting to the Board.

Change of external auditor
On 6 December 2016, the Board, on the recommendation of the Audit Committee, appointed PricewaterhouseCoopers LLP (PwC) as auditor of the Company for the 2016 financial year. This change in the Company's auditor followed the successful conclusion of a tender process for the statutory audit contract. The Board would like to thank Ernst & Young LLP, the resigning auditor, for their services to the Company over the past 16 years.

Shareholder engagement
Throughout the year, the Board actively engaged with its principal shareholders, particularly in the area of Executive Director and senior management remuneration arrangements.

Annual re-election of Directors
The Company is not required to comply with the 2014 UK Corporate Governance Code (the Code) provision that all Directors be subject to annual re-election. Nevertheless, in the interest of good governance and best practice, the Board decided to adopt this provision of the Code and the Company's Articles of Association were accordingly amended and approved by shareholders at the 2016 AGM. Commencing with the 2017 AGM, each Director will therefore be subject to annual re-election.

2017 Board evaluation
Due to its size, the Company is not required to comply with Code provision B.6.2 requirement to have the evaluation of the board externally facilitated at least every three years. Nevertheless, again in the interest of good governance and best practice, the Board took the decision to appoint an external firm to oversee its 2017 Board evaluation process.

Compliance with the 2014 UK Corporate Governance Code
The Board has been able to operate effectively and within the principles of good governance. We are pleased to report that the Company has complied throughout the year ended 31 December 2016 with all of the provisions of the Code that are relevant to a smaller company outside of the FTSE 350.

Derek Mapp
Chairman

1. Derek Mapp
Chairman and Independent Non-Executive Director
Derek Mapp was appointed to the Huntsworth Board as Chairman and Independent Non-Executive Director on 1 December 2014. He is Chairman of Informa plc, non-executive Chairman of Salmon Developments Limited, the Executive Chairman of Imagesound Limited, non-executive Chairman of 3aaa Limited and non-executive Chairman of Embrace Limited. Derek has an historical career as founder of the Tom Cobleigh pub chain and Leapfrog Day Nurseries. He also has a number of private business interests.

2. Paul Taaffe
Chief Executive
Paul Taaffe was appointed as CEO of Huntsworth on 7 April 2015. Paul has wide experience in communications and marketing, most recently as the Director of Communications at Groupon, the international e-commerce company. Prior to that, he enjoyed a 20-year career with Hill & Knowlton Inc, the global communications consultancy and subsidiary of WPP plc, including nine years as its Chairman and CEO. Throughout this time he advised many blue chip and international clients across all geographies and services.

3. Neil Jones
Chief Financial Officer
Neil was appointed as Huntsworth's CFO in February 2016, having held senior financial positions in the exhibitions industry for over 15 years, the majority of which in public companies. Most recently he was CFO of ITE Group plc which specializes in organising trade exhibitions and conferences in the emerging markets with significant operations in Russia and the former CIS. Prior to that he was Group Finance Director of Tarsus Group plc, another international trade exhibition organiser. Neil is also a non-executive Director of Taptica International, an AIM-listed Ad-Tech business. Neil is a member of the Institute of Chartered Accountants in England & Wales, qualifying with Price Waterhouse in 1990.

4. Andy Boland
Independent Non-Executive Director
Andy Boland was appointed to the Huntsworth Board as Independent Non-Executive Director on 11 August 2014, and is Chairman of the Audit Committee. Andy is the Chief Executive Officer of Addison Lee Limited, a private equity owned private vehicle hire business, where he was previously Chief Financial Officer. Prior to joining Addison Lee in 2015, Andy served as the Chief Financial Officer of AA plc for six years. He spent the earlier part of his career in the marketing services industry and was Group Finance Director at Taylor Nelson Sofres plc, a FTSE 250 market research company, from 2004 to 2008. During his time at Taylor Nelson Sofres, he helped integrate acquisitions, strengthened the financial control environment and was responsible for all external reporting and investor relations activities. Andy qualified as a Chartered Accountant in 1995 and as an Associate Corporate Treasurer in 1998.

5. Tim Ryan
Independent Non-Executive Director
Tim Ryan was appointed to the Huntsworth Board as Senior Independent Non-Executive Director on 1 January 2015, and is a member of the Audit, Remuneration and Nomination Committees. Tim is a former United Nations diplomat with 25 years' experience in international communications. He is currently Chairman of Consulum which provides strategic counsel on a global basis to heads of state, international organisations and corporations as well as high-profile individuals. Prior to founding Consulum, Tim was chairman of Bell Pottinger International from 2002 to 2012 where he was responsible for the company's global practice.

6. Nicky Dulieu
Independent Non-Executive Director
Nicky Dulieu was appointed to the Huntsworth Board as Independent Non-Executive Director on 1 January 2015, and is Chair of the Remuneration Committee and member of the Audit Committee. Nicky trained as an accountant with Marks & Spencer plc and undertook numerous strategic and financial roles in the company over a 23-year period, including Finance Director of the Food Division from 2004 to 2005. From 2006 to 2008, Nicky was Finance Director/Chief Operating Officer at Hobbs Limited and was Chief Executive between 2008 and 2014. She is a Non-Executive Director of Adnams plc and Chair of Notcutts Group Limited.

7. Pat Billingham
Independent Non-Executive Director
Pat was appointed to the Huntsworth Board as Independent Non-Executive Director on 1 December 2015, and is a member of the Audit and Remuneration Committees. With effect from 22 March 2017, Pat will be appointed as Chair of the Audit Committee. Pat was a tax partner at Ernst & Young, the multinational professional services firm from 1995 to 2012. Whilst at Ernst & Young, Pat obtained broad experience in various sectors and also performed a range of executive duties within the firm. Pat currently holds non-executive directorships with Aldwyck Housing Group, where she is Group Chair, RenaissanceRe Syndicate Management Limited, and Exemplas Limited.

8. Martin Morrow
Company Secretary
Martin Morrow was appointed as Huntsworth's Company Secretary on 14 December 2012. He initially joined the Company as Group Tax Director in early 2008. Martin spent the early part of his career in professional services firms, including Deloitte & Touche, starting in general practice before focusing on corporate taxation. From 2002 to 2008 he worked in industry within the head office tax department of Compass Group plc, the multinational FTSE 100 food and support services provider. He qualified as a Chartered Accountant in 1994 and as an Associate of the Chartered Institute of Taxation in 1998.

The Directors shown above represent those in office at 20 March 2017.

Corporate Governance Report

The role of the Board

The Board is responsible for delivering shareholder value over the long-term, through the Group's culture, strategy, values and governance. The Non-Executive Directors have a particular responsibility for challenging the Group's strategy and monitoring the performance of Executive Directors against goals and objectives.

The formal Schedule of Matters reserved for the Board includes various strategic, financial, operational and governance responsibilities. A summary of the key activities of the Board during the year, in accordance with the formal Schedule, can be found opposite.

The Board is supported by the Audit, Remuneration and Nomination Committees. Each Board Committee has defined terms of reference, which can be found online at www.huntsworth.com. The activities of each of these Board Committees are set out in separate sections of this Report.

Decisions on operational matters and the day-to-day management of the business are delegated to the Executive Directors and divisional management. This includes implementing Group policy, managing client service, monitoring financial performance and human resource management.

Key roles and responsibilities

Effective operation of the Board relies on clarity of the various roles and responsibilities of the individual Board members. Of particular importance are the roles of the Chairman and Chief Executive, whose roles are set out in writing and have been agreed by the Board. The key responsibilities of these roles, and those of the Senior Independent Director, are set out below:

Chairman: Derek Mapp

Key responsibilities:
- running the Board and ensuring its effectiveness in all aspects of its role;
- ensuring that the Directors receive accurate, timely and clear information;
- identifying development needs of Directors and ensuring that the Directors continually update their skills and their knowledge, of and familiarity with, the Group;
- ensuring that the performance of the Board, its Committees and individual Directors are evaluated at least once a year; and
- maintaining contact with major shareholders and ensuring that their views are communicated to the Board.

The other significant commitments of the Chairman are set out in his biography on page 33.

Chief Executive: Paul Taaffe

Key responsibilities:
- development and implementation of the Group's strategy;
- management of the day-to-day operations of the Group;
- recommending to the Board an annual budget;
- identifying and executing new business opportunities and investments;
- managing the Group's risk profile and ensuring appropriate internal controls are in place; and
- ensuring effective communication with shareholders.

Senior Independent Director: Tim Ryan

Key responsibilities:
- providing a sounding board to the Chairman;
- serving as an intermediary for the other Directors when necessary;
- being available to shareholders if they need to convey concerns to the Board; and
- leading a performance evaluation of the Chairman.

Activities of the Board

Six Board meetings were held during the year as well as an additional strategy meeting. If a Director is absent from a meeting, his or her views are sought in advance where possible and then put to the meeting. The table below sets out for each Director both the number of meetings attended and the maximum number of meetings that could have been attended.

Board meetings attended in 2016

Derek Mapp	6/6
Paul Taaffe	6/6
Neil Jones	6/6
Terence M. Graunke*	2/2
Andy Boland	6/6
Tim Ryan	5/6
Nicky Dulieu	5/6
Pat Billingham	6/6

* Denotes that the Director was appointed or retired/resigned during the year and thus was not eligible to attend all meetings

In addition to the Board meetings above there were two ad hoc sub-committee meetings, which approved the 2015 Annual Report and Accounts and the 2016 Interim Report respectively, with delegated authority from the Board. These sub-committees included the Chairman and the Chair of the Audit Committee and the views of the whole Board were taken into consideration. A summary of the Board's activities in the year is set out below:

Responsibilities	Activities
Annual budget	Approved the 2017 Budget
Strategy	• Debated ongoing strategy including presentations from divisional management teams • Review of portfolio and approval of closure or disposal of non-core businesses • Monitored the strategy to reorganise the Grayling division and its implementation by the Executive Directors
Performance and operational matters	• Monitored performance of the individual business divisions • Presentations on performance from divisional management teams
Financial Statements	• Approved the 2015 Annual Report and recommended final dividend • Approved the 2016 Interim Report and recommended interim dividend
Finance and capital	• Reviewed the Group's capital structure • Monitored going concern and long-term viability
People	• Managed CFO transition arrangements • Reviewed and approved changes to the Huntsworth Health senior management team • Reviewed and approved divisional bonus plans

Responsibilities	Activities
Acquisitions and disposals	• Reviewed potential acquisition and transaction opportunities
Governance	• Reviewed reports from Board Committees • Received updates on key governance changes such as Market Abuse Regulation and the Human Trafficking and Modern Slavery Statement • Approved the appointment of PricewaterhouseCoopers LLP as external auditor
Risk and internal control	• Robust assessment of principal risks • Sponsored the launch of a new management Risk Committee • Reviewed reports from Board and Audit Committees on risk management • Reviewed the effectiveness of the Group's risk management and internal control systems • Considered the Group's risk appetite in light of its strategic priorities • Discussed the implications of the UK's vote to leave the European Union
Investor communications	• Discussed analyst and investor feedback on strategic and operational review • Received feedback from Chairman and Executive Directors from meetings with shareholders
Board effectiveness review	• Discussion of results of Board, Committee and Director evaluations

In addition to its normal schedule of meetings, the Board held a strategy day during which it discussed and considered a number of items, including:
- how to maximise shareholder value;
- accelerating growth; and
- targets for Huntsworth Health.

The holding of a separate strategy meeting enabled the Board to focus on developing the Company's strategy.

How the Board operates
Board information
Board papers containing, amongst other things, current and forecast trading results, governance, litigation and risk updates, and treasury and shareholder information, are distributed in advance of the meetings to allow the Directors sufficient time for preparation. Minutes of the meetings are also circulated to all Directors. The Board receives presentations from Executive Directors and from divisional management on specific issues as well as having direct access to senior operational management within the Group as required. Executive Directors are also members of operating company boards and are involved in regular meetings to consider financial, operational and compliance matters arising throughout the year.

Independent advice
All Directors have access to the advice and services of the Company Secretary who, through the Chairman, is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, all Directors have access to independent professional advice, if required, at the Company's expense. The Chairman also holds meetings with the Non-Executive Directors without the Executive Directors being present.

Induction and personal development
The Chairman is responsible for ensuring that induction and training is provided for each Director. Each new Director receives an induction pack and undertakes a bespoke induction programme that provides them with information on the Group, their responsibilities, and obligations. Neil Jones was the only new Director appointed in 2016 and his induction process was undertaken in 2015.

In order to give new Directors insight into the various businesses within the Group, a series of meetings are held with the Board members and senior executives. Meetings are also held with the external auditor and/or other advisers as appropriate.

All Board members receive updates on regulatory and legal changes as well as operational briefings. For example, the Board received a briefing on the changes brought about by the EU Market Abuse Regulation. Training and development needs are kept under review by the Chairman.

Board performance evaluation
During 2016, the Chairman conducted a Board evaluation process, covering the individual members of the Board and its Committees. The evaluation was carried out using structured interviews with each Director. The evaluation results were presented to the Board at its December meeting. Overall, the Board considered that it was functioning well as a unit and that the more recent changes in the Board's composition, including the new Chief Financial Officer, had been managed well. A summary of the key outputs from the Board evaluation can be found in the table below:

Key Area	Action
Risk	The Company to continue to develop its approach to risk management, principally through the Risk Committee and Audit Committee.
Nomination Committee	The Nomination Committee to develop its role in talent management, ethnicity and diversity.
Investor Relations	Board papers to include additional commentary in the area of investor relations. Accordingly, the Board now receives, amongst other matters, additional commentary from the Company's broker.

The Chairman is monitoring progress against all action points identified. The Senior Independent Director also led an evaluation of the Chairman through interviews with relevant Directors.

Even though it is not a requirement for the Company under the UK Corporate Governance Code, for its 2017 performance evaluation, the Board and Nomination Committee agreed that this should be externally facilitated. Hence the Company has engaged a Board evaluation provider and will report the outcomes of this review, together with details of the process in its 2017 Annual Report.

Corporate Governance Report continued

Composition of the Board

The Board aims to have a diversity of skills, experience, length of service, knowledge and gender. The biographies of the Directors are set out on pages 32 to 33. These demonstrate a broad range of experience, expertise, and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group

Independence

The Board considers that, notwithstanding their interests in the shares of the Company as set out in the Report of the Directors on Remuneration, all of the current Non-Executive Directors are independent of the management of the Group and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Terence M. Graunke was a Non-Executive Director of the Company up to 14 May 2016. During this period he also managed and controlled entities on behalf of Lake Capital, a private equity fund, which owned a 7.38% shareholding in the Company. Mr Graunke was appointed to the Board for his wide experience in the marketing services sector to complement the skills of his fellow Directors and not to represent the interests of Lake Capital. The Board had reviewed Mr Graunke's role and determined that he was independent in character and judgement and brought significant value to the business.

Previously, Directors had been subject to re-election every three years. However, the Board believed it appropriate to adopt best practice in this area and proposed changes to the Company's Articles to make all Directors subject to annual re-election. Following the adoption of new Articles of Association at the 2016 AGM, all Directors are subject to reappointment by shareholders at the first Annual General Meeting after their appointment and annually thereafter. All Non-Executive Directors are appointed for an initial period of three years, subject to annual re-election at each AGM.

Conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has put in place a formal system for Directors to declare conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. Furthermore, the Board has in place measures to manage any actual or potential conflict of interest situations that may arise, which operate effectively. In deciding whether to authorise a potential or actual conflict, the non-conflicted Directors are required to act in the way that they consider would be most likely to promote the success of the Company. They may impose limits or conditions when giving authorisation or subsequently, if they think this is appropriate.

The potential conflict of interest arising from Terence M. Graunke's continued position as Executive Chairman of Engine was considered by the Board and the Board agreed to continue to authorise this conflict situation during the period in which he was a Non-Executive Director of the Company prior to his resignation on 14 May 2016.

Risk management and internal control

The Board has ultimate responsibility for establishing, monitoring and maintaining the Group's risk management and internal control systems. These systems are designed to enable the Board to be confident that such risks are mitigated or controlled as far as possible, although no system can eliminate the risks entirely.

The Board has established 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. These measures have been in place throughout the year and up to the date of this Report.

Given the Group's divisional structure, a flexible approach to risk management has been implemented so that each operating business can tailor and adapt its processes to its specific circumstances. The Group's operating divisions have some autonomy with regards to the implementation of risk management and internal control systems which meet their particular business risks and requirements.

A representative from each division is included on the Group's Risk Committee, which reports to the Audit Committee on all risk management matters including the design and effectiveness of these risk management and internal control systems

The Group has sought to implement the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Further details are included in the Audit Committee Report.

Risk Committee

During 2016, management have established a Risk Committee which reports to the Audit Committee on risk management activities undertaken by the Group. The Committee comprises senior management representatives from each division, as well as internal audit, Group management and a member of the Audit Committee. The Committee has a formal schedule of matters delegated to it which includes:

- developing and maintaining risk management policies and procedures as appropriate;
- developing and maintaining the Company's overall risk appetite, tolerance and strategy;
- developing and maintaining a risk register and report to the Audit Committee on the key risks the Company is exposed to;
- assigning responsibilities to manage specific risks, as appropriate and review the Company's capability to identify and manage new risks and assess the steps taken to mitigate them;
- reviewing Group policies to ensure that they are up to date and relevant to risk management objectives;
- reviewing the Company's annual statement on Internal Controls, with specific reference to risk management, prior to endorsement by the Audit Committee, and
- taking appropriate action relating to findings from internal audit work.

During the year, the Committee has debated Group-wide strategic risks, developed a risk appetite proposal for the Board and reviewed the results of management's assessment of principal risks, along with monitoring the control environment.

The key features of the risk management and internal controls system, which the Directors have established with a view to providing effective internal control are:

- ongoing review of strategy by the Board, which aims to identify potential strategic risks facing the Group;
- establishing and monitoring of the formal schedule of matters reserved for decision by the Board;
- establishing a defined list of authority and approval limits;
- monitoring of actual performance against budget and forecasts. A detailed monthly management pack is prepared, which includes consolidated results and summarised results for each individual business and division. The performance of each business is reviewed monthly by the Executive Directors and reported to the Board at each meeting;
- frequent Executive Director meetings with the management team of each division, which cover any emerging operational, financial, strategic or compliance issues and controls;
- at least annually, the Board review the principal risks identified;
- confirmations of key internal controls, including financial controls, are received quarterly from each business. The purpose of these confirmations is to confirm the operation of an appropriate system of internal controls and to highlight any potential new risks facing the business;
- the Executive Directors are responsible for appraising investments; those which are above pre-specified limits are put to the Board for approval;
- the Audit Committee reports to the Board at each Board meeting. Risks and controls are reviewed through the Risk Committee to ensure effective management of appropriate strategic, financial, operational and compliance issues; and
- the Group's internal audit function provides an independent assessment of the systems and controls in place across the Group. Businesses are selected for internal audit on a risk focused basis; the results of internal audits are reported to management and to the Audit Committee.

The Board and Group management continue to review and enhance the Group's risk management framework to ensure that they are actively identifying and managing risks in the most efficient and effective way for the Group.

Company ethics and whistleblowing

The Company is committed to the highest standards of integrity and honesty and expects all employees to maintain the same standards in everything they do at work. The Company recognises that effective and honest communication is essential to maintain our business values and to ensure that any instances of business malpractice are detected and dealt with.

The Company has a number of policies available via an online policy management portal. This includes a Code of Ethics, an Anti-Bribery and Corruption Policy, Guidance on Gifts and Entertainments Policy and a Whistleblowing Policy. In particular, the Whistleblowing Policy has procedures for disclosing malpractice and is intended to act as deterrent to fraud or other corruption or serious malpractice. It is also intended to protect the Group's business and reputation.

During 2016, an external firm continued to provide access to confidential whistleblowing helplines across the Group. The Whistleblowing Policy encourages reporting of any instances of malpractice for investigation and action as required. During the year, no issues of significance were raised.

Investor relations

Relations with shareholders

The Company is committed to ongoing dialogue with all of its shareholders.

The Company holds presentations and conducts meetings with its institutional shareholders and City analysts throughout the year. The Chairman and the Executive Directors, as appropriate, also meet with various institutional shareholders from time to time. The outcomes of the meetings are reported to the Board to ensure that the Board keeps in touch with shareholder views.

In January 2016, the Board consulted with principal shareholders to obtain their views on the proposed:

- Directors' Remuneration Policy, which was subsequently approved at the 2016 AGM;
- two new share plans, also subsequently approved by shareholders at the Company's 2016 AGM;
- approach to remuneration in 2016 for both Executive Directors and senior management; and
- the current dilution position at Huntsworth and the approach to handling it going forward.

In October 2016, as part of the Company's ongoing commitment to keep shareholders informed in relation to our executive remuneration arrangements, the Company also wrote to its principal shareholders to advise them of an amendment to Paul Taaffe's Service Agreement. Refer to page 42 to 43 of the Report of the Directors on Remuneration.

Following an individual shareholder request noted at the Company's 2016 AGM, which started at 9.30am, in respect to having the AGM start time to be later in the day, the Board agreed to move the 2017 AGM start time back to 12 noon on Thursday 25 May.

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

Information on share capital and other matters

The information on share capital required to be included in this Report can be found in the Report of the Directors.

Corporate Governance Report continued

Audit Committee Report

Andy Boland
Chair

Members at the date of this Report:	Attendance at meetings during 2016
Andy Boland (Chair)[1]	**3 of 3**
Nicky Dulieu	**2 of 3**
Tim Ryan	**3 of 3**
Pat Billingham[1]	**3 of 3**

Key responsibilities:

- reviewing and providing a recommendation to the Board for the adoption of the Interim Report and Annual Report and Accounts;
- reviewing significant financial reporting judgements contained within those reports, including challenging assumptions and estimates used in the preparation of the financial statements;
- monitoring the financial reporting process;
- advising the Board whether the Committee believes that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- monitoring and reviewing the effectiveness of the Group's internal controls, including review and approval of the scope of the internal audit programme, reviewing the findings of internal audits completed in the period, and conducting an overall review of the effectiveness of the risk management and internal audit functions; and
- oversight of all aspects of the relationship with the external auditor, including independence, objectivity and effectiveness of the audit process and the provision of additional services by the external auditor.

1 Pat Billingham will replace Andy Boland as the Audit Committee Chair with effect from 22 March 2017.

The Committee's Terms of Reference were reviewed during 2016 and are available on the Company's website at www.huntsworth.com.

Members of the Audit Committee are provided with sufficient resources, and have broad business and financial experience which has been gained in a variety of disciplines, which the Board considers provides recent and relevant experience to enable the Committee to carry out its responsibilities. The Directors' biographies on pages 32 to 33 provide further detail.

Committee meetings

The Audit Committee held 3 meetings during the year.
The Audit Committee provides a forum for reporting by the Group's external auditors. Meetings were also attended, by invitation, by the Interim Finance Director, the Chief Financial Officer, the Group Financial Controller and the Head of Internal Audit. Provision is made for the external auditors and Head of Internal Audit to discuss any concerns they may have with the Committee in the absence of management.

The Committee receives reports from management which provide additional information to facilitate their review.

Activities of the Committee

The activities of the Committee are designed to assist the Board in carrying out its responsibilities in respect of financial reporting, risk management and internal control. In forming its opinions, the Audit Committee takes into account representations made by the Company's subsidiaries in respect of financial statements and internal controls; the results presented by the Company's internal audit function in respect of the operation of the Company's internal controls; the findings of the Company's external auditor; and the work of the Risk Committee.

The Committee considered, discussed and made decisions in relation to a range of matters throughout the course of the year, the most significant of which are highlighted below:

Financial reporting

The Committee reviewed with management and the external auditor:

- whether the 2016 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and
- the appropriateness of adopting the going concern basis of accounting and whether the Group can meet its liabilities as they fall due over a three-year period (the viability assessment); and
- the significant issues and material judgements which were made in preparing the 2016 Interim Report, and the 2016 Annual Report and Accounts.

The primary issues and areas of judgement considered by the Committee in relation to the 2016 Interim Report and 2016 Annual Report and Accounts were:

Goodwill impairment	
The assumptions underlying the calculation of value in use require significant judgement to be exercised, primarily in respect of the achievability of budgets and medium-term forecasts.	The Committee has addressed these issues through review, and raising challenge where appropriate, of reports prepared by management outlining the basis of their assumptions and analysing the impact of a number of different scenarios. Individual business forecasts are reviewed and approved by the Board. Further detail is included in Note 11.
Covenant compliance, going concern and viability	
The Group has to demonstrate that it can continue to meet the covenants of its banking facility for a period of at least 12 months from the date of approval of the financial statements in order for the Board to conclude that the Group is a going concern.	Budgets, forecasts and assumptions underlying the cash flow and covenant compliance model are approved by the Board and different scenarios are prepared by management for the Committee to consider.
The Board also has to make an assessment of the prospects of the Company over a longer period of three years and state whether they consider the Group to be viable over this period.	The Committee reviewed the processes undertaken by management in preparing the viability assessment, including the potential impact of principal risks and mitigating actions. Management and the Board considered a number of scenarios and performed stress testing before concluding they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. Further detail on the viability assessment process can be found on page 29.
Revenue recognition	
Revenue reflects the fair value of the proportion of the work carried out in the year and therefore judgement exists over revenue cut-off at year-end.	Management reports to the Committee on this matter, including details of any significant judgements made.
Highlighted items	
Certain acquisition and transaction related costs, restructuring costs, amortisation charges and the impairment of goodwill have been classified as highlighted items, in line with the Group's accounting policies.	Particular consideration was given to the consistency of classification of highlighted items and whether their presentation can be considered fair, balanced and understandable. The Committee addressed this judgement by reviewing with management the definition of highlighted items as per the Group's accounting policy and the items disclosed to satisfy themselves that they are in accordance with this policy. Refer to detailed disclosure in Note 5.

All of the above were key areas of audit focus and the auditor also provided detailed reports to the Committee on their procedures, findings and conclusions.

Having undertaken the review processes detailed above, the Audit Committee is satisfied with the underlying assumptions and judgements made in respect of these issues and supports the conclusions reached by management.

Risk management and internal control

The Audit Committee monitors controls which are in force and any perceived gaps in the control environment, and also considers and determines relevant action in respect of any control issues raised by the external and internal auditors. The findings of the Audit Committee are communicated to the Board.

The main areas of activity for the Audit Committee during the year were:

- reviewing reports provided by the Risk Committee on risk management activities in the year;
- reviewing the Group's risk documentation and challenging the classification and completeness of the risks identified,
- reviewing the Group's risk register;
- reviewing the controls which are in force to ensure the integrity of the information reported to shareholders;
- monitoring the Group's litigation register;
- assessing the effectiveness of the Group's risk management systems, including fraud and bribery risk and controls; and
- reviewing the Group's IT and cyber security arrangements.

The Committee reviewed and challenged a number of reports prepared by management in conducting these activities.

Internal audit

The Group has an internal audit function that performs reviews as part of a programme approved by the Audit Committee. The Head of Internal Audit has a direct reporting line to the Chairman of the Audit Committee. The Committee considers any issues or risks arising from internal audit reviews and monitors the implementation of actions arising.

Corporate Governance Report continued

The main activities of the Audit Committee during the year were:
- reviewing and approving the scope of internal audit activities for 2016;
- monitoring the effectiveness of internal audit activities, including reviewing the results of all internal audit procedures undertaken during the year; and
- monitoring the status of any deficiencies in the control environment, ensuring active follow up and resolution.

External audit
The remit of the Audit Committee includes:
- advising the Board on the appointment, reappointment and removal of the external auditor and on their remuneration both for audit and non-audit work;
- approving the nature and scope of the external audit with the external auditor;
- discussing the findings of the external audit with the external auditor and assessing the effectiveness of the audit; and
- reviewing the independence and objectivity of the external auditor, including the level of fees paid.

Appointment of auditor
On 6 December 2016, the Board, on the recommendation of the Audit Committee, appointed PwC as auditor of the Company for the 2016 financial year. PwC succeeded Ernst & Young LLP, who had been the Company's auditor for the previous 16 years.

The appointment of PwC followed a competitive tender process for the Company's external audit contract. The Audit Committee oversaw the selection process and ensured that all tendering firms had such access as is necessary to information and individuals for the duration of the tendering process.

Audit effectiveness
One of the key responsibilities of the Audit Committee is to assess the effectiveness of the external audit process. The tender process ensured that PwC familiarised itself with the Group. In order to do so, PwC met key employees and members of management, including a number of individuals from outside of the finance function such as representatives from the Group's key operating divisions. The tender process allowed PwC to consider carefully the scope of its audit and the important risks facing the Group.

During the year, the Committee reviewed the reports they received from both Ernst & Young LLP and PwC in their capacity as the auditor, including the audit plan and the results of the audit work performed. The Committee challenged, where necessary, the risks identified and the results of the work performed, and sought feedback from management on the effectiveness of the audit process.

The Audit Committee has reviewed the cost effectiveness, independence, objectivity and expertise of the external auditors and following this review recommended to the Board that PwC be proposed for reappointment as the external auditors for 2017.

Auditor's independence and objectivity and non-audit services
It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's objectivity and independence.

The Committee continually reviews the nature and extent of non-audit services provided to the Group by the external auditor and receives confirmation from them, at least annually, that in their professional judgement, they are independent with respect to the audit. The Audit Committee oversees the nature and amount of non-audit work undertaken by the external auditor each year to ensure that external auditor independence and objectivity is safeguarded.

The Audit Committee has a policy governing the use of the external auditor for non-audit related services. The policy prohibits the external auditor from engaging in certain services that may give rise to actual or perceived audit independence issues. In addition, the Committee has to approve all services that are to be provided by the external auditor that exceed a prescribed monetary threshold. A copy of the policy is available on the Company's website (www.huntsworth.com).

In 2016, non-audit services were provided by Ernst & Young LLP for review of the Group's interim statement. Since their appointment, PwC have provided covenant compliance services. Details of the non-audit fees paid to the external auditors are set out on page 74. The provision of non-audit services, within the constraints of applicable UK rules, is assessed on a case-by-case basis so that the best-placed advisor is engaged.

Nomination Committee Report

Derek Mapp
Chair

Members at the date of this Report:	Attendance at meetings during 2016
Derek Mapp (Chair)	**1 of 1**
Andy Boland	**1 of 1**
Tim Ryan	**1 of 1**

Key responsibilities:
- identifying and recommending candidates to the Board to be appointed as Directors;
- making recommendations to the Board on the composition of the Board Committees; and
- considering succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Group, and what skills and expertise are therefore needed on the Board in the future.

The Nomination Committee meets as necessary and ensures that for all senior and main Board appointments, including the composition of the Board Committees, due consideration of both external and internal candidates is given prior to making recommendations to the full Board.

Appointments are made on merit alone, with due consideration of the benefits of diversity in its broadest sense, including gender. The Board currently has 28% female representation (two out of seven Directors). The Board understands the benefits of boardroom diversity and its aspiration and expectation is to maintain the current proportion of women on the Board, while maintaining flexibility to ensure that all appointments are made on merit, regardless of gender.

During the year, the Nomination Committee:
- assessed the skill set and composition of the existing Board and its Committees, in light of the Company's strategy, including agreeing the 2017 chairpersons for the Company's Committees;
- monitored the orderly succession of the Audit Committee Chair from Andy Boland to Pat Billingham, this change to be effective from 22 March 2017;
- notwithstanding that the Company is not obliged under the UK Corporate Governance Code to do so, the Nomination Committee discussed and agreed with the Board's proposal that the 2017 evaluation exercise of the Board and its Committees should be facilitated externally;
- the Nomination Committee also discussed its remit and future role, including reviewing its terms of reference

Report of the Directors on Remuneration

Annual Statement

The Remuneration Committee

Nicky Dulieu
Chair

Members at the date of this Report:	Attendance at meetings during 2016
Nicky Dulieu (Chair)	**6 of 6**
Tim Ryan	**5 of 6**
Pat Billingham	**6 of 6**

Key responsibilities:

- setting the Remuneration Policy for Executive Directors and the Company's Chairman;
- determining the total remuneration packages for each Executive Director and the Chairman;
- approving the design of, and determining targets for, performance-related pay schemes;
- selection of remuneration consultants as required; and
- approving the Report of the Directors on Remuneration.

The Committee endeavours to ensure that the Group's remuneration strikes an appropriate balance between the interests of the Company's shareholders and rewarding and motivating the Executive Directors and other senior executives of the Group. The Committee is responsible for the design and development of remuneration policies for the Executive Directors of the Company and certain other senior executives of the Group.

Other Directors attend remuneration committee meetings by invitation only. The Board as a whole reviews the policy and sets the remuneration for Non-Executive Directors.

Dear Shareholder,

On behalf of the Board, I am pleased to present the 2016 Directors' Remuneration Report which sets out our philosophy and details of Directors' remuneration and the activities of the Remuneration Committee for the financial year ended 31 December 2016. This Report is split into two parts:

- This Annual Statement, incorporating a summary of the Remuneration Committee's key activities in 2016, and
- The Annual Remuneration Report, which sets out the payments and awards made to the Directors and details the links between the Company's performance and remuneration for the 2016 financial year.

The 2016 Directors' Remuneration Report is subject to an advisory vote at the 2017 AGM.

Key Activities During the Year

Remuneration Policy

Following a review of the Group's Executive Directors and senior management remuneration arrangements, which included consulting with our key shareholders, shareholders approved a new Remuneration Policy (Policy) at the 2016 AGM. The Remuneration Committee thought it was vital to ensure that the Company's Policy facilitated a structure for paying our Executive Directors and senior management that is simple, ensures alignment with the objectives of the business going forward and is fit for purpose in the competitive business and talent markets in which Huntsworth operates. As part of the review, we were also mindful of the latest developments in market practice and corporate governance standards and sought to reflect these in the structure of future executive and senior management pay.

The Directors' Remuneration Policy, as approved at the 2016 AGM, is available on the Company's website at http://www.huntsworth.com/media/1288/remuneration-policy-2015-huntsworth.pdf. This Policy will remain in place until the 2019 AGM at the latest when a new policy will be submitted to shareholders for approval.

Furthermore, in 2016 shareholders approved a new long-term incentive plan, The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP), which replaced the Company's performance share plan and executive share option scheme which were established in 2006 and which were at the end of their ten-year term. A new deferred share bonus plan, The Huntsworth 2016 Deferred Share Bonus Plan (2016 DSBP), was also introduced, which enables the Remuneration Committee to have discretion to defer a proportion of annual bonus payments, including to Executive Directors, into shares.

We were delighted that shareholders voted 99% in favour of our Policy, and that both the 2016 LTIP and 2016 DSBP share plans were supported by shareholders with over 98% of votes in favour.

Amendment to Paul Taaffe's Service Agreement

In October 2016, as part of our ongoing commitment to keep shareholders informed in relation to our executive remuneration arrangements, we wrote to our key shareholders to advise them of an amendment to Paul Taaffe's Service Agreement. Paul's Service Agreement determined that his annual salary would be £600,000 per annum (the Base Salary) and made no provision for an exchange rate mechanism to convert his Base Salary from GB pounds (GBP£) into US Dollars (USD). As Paul is a resident of the United States of America, the continuing substantial volatility in GBP£ gave rise to a situation that was not envisaged when Paul joined the Company, and resulted in a material change in the value of his Base Salary when converted into USD.

Paul is critical to our business and its turnaround and therefore, our aim was to ensure that Paul's Base Salary arrangements are consistent with the Committee's intention when he joined the Company. The Committee therefore decided, with effect from 1 October 2016, to amend Paul's Service Agreement, to enable his Base Salary of £600,000 to be denominated and paid in USD. The USD exchange rate was determined by using the USD exchange rate prevailing on 19 December 2014 (i.e. the same date that Paul signed his Service Agreement), being USD 1.56 for each GBP£, which results in a USD salary of $936,000 per annum.

All other pay and benefit arrangements for Paul, including any future annual bonus payment or long-term incentive plan (LTIP) awards, will remain unchanged and shall be determined against his Base Salary figure and Paul will continue to not receive any pension from the Company. To the extent that there are any increases to Paul's Base Salary in the future, then the percentage increase determined by the Committee would apply to the £600,000 figure for the purposes of the reference salary for his annual bonus and LTIP awards (e.g. a 2% increase to his Base Salary would mean that his Base Salary for bonus/LTIP purposes would be £612,000). By denominating Paul's salary into USD, the Company has created a natural hedge against the translation of its USD denominated revenues into GBP£. Therefore, in the event that exchange rates significantly increase, Paul's salary, once translated to GBP£, would be lower against reduced translated revenues.

The Remuneration Committee considers that this amendment to the Service Agreement is in the best interests of the Company and its shareholders.

Senior management

The Remuneration Committee has achieved its previously stated aim to increase the number of below-board senior management participants in the 2016 LTIP. This further aligns the senior management of the Group with the interests of shareholders, and aligns the various divisions to the Group's performance. This helps to achieve the appropriate balance between fixed and variable remuneration within senior management and allows equity awards to be used as a mechanism to retain and attract new talent.

Dilution position

The Remuneration Committee is conscious of the Investment Association's guidelines stating that companies should not issue new shares for employee share awards where doing so would result in share issues in a ten-year period which would exceed 10% of the company's share capital in the case of all employee share plans, or 5% of the share capital in the case of discretionary share plans.

As a result of broadening the equity awards to senior management this year, and due to the nature of legacy incentive plans and grants made in previous years under those plans, the Remuneration Committee has continued to monitor the Company's dilution position.

Performance targets for Executive Directors

The Remuneration Committee set the performance targets for Paul Taaffe and Neil Jones in respect of their 2016 awards, including Annual Bonus and LTIP awards and also an award made under The Huntsworth Executive Share Option Scheme 2006 to Neil by way of compensation for the loss of awards from his previous employment.

The 2016 Annual Bonus was based upon achieving PBT and revenue targets of £16.0m and £178.6m respectively. As the Remuneration Committee wanted the 2016 Annual Bonus to be based upon a principle of self-funding, it was decided that any Executive bonus would only be payable to the extent that it did not reduce PBT to below £16.0m. As the Company achieved revenues of £180.1m and a PBT of £16.0m (after taking into account the 2016 Annual Bonus), the 2016 Annual Bonus threshold targets were met. As the Remuneration Committee decided not to allow bonus payments to reduce PBT below £16.0m, the 2016 Annual Bonus payable to the Executive Directors represented 34.9% of their annualised salaries (which equated to 23.3% of the maximum bonus opportunity), versus the 75% of salary payable at target levels.

Further details on the performance targets for the 2016 Annual Bonus and share awards, including on the outcome of the 2016 Annual Bonus, can be found on pages 44 to 45.

The Remuneration Committee has also agreed the 2017 Executive Annual Bonus and LTIP targets for Paul and Neil.

Conclusion

The Remuneration Committee believe that the current Executive Director Remuneration Policy works effectively to motivate and retain our Executive Directors and senior management, whilst supporting the delivery of returns to shareholders.

We welcome the opportunity to engage with shareholders about any aspect of our Remuneration Policy and its implementation. We were very pleased to receive good support for the 2015 Directors' Remuneration Report and our Policy at the AGM in May 2016. Shareholders will have the opportunity to vote on the 2016 Directors' Remuneration Report at our AGM to be held on Thursday 25 May 2017.

Nicky Dulieu
Chair, Remuneration Committee
20 March 2017

Report of the Directors on Remuneration continued
Annual Report on Remuneration

In this section of the report, we provide details of the payments made to the Directors during the 2016 financial year.

Single total figure of remuneration – Executive Directors (audited)
The table below sets out the single total figure of remuneration and breakdown for each Executive Director in relation to the 2016 financial year, together with comparative figures for 2015. Details of Non-Executive Directors' fees are set out on page 46.

	Paul Taaffe		Neil Jones	
£'000	**2016**	2015[1]	**2016[2]**	2015
Salary	**637[7]**	440	**321**	-
Benefits[3, 4]	**20**	12	**9**	–
Short-term incentive (i.e. annual bonus)	**212**	–	**120**	-
Long-term incentives[5]	**-**	–	**-**	–
Pension[6]	**-**	–	**-**	-
Total	**869**	452	**450**	–

1. From 7 April 2015
2. From 1 February 2016
3. Benefits received by Paul Taaffe are private medical insurance, life assurance and UK tax return preparation services.
4. Benefits received by Neil Jones are private medical insurance and life assurance.
5. No incentives payable in this financial year as a result of achievement of performance targets relating to a period covering more than one financial year.
6. Under the terms of their service agreements, neither Executive Director receives a pension benefit or payment in lieu of a pension.
7. With effect from 1 October 2016, Paul Taaffe's salary is USD$936,000, as explained on pages 42 to 43. In the above table, his salary is presented in GBP£, giving a salary figure of £637k during the full year 2016.

Neil Jones is a non-executive director of Taptica International, an AIM-listed ad-tech business, for which he receives an annual fee of £35,000.

The following sections of the report explain how each element of remuneration was calculated

Annual Bonus (audited)
The Annual Bonus targets for 2016 were based upon achieving 2016 financial targets. The targets were based on profit before tax and highlighted items (PBT Performance Target), and a revenue target (Revenue Performance Target).

The amount of Annual Bonus payable was based on actual performance as a percentage of each target, as shown in the table below. In addition, the Remuneration Committee determined that for 2016, the Annual Bonus would only be payable to the extent that it did not reduce post-bonus PBT below the budgeted target of £16.0m. The payment of any Annual Bonus was contingent on the threshold level of PBT being achieved.

% of targets achieved	% of salary payable
<90%	0%
100%	75%
105%	100%
120%	150%

The table below summarises the Annual Bonus outcome against the targets set and the amounts payable in total to the Executive Directors. The Annual Bonus payable amounted to £332,000, of which the Remuneration Committee allocated £212,000 to Paul Taaffe and £120,000 to Neil Jones.

					Total Actual Bonus payable.	
	Weighting	Threshold target	Maximum target	Actual	as a percentage of annualised salary	as a percentage of the maximum opportunity of 150%
PBT Performance Target	2/3	£16.0 million	£19.2 million	£16.0 million	23.3%	15.5%
Revenue Performance Target	1/3	£178.6 million	£214.3 million	£180.1 million	11.6%	7.8%
				Total:	**34.9%**	**23.3%**

The 2016 Annual Bonus is subject to malus and clawback provisions, and is subject to the compulsory deferral of 50% of any bonus payment in excess of 100% of salary (under the terms of the 2016 DSBP). For 2016, no amount was deferred, as the Annual Bonus payable was not in excess of 100% of salary.

LTIP awards (audited)
No LTIP awards vested or were due to vest in 2016

Pension entitlements and cash allowances (audited)
Neither Paul Taaffe nor Neil Jones received an annual pension contribution or allowance.

Long-term incentives awarded in 2016 (audited)
The table below sets out the details of the long-term incentive awards granted in the 2016 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

	Award type	Basis on which award made	Face value of award	Maximum percentage of face value that could vest	Performance period end date
Paul Taaffe	2016 LTIP[1]	2016 awards (100% salary)	£600,000	100%	31 December 2018
Neil Jones	PSP[1]	2016 awards (100% salary)	£350,000	100%	31 December 2018
Neil Jones	ESOS[1] (market priced option)[2]	Replacement awards	£220,000	100%	14 March 2019

1 The incentive schemes are set out in the Remuneration Policy, which can be found on the Company's website at http://www.huntsworth.com/media/1288/remuneration-policy-2015-huntsworth.pdf
2 The exercise price is the market value at the date of grant plus 5%

Performance conditions for 2016 awards (audited)
The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP)

Paul Taaffe was granted awards under the 2016 LTIP, which are subject to meeting the following performance targets over the performance period that commenced on 1 January 2016 and ends on 31 December 2018:

67% based on cumulative EPS as follows:

Less than 10.0 pence	0% vest
Equals 10.0 pence = threshold vesting	25% vests
More than 10.0 pence but less than 10.6 pence	Straight-line vesting between 25% and 100%
Greater than or equal to 10.6 pence	100% vest

33% is subject to the achievement of a TSR Target as follows:

Below median	0% vest
Median = threshold vesting	25% vests
Median to upper quartile	Straight-line vesting between 25% and 100%
Upper quartile	100% vest

The TSR comparator group comprises the FTSE 250 excluding financial services and extraction companies.

The Performance Share Plan (PSP)
Neil Jones was granted awards under the PSP, which are subject to meeting the following targets over the performance period that commenced on 1 January 2016 and ends on 31 December 2018:

67% based on cumulative EPS as follows:

Less than 10.0 pence	0% vest
Equals 10.0 pence = threshold vesting	25% vests
More than 10.0 pence but less than 10.6 pence	Straight-line vesting between 25% and 100%
Greater than or equal to 10.6 pence	100% vest

33% is subject to the achievement of a TSR Target as follows:

Below median	0% vest
Median = threshold vesting	25% vests
Median to upper quartile	Straight-line vesting between 25% and 100%
Upper quartile	100% vest

The TSR comparator group comprises the FTSE 250 excluding financial services and extraction companies.

The Huntsworth Executive Share Option Scheme (ESOS)
As explained in the Company's 2015 Report on Directors' Remuneration, Neil Jones was awarded an option under the Company's ESOS as compensation for the loss of awards from his previous employment. The ESOS is subject to the following conditions:

If adjusted diluted EPS for the year ending 31 December 2018 is greater than 3.0 pence, 100% of the awards will vest. None of the awards will vest if the adjusted diluted EPS target is not met.

Report of the Directors on Remuneration continued

Annual Report on Remuneration

Payments to past Directors (audited)

No payments to past Directors were made during the year.

Single total figure of remuneration – Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director who served during 2016.

£'000	**2016**	2015
Derek Mapp	**150**	150
Terence M. Graunke[1]	**11**	30
Andy Boland	**40**	40
Tim Ryan	**40**	40
Nicky Dulieu	**40**	40
Farah Ramzan Golant CBE[2]	**–**	27
Pat Billingham[3]	**35**	3

1. Terence M. Graunke resigned as a Non-Executive Director on 14 May 2016 and therefore only served for a portion of 2016.
2. Farah Ramzan Golant CBE resigned as a Non-Executive Director on 5 October 2015 and therefore only served for a portion of 2015.
3. Pat Billingham was appointed as a Non-Executive Director on 1 December 2015 and therefore Ms Billingham's remuneration for 2015 reflects only a portion of the year

Statement of Directors' shareholdings (audited)

The number of shares in the Company in which Directors had a beneficial interest and details of relevant long-term incentive interests as at 31 December 2016, or the date of leaving the Board, are set out in the table below.

No awards were exercised by Directors in the 2016 financial year.

There were no changes in the shareholdings of Directors in office as at 31 December 2016 between the year-end and the announcement date.

					Vested awards		Unvested awards	
	Shareholding requirement (% of salary/fees)	Target number of shares to hold	Shareholding guidelines met?	Interests in shares	Market priced awards	Nil cost awards	Total interests in shares	Awards with performance conditions
Executive Director								
Paul Taaffe	100%[3]	1,578,947	In progress	400,000	–	–	400,000	6,376,005[1]
Neil Jones	100%[3]	921,053	In progress	400,000	–	–	400,000	1,350,337[2]

1. Paul Taaffe has 2,000,000 unvested market priced awards (ESOS) and 3,057,324 unvested Performance Share Plan (PSP) awards and 1,318,681 unvested awards under the 2016 LTIP.
2. Neil Jones has 501,853 unvested market priced awards (ESOS) and 848,484 unvested PSP awards.
3. The share price of 38 pence (as at 31 December 2016) has been taken for the purpose of calculating the current shareholding as a percentage of salary/fees. Unvested share awards do not count towards satisfaction of the shareholding guidelines. Vested share awards and shares awarded under the 2016 DSBP count towards the shareholding requirement. Vested but unexercised awards count towards the shareholding requirement based on the intrinsic gain in the award as at 31 December 2016. For vested market-priced awards, the number of shares which count toward the shareholding guideline is calculated as the number of shares that could be purchased based on the intrinsic value of such awards, i.e. the value of shares less the exercise price. Where the exercise price is above the value of the shares, no value is attributed to these awards.

Shareholding policy – Executive Directors

Under the Company's shareholding policy, all Executive Directors are expected to hold shares (including vested share awards where applicable) equivalent in value to a minimum of one times their salary. Executive Directors will be required to retain 50% of after-tax vested share awards until their shareholding requirement is met. The Executive Directors have each acquired 400,000 shares during the year and have therefore made progress towards their shareholding guidelines.

Shareholding policy – Non-Executive Directors
Non-Executive Directors are not subject to a minimum shareholding requirement. However, they are encouraged to hold shares in the Company.

Details of shares held in the Company by Non-Executive Directors are shown in the table below.

	Total interests in shares
Non-Executive Director	
Derek Mapp	500,000
Andy Boland	89,496
Terence M. Graunke[1]	24,234,963
Tim Ryan	–
Nicky Dulieu	–
Pat Billingham	–

1 Interests disclosed as at date of resigning as a Non-Executive Director on 14 May 2016. The holding disclosed in respect of Terence M. Graunke consisted of the ordinary shares that he manages and controls on behalf of Lake Capital Investment Partners LP. The Company was notified on 4 August 2016 that Lake Capital Investment Partners LP had disposed of their entire shareholding in Huntsworth plc on 2 August 2016.

Directors' interests in share awards (audited)
The interests in share awards of the Executive Directors at 31 December 2016 (or at date of leaving office if earlier) are as set out below.

Scheme	At 1 January 2016	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2016**	Share price at date of award (pence)	Exercise price (pence)	Award exercise period
Paul Taaffe								
Performance Share Plan (PSP)[1,2]	3,057,324	–	–	–	**3,057,324**	39.25	nil	n/a
2006 Executive Share Option Scheme (ESOS)[2]	2,000,000	–	–	–	**2,000,000**	40.13	42.14	April 2018–April 2025
The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP)[3]	–	1,318,681	–	–	**1,318,681**	45.5	nil	n/a
Total Paul Taaffe	**5,057,324**	**1,318,681**	–	–	**6,376,005**			

1 Paul Taaffe was granted the award as a Performance Share Unit (i.e. a conditional share award), which will vest, subject to the performance conditions being met, on 10 May 2018, i.e. three years following the date of grant.
2 The performance conditions for the awards made to Paul Taaffe in 2015 under the PSP and ESOS schemes, are described in the Company's 2015 Annual Report and Accounts on page 47.
3 Paul Taaffe was granted the award as a conditional share award, which will vest, subject to the performance conditions being met, on 9 June 2019, i.e. three years following the date of grant.

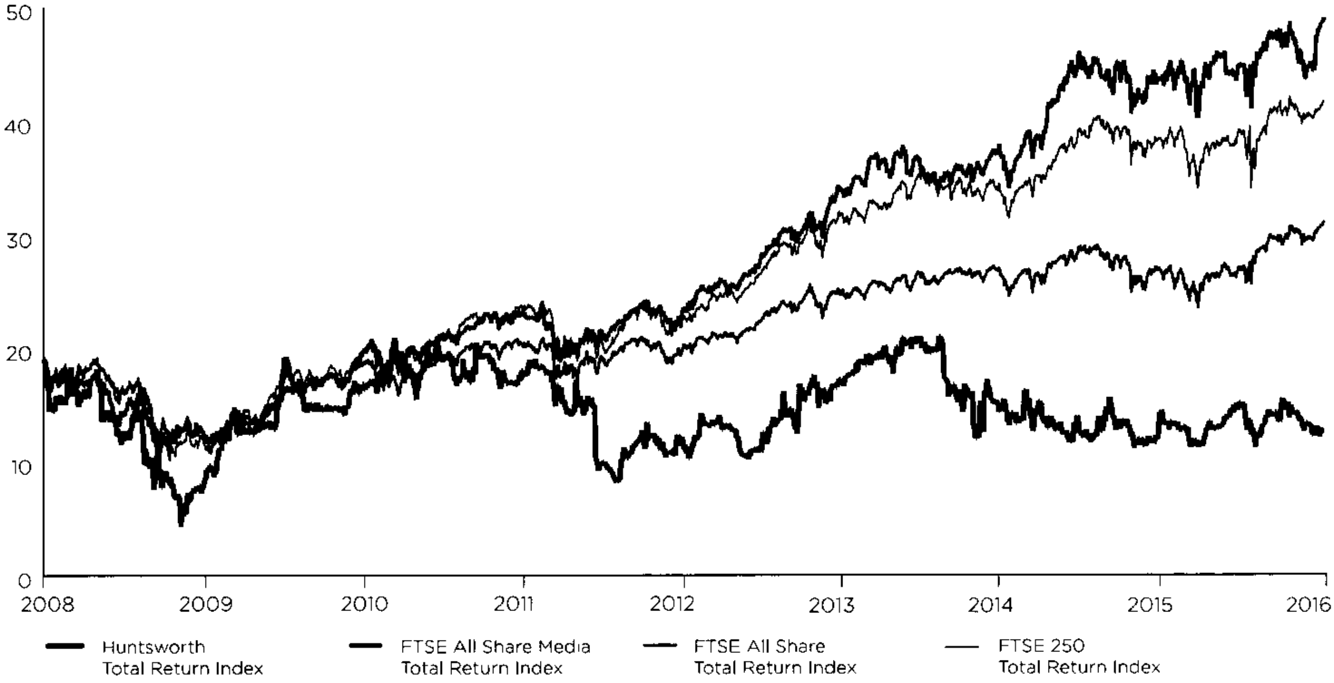
Scheme	At 1 February 2016	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2016**	Share price at date of award (pence)	Exercise price (pence)	Award exercise period
Neil Jones								
Performance Share Plan (PSP)	–	848,484	–	–	**848,484**	41.25	nil	March 2019 – March 2026
2006 Executive Share Option Scheme (ESOS)	–	501,853	–	–	**501,853**	41.75	43.84	March 2019 – March 2026
Total Neil Jones	**–**	**1,350,337**	–	**–**	**1,350,337**			

Performance conditions
Performance conditions for all awards made to Neil Jones are disclosed on page 45.

Performance conditions for the award under the 2016 LTIP made to Paul Taaffe are disclosed on page 45.

Report of the Directors on Remuneration continued
Annual Report on Remuneration

Comparison of overall performance and pay
Total Shareholder Return
The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE All Share Index, the FTSE All Share Media Index and the FTSE 250 also measured on a daily basis by TSR. The FTSE All Share Index, FTSE All Share Media Index and the FTSE 250 were selected as they represent broad equity market indices.



The market price of Huntsworth shares at 31 December 2016 was 38 pence and the range during 2016 was 34 pence to 47 pence.

Total CEO remuneration
The table below sets out the total remuneration delivered to the CEO over the last seven years, valued using the methodology applied to the single total figure of remuneration together with incentive pay-outs (with the vesting level achieved expressed as a percentage of the maximum opportunity).

£'000	2009	2010	2011	2012	2013	2014	2015	**2016**
Total remuneration	673	1,036	729	1,224	1,033	724	645	**869**
Annual bonus payment level achieved								
(% maximum opportunity)	0%	0%	0%	40%	41%	0%	0%	**24%**
LTIP vesting level achieved								
(% maximum opportunity)	0%	100%	100%	58%	0%	N/A	N/A	**N/A**

Percentage change in CEO's remuneration
The following table sets out the percentage change in the salary, taxable benefits and bonus paid to the CEO from 2015 to 2016 compared with the average percentage change for the Group's employees.

£'000	2016	2015	Change %
CEO			
Salary	**637[1]**	600	6%
Benefits	**20**	16	25%
Bonus	**212**	–	100%
Total	**869**	**616**	**41%**
Average Group employee			
Salary	**61**	54	12%
Benefits	**5**	4	23%
Bonus	**3**	3	7%
Total	**69**	**61**	**13%**

1. Paul Taaffe's Base Salary of £600,000 was converted to USD on 1 October 2016 as explained on pages 42 to 43.

Relative importance of the spend on pay
The table below sets out the relative importance of spend on pay in 2016 and 2015 compared with other disbursements from profit.

£'000	2016	2015	Change %
Profit distributed by way of dividend	**5,702**	3,984	43%
Overall spend on pay (including Directors)	**111,535**	103,551	8%

There were no other significant distributions and payments that assist in understanding the relative importance of spend on pay.

Implementation of Remuneration Policy in 2017
Executive Directors
Salary
The annualised salaries for 2017 and 2016 are set out below. No salary increases are proposed for 2017.

Executive Director	2017 USD$000	2016 USD$000	Change
Paul Taaffe	936	936[1]	0%

1 Paul Taaffe's salary is denominated and paid in USD Dollars. His salary shown in the above table of USD$936,000 applies from 1 October 2016 onwards, as explained on pages 42 to 43, and is unchanged for 2017. For all other payment arrangements, including any annual bonus payment or LTIP awards, Paul Taaffe's awards will continue to be determined based on his GBP£ Base Salary figure of £600,000. In the annual single figure table on page 44, his salary is presented in GBP£, giving a salary figure of £637k during the full year 2016.

Executive Director	2017 £000	2016 £000	Change
Neil Jones	350	350	0%

2017 Annual Bonus performance targets
The 2017 annual bonus for Paul Taaffe and Neil Jones will be predominantly based on achieving specific PBT and revenue targets. The bonus opportunity will be in line with 2016 (i.e. a maximum opportunity of 150% of salary for Executive Directors). As referred to on pages 42 to 43, the bonus opportunity for Paul Taaffe will be based on his GBP£ denominated Base Salary, i.e. £600,000.

The Committee is of the opinion that given commercial sensitivity, disclosing precise PBT and revenue targets for the annual bonus in advance would not be in the interests of shareholders or the Company. Actual targets, performance achieved and awards made will be published after the end of the performance period so shareholders can fully assess the basis for any pay-outs.

Both awards will be subject to malus and clawback provisions and will be subject to compulsory deferral of half of any bonus payment in excess of 100% of salary under the 2016 DSBP.

2017 Long-term incentive plan targets
Awards will be made to Paul Taaffe and Neil Jones under the 2016 LTIP and, if applicable, under the 2016 DSBP, in line with award sizes made in 2016 i.e. 100% of salary. For Paul Taaffe, as per the approach for his annual bonus, the award under the 2016 LTIP will be based on his GBP£ denominated Base Salary of £600,000.

All of the awards will vest based on the achievement of specific EPS and TSR targets and will be subject to malus and clawback provisions. Further information on the performance measures and targets attaching to these awards will be disclosed in next year's Annual Report.

Report of the Directors on Remuneration continued
Annual Report on Remuneration

Non-Executive Directors
The Board determined that it was appropriate to adjust the fees payable to Non-Executive Directors with effect from 1 April 2017. Non-Executive Directors are paid a base fee with one additional fee, as applicable, of the highest value for Committee representation.

Fees for Non-Executive Directors are as follows:

	Fees from 1 April 2017 £'000	Fees up to 31 March 2017 £'000
Independent NED base fee	40	30
Audit Committee Chair	5	10
Remuneration Committee Chair	5	10
Nomination Committee Chair	0	5
Committee membership	0	5
Senior Independent Director	0	10

Following a reassessment of duties, the above fee structure is considered to more accurately reflect the current responsibilities and time commitment of Non-Executive Directors. Non-Executive Directors receive a base fee of £40,000. Additional fees are only payable for roles as the Audit and Remuneration Committee Chairs.

Further, in view of the improved position of the Company and the stability of its Board, not least the Executive team, the Chairman has reassessed the amount of time that he is now required to dedicate to the Company over and above what would ordinarily be appropriate. The Chairman, supported by the Chief Executive, proposed a reduction to the Chairman's fee from £150,000 to £130,000 per annum with effect from 1 April 2017, which the Remuneration Committee have recommended to, and which has been approved by the Board.

The following table sets out the expected annual fees payable to the Company's Non-Executive Directors for 2017:

	2017 £'000
Derek Mapp	135
Andy Boland	40
Nicky Dulieu	44
Tim Ryan	40
Pat Billingham	43

The fees above include the adjusted fees payable from 1 April 2017 on a pro-rated basis.

Andy Boland and Pat Billingham's fees for 2017 reflect the change in Audit Committee chair with effect from 22 March 2017, when Ms Billingham will succeed Mr Boland in this role.

Advisers to the Remuneration Committee
During 2016, the Committee engaged the services of Slaughter and May and Deloitte LLP as independent Remuneration Committee advisers.

Slaughter and May were engaged to provide advice on the share schemes. Fees payable to Slaughter and May for these services totalled £6,508.

Deloitte LLP were retained as advisors to the Remuneration Committee and provided advice to the Committee on executive and long-term incentive remuneration. Deloitte LLP also provided certain other tax advisory services to the Group during the year. The nature of these services was not considered to conflict with their role as external adviser to the Committee. Total fees payable to Deloitte in 2016 for Remuneration Committee matters were £57,433 and were based partially on a retainer and partially on a time and materials basis.

Deloitte is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Group's Code of Conduct when providing advice on executive remuneration in the UK.

Shareholder context

At the 2016 AGM, the following votes were cast in respect of the 2015 Directors' Remuneration Report and the new Remuneration Policy:

	Annual report on remuneration	
	Number of Votes	%
For	232,846,387	90.44
Against	24,626,302	9.56
Withheld	6,026	0.0

	Remuneration Policy	
	Number of Votes	%
For	254,893,932	99.0
Against	2,578,757	1.0
Withheld	6,026	0.0

Directors' Report

The Directors' Report for the year ended 31 December 2016 comprises the Corporate Governance Report on pages 34 to 41 together with any sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have been included in the Strategic Report pages 01 to 29. These specifically include:

- an indication of likely future developments in the business of the Company, page 9;
- details of the Group's financial risk management strategy, policies and instruments held are set out in Note 20 to the consolidated financial statements;
- details of the Group's branches are set out in Appendix 2 of the consolidated financial statements;
- details of the Group's going concern assessment; and
- employee matters and carbon emission disclosures are set out in the Responsible Business Report on pages 22 to 25.

Dividends

The Directors recommend a final dividend of 1.25 pence per share for the year ended 31 December 2016. An interim dividend of 0.5 pence per share was paid on 4 November 2016, making a total for ordinary dividends of 1.75 pence per share for the year (2015: 1.75 pence per share). The record date for the final dividend will be 26 May 2017 and it is payable on 6 July 2017. A scrip dividend alternative will be available.

Directors

The following Directors served during the year ended 31 December 2016 and as at the date of this report:

Name	Appointment
Derek Mapp	Chairman and Chairman of the Nomination Committee
Pat Billingham*	Independent Non-Executive Director
Andy Boland*	Independent Non-Executive Director and Chairman of the Audit Committee
Nicky Dulieu	Independent Non-Executive Director and Chair of the Remuneration Committee
Neil Jones	Chief Financial Officer (appointed 1 February 2016)
Terence M. Graunke	Independent Non-Executive Director (resigned 14 May 2016)
Tim Ryan	Senior Independent Director
Paul Taaffe	Chief Executive Officer

* The Company announced on 27 January 2017 that Pat Billingham will succeed Andy Boland as Chair of the Audit Committee, effective from 22 March 2017.

Biographical details of the Directors in office at the date of this report are set out on pages 32 to 33.

The interests of the Directors in office at 31 December 2016 in the shares of the Company and its subsidiary undertakings, together with their remuneration, are set out in the Report of the Directors on Remuneration on pages 42 to 51.

Whilst the Company is not required to comply with the 2014 UK Corporate Governance Code provision that all Directors be subject to annual re-election, the Board nevertheless decided to adopt this provision and this was approved by the Company's shareholders at the 2016 Annual General Meeting (AGM). Hence at each AGM every Director shall retire from office and each Director wishing to serve again shall submit himself or herself for re-election.

Except as disclosed in the Report of the Directors on Remuneration, none of the Directors were materially interested during the period in any contract which was significant in relation to the business of the Company.

Substantial shareholdings

In accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, as at 31 December 2016, the Company had been notified of the following interests in the Company's ordinary share capital:

Holder	% of share capital*	Number of shares	Nature of holding
BlueFocus International Limited	19.443%	63,199,369	Indirect
Aberforth Partners LLP	16.07%	52,797,322	Indirect
J O Hambro Capital Management Limited	6.10%	20,030,402	Direct
The Wellcome Trust Limited as a Trustee of The Wellcome Trust	5.0815%	16,683,109	Direct
Aberdeen Asset Managers Limited	5.0%	16,144,060	Indirect
Michinoko Limited	5.0%	16,500,000	Direct
Miton Group plc	4.74%	15,566,665	Indirect
Matthew Rupert Freud	3.0%	9,750,000	Indirect

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

The above table is based on notifications made to the Company under Chapter 5 of the Disclosure Guidance and Transparency Rules ('DTR 5'). Under DTR 5, fund managers are obliged to notify the Company when their percentage of voting rights in the Company reaches (or falls below) a threshold of 5%, 10% and each 1% increase (or decrease) thereafter. Other shareholders are obliged to notify the Company when their percentage of voting rights in the Company reaches (or falls below) a threshold of 3% and each 1% increase (or decrease) thereafter.

During the period from 31 December 2016 to 20 March 2017 the following notifications were received:

Holder	% of share capital*	Number of shares	Nature of holding
Matthew Rupert Freud	Below 3%	9,750,000	Indirect

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

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries.

Shares

As at 31 December 2016, the Company's issued share capital comprised 330,310,609 ordinary shares of 1p each, of which 1,686,681 ordinary shares were held in treasury; and 212,012,343 deferred shares of 49p each.

Changes in the Company's share capital during the year are given in Note 22 to the consolidated financial statements. Details of the Company's employee share schemes are set out in the Remuneration Report.

Purchase of own shares
At the Annual General Meeting in 2016 the Directors were granted the authority to purchase up to 10% of the Company's ordinary shares (either for cancellation or for placing into treasury) to support the Group's capital management policies. Further details of the Group's capital management policies are included in Note 20 to the consolidated financial statements. The authority granted amounted to 32,831,206 ordinary shares. The Company may either retain shares purchased under this authority as treasury shares with a possible view to reissue such shares at a future date, or cancel them. This authority expires on the earlier of 25 August 2017 or the conclusion of the 2017 AGM on 25 May 2017. No ordinary shares were purchased during the year or up to the date of this report.

During the year ended 31 December 2016, no shares were transferred out of treasury to satisfy obligations under employee share plans. The total number of shares held in treasury as at 31 December 2016 and at the date of this report was 1,686,681 ordinary shares.

Employment policies
The Group operates internationally and therefore has developed employment policies that meet local conditions and requirements. Further details of these policies including policies in relation to diversity and applications for employment made by disabled persons and provisions for disabled employees and employee involvement can be found in the Responsible Business Report on pages 22 to 25.

Political donations
The Companies Act 2006 (the Companies Act) and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) require disclosure of any political donation made to or political expenditure incurred in relation to any political party or other political organisation or any independent election candidate if such donation(s) or expenditure incurred in a year exceeds £2,000. Political parties, political organisations, political donation and political expenditure are all defined in the Companies Act.

As part of their normal work on behalf of clients and as part of their own marketing, certain companies in the Group need to attend or sponsor events which are organised by political parties or other political organisations, for which a charge is made. These companies also from time to time invite clients and prospective clients to attend events that fall within the meaning of the Companies Act's provisions. The Companies Act defines 'donations' and 'expenditure' very broadly such that this sort of activity falls within its ambit. It similarly defines 'political organisation' widely such that it includes, for example, bodies concerned with policy review and law reform, with representation of the business community or with the representation of their communities or special interest groups, which the companies may wish to support.

During the year, Group companies made the following payments that might be deemed to fall within the definition of 'political donation' or 'political expenditure' in the Companies Act: political expenditure amounting to £6,835 was paid attending conferences and to cover function expenses. This was made up of £5,592 paid to the Conservative Party and £1,243 to the Labour Party.

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

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

As part of the subscription agreement the Company entered into with BlueFocus and BlueFocus's subsidiary BlueFocus International Limited (BlueFocus International) (the Subscription Agreement), BlueFocus International has the right to participate in any proposed issue of Company shares for cash consideration such that the level of shareholding BlueFocus International obtained at completion of the Subscription Agreement will not be diluted by the proposed issue.

The right of BlueFocus International to subscribe for additional shares representing up to 5% of the Company's fully diluted share capital (as at completion of the Subscription Agreement) where the Company decides to issue shares for non-cash consideration (other than in relation to any employee share scheme), expired on 7 October 2016.

Additionally, under the terms of the Subscription Agreement, BlueFocus International is granted the right to nominate one Non-Executive Director to be appointed or reappointed to the Board of the Company. BlueFocus International's right to appoint or reappoint a Director to the Board lapses if it ceases to hold at least 47,250,000 ordinary shares in the capital of the Company.

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

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

Directors' Report continued

No member shall be entitled in respect of any share held by him to attend or vote (either personally or by proxy) at any general meeting or class meeting of the Company or upon a poll or to exercise any other right conferred by membership in relation to general meetings or polls unless all calls or other sums presently payable by him in respect of that share have been paid. In addition, no member shall be entitled to vote if he has been served with a restriction notice (as defined in the Articles) after the failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act. The Company is not aware of any agreements between shareholders that may result in restrictions on the exercise of voting rights.

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

Variation of rights
Subject to the Companies Act, all or any of the rights attached to any existing class of shares may from time to time be varied either with the consent in writing of the holders of not less than 75% in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

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

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

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

Other restrictions on the transfer of shares in the Company may from time to time be imposed:
(i) by applicable laws and regulations (for example, insider trading laws and market requirements relating to closed periods);
(ii) pursuant to the Company's Share Dealing Code whereby employees require the approval of the Company to deal in the Company's securities; and
(iii) in relation to shares issued pursuant to acquisitions made by the Company.

As at 31 December 2016 there were no shares of the Company subject to lock-in restrictions. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Rights and obligations attaching to the deferred shares
The holders of deferred shares are not entitled to receive dividends when declared nor the Company's report and accounts. The holders of deferred shares have no right as such to receive notice of or to attend or vote at any general meeting of the Company unless a resolution to wind up the Company or to vary or abrogate the rights attaching to the deferred shares is proposed. The deferred shares are also subject to the following terms:
(a) the deferred shares may not be transferred without the prior written consent of the Directors of the Company;
(b) holders of deferred shares are not entitled to receive any share certificate in respect of their holdings,
(c) any cancellation of the deferred shares for no consideration by way of reduction of capital shall not involve a variation or abrogation of the rights attaching thereto;
(d) the Company has irrevocable authority at any time to appoint any person to execute on behalf of the holders of the deferred shares a transfer thereof and/or an agreement to transfer the same, in either case, to Numis Securities Limited or such other person as the Company may determine and to execute any other documents which such person may consider necessary or desirable to effect such transfer, in each case without obtaining the sanction of the holder(s) and without any payment being made in respect of such acquisition; and
(e) the entitlement of a holder of a deferred share on a return of assets on a winding up of the Company is limited to the repayment of the amount paid up or credited as paid up on such share up to a maximum of 49 pence per share and shall be paid only after the holders of any and all ordinary shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those ordinary shares held by them at that time plus the payment in cash or specie of £10,000,000 for every 1p paid up or credited as paid up on those ordinary shares.

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

Significant direct or indirect holdings of securities and special rights
Directors' interests in the share capital of the Company are shown in the table on pages 46 to 47. Major interests in the share capital of the Company (i.e 3% or more) of which the Company has been notified are shown in the table on page 52. There are no securities which carry special rights with regard to the control of the Company.

Employee share trust
The Huntsworth Employee Benefit Trust ('EBT') holds less than 1.0% of the issued share capital of the Company on trust for the benefit of employees of the Huntsworth Group and their dependants. The voting rights in relation to these shares are exercised by the Trustees. The Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants. The EBT waived its rights to both the 2015 final dividend and the 2016 interim dividend.

Appointment and replacement of Directors
Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate directors) shall be not less than two nor more than 12 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. Any Director appointed by the Board shall retire at the next Annual General Meeting of the Company and shall then be eligible for election.

Following the Company's 2016 AGM on 26 May, where new Articles of Association were adopted, at every subsequent AGM all Directors shall retire from office and may offer themselves for re-appointment by the members

The Company may by special resolution remove any Director before the expiration of his term of office.

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

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

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

Repurchase of shares
Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The Company has the power to buy back up to 32,831,206 ordinary shares. This authority expires on the earlier of 25 August 2017 or the conclusion of the 2017 AGM on 25 May 2017. The minimum price which must be paid for such shares is 1 pence and the maximum price payable is the higher of (i) 5% above the average of the middle market quotations for ordinary shares (as derived from the London Stock Exchange Daily List) for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out.

Significant agreements
The following significant agreement contains provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:
- Under the £65 million credit facility agreement dated 23 May 2014 between, amongst others, the Company, Lloyds Bank plc (as facility agent) and the banks named therein as lenders and the £5 million committed overdraft facility dated 23 May 2014 between, amongst others, the Company and Lloyds Bank plc, upon a change of control, the agent may, if the lenders so require, cancel the facilities by giving not less than 30 business days' notice and declare all outstanding amounts under the facilities, together with accrued interest, immediately due and payable.

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

Auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the 2017 Annual General Meeting on 25 May, together with a resolution to authorise the Directors to determine the auditor's remuneration.

Directors' statement as to disclosure of information to auditors
The Directors who were members of the Board at the time of approving the Report of the Directors are listed on pages 32 to 33. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:
- so far as each Director is aware, there is no information relevant to the preparation of the Company's auditor's report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting
The Annual General Meeting will be held at 12 noon on Thursday 25 May 2017 at the offices of Citigate Dewe Rogerson Limited, 3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY. The notice convening the AGM, together with the details of the business to be considered and explanatory notes for each resolution, is contained in a separate circular sent to shareholders, and it is also available to be viewed on the Company's website.

Directors' Report continued

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group and Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 32 to 33, confirm that, to the best of their knowledge:
- the Parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

This Directors' Report has been approved by the Board and signed on its behalf by Martin Morrow, Company Secretary.

Martin Morrow
Company Secretary
20 March 2017

Independent Auditor's Report

To the members of Huntsworth plc

Report on the Group financial statements

Our opinion

In our opinion, Huntsworth plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated Balance Sheet as at 31 December 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and Expense for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law

Our audit approach

Overview

- Overall Group materiality: £0.8 million which represents 5% of profit before tax and highlighted items.

- We carried out procedures on parts of the business which accounted for 81% of Group revenues and 69% of Group profit before tax and highlighted items.
- Audits of the complete financial information were performed on the Company ('plc'), Red Consultancy in the UK and the Huntsworth Health businesses, Evoke and Apothecom in the US, which accounted for 44% of revenue.
- Audit procedures were performed over revenue in twelve further components, which accounted for 37% of revenue.

- Impairment of goodwill - particularly for the Grayling cash-generating unit ('CGU').
- Risk of fraud in revenue recognition in relation to cut-off- with a particular focus on stage of completion of project-based revenues.
- Measurement and presentation of highlighted items.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Independent Auditor's Report continued
To the members of Huntsworth plc

Area of focus	How our audit addressed the area of focus
Impairment of goodwill – particularly for the Grayling CGU Refer to page 39 (Audit Committee Report), page 72 (Significant Accounting Policies) and page 79 (notes). The Group carried £153.5 million of goodwill at 31 December 2016 (2015: £172.7 million). The carrying values of goodwill are contingent on future cash flows of the underlying CGUs and there is a risk that if these cash flows do not meet the Directors' expectations, the assets will be impaired. Determining if an impairment charge is required involves significant judgements about the future results and cash flows of the business, including forecast growth in future revenues and operating profit margins, as well as determining an appropriate discount rate and long-term growth rate The Directors aggregate CGUs into segments which represent the level at which the cash flows of the businesses (and goodwill) are monitored and therefore this is the level at which the Directors perform their impairment assessment The Directors used a value in use model to compute the present value of forecast future cash flows for each segment which was then compared to the carrying value of the net assets of each segment (including goodwill and intangible assets) to determine if there was an impairment. Market conditions remain challenging and performance has varied compared to the Directors' expectations, particularly in the Grayling business, where revenue performance was 26% below budget. The Directors' impairment assessment showed a £30.5 million impairment of goodwill in the Grayling CGU which has been recognised in the financial statements. All other segments showed headroom above the carrying value of the net assets including goodwill when subject to the Directors' sensitivity analysis. We therefore focused on the Grayling CGU and the judgements applied to the revised forecasts to ensure that they appropriately factored in historical variances and market conditions. We also focused on the amount of the impairment charge recognised and checked that appropriate sensitivity disclosures were provided in the financial statements to explain any additional impairment amounts which would arise from reasonably possible changes to the model's key assumptions	Focusing on the Grayling CGU, we evaluated and sensitised the Directors' future cash flow forecasts and evaluated the process by which they were drawn up, and tested the underlying value in use calculations. We challenged: • the key assumptions for short and long-term growth rates in the forecasts by comparing them to historical results, as well as economic and industry forecasts and comparable companies; and • the discount rate used in the calculations by assessing the cost of capital for the Company and comparable organisations In addition, we verified the Directors' allocation of £3.3 million of goodwill to Grayling Whiteboard, which is held for sale at the year-end and allocated in line with fair value less costs to sell. We considered the Directors' potential bias through performance of our own sensitivity analysis on key assumptions, to understand the impact of reasonable changes in the key assumptions on the available headroom. This included sensitising the discount rate applied to the future cash flows, and the short and longer-term growth rates and profit margins. In performing these sensitivities we considered the historical budgeting accuracy and how the assumptions compared to the actual values achieved in prior years and post year-end. With regard to the above procedures, including the reflection of historical levels of variance from budget into the future forecasts, we determined that the inputs to the value in use model were appropriate. This provided sufficient evidence for the completeness of the impairment charge in the Grayling CGU. For the remaining CGUs where the Directors determined that no impairment was required and that no additional sensitivity disclosures were necessary, we found that these judgements were supported by reasonable assumptions that would require significant downside changes before any additional material impairment was necessary.

Area of focus	How our audit addressed the area of focus
Risk of fraud in revenue recognition in relation to cut-off - with a particular focus on stage of completion of project-based revenues Refer to page 39 (Audit Committee Report) and note 2 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates. Our specific audit focus was on the risk that revenue may be recorded in the incorrect period in respect of stage of completion of project-based revenues, in light of the incentive schemes for management in those businesses designed to reward performance. Assessment of the stage of completion can also be judgemental in nature, and increases the risk around the timing of revenue recognition.	We evaluated the revenue recognition policy of the Group and on a sample basis we determined that the related revenue had been recognised in conformity with the Group's policy and applicable IFRSs For a sample of transactions close to the year-end, we examined supporting documentation, such as underlying contracts, approved purchase orders and statements of work, to determine that these sales had taken place and the amount recognised in the year was appropriate. Where amounts recorded were based on the percentage of the projects' completion, we further verified that the income was correctly calculated through agreement to timesheet records and corroborated amounts recorded through discussion with the responsible project managers. There were no material issues identified by our testing of revenue recognition in the period
Measurement and presentation of highlighted items Refer to page 39 (Audit Committee Report), page 72 (Significant Accounting Policies) and page 75 (notes). The Group presents profit before taxation adjusted for highlighted items to enable users of the financial statements to gain a better understanding of the underlying results. The classification of items as highlighted is an area of judgement, and we therefore focused on whether each item was properly classified as a highlighted item. This included assessing the completeness of items classified as exceptional, in that it includes items that both increase and decrease the adjusted profit measure. Current year highlighted charges relate mainly to the £30.5 million impairment charge against goodwill, £1.6 million restructuring costs as a result of the restructure of Grayling and a £0.7 million residual earn out related credit in respect of the 2014 acquisition of Audacity.	We considered the appropriateness of the adjustments made to statutory loss before taxation to derive profit before tax and highlighted items. We understood the rationale for classifying items as highlighted and considered whether this is reasonable and consistent, in that it includes items that both increase and decrease the adjusted profit measure, and are in accordance with the Group's accounting policy. Our work in relation to each type of highlighted item is summarised below. • Goodwill impairment charge - refer to our work described in the section above 'Impairment of goodwill'. With regard to the quantum of this charge and the expectation that it is not a recurring item each year, we agreed it is appropriate to separate this item as highlighted. • Restructuring costs - these include severance payments and an onerous lease as a result of the Group's restructuring of the Grayling division. We tested the accuracy and completeness of the costs incurred, including checking the payments made to employees. We ascertained that these positions were removed from the Group's structure permanently by confirming that these costs did not just relate to replacing specific individuals. • Residual earn-out credit - the costs of acquisition related earn-out provisions, including any subsequent adjustments to these estimates, have been treated as highlighted items historically. This year's credit relates to finalisation of the Audacity earn-out at a lower than provisionally expected amount. We concluded that classifying this item as highlighted is appropriate and consistent with prior years' treatments of such items We also tested the reconciliation of adjusted profit to statutory loss in note 5, and agreed material adjustments to underlying accounting records and our audit work performed over other balances. We determined that the rationale for including or excluding items from adjusted profit has been consistently applied across gains and losses, and provides a balanced view of the performance of the Group. We reviewed the disclosures explaining the rationale for providing alternative profit measures in the accounting policy note as well as the clarity of reconciliations of these measures to their statutory equivalent.

Independent Auditor's Report continued
To the members of Huntsworth plc

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Taken together, our audit procedures accounted for 81% of Group revenues and 69% of Group profit before tax adjusted for highlighted items.

The Group consists of the Company ('plc') and four divisions: Huntsworth Health; Red Consultancy; Citigate Dewe Rogerson; and Grayling.

The Group's accounting process is structured around a local finance function for each division who maintain their own accounting records and controls and report to the plc finance team in the UK through submission of management reporting packs. The plc finance team consolidates the reporting packs of Huntsworth Health, Red Consultancy, Citigate Dewe Rogerson, Grayling and the central functions.

In our view, due to their significance and/or risk characteristics, as defined in our areas of focus, Red Consultancy in the UK and Evoke and Apothecom within the Huntsworth Health division in the US, required an audit of their complete financial information. These procedures accounted for 44% of the Group's revenues.

Specific risk-based audit procedures were performed over revenue in the Grayling Europe, UK and United Arab Emirates businesses, two Citigate Dewe Rogerson businesses and seven further Huntsworth Health businesses based on the audit risks we had identified in these areas. These procedures accounted for 37% of the Group's revenues.

The Group consolidation, financial statement disclosures and a number of complex items were audited at the Group's head office. These included goodwill, highlighted items, tax and share-based payments.

Taken together, these procedures gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£0.8 million
How we determined it	5% of profit before tax and highlighted items as defined in note 2 to the financial statements.
Rationale for benchmark applied	Based on our professional judgement, we determined materiality by applying a benchmark of 5% of profit before tax and highlighted items. We believe that profit before tax and highlighted items is the most appropriate measure as it eliminates any disproportionate effect of one-off charges and provides a consistent year-on-year basis for our work.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £30,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the Directors' statement, set out on page 56, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 56, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 1, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
• the Directors' confirmation on page 56 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the Disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 56 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditor's Report continued
To the members of Huntsworth plc

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matters
We have reported separately on the Parent Company financial statements of Huntsworth plc for the year ended 31 December 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

David Snell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 March 2017

Consolidated Income Statement
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Turnover		**216,145**	208,802
Revenue	3	**180,137**	168,398
Operating expenses	4	**(194,723)**	(206,216)
Share of profit from associate	13	**57**	-
Operating loss	3	**(14,529)**	(37,818)
Finance income	6	**9**	7
Finance costs	6	**(1,982)**	(2,008)
Loss before tax	3	**(16,502)**	(39,819)
Comprising:			
Profit before tax and highlighted items	5	**16,005**	13,252
Highlighted items	5	**(32,507)**	(53,071)
	3	**(16,502)**	(39,819)
Taxation (expense)/credit	8	**(1,759)**	380
Loss for the year attributable to Parent Company's equity shareholders		**(18,261)**	(39,439)

	Note	2016	2015
Loss per share			
Basic - pence	10	**(5.6)**	(12.3)
Diluted - pence	10	**(5.6)**	(12.3)

Consolidated Statement of Comprehensive Income and Expense
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Loss for the year		**(18,261)**	(39,439)
Other comprehensive income and expense			
Items that may be reclassified subsequently to the income statement			
Amounts recognised in the income statement on interest rate swaps		**231**	157
Movement in valuation of interest rate swaps		**(664)**	(186)
Tax credit on interest rate swaps	8	**82**	6
Currency translation differences		**20,095**	3,655
Tax expense on currency translation differences	8	**-**	(78)
Total items that may be reclassified subsequently to profit or loss		**19,744**	3,554
Other comprehensive income and expense for the year		**19,744**	3,554
Total comprehensive income and expense for the year attributable to Parent Company's equity shareholders		**1,483**	(35,885)

Consolidated Balance Sheet
as at 31 December 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Intangible assets	11	**159,797**	178,737
Property, plant and equipment	12	**11,832**	8,083
Investment in associate	13	**182**	-
Other receivables		**188**	199
Deferred tax assets	19	**926**	1,466
		172,925	188,485
Current assets			
Work in progress		**5,396**	3,537
Trade and other receivables	15	**56,087**	44,363
Current tax receivable		**1,504**	518
Cash and short-term deposits	21	**14,978**	8,918
Assets of disposal group classified as held for sale	14	**3,319**	-
		81,284	57,336
Current liabilities			
Obligations under finance leases	17, 21	**(2)**	(4)
Bank overdraft	21	**(495)**	-
Trade and other payables	16	**(47,920)**	(44,226)
Current tax payable		**(756)**	(853)
Derivative financial liabilities		**(154)**	-
Provisions	18	**(1,979)**	(2,164)
		(51,306)	(47,247)
Non-current liabilities			
Bank loans and overdrafts	21	**(45,412)**	(39,172)
Obligations under finance leases	17, 21	**(4)**	(21)
Trade and other payables	16	**(2,892)**	(1,320)
Derivative financial liabilities	20	**(525)**	(92)
Deferred tax liabilities	19	**(202)**	(202)
Provisions	18	**(1,553)**	(2,465)
		(50,588)	(43,272)
Net assets		**152,315**	155,302
Equity			
Called up share capital	22	**107,188**	107,170
Share premium account	24	**62,926**	62,811
Merger reserve	24	**29,468**	30,369
Foreign currency translation reserve	24	**44,004**	23,909
Hedging reserve	24	**(525)**	(92)
Treasury shares	24	**(1,166)**	(1,166)
Investment in own shares held in Employee Benefit Trusts	24	**(1,764)**	(4,095)
Retained earnings		**(87,816)**	(63,604)
Equity attributable to equity holders of the parent		**152,315**	155,302

The financial statements were approved by the Directors on 20 March 2017 and signed on their behalf by:

Neil Jones
Director

Consolidated Cash Flow Statement
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Cash inflow from operating activities			
Cash inflow from operations	26(a)	**12,640**	15,154
Interest paid		**(1,629)**	(1,765)
Interest received		**6**	7
Cash flows from hedging activities		**-**	17
Net tax paid		**(2,107)**	(1,307)
Net cash inflow from operating activities		**8,910**	12,106
Cash outflow from investing activities			
Proceeds from sale of businesses, net of cash disposed		**462**	-
Deferred consideration payments		**-**	(662)
Acquisition of intangible assets		**(488)**	-
Cost of internally developed intangible assets		**(933)**	(612)
Purchases of property, plant and equipment		**(5,053)**	(2,051)
Proceeds from sale of property, plant and equipment		**27**	104
Net cash outflow from investing activities		**(5,985)**	(3,221)
Cash inflow/(outflow) from financing activities			
Proceeds from sale of own shares to settle share options		**251**	227
Repayment of finance lease liabilities		**(24)**	(7)
Net drawdown/(repayment) of borrowings		**5,975**	(5,420)
Dividends paid to equity holders of the parent		**(5,562)**	(3,827)
Net cash inflow/(outflow) from financing activities		**640**	(9,027)
Increase/(decrease) in cash and cash equivalents		**3,565**	(142)
Movements in cash and cash equivalents			
Increase/(decrease) in cash and cash equivalents		**3,565**	(142)
Effects of exchange rate fluctuations on cash held		**2,000**	234
Cash and cash equivalents at 1 January		**8,918**	8,826
Cash and cash equivalents at 31 December	26(c)	**14,483**	8,918

Consolidated Statement of Changes in Equity
for the year ended 31 December 2016

	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 £000
At 1 January 2015	107,157	62,635	43,422	20,254	(63)	(1,568)	(4,775)	(33,188)	193,874
Loss for the year	-	-	-	-	-	-	-	(39,439)	(39,439)
Other comprehensive income/ (expense)	-	-	-	3,655	(29)	-	-	(72)	3,554
Settlement of deferred consideration	8	-	338	-	-	-	-	-	346
Settlement of share options	1	41	-	-	-	402	680	(897)	227
Share issue costs	-	(18)	-	-	-	-	-	-	(18)
Charge for share-based payments	-	-	-	-	-	-	-	392	392
Credit for unclaimed dividends	-	-	-	-	-	-	-	230	230
Tax on share-based payments	-	-	-	-	-	-	-	(37)	(37)
Scrip dividends	4	153	-	-	-	-	-	-	157
Equity dividends	-	-	-	-	-	-	-	(3,984)	(3,984)
Transfer	-	-	(13,391)	-	-	-	-	13,391	-
At 31 December 2015	107,170	62,811	30,369	23,909	(92)	(1,166)	(4,095)	(63,604)	155,302
Loss for the year	-	-	-	-	-	-	-	(18,261)	(18,261)
Other comprehensive income/ (expense)	-	-	-	20,095	(433)	-	-	82	19,744
Settlement of deferred consideration	15	-	593	-	-	-	-	-	608
Settlement of share options	-	-	-	-	-	-	2,331	(2,080)	251
Share issue costs	-	(21)	-	-	-	-	-	-	(21)
Charge for share-based payments	-	-	-	-	-	-	-	234	234
Credit for unclaimed dividends	-	-	-	-	-	-	-	11	11
Tax on share-based payments	-	-	-	-	-	-	-	10	10
Scrip dividends	3	136	-	-	-	-	-	-	139
Equity dividends	-	-	-	-	-	-	-	(5,702)	(5,702)
Transfer	-	-	(1,494)	-	-	-	-	1,494	-
At 31 December 2016	**107,188**	**62,926**	**29,468**	**44,004**	**(525)**	**(1,166)**	**(1,764)**	**(87,816)**	**152,315**

Notes to the Consolidated Financial Statements
for the year ended 31 December 2016

1. Basis of preparation
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 2006. On 20 March 2017 the consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Directors. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds ('£000') except where otherwise indicated.

2. Significant accounting policies
The financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. The Group uses valuation techniques which maximise the use of observable inputs and minimise the use of unobservable inputs. All assets or liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as set out within IFRS 13.

The Group's significant accounting policies are listed below. These policies have been consistently applied to all the years presented unless otherwise stated.

Changes in accounting policies
The following new standards, amendments to standards and interpretations were mandatory for the first time for the financial year beginning 1 January 2016, but had no significant impact on the Group:
- IAS 19 (amendment) - Employee Benefits
- Annual Improvements (2012-2014 Cycle);
- IFRS 11 (amendment) - Accounting for Acquisition of Interests in Joint Operations;
- IAS 16 and IAS 38 (amendment) - Clarification of Acceptable Methods of Depreciation and Amortisation;
- IAS 16 and IAS 41 (amendment) - Bearer Plants;
- IAS 27 (amendment) - Equity Method in Separate Financial Statements;
- IAS 1 (amendment) - Disclosure Initiative; and
- IFRS 10, IFRS 12, IAS 28 (amendment) Investment entities: applying the consolidation exception

New Standards and amendments not applied
Standards, interpretations and amendments to existing standards that have been published as mandatory for later accounting periods but are not yet effective and have not been adopted early by the Group are as follows:
- IAS 7 (amendment) - Statement of cash flows (effective for accounting periods beginning on or after 1 January 2017);
- IAS 12 (amendment) - Income taxes (effective for accounting periods beginning on or after 1 January 2017);
- IFRS 2 (amendment) - Share-based payments (effective for accounting periods beginning on or after 1 January 2018);
- IFRS 9 - Financial Instruments (effective for accounting periods beginning on or after 1 January 2018);
- IFRS 10, IAS 28 (amendment) - Sale or Contribution of Assets (effective date postponed);
- IFRS 15 - Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018);
- IFRS 16 - Leases (effective for accounting periods beginning on or after 1 January 2019);
- IFRS 4 (amendment) - Insurance contracts (effective for accounting periods beginning on or after 1 January 2018);
- IAS 40 (amendment) - Investment property (effective for accounting periods beginning on or after 1 January 2018);
- Annual improvements (2014-2016 Cycle) (effective for accounting periods beginning on or after 1 January 2018); and
- IFRIC 22 - Foreign currency transactions and advance consideration (effective for accounting periods beginning on or after 1 January 2018).

With the exception of IFRS 15 and IFRS 16, the Directors do not expect that the adoption of the Standards and amendments listed above will have a material impact on the financial statements of the Group in future periods.

The impact that IFRS 15 will have on the financial statements is yet to be quantified. The Group has different contractual arrangements with each of its clients which will require detailed review in order to assess the changes the Group will need to make to its revenue recognition policies once the standard is implemented.

The impact that IFRS 16 will have on the financial statements is also as yet unquantified. As a result of the Group's diverse geographic portfolio of businesses, the Group has a significant number of leases which will need to be assessed individually against the requirements of the standard.

Basis of consolidation
Huntsworth plc ('the Company') is a company incorporated and domiciled in the United Kingdom. These financial statements consolidate the financial statements of Huntsworth plc and all entities controlled by the Company (its subsidiaries). Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

2. Significant accounting policies continued

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date the Company ceases to control the subsidiary. Non-controlling interests are identified separately from the Group's equity. Profit and loss and each component of other comprehensive income are attributed to the owners of the Company and to any non-controlling interests.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair value of the assets given, liabilities assumed or equity instruments issued by the Group. Any acquisition-related transaction costs are recognised in the income statement within highlighted items as they are incurred. On acquisition of a business, all of the assets and liabilities of that business that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Where the consideration for the acquisition includes a deferred contingent consideration arrangement, this is measured at fair value at the acquisition date. Any subsequent changes to the fair value of the contingent consideration are adjusted against the cost of the acquisition if they occur within the measurement period of 12 months following the date of acquisition. Any subsequent changes to the fair value of the contingent consideration after the measurement period are recognised in the income statement within highlighted items.

Goodwill and intangible assets

Goodwill arising in a business combination is recognised as an asset at the acquisition date. Goodwill is measured as the excess of the fair value of the consideration, the amount of any non-controlling interest and the fair value of any previously held interest in the acquiree over the net fair value of the identifiable assets and liabilities assumed. Goodwill comprises the value of expected synergies arising from an acquisition that do not qualify for separate recognition.

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

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

Costs associated with the development of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs are recognised as intangible assets. Costs are capitalised from the point that the asset first meets the recognition criteria. These are reviewed for impairment until the asset is completed, after which point costs are amortised over their estimated useful lives of two to seven years.

Disposals and Assets held for sale

Non-current assets or disposal groups are classified as held for sale if: their carrying amount will be recovered principally through sale; they are available for immediate sale and the sale is highly probably. A disposal group consists of assets that are to be disposed of in a single transaction together with the directly associated liabilities. Goodwill arising from business combinations is included where the disposal group is a CGU or an operation within a CGU to which goodwill has been allocated.

On initial classification as held for sale, non-current assets or components of a disposal group are remeasured at the lower of their carrying amount and fair value less costs to sell. Any impairment on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro rata basis. Impairment on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement in highlighted items. No amortisation or depreciation is charged on non-current assets classified as held for sale. Assets classified as held for sale are disclosed separately on the balance sheet and classified as current assets or liabilities, with disposal groups being separated between assets held for sale and liabilities held for sale.

Disposals are disclosed as discontinued operations when they represent a single major line of business or a geographical area of operations. When the Group disposes of, or loses control over, a subsidiary, it derecognises the assets (including goodwill) and liabilities of the entity. The fair value of the consideration received and the fair value of any investment retained is recognised. The resulting gain or loss on disposal is recognised in the income statement in highlighted items.

Property, plant and equipment

Property, plant and equipment are stated at their historical cost less accumulated depreciation and any recognised impairment losses. Depreciation is charged so as to write off the cost of property, plant and equipment, less the estimated residual value, on a straight-line basis over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:

- Motor vehicles 25%
- Equipment, fixtures and fittings 10%-35%

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2016

2. Significant accounting policies continued

Property, plant and equipment (continued)

Leasehold improvements are amortised over the shorter of the useful economic life or the period of the lease, from three to 15 years. The carrying values of property, plant and equipment are reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. If the balance is expected to be recovered in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Provision for impairment is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the possibility of recovery is assessed as being remote.

Work in progress

Work in progress is stated at the lower of cost and net realisable value, and consists of third party costs incurred on behalf of clients which have still to be recharged.

Investments in associates

An associate is an investment over which the Group has significant influence through the power to participate in the financial and operating policy decisions of the investee. The Group accounts for its interests in associates using the equity method. Under the equity method, the investment in the associate is initially measured at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group's share of profits of associates, net of tax, interest and non-controlling interests is included in the income statement and the Group's share of net assets us shown within interests in associates in the balance sheet. The Group assesses the carrying value of its associates to determine if any impairment has occurred.

Where the Group has disposed of a business or made other contributions to an associate, a gain or loss is recognised only to the extent of the portion that has been disposed of, as set out in IAS 28.

Cash and cash equivalents

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

Loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes a party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Provisions

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

Where a leasehold property substantially ceases to be used for the Group's business, or a commitment is entered into which would cause this to occur, provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover the future obligations relating to the lease.

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

Turnover and revenue

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

Revenue is turnover less amounts payable on behalf of clients to external suppliers where they are retained to perform part of a specific client project or service, and represents fees, commissions and mark-ups on rechargeable expenses and marketing products.

Turnover and revenue reflect the fair value of the proportion of the work carried out in the year by recording turnover and related costs as service activity progresses.

2. Significant accounting policies continued

Turnover and revenue (continued)

Revenue derived from retainers is recognised evenly on a monthly basis over the lifetime of the retainer contract, verified to ensure that there are no material distortions for known periods of intense activity. Revenue for time-charge based work is recognised when the service is performed in accordance with the contract and is a reflection of the actual hours worked as a proportion of total hours expected to be required. For fixed fee projects, revenue is only recognised once the final outcome can be assessed with reasonable certainty. The stage of completion is determined relative to the total number of hours or significant milestones expected to complete the work or provision of services. Revenue in the form of commissions on media placements and fees for creative and production services provided is recognised as the services are performed.

Share-based payments

The Group awards equity-settled share-based payments to certain employees. These are measured at fair value at the date of grant. Details of how the fair value of awards made in the year has been calculated are set out in Note 23. The fair value of the equity-settled share-based payment is recognised in the income statement as an expense spread straight-line over the relevant vesting period, based on the Group's estimate of the number of awards that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of awards expected to vest, with the impact of any revision recognised in the income statement, with a corresponding adjustment to equity reserves.

Employee share ownership plans

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

Dividends

Dividends are recognised as a distribution in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are paid.

Pensions

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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts, are capitalised on the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under finance leases and hire purchase contracts are included as liabilities in the Balance Sheet. The interest elements of the rental obligations are charged in the income statement over the periods of the finance leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the lease term. Sub-let income on operating leases is recognised on a straight-line basis over the lease term.

Foreign currencies

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

The financial statements of subsidiaries are translated into the presentational currency of the Group on consolidation. Assets and liabilities are translated at the exchange rate ruling at the balance sheet date with items in the Income Statement being translated at the average rate for the period. Exchange differences arising on consolidation are recorded in a separate component of equity, but are recognised in the consolidated income statement on disposal of the subsidiary to which they relate

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

Highlighted items

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.

Such items would include, but are not limited to, costs associated with business combinations, restructuring costs, impairment of goodwill and other intangible assets, and amortisation of intangible assets arising on business combinations.

Restructuring costs comprise cost-saving and right-sizing initiatives of a significant and a non-recurring nature.

In addition the Group presents an adjusted profit after tax measure by making adjustments for certain tax charges and credits.

The Group uses these adjusted measures to evaluate performance and as a method to provide shareholders with clear and consistent reporting.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2016

2. Significant accounting policies continued

Borrowing costs and finance income

Borrowing costs are recognised as an expense when incurred unless they meet the criteria to be capitalised. Finance income is recognised as the interest accrues (using the effective interest rate method).

Taxation

Income tax expense comprises current and deferred tax. Tax is recognised in the income statement except where it relates to items taken directly to the consolidated statement of comprehensive income and expense or equity. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

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

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects accounting nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised.

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

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

Derivative financial instruments

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

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

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

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

Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements and assumptions about the future, based on historical experience and other factors which are considered to be relevant. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(a) Highlighted items

In order to ensure comparability between the Group's results year on year, the Directors present certain large, unusual or one-off items separately in highlighted items, so that the reader of the accounts can better understand the underlying performance of the business. The decision to present an item as highlighted is a judgement of the Directors and is reserved for items of an unusual or non-recurring nature that are outside of the ordinary course of business, or of such significant size such that they would materially distort the results of any particular period. The Directors consider it appropriate to continually present amortisation as a highlighted item in each period because the value of intangible assets being amortised can vary considerably from period to period depending on the amount of acquisition activity undertaken by the Group and the remaining useful life of individual assets.

(b) Carrying value of goodwill and other intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the procedures set out in Note 11. The recoverable amounts of cash-generating units have been determined based on value in use calculations. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from each cash-generating unit and a suitable discount rate in order to calculate present value. Estimation of future cash flows has been further complicated by the economic uncertainty arising from the UK's referendum decision to leave the European Union.

2. Significant accounting policies continued

Significant accounting judgements and key sources of estimation uncertainty (continued)

(c) Revenue recognition

The Group recognises revenue on projects based on the proportion of work completed at the balance sheet date.

Judgement is required in assessing the fair value of the proportion of work completed and hence the appropriate value of revenue to be recognised in the year. Management make this judgement using estimates of expected hours required to complete the project against the budget, alongside any milestones set out in the contract.

(d) Going concern

Judgement is required in performing the Group's going concern assessment as it requires estimates of forecast future profits and cash flows to be made in order to assess future covenant compliance over the forecast period. At the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and are forecasting to remain in compliance with future covenant facility requirements. Accordingly, they continue to adopt the going concern basis of preparation in the financial statements.

Appendix 2 on page 106 includes details of the Group's subsidiaries and associates and forms part of these financial statements.

3. 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.

Details of the types of services from which each segment derives its revenues are included within the Strategic Report. The accounting policies applied in preparing the management information for each of the reportable segments are the same as the Group's accounting policies described in Note 2.

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

Year ended 31 December 2015	CDR £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Segment revenue before highlighted items	20,039	63,209	12,830	72,320	168,398
Segment operating profit before highlighted items	3,075	2,645	2,602	13,784	22,106

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

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

	2016 £000	2015 £000
Segment operating profit before highlighted items	**23,843**	22,106
Unallocated costs	**(5,922)**	(6,853)
Share of profit from associate	**57**	-
Operating profit before highlighted items	**17,978**	15,253
Highlighted items	**(32,507)**	(53,071)
Operating loss	**(14,529)**	(37,818)
Net finance costs before highlighted items	**(1,973)**	(2,001)
Loss before tax	**(16,502)**	(39,819)

Unallocated expenses comprise central head office costs which are not considered attributable to any segment.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2016

3. Segmental analysis continued
Geographical information

The tables below present revenue before highlighted items from external customers and segmental non-current assets by geographical origin:

	2016 £000	2015 £000
Revenue		
United Kingdom	**49,569**	51,468
Other European	**25,800**	24,529
USA	**93,900**	80,034
Rest of the world	**10,868**	12,367
Total revenue	**180,137**	168,398

	2016 £000	2015 £000
Non-current assets		
United Kingdom	**65,573**	77,855
Other European	**29,142**	34,197
USA	**71,409**	69,139
Rest of the world	**5,875**	5,828
Total non-current assets	**171,999**	187,019

Non-current assets excludes deferred tax assets.

4. Operating loss

Operating loss is stated after charging/(crediting):

	Notes	**2016 £000**	2015 £000
Auditor's remuneration		**327**	444
Depreciation of owned property, plant and equipment	12	**2,734**	2,453
Depreciation of property, plant and equipment held under finance leases	12	**3**	6
Loss on disposal of property, plant and equipment		**72**	39
Net foreign exchange loss		**878**	296
Operating lease rentals:			
Lease payments		**9,047**	8,341
Sub-let income		**(206)**	(380)
Employee costs	7	**111,535**	103,489
Other administration costs		**37,826**	38,457
Operating expenses – excluding highlighted items		**162,216**	153,145
Highlighted items	5	**32,507**	53,071
Total operating expenses		**194,723**	206,216

	2016 £000	2015 £000
Auditor's remuneration		
Fees payable to the Company's auditor for the statutory audit of the Company and consolidated annual financial statements	**290**	338
Fees payable to the Company's auditor and its associates for other services:		
The audit of financial statements of the Company's subsidiaries pursuant to legislation	**-**	39
Other assurance services	**2**	5
Fees payable to the Company's previous auditor and its associates for other services:		
Audit-related assurance services	**35**	62
Total other services	**37**	106
Total auditor's remuneration included in operating expenses	**327**	444

5. Highlighted items

Highlighted items charged to profit for the year comprise significant non-cash charges and non-recurring items.

	Notes	**2016 £000**	2015 £000
Reported loss before tax		**(16,502)**	(39,819)
Adjustments charged/(credited) to operating expenses:			
Amortisation of intangible assets	11	**840**	789
Goodwill impairment	11	**30,499**	48,764
Impairment of software development costs	11	**239**	579
Restructuring costs		**1,608**	3,292
Acquisition and transaction related credit		**(679)**	(353)
Total adjustments charged to operating expenses		**32,507**	53,071
Adjusted profit before tax		**16,005**	13,252

	Notes	**2016 £000**	2015 £000
Charged to profit before tax		**32,507**	53,071
Taxation credit on highlighted items	8	**(3,038)**	(3,964)
Charged to profit for the year		**29,469**	49,107

Amortisation of intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from two 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 (2015: £48.8 million) were recognised in the year relating to goodwill in the Grayling CGU. Further disclosures are given in Note 11. Impairment charges are individually disclosed and are excluded from adjusted results as they do not relate to underlying trading.

Impairment of software development costs

The impairment relates to significant adverse changes in the extent to which internally developed software is expected to be used. Further disclosures are given in Note 11. The recoverable amount is the value in use which was determined to be £nil. The charge is excluded from adjusted results as it does not relate to underlying trading.

Restructuring costs

Restructuring costs comprise 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 are included as well as profits on disposal of subsidiaries. These costs, which are part of the new management team's strategic refocus of the business, are excluded from adjusted results as they do not relate to underlying trading. These costs are not expected to reoccur as the restructuring was completed in 2016.

Acquisition and transaction related credit

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

Taxation

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

6. Finance costs and income

	2016 £000	2015 £000
Bank interest payable	**1,955**	1,988
Finance lease interest	**-**	1
Imputed interest on long-term payables and provisions	**27**	19
Finance costs	**1,982**	2,008
Bank interest receivable	**(2)**	(3)
Other interest receivable	**(7)**	(4)
Finance income	**(9)**	(7)
Net finance costs	**1,973**	2,001

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2016

7. Employee information
The average number of employees during the year was:

	2016 Number	2015 Number
Citigate Dewe Rogerson	**178**	176
Grayling	**665**	762
Red	**122**	124
Huntsworth Health	**524**	478
Centre	**28**	30
Total	**1,517**	1,570

Employee costs are as follows:

	2016 £000	2015 £000
Employee costs of all employees including Directors:		
Wages and salaries	**99,026**	91,535
Social security costs	**9,854**	9,212
Pension contributions	**2,421**	2,350
Share-based payment charge	**234**	392
Total employee costs	**111,535**	103,489

	2016 £000	2015 £000
Directors' emoluments	**1,636**	975
Number of Directors accruing benefits under:		
Defined contribution schemes	**0**	0

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

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

8. Taxation

	2016 £000	2015 £000
Consolidated income statement		
Current tax		
Current year	**1,290**	1,624
Adjustments in respect of prior years	**(177)**	(581)
Current tax expense	**1,113**	1,043
Deferred tax		
Current year	**963**	(1,381)
Impact of changes in statutory tax rates	**(19)**	319
Adjustments in respect of prior years	**(298)**	(361)
Deferred tax expense/(credit)	**646**	(1,423)
Income tax expense/(credit)	**1,759**	(380)

8. Taxation continued

The charge for the year can be reconciled to the loss per the income statement as follows:

	2016 £000	2015 £000
Loss before tax	**(16,502)**	(39,819)
Notional income tax credit at the effective UK statutory rate of 20.00% (2015: 20.25%) on loss before tax	**(3,300)**	(8,063)
Permanent differences	**4,069**	7,904
Impact of share-based payments	**58**	150
Different tax rates on overseas profits	**590**	(423)
Impact of changes in statutory tax rates	**(19)**	319
Adjustments in respect of prior years	**(476)**	(942)
Utilisation and recognition of tax losses	**(27)**	19
Unrelieved current year losses	**864**	656
Income tax expense/(credit)	**1,759**	(380)
Comprising:		
Income tax charge on loss before tax and highlighted items	**4,797**	3,584
Income tax credit on highlighted items	**(3,038)**	(3,964)
	1,759	(380)

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 20.00% (2015: 20.25%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income and expense and directly in equity:

	2016 £000	2015 £000
Other comprehensive income and expense		
Current tax expense		
Currency translation differences	**-**	78
Deferred tax credit		
Fair value movement on interest rate swaps (Note 19)	**(82)**	(6)
Tax (credit)/expense recognised in other comprehensive income and expense	**(82)**	72
Equity		
Current tax credit		
Net revaluation of share-based payments	**-**	(4)
Deferred tax (credit)/expense		
Net revaluation of share-based payments	**(10)**	41
Tax (credit)/expense recognised in equity	**(10)**	37

9. Dividends

	2016 £000	2015 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2015: 1.25 pence (2014: 0.75 pence)	**4,071**	2,385
Interim dividend for the year ended 2016: 0.5 pence (2015: 0.5 pence)	**1,631**	1,599
Total dividend expense	**5,702**	3,984

The total dividend includes a cash element of £5.6 million (2015: £3.8 million) and a scrip element of £0.1 million (2015: £0.2 million). Shareholdings under the Group's Employee Benefit Trust of 2,591,344 and 2,507,643 shares waived their rights to the 2015 final dividend and 2016 interim dividend respectively (2014 final dividend and 2015 interim dividend: 7,029,278 and 6,430,310 shares respectively).

A 2016 final dividend of 1.25 pence per share has been proposed for approval at the Annual General Meeting in 2017.

Notes to the Consolidated Financial Statements continued
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10. Earnings per share

	2016	2015
Basic loss per share - pence	**(5.6)**	(12.3)
Diluted loss per share - pence	**(5.6)**	(12.3)
Adjusted basic earnings per share - pence	**3.4**	3.0
Adjusted diluted earnings per share - pence	**3.4**	3.0

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

	2016 (Loss)/ earnings £000	2016 Weighted average number of shares 000s	2015 (Loss)/ earnings £000	2015 Weighted average number of shares 000s
Basic	**(18,261)**	**325,245**	(39,439)	320,966
Diluted	**(18,261)**	**325,245[1]**	(39,439)	320,9661
Adjusted basic	**11,208**	**325,245**	9,668	320,966
Adjusted diluted	**11,208**	**329,488**	9,668	326,846

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

The basic (loss)/earnings per share calculation is based on the (loss)/profit for the year attributable to the Parent Company's shareholders divided by the weighted average number of ordinary shares outstanding during the year.

Diluted (loss)/earnings per share takes the basic (loss)/earnings per share and adjusts for the potentially dilutive impact of employee share option schemes and shares to be issued as part of contingent consideration on acquisitions of subsidiaries.

Adjusted earnings per share is calculated in order to provide information to shareholders about underlying trading performance and is based on the profit attributable to the Parent Company's shareholders excluding highlighted items.

	2016 £000	2015 £000
Earnings:		
Loss for the year attributable to the Parent Company's shareholders	**(18,261)**	(39,439)
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**29,469**	49,107
Adjusted earnings	**11,208**	9,668

	2016 £000	2015 £000
Number of shares:		
Weighted average number of ordinary shares - basic	**325,245**	320,966
Effect of share options in issue	**4,243**	4,380
Effect of deferred contingent consideration	**-**	1,500
Weighted average number of ordinary shares - diluted	**329,488**	326,846

11. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software development costs £000	Total £000
Cost						
At 1 January 2015	25,022	29,868	307,026	1,564	2,963	366,443
Capitalised development costs	–	–	–	–	612	612
Exchange differences	335	857	4,401	(77)	96	5,612
At 31 December 2015	25,357	30,725	311,427	1,487	3,671	372,667
Acquisitions	–	488	–	–	–	488
Capitalised development costs	–	–	–	–	707	707
Transferred to disposal group classified as held for sale	–	–	(3,319)	–	–	(3,319)
Disposals	–	–	(125)	–	–	(125)
Exchange differences	2,518	3,887	28,792	267	335	35,799
At 31 December 2016	**27,875**	**35,100**	**336,775**	**1,754**	**4,713**	**406,217**
Amortisation and impairment charges						
At 1 January 2015	20,309	29,829	88,351	1,154	1,122	140,765
Charge for the year	479	17	–	293	235	1,024
Impairment	–	–	48,764	–	579	49,343
Exchange differences	339	852	1,640	(57)	24	2,798
At 31 December 2015	21,127	30,698	138,755	1,390	1,960	193,930
Charge for the year	490	241	–	109	206	1,046
Impairment	–	–	30,499	–	287	30,786
Exchange differences	2,393	3,830	14,068	255	112	20,658
At 31 December 2016	**24,010**	**34,769**	**183,322**	**1,754**	**2,565**	**246,420**
Net book value at 31 December 2016	**3,865**	**331**	**153,453**	**–**	**2,148**	**159,797**
Net book value at 31 December 2015	4,230	27	172,672	97	1,711	178,737

Impairment testing for cash-generating units containing goodwill

A summary of goodwill by cash-generating unit ('CGU'), after impairment charges, is shown in the table below:

	2016 £000	2015 £000
Citigate Dewe Rogerson (CDR)	**26,849**	25,841
Grayling	**25,041**	54,309
Red	**19,972**	19,857
Huntsworth Health	**81,591**	72,665
Total	**153,453**	172,672

Grayling

The performance of the Grayling CGU in the first half of 2016 was considered to be an indicator of impairment as at 30 June 2016. The Group revised its forecasts to current expectations of the future performance of each CGU based on the prevailing conditions prior to any future restructuring and investment. Accordingly, goodwill was impaired by £15.0m.

The Group has performed further impairment testing as at 31 December 2016. Following the restructure of the US lobbying business, including the post-year-end disposal of Whiteboard Associates, a further impairment of goodwill of £15.5m has been recognised in highlighted items in the income statement.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions used in determining the value in use are summarised below.

Cash flow forecasts

For each CGU, the forecast cash flows for the first five years are based on the 2017 financial budget approved by the Directors adjusted based on past experience and historic trends. Growth rates in years two to five are based on management's medium-term forecasted revenue and operating margins for each of the businesses.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2016

11. **Intangible assets** continued

Long-term growth rate

After the initial five-year forecast period, a long-term growth rate between 2.0% and 2.5% (2015: 1.1 – 2.5%) has been applied to the cash flow forecasts into perpetuity. This growth rate is based on an estimate of the long-term average growth rate for the market that each CGU operates in.

Pre-tax risk adjusted discount rate

The pre-tax discount rate applied to all CGUs is 14.3% (2015: 14.8%). The discount rates applied to the cash flows of the Group's operations are based on the risk-free rate for 20-year UK government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the Group's individual CGUs. In making this adjustment, inputs required are the equity market risk premium (that is the increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment ('beta') applied to reflect the risk of the CGU relative to the market as a whole.

Sensitivity to changes in assumptions

In assessing the value in use of a CGU, the forecast future cash flows are inherently uncertain and could change materially over time due to the impact of market growth, discount rates and unexpected changes in key clients and personnel.

Following the impairment loss recognised, the estimated recoverable amount of the Grayling CGU is equal to the carrying value at 31 December 2016. Consequently, any adverse change in key assumptions would, in isolation, cause further impairment loss to be recognised.

The Board has considered various alternative performance scenarios for the Red, CDR and Huntsworth Health CGUs, including sensitising all of the key assumptions noted above, and have not identified any reasonably possible changes which would give rise to an impairment.

Impairment of software development costs

Following significant adverse changes in the commercial viability of an internally developed data analytics tool, which negatively impacted the extent of its expected use across the Group, an impairment loss of £0.3m was recognised in highlighted items to reduce the carrying value of the asset to its net realisable value of £nil. The amount presented in highlighted items is net of a credit of £0.1m relating to the release of provisions made in the prior year against previous software impairments.

12. **Property, plant and equipment**

	Leasehold improvements £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2015	8,815	15,262	304	24,381
Additions	739	1,916	117	2,772
Disposals	(279)	(535)	(50)	(864)
Exchange differences	188	299	(10)	477
At 31 December 2015	9,463	16,942	361	26,766
Additions	3,712	2,211	97	6,020
Disposals	(932)	(2,892)	(105)	(3,929)
Exchange differences	980	2,208	41	3,229
At 31 December 2016	**13,223**	**18,469**	**394**	**32,086**
Depreciation				
At 1 January 2015	4,038	12,334	237	16,609
Charge for the period	970	1,460	29	2,459
Disposals	(215)	(504)	(2)	(721)
Exchange differences	85	260	(9)	336
At 31 December 2015	4,878	13,550	255	18,683
Charge for the period	1,098	1,605	34	2,737
Disposals	(889)	(2,666)	(64)	(3,619)
Exchange differences	531	1,888	34	2,453
At 31 December 2016	**5,618**	**14,377**	**259**	**20,254**
Net book value at 31 December 2016	**7,605**	**4,092**	**135**	**11,832**
Net book value at 31 December 2015	4,585	3,392	106	8,083

Motor vehicles held under finance leases had a net book value at 31 December 2016 of £nil (2015: £34,000). Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2016 of £7,000 (2015: £2,000).

13. Investment in associate

On 30 September 2016, the Group sold the trade and certain assets of Hudson Sandler Limited to a new associate, Hudson Sandler LLP. Hudson Sandler Limited formed part of the Grayling CGU. The Group is a 25% partner in Hudson Sandler LLP, a public relations business incorporated and operating in the UK. This associate is not considered individually material to the Group. The Group considers that it has significant influence over Hudson Sandler LLP because it has a range of predetermined rights which ensure participation in decision-making about the business.

	2016 £000
Carrying amount	
At 1 January 2016	–
Additions	125
Share of profit of associate	57
At 31 December 2016	**182**

14. Assets held for sale

As at 31 December 2016, the Whiteboard Advisors business was classified as held for sale. Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

	2016 £000
Goodwill	3,319
At 31 December 2016	**3,319**

15. Trade and other receivables

Current	**2016 £000**	2015 £000
Trade receivables	**39,230**	32,034
Less: provision for impairment of trade receivables	**(1,465)**	(939)
Trade receivables – net	**37,765**	31,095
Other receivables	**2,207**	749
Prepayments	**3,387**	3,235
Accrued income	**12,527**	9,117
VAT receivable	**201**	167
Trade and other receivables	**56,087**	44,363

In addition to the above, the Group also has non-current other receivables of £188,000 (2015: £199,000).

Apart from the provision for impairments, there are no differences between the book value and fair value of the above receivables.

As of 31 December 2016, trade receivables of £1.5 million (2015: £0.9 million) were considered to be impaired. Movements in the provision are as follows:

	2016 £000	2015 £000
At 1 January	**939**	971
Impairment charge for the year	**1,413**	780
Receivables written off during the year as uncollectable	**(320)**	(543)
Amounts reversed as debt collected	**(622)**	(175)
Foreign exchange movements	**55**	(94)
At 31 December	**1,465**	939

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

			Past due but not impaired			
At 31 December	Total £000	Neither past due nor impaired £000	<30 days £000	30–60 days £000	60–90 days £000	>90 days £000
2016	**37,765**	**25,991**	**7,473**	**2,353**	**795**	**1,153**
2015	31,095	22,476	4,235	1,837	1,880	667

As at 31 December 2016, the Group held receivables of £0.1 million (2015: £0.1 million) which would be overdue had they not been renegotiated.

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16. Trade and other payables

Current	2016 £000	2015 £000
Trade payables	**8,766**	9,713
Other taxation and social security	**3,367**	3,136
Accruals	**21,054**	18,318
Deferred income	**12,659**	10,380
Other payables	**2,074**	1,999
Deferred consideration	**-**	680
Current trade and other payables	**47,920**	44,226

Non-current	2016 £000	2015 £000
Leasehold property incentives	**2,690**	1,292
Other non-current payables	**202**	28
Non-current trade and other payables	**2,892**	1,320

17. Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Amounts payable:				
Within one year	**2**	4	**2**	4
In two to five years	**4**	24	**4**	21
	6	28	**6**	25
Less: finance charges allocated to future periods	**-**	(3)	**-**	-
Present value of lease obligations	**6**	25	**6**	25

18. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2015	1,507	2,277	812	4,596
Arising during the year	-	844	3,083	3,927
Released during the year	(531)	(210)	(83)	(824)
Utilised	(346)	(326)	(2,570)	(3,242)
Foreign exchange movements	55	85	17	157
Unwind of discount	8	7	-	15
At 31 December 2015	693	2,677	1,259	4,629
Arising during the year	-	1,035	1,597	2,632
Released during the year	(755)	(19)	(293)	(1,067)
Utilised	-	(1,160)	(2,100)	(3,260)
Disposals	-	(57)	-	(57)
Foreign exchange movements	58	432	139	629
Unwind of discount	4	22	-	26
At 31 December 2016	**-**	**2,930**	**602**	**3,532**
Current	**-**	**1,413**	**566**	**1,979**
Non-current	**-**	**1,517**	**36**	**1,553**

Deferred contingent consideration for acquisitions
Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element, payable in either cash or a combination of cash and shares at the Company's option, which is contingent on the future financial performance of the acquired entity. The amount utilised in the year represents the cash paid or shares issued under the earn-out arrangements. The amount arising or released in the year represents a change in the estimated future financial performance of the acquired company. Where deferred consideration is not contingent on the outcome of future events the amount is included in trade and other payables.

18. Provisions continued

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 sub-let 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. In addition, when acquiring businesses, provisions have been made to cover the best estimate of the Group's exposure to liabilities arising due to the acquisition.

19. Deferred tax

	Tax depreciation £000	Share-based payments £000	Tax losses £000	Intangible assets £000	Other temporary differences £000	Total £000
At 1 January 2015	(446)	521	1,664	(3,984)	1,965	(280)
Credit/(expense) to income	51	(141)	(1,089)	1,785	817	1,423
Credit to other comprehensive income (Note 8)	–	–	–	–	6	6
Expense to equity	–	(41)	–	–	–	(41)
Foreign exchange and other movements	(41)	–	47	(8)	158	156
At 31 December 2015	(436)	339	622	(2,207)	2,946	1,264
(Expense)/credit to income	(77)	(264)	(39)	831	(1,097)	(646)
Credit to other comprehensive income (Note 8)	–	–	–	–	82	82
Credit to equity	–	10	–	–	–	10
Foreign exchange and other movements	(138)	–	55	(352)	449	14
At 31 December 2016	**(651)**	**85**	**638**	**(1,728)**	**2,380**	**724**

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

	2016 £000	2015 £000
Deferred tax balances:		
Deferred tax assets	**926**	1,466
Deferred tax liabilities	**(202)**	(202)
Net deferred tax (liability)/asset	**724**	1,264

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

Unrecognised temporary differences in respect of tax losses and other temporary differences amounting to £41.4 million (2015: £30.6 million) have not been recognised on the basis that their future economic benefit is uncertain. These comprise tax losses and other temporary differences of £29.1 million (2015: £18.3 million) and capital losses of £12.3 million (2015: £12.3 million). Of this total, tax losses of £9.8 million (2015: £9.1 million) will expire at various dates between 2017 and 2029 and the remaining losses can be carried forward without restriction.

Overseas dividends received on or after 1 July 2009 are largely exempt from UK tax but may be subject to foreign withholding taxes. The unremitted earnings of those overseas subsidiaries affected by such taxes is £3.8 million (2015: £2.4 million). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that they will not reverse in the foreseeable future.

The UK government has enacted reductions in the main rate of corporation tax to 19% and 17% with effect from 1 April 2017 and 1 April 2020 respectively. The impact of this change is incorporated in the reported numbers where relevant.

20. Financial instruments

Capital management policies and strategies

The primary objective of the Group's capital management policy is to maintain appropriate capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The capital structure of the Group consists of its share capital, as disclosed in Note 22, and its total borrowings, comprising bank loans and overdrafts and obligations under finance leases, as disclosed in Note 21.

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20. Financial instruments continued

Financial risk management policies and strategies

The Group's principal financial instruments comprise bank loans, bank overdrafts and cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group enters into derivative transactions, primarily interest rate swaps and foreign currency derivatives. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is the Group's policy that no speculative trading in financial instruments should be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

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

The Board has endorsed principles and policies to manage the Group's interest cost using a mix of fixed and variable rate debts. To enable this, the Group enters into interest rate swaps. Where appropriate, these agreements are designated to hedge underlying debt obligations. As at 31 December 2016, after taking into account the effect of interest rate swaps, approximately 55% (2015: 64%) of the Group's gross borrowings was at a fixed rate of interest. The Group continually reviews and assesses the balance of debt held at fixed and variable rates and the need for additional instruments to meet both short-term and long-term requirements.

Interest rate swap contracts

The Group uses interest rate swaps to mitigate the risk of changing interest rates increasing the cost of servicing its debt. By fixing interest rates, the Group is willing to forgo the potential economic benefit that could result from a low interest rate environment in order to protect its downside risks and ensure the predictability of its interest cash flows. The fair value of interest rate swaps at the end of the reporting period is determined by reference to a market valuation. All interest rate swaps are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating interest rate payments on debt affect profit or loss.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the reporting date and the impact on the Group's fixed and floating rate debt profile.

	Average contract rate		Notional principal value		Fair value	
At 31 December	**2016**	2015	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Within one year	**-**	–	**-**	–	**-**	–
Within one to two years	**-**	–	**-**	–	**-**	–
Within two to three years	**1.279%**	–	**25,000**	–	**(525)**	–
Within three to four years	**-**	1.279%	**-**	25,000	**-**	(92)
Within four to five years	**-**	–	**-**	–	**-**	–
			25,000	25,000	**(525)**	(92)

The Group's fixed and floating rate interest rate risk profile, by maturity date, was as follows:

At 31 December 2016	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	Total £000
Fixed rate:					
Obligations under finance leases	**(2)**	**(2)**	**(2)**	**-**	**(6)**
Bank loans hedged by interest rate swap	**-**	**-**	**(25,000)**	**-**	**(25,000)**
Total fixed rate	**(2)**	**(2)**	**(25,002)**	**-**	**(25,006)**
Floating rate:					
Cash	**14,978**	**-**	**-**	**-**	**14,978**
Bank overdrafts	**(495)**	**-**	**-**	**-**	**(495)**
Floating rate portion of bank loans	**-**	**-**	**(45,412)**	**-**	**(45,412)**
Bank loans hedged by interest rate swap	**-**	**-**	**25,000**	**-**	**25,000**
Total floating rate	**14,483**	**-**	**(20,412)**	**-**	**(5,929)**
Total	**14,481**	**(2)**	**(45,414)**	**-**	**(30,935)**

20. Financial instruments continued

At 31 December 2015	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	Total £000
Fixed rate:					
Obligations under finance leases	(4)	(2)	(19)	–	(25)
Bank loans hedged by interest rate swap	–	–	–	(25,000)	(25,000)
Total fixed rate	(4)	(2)	(19)	(25,000)	(25,025)
Floating rate:					
Cash	8,918	–	–	–	8,918
Floating rate portion of bank loans	–	–	–	(39,172)	(39,172)
Bank loans hedged by interest rate swap	–	–	–	25,000	25,000
Total floating rate	8,918	–	–	(14,172)	(5,254)
Total	8,914	(2)	(19)	(39,172)	(30,279)

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

Interest rate sensitivity analysis
The interest rate sensitivity analysis below is based on the exposure arising from the Group's borrowings and derivative financial instruments as at the balance sheet date. A 1% (100 basis points) movement is considered to represent a reasonably possible change in interest rates. All other variables have been held constant.

If UK interest rates had been 1% higher or lower, the Group's profit before tax for the year ended 31 December 2016 would decrease/increase by £258,000 (2015: £192,000). If US interest rates had been 1% higher or lower, the Group's profit before tax would decrease/increase by £nil (2015: £60,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

If UK interest rates had been 1% higher or lower, the Group's other comprehensive income would decrease or increase by £600,000 or £616,000 respectively (2015: £824,000 or £853,000 respectively). This is as a result of the changes to the fair value of the Group's interest rate swaps that are designated as cash flow hedges.

Foreign currency risk
The Group operates internationally and is therefore affected by movements in foreign exchange rates, particularly the US Dollar and Euro. This is largely through the retranslation of the Group's foreign operations' results and balances into Sterling. The Group has few other transactional currency exposures apart from certain foreign currency bank accounts and intercompany balances that are held between companies with different functional currencies.

It is the policy of the Group to consider entering into foreign currency contracts in order to manage the risk associated with the impact of changes in exchange rates on the Group's operating profit. The Group does not hedge foreign exchange risk that arises from the retranslation of overseas assets and liabilities. During the year, the Group took out foreign exchange contracts to cover a proportion of the Group's Euro and US Dollar denominated operating profit. These contracts were not accounted for as a hedge.

The following table demonstrates the sensitivity to reasonably possible changes in the US Dollar and Euro exchange rates, with all other variables held constant, of the Group's profit before tax. Since the majority of the Group's expenses are denominated in the same currency as the associated revenues, only the net profit is exposed to currency fluctuations.

	Strengthening /(weakening) of Sterling	Effect on profit before tax 2016 £000	2015 £000
US Dollar	+10%	**(1,259)**	(1,047)
Euro	+10%	**(162)**	(149)
US Dollar	-10%	**1,539**	1,279
Euro	-10%	**198**	182

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20. Financial instruments continued
The following table demonstrates the sensitivity to reasonably possible changes in the US Dollar and Euro exchange rates, with all other variables held constant, of the Group's equity. The movement in equity arises from the translation of the Group's US and European net assets into Sterling

	Strengthening /(weakening) of Sterling	Effect on equity 2016 £000	Effect on equity 2015 £000
US Dollar	+10%	**(13,144)**	(11,490)
Euro	+10%	**(2,160)**	(2,220)
US Dollar	−10%	**16,065**	14,073
Euro	−10%	**2,640**	2,723

Credit risk
Credit risk refers to the potential loss that the Group would incur if a debtor or other counterparty failed to fulfil its contractual obligations. The Group trades only with recognised and creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures prior to credit being granted. In addition, receivable balances are closely monitored on an ongoing basis by each business with the result that the Group's exposure to bad debts has not been significant. There are no significant concentrations of credit risk within the Group. The Group has a minimal concentration of credit risk in relation to trade receivables as it trades with a large number of customers from a wide range of business segments and geographies.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and derivative financial instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The credit risk on short-term deposits and derivative financial instruments is considered low since the majority of counterparties are banks with high credit ratings.

Liquidity risk
The Group manages liquidity risk by maintaining adequate reserves and undrawn banking facilities and by continuously monitoring the forecast and actual cash flows.

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.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2016 and 2015 based on contractual undiscounted payments.

At 31 December 2016	**Within 1 year £000**	**1–2 years £000**	**2–3 years £000**	**3–4 years £000**	**4–5 years £000**	**5 years and beyond £000**	**Total £000**
Interest-bearing loans and borrowings	**-**	**-**	**46,534**	**-**	**-**	**-**	**46,534**
Interest rate swap	**245**	**210**	**70**	**-**	**-**	**-**	**525**
Obligations under finance leases	**2**	**2**	**2**	**-**	**-**	**-**	**6**
Leasehold property provisions	**1,408**	**284**	**328**	**66**	**67**	**807**	**2,960**
Trade and other payables[1]	**44,553**	**636**	**521**	**467**	**423**	**866**	**47,466**
Foreign exchange derivatives	**154**	**-**	**-**	**-**	**-**	**-**	**154**
	46,362	**1,132**	**47,455**	**533**	**490**	**1,673**	**97,645**

At 31 December 2015	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	5 years and beyond £000	Total £000
Interest-bearing loans and borrowings	-	-	-	40,939	-	-	40,939
Interest rate swap	162	24	(57)	(37)	-	-	92
Obligations under finance leases	4	3	21	-	-	-	28
Leasehold property provisions	935	262	600	419	169	373	2,758
Trade and other payables[1]	41,090	172	203	208	178	574	42,425
Deferred contingent consideration	-	700	-	-	-	-	700
	42,191	1,161	767	41,529	347	947	86,942

1 Balance excludes tax and social security creditors.

Fair values of 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.

20. Financial Instruments continued

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 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**

At 31 December 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swap	-	92	-	92
Deferred contingent consideration	-	-	693	693
	-	92	693	785

Valuation techniques used to derive Level 2 fair values

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

Valuation techniques used to derive Level 3 fair values

Deferred contingent consideration liabilities were valued using a discounted cash flow methodology. The liability was based on the acquired business' forecast average profits for the period from the date of acquisition. The significant unobservable inputs to this valuation included forecast average profits and the discount rate of 1%.

The sensitivity of this liability to changes in this discount rate is immaterial. A reconciliation of the movement in this balance in 2015 and 2016 is included in Note 18.

21. Borrowings

Interest-bearing loans and borrowings	Effective interest rate	**2016 £000**	2015 £000
Current			
Obligations under finance leases	2%	**(2)**	(4)
Bank overdrafts		**(495)**	-
		(497)	(4)
Non-current			
Obligations under finance leases	2%	**(4)**	(21)
Bank loan under fixed rate swap[1]	1.279% + margin	**(25,000)**	(25,000)
Variable rate bank loan[1]	LIBOR + margin	**(20,412)**	(14,172)
		(45,416)	(39,193)
At 31 December		**(45,913)**	(39,197)

1 The underlying liability for the above marked items was the £65 million committed revolving credit facility. The margin in 2016 was 2% (2015: 1.60% to 2.50%) and varies depending on the Group's net debt to EBITDA ratio.

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22. Called up share capital

Called up, fully allotted and fully paid	Deferred shares		Ordinary shares		Total
	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
At 1 January 2015	212,012,343	103,886	327,179,622	3,271	107,157
Scrip dividends	-	-	393,080	4	4
Settlement of share options	-	-	100,000	1	1
Deferred consideration for the acquisition of Audacity Inc.	-	-	826,031	8	8
At 31 December 2015	212,012,343	103,886	328,498,733	3,284	107,170
Deferred consideration for the acquisition of Atomic Communications LLC	-	-	1,500,007	15	15
Scrip dividends	-	-	311,869	3	3
At 31 December 2016	**212,012,343**	**103,886**	**330,310,609**	**3,302**	**107,188**

During the year, the following shares were issued:

- On 14 January 2016, 1,500,007 ordinary shares of 1 pence each, with an aggregate value of £608,347 were issued as deferred consideration for the acquisition of Atomic Communications LLC. The issue price per share was 40.6 pence resulting in a merger reserve of £593,347.
- The scrip dividends relate to the scrip alternative taken up on the final 2015 dividend and the interim 2016 dividend. On 7 July 2016, 215,951 ordinary shares of 1 pence each were issued at 45.3 pence with a resulting share premium of £95,666. On 4 November 2016, 95,918 ordinary shares of 1 pence each were issued at 43.5 pence with a resulting share premium of £40,717.

During 2015, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2014 dividend and the interim 2015 dividend. On 6 July 2015, 223,462 ordinary shares of 1 pence each were issued at 42.0 pence with a resulting share premium of £91,564. On 6 November 2015, 169,618 ordinary shares of 1 pence each were issued at 37.0 pence with a resulting share premium of £61,062.
- Pursuant to the settlement of share options, on 12 June 2015, 50,000 ordinary shares of 1 pence each were issued at 40.5p with a resulting share premium of £19,750. On 15 July 2015, a further 50,000 ordinary shares of 1 pence each were issued at 43.5 pence with a resulting share premium of £21,250.
- On 30 June 2015, 826,031 ordinary shares of 1 pence each, with an aggregate value of £346,735, were issued as deferred consideration for the acquisition of Audacity, Inc. The issue price per share was 42.0 pence resulting in a merger reserve of £338,474.

23. Share-based payments

The share-based payment schemes for employees of the Group in operation throughout 2016 are summarised in the following table:

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
Huntsworth schemes			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Jan 2012-Mar 2026	32.5-43.84
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Jan 2010-Mar 2026	32.5-108.25
1996 Huntsworth Approved Executive Share Option Scheme	10 years	May 2009-May 2016	88.0
1996 Huntsworth Unapproved Executive Share Option Scheme	10 years	May 2009-Aug 2016	88.0
Huntsworth Performance Share Plan	10 years	July 2009-May 2026	nil
Huntsworth Deferred Share Bonus Plan	10 years	Mar 2011-Mar 2019	nil
Huntsworth Deferred Share Bonus Plan	10 years	Mar 2012-Mar 2019	nil
Huntsworth Long Term Incentive Plan 2016	10 years	June 2019-Oct 2026	nil

Options are forfeited if the employee leaves the Group within the vesting period. Any share options which remain unexercised after the exercise period will expire. Certain grants of share options are also subject to specific performance conditions relevant to an employee, such as the Group's adjusted basic earnings per share and total shareholder return relative to a peer group. Specific details of the exercise conditions of options granted to Directors are set out in the Report of the Directors on Remuneration.

23. Share-based payments continued
The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2016 and 31 December 2015:

	2016		2015	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	**14,241,678**	**27.7**	13,794,221	27.5
Granted during the year	**4,099,952**	**5.4**	5,057,324	16.7
Forfeited during the year	**(2,598,141)**	**22.1**	(2,840,924)	20.0
Exercised during the year	**(3,820,047)**	**10.6**	(1,768,943)	12.9
Outstanding at the end of the year	**11,923,442**	**26.6**	14,241,678	27.7
Exercisable at the end of the year	**1,816,166**	**48.2**	5,938,954	33.4

The weighted average share price at the date of exercise for share options exercised during the year was 40.8 pence (2015: 39.3 pence). The options outstanding at the end of the year have a weighted average remaining life of 8.7 years (2015: 5.4 years). The estimated average fair value of the options granted during the year is 30.3 pence (2015: 22.7 pence).

Fair value of share options
The fair value of share options granted in 2016 and 2015 were calculated using either the Monte Carlo model or the Black-Scholes model. The inputs to these models were:

	2016	2015
Weighted average share price	**42.2 pence**	39.4 pence
Weighted average exercise price	**5.4 pence**	16.7 pence
Expected volatility	**39%–45%**	46%–47%
Expected life	**3 years**	3 years
Risk-free rate	**0.09%–0.6%**	0.91%–1.2%
Expected dividend yield	**4.0%–4.2%**	4.5%–5.7%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The Group recognised a total charge of £0.2 million (2015: £0.4 million) related to equity-settled share-based transactions during the year

24. Reserves
Share premium account
The share premium account is used to record the premium on shares issued.

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

Following the impairment of certain investments held by Huntsworth plc, £1.5 million (2015: £13.4 million) relating to the acquisition of those subsidiaries was transferred from the merger reserve to the profit and loss reserve.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of overseas subsidiaries.

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

Treasury shares
The Group did not transfer any shares to employees pursuant to the settlement of share options (2015: transferred 585,707 shares to past employees for proceeds of £146,250). As at 31 December 2016 the Group held 1,686,681 shares (2015: 1,686,681 shares) in treasury.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2016

24. Reserves continued
Investment in own shares
Investment in own shares represents the cost of own shares acquired in the Company by the Huntsworth Employee Benefit Trust and other Employee Benefit Trusts ('the Trusts'). The purpose of the Trusts is to facilitate and encourage the ownership of shares by employees, by acquiring shares in the Company and distributing them in accordance with employee share schemes. The Trusts may operate in conjunction with the Company's existing share option schemes and other share schemes that may apply from time to time.

Pursuant to the settlement of share options, the Trusts transferred 4,051,129 shares to employees and past employees, including 231,081 accrued dividend shares (2015: 1,198,969 shares, including 115,733 accrued dividend shares), for proceeds of £251,449 (2015: £48,750).

During 2016 the Trusts did not purchase any shares (2015: nil). At 31 December 2016 the Trusts held 2.4 million shares (2015: 6.4 million shares) in the Company which had a market value at 31 December 2016 of £0.9 million (2015: £2.5 million).

25. Commitments and contingent liabilities
Operating leases – Group as a lessee
The Group has entered into commercial property leases and leases on certain items of office furniture and equipment.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2016 and 31 December 2015, are as follows.

	2016 £000	2015 £000
Within one year	**8,557**	6,945
Within two to five years	**18,503**	16,451
Over five years	**7,376**	7,056
	34,436	30,452

The Group has entered into commercial property leases over the Group's surplus office buildings.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2016 and 31 December 2015 are as follows:

	2016 £000	2015 £000
Within one year	**40**	45
Within two to five years	**-**	-
	40	45

Contingent liabilities
In the normal course of business, the Group is, from time to time, subjected to legal actions, contractual disputes, employment claims and tax assessments. In the opinion of the Directors the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial statements.

The Company and its subsidiaries have entered into a number of indemnifications, performance and financial guarantees, in the normal course of business, which gives rise to obligations to pay amounts or fulfil obligations to external parties should certain conditions not be met or specified events occur. As at the date of this report, no matter has come to the attention of the Group which indicates that any material outflow will occur as a result of these indemnities and guarantees.

25. Commitments and contingent liabilities continued

In accordance with Section 479A of the Companies Act, the following subsidiary companies are exempt from the requirement to have their annual accounts audited:

Huntsworth Financial Group Limited (1076928)	Grayling (CEE) Limited (05894329)	Huntsworth Healthcare Group Limited (05143203)
Atomic Communications Holdings Limited (06927174)	Grayling Dormant 1 Limited (06964179)	Huntsworth Holdings Limited (05595445)
Grayling International Limited (05066506)	Huntsworth Investments Limited (01894682)	Grayling UK Limited (01593981)
IG Communications Limited (02005521)	Ballard Associates Limited (01636136)	Brand Health International Limited (02018312)
Hatch Group Limited (04091382)	Quiller Associates Limited (04472442)	HS Corporate Investments Limited (05794494)
Huntsworth (CB) Limited (01895906)	Citigate Public Affairs Limited (00938798)	The Red Consultancy Group Limited (03528313)
Huntsworth Communications Limited (06025252)	Trimedia Communications UK Limited (04091732)	Dewe Rogerson Limited (00960343)
Maclaurin Ltd (02973057)	Hatch International Limited (04091288)	Huntsworth (I2) Limited (05135366)
Fred Communications Limited (06179972)	The Red Consultancy Ltd (02913684)	The Quiller Consultancy Limited (03609582)
Atomic PR UK Limited (06928056)	Apothecom Scope Medical Limited (03692001)	Tonic Life Communications Limited (05077475)
Citigate Dewe Rogerson Limited (02184041)	Huntsworth Dormant 7 Limited (01951092)	Grayling Communications Ltd (03140273)
Shiny Red Limited (05893962)	Huntsworth Health Limited (03193979)	Holmes & Marchant Communications Limited (01766310)

26. Cash flow analysis

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

	2016 £000	2015 £000
Operating loss	**(14,529)**	(37,818)
Share of profit from associate	**(57)**	–
Depreciation	**2,737**	2,459
Share option charge	**234**	392
Loss on disposal of property, plant and equipment	**72**	39
Amortisation of intangible assets	**1,046**	1,024
Impairment of intangible assets	**30,786**	49,343
Loss on financial instruments	**154**	-
Profit on disposal of subsidiaries and investments	**(436)**	–
Increase in work in progress	**(1,712)**	(223)
Increase in debtors	**(6,125)**	(2,107)
Increase in creditors	**2,339**	1,831
(Decrease)/increase in provisions	**(1,869)**	214
Net cash inflow from operations	**12,640**	15,154

Net cash inflow from operations is analysed as follows

	2016 £000	2015 £000
Before highlighted items	**15,639**	18,157
Highlighted items	**(2,999)**	(3,003)
Net cash inflow from operations	**12,640**	15,154

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2016

26. **Cash flow analysis** continued
(b) Reconciliation of net cash flow to movement in net debt

	2016 £000	2015 £000
Increase/(decrease) in cash and cash equivalents in the year	**3,565**	(142)
Cash (outflow)/inflow from movements in debt	**(5,975)**	5,420
Repayment of capital element of finance leases	**24**	7
Change in net debt resulting from cash flows	**(2,386)**	5,285
Amortisation of loan fees	**(264)**	(266)
New finance lease	**(6)**	-
Movement in fair value of derivative financial instruments	**(587)**	(46)
Translation differences	**2,000**	234
(Increase)/decrease in net debt	**(1,243)**	5,207
Net debt at beginning of year	**(30,371)**	(35,578)
Net debt at end of year	**(31,614)**	(30,371)

(c) Analysis of net debt

	2016 £000	2015 £000
Cash and short-term deposits	**14,978**	8,918
Bank overdraft	**(495)**	-
Bank loans	**(45,412)**	(39,172)
Derivative financial liabilities	**(679)**	(92)
Obligations under finance leases	**(6)**	(25)
Net debt	**(31,614)**	(30,371)

At 31 December 2016 the Group had undrawn committed facilities of £24 million (2015: £24 million) available.

27. **Related party transactions**
The ultimate controlling party of the Group is Huntsworth plc (incorporated in the United Kingdom). The Group has a related party relationship with its subsidiaries and associates (Appendix 2) and with its Directors.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

	2016 £000	2015 £000
Short-term benefits	**1,636**	975
Share-based payment charge	**164**	329
	1,800	1,304

28. **Post balance sheet events**
Effective 1 January 2017 the Whiteboard Advisors business was sold for initial consideration of $2.5 million and a deferred element based on future performance.

Independent Auditor's Report
To the members of Huntsworth plc

Report on the Parent Company financial statements
Our opinion
In our opinion, Huntsworth plc's Parent Company financial statements (the "financial statements"):
- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited
The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:
- the Company balance sheet as at 31 December 2016;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting
Consistency of other information and compliance with applicable requirements
Companies Act 2006 reporting
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:
- materially inconsistent with the information in the audited financial statements, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent Auditor's Report continued
To the members of Huntsworth plc

Directors' Remuneration Report – Companies Act 2006 opinion
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

Other Companies Act 2006 reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matters
We have reported separately on the Group financial statements of Huntsworth plc for the year ended 31 December 2016.

David Snell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 March 2017

Company Balance Sheet
as at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible fixed assets	4	**35**	42
Intangible assets	5	**-**	182
Investments	6	**203,300**	215,627
		203,335	215,851
Current assets			
Debtors	7	**189,284**	162,115
Cash at bank and in hand		**2,244**	7,627
		191,528	169,742
Creditors: amounts falling due within one year	8	**(117,293)**	(106,323)
Net current assets		**74,235**	63,419
Total assets less current liabilities		**277,570**	279,270
Creditors: amounts falling due after more than one year			
Bank loans and overdrafts		**(50,686)**	(52,252)
Derivative financial liabilities	11	**(525)**	(92)
Net assets		**226,359**	226,926
Capital and reserves			
Called up share capital	12	**107,188**	107,170
Share premium account	14	**62,926**	62,811
Merger reserve	14	**29,468**	30,369
Other reserves	14	**6,175**	6,106
Hedging reserve	14	**(525)**	(92)
Treasury shares	14	**(1,166)**	(1,166)
Investment in own shares held in Employee Benefit Trust	14	**(1,693)**	(4,024)
Profit and loss account		**23,986**	25,752
Total shareholders' funds		**226,359**	226,926

Profit attributable to members of Huntsworth plc
As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these accounts. The profit for the year amounted to £4.3 million (2015 loss: £3.0 million).

The Company number is 1729478.

The financial statements were approved by the Directors on 20 March 2017 and signed on their behalf by:

Neil Jones
Director

Company Statement of Changes in Equity
as at 31 December 2016

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Profit and loss £000	Total £000
At 1 January 2015	107,157	62,635	43,422	6,038	(63)	(1,568)	(4,704)	19,651	232,568
Loss for the year	–	–	–	–	–	–	–	(2,964)	(2,964)
Other comprehensive (expense)/ income	–	–	–	–	(29)	–	–	6	(23)
Settlement of deferred consideration	8	–	338	–	–	–	–	–	346
Settlement of share options	1	41	–	–	–	402	680	(897)	227
Share issue costs	–	(18)	–	–	–	–	–	–	(18)
Share-based payments	–	–	–	68	–	–	–	307	375
Credit for unclaimed dividends	–	–	–	–	–	–	–	230	230
Tax on share-based payments	–	–	–	–	–	–	–	12	12
Scrip dividends	4	153	–	–	–	–	–	–	157
Equity dividend	–	–	–	–	–	–	–	(3,984)	(3,984)
Transfer	–	–	(13,391)	–	–	–	–	13,391	–
At 31 December 2015	107,170	62,811	30,369	6,106	(92)	(1,166)	(4,024)	25,752	226,926
Profit for the year	**–**	**–**	**–**		**–**	**–**	**–**	**4,254**	**4,254**
Other comprehensive (expense)/ income	**–**	**–**	**–**	**–**	**(433)**	**–**	**–**	**82**	**(351)**
Settlement of deferred consideration	**15**	**–**	**593**		**–**	**–**	**–**	**–**	**608**
Settlement of share options	**–**	**–**	**–**	**–**	**–**	**–**	**2,331**	**(2,080)**	**251**
Share issue costs	**–**	**(21)**	**–**	**–**	**–**	**–**	**–**		**(21)**
Share-based payments	**–**	**–**	**–**	**69**	**–**	**–**	**–**	**165**	**234**
Credit for unclaimed dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**	**11**
Tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10**	**10**
Scrip dividends	**3**	**136**	**–**	**–**	**–**	**–**	**–**	**–**	**139**
Equity dividends	**–**		**–**	**–**	**–**	**–**	**–**	**(5,702)**	**(5,702)**
Transfer	**–**		**(1,494)**	**–**	**–**	**–**	**–**	**1,494**	**–**
At 31 December 2016	**107,188**	**62,926**	**29,468**	**6,175**	**(525)**	**(1,166)**	**(1,693)**	**23,986**	**226,359**

Notes to the Company Financial Statements
for the year ended 31 December 2016

1. Basis of preparation
The Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework' ('FRS 101') for all periods presented. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016. The Company has taken advantage of the following disclosure exemptions under FRS 101:
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payments;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
- paragraph 79(a)(iv) of IAS 1;
- paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by Section 408 of the Companies Act 2006, Huntsworth plc has not presented its own profit and loss account. The Company's significant accounting policies are set out below.

2. Significant accounting policies
Tangible fixed assets
Tangible fixed assets are stated at their historical cost less accumulated depreciation and any recognised impairment losses. Depreciation is charged so as to write off the cost of tangible fixed assets, less the estimated residual value, on a straight-line basis over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:
- Motor vehicles 25%
- Equipment, fixtures and fittings 15%-35%

The carrying values of tangible fixed assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets
Costs associated with the development of identifiable and unique software products controlled by the Company and that will probably generate economic benefits exceeding costs are recognised as intangible assets. Costs are capitalised from the point that the asset first meets the recognition criteria. These are reviewed for impairment until the asset is completed, after which point costs are amortised over their estimated useful lives.

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

Provisions for liabilities
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the amounts involved are significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate.

Current tax
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:
- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised.

Notes to the Company Financial Statements continued
for the year ended 31 December 2016

2. Significant accounting policies continued

Deferred tax conitinued

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities.

Foreign currencies

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

Investments

Investments are recognised and carried at cost less any identified impairment losses at the end of each reporting period.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account. Central costs are not allocated to individual investments.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables or available for sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits.

Loans and receivables

All Company financial assets are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the profit and loss account. The losses arising from impairment are recognised in the profit and loss account in other operating expenses.

Derecognition of financial assets

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Operating lease commitments

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight-line basis over the lease term.

2. Significant accounting policies continued

Share-based payments

The Company awards equity-settled share-based payments to certain employees. These are measured at fair value at the date of grant. The fair value of the equity-settled share-based payments is recognised in the profit and loss account as an expense spread straight-line over the relevant vesting period, based on the Company's estimate of the number of awards that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of awards expected to vest, with the impact of any revision recognised in the profit and loss account, with a corresponding adjustment to equity reserves.

Loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes a party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

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

Employee share ownership plans

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

Borrowing costs and finance income

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

Significant accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements and assumptions about the future, based on historical experience and other factors which are considered to be relevant. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Carrying value of investments and other intangible assets

The Company tests annually whether investments have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value in use calculations. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from each investment and a suitable discount rate in order to calculate present value. Central costs are not allocated to individual investments.

3. Employee information

The average number of employees during the year was:

	2016 Number	2015 Number
Administration	**28**	30

Employee costs are as follows:

	2016 £000	2015 £000
Employee costs of all employees including Directors:		
Wages and salaries	**3,528**	3,137
Social security costs	**419**	419
Pension contributions	**61**	69
Share-based payment charge	**165**	307
Total employee costs	**4,173**	3,932

	2016 £000	2015 £000
Directors' emoluments	**1,636**	975
Number of Directors accruing benefits under:		
Defined contribution schemes	**0**	0

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

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

Notes to the Company Financial Statements continued
for the year ended 31 December 2016

4. Tangible fixed assets

	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2016	314	31	345
Additions	23	–	23
Disposals	(78)	–	(78)
At 31 December 2016	**259**	**31**	**290**
Depreciation			
At 1 January 2016	288	15	303
Charge for the period	20	10	30
On disposals	(78)	–	(78)
At 31 December 2016	**230**	**25**	**255**
Net book value at 31 December 2016	**29**	**6**	**35**
Net book value at 31 December 2015	26	16	42

5. Intangible assets

	Software development costs £000	Total £000
Cost		
At 1 January 2016	182	182
Additions	54	54
Disposals	(236)	(236)
At 31 December 2016	**–**	**–**
Amortisation		
At 1 January 2015 and 31 December 2016	–	–
Net book value at 31 December 2016	**–**	**–**
Net book value at 31 December 2015	182	182

As the software was not available for use at 31 December 2015, no amortisation was recognised.

6. Investments

	Shares at cost £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At 1 January 2015	293,394	40,139	333,533
Additions	68	–	68
At 1 January 2016	**293,462**	**40,139**	**333,601**
Additions	69	–	69
At 31 December 2016	**293,531**	**40,139**	**333,670**
Amounts provided			
At 1 January 2015	69,238	2,500	71,738
Impairment	34,249	11,987	46,236
At 1 January 2016	**103,487**	**14,487**	**117,974**
Impairment	7,964	4,432	12,396
At 31 December 2016	**111,451**	**18,919**	**130,370**
Net book value at 31 December 2016	**182,080**	**21,220**	**203,300**
Net book value at 31 December 2015	189,975	25,652	215,627

6. Investments continued

The Company's principal trading subsidiaries and associated undertakings, which are all incorporated in Great Britain (except where noted) are listed in Appendix 2 to these financial statements.

Impairment testing

The carrying values of all investments as at 31 December 2016 were tested for impairment and, as a result, certain investments were written down to their net realisable value. The events and circumstances that led to the recognition of the impairment loss are disclosed in Note 11 of the consolidated financial statements. The investment balances impaired relate to the intermediary holding companies in which the Company holds investments. These do not reflect the Group's CGUs.

7. Debtors

	2016 £000	2015 £000
Amounts owed by subsidiary undertakings	**188,480**	160,872
Trade debtors	**16**	38
Corporation tax	**-**	72
Deferred tax	**255**	432
VAT receivable	**418**	542
Prepayments	**115**	159
	189,284	162,115

Amounts included in the above to be due after more than one year:	**2016 £000**	2015 £000
Deferred tax	**255**	432

8. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	**64**	373
Amounts owed to subsidiary undertakings	**115,000**	104,141
Other taxation and social security	**475**	487
Accruals	**1,015**	812
Derivative financial liability	**154**	-
Other creditors	**585**	510
	117,293	106,323

9. Provisions for liabilities

	Reorganisation £000	Property £000	Total £000
At 1 January 2015	668	89	757
Released during the year	-	(64)	(64)
Utilised	(668)	(25)	(693)
At 31 December 2015 and 31 December 2016	-	-	-

Reorganisation provision

The provision at 1 January 2015 related to compensation for loss of office.

Property provisions

The property provision at 1 January 2015 represented amounts set aside to meet the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the lease term.

Notes to the Company Financial Statements continued
for the year ended 31 December 2016

10. Deferred tax

	Tax depreciation £000	Share-based payments £000	Other temporary differences £000	Total £000
At 1 January 2015	90	441	16	547
Credit/(expense) to income	8	(138)	(3)	(133)
Credit to other comprehensive income	–	–	6	6
Credit to equity	–	12	–	12
At 31 December 2015	98	315	19	432
Expense to income	(20)	(247)	(2)	(269)
Credit to other comprehensive income	–	–	82	82
Credit to equity	–	10	–	10
At 31 December 2016	**78**	**78**	**99**	**255**

The UK government has enacted reductions in the main rate of corporation tax to 19% and 17% with effect from 1 April 2017 and 1 April 2020 respectively. The impact of this change is incorporated in the reported numbers.

11. Derivative financial instruments

The Company's principal financial instruments comprise bank loans, bank overdraft, loan notes, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company and its subsidiaries. The Company has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk and foreign exchange risk. During the year, the Company had in place two interest rate swaps to manage the interest rate profile and one foreign exchange contract to manage the Group's foreign exchange exposure. For full disclosures of the financial instruments, refer to the consolidated financial statements (Note 20).

12. Called up share capital

	Deferred shares		Ordinary shares		Total
Called up, fully allotted and fully paid	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
At 1 January 2015	212,012,343	103,886	327,179,622	3,271	107,157
Scrip dividends	–	–	393,080	4	4
Settlement of share options	–	–	100,000	1	1
Deferred consideration for the acquisition of Audacity Inc.	–	–	826,031	8	8
At 31 December 2015	212,012,343	103,886	328,498,733	3,284	107,170
Deferred consideration for the acquisition of Atomic Communications LLC	–	–	1,500,007	15	15
Scrip dividends	–	–	311,869	3	3
At 31 December 2016	**212,012,343**	**103,886**	**330,310,609**	**3,302**	**107,188**

During the year, the following shares were issued:

- On 14 January 2016, 1,500,007 ordinary shares of 1 pence each, with an aggregate value of £608,347 were issued as deferred consideration for the acquisition of Atomic Communications LLC. The issue price per share was 40.6 pence resulting in a merger reserve of £593,347.
- The scrip dividends relate to the scrip alternative taken up on the final 2015 dividend and the interim 2016 dividend. On 7 July 2016, 215,951 ordinary shares of 1 pence each were issued at 45.3 pence with a resulting share premium of £95,666. On 4 November 2016, 95,918 ordinary shares of 1 pence each were issued at 43.5 pence with a resulting share premium of £40,717.

During 2015, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2014 dividend and the interim 2015 dividend. On 6 July 2015, 223,462 ordinary shares of 1 pence each were issued at 42.0 pence with a resulting share premium of £91,564. On 6 November 2015, 169,618 ordinary shares of 1 pence each were issued at 37.0 pence with a resulting share premium of £61,062.
- Pursuant to the settlement of share options, on 12 June 2015, 50,000 ordinary shares of 1 pence each were issued at 40.5p with a resulting share premium of £19,750. On 15 July 2015, a further 50,000 ordinary shares of 1 pence each were issued at 43.5 pence with a resulting share premium of £21,250.
- On 30 June 2015, 826,031 ordinary shares of 1 pence each, with an aggregate value of £346,735, were issued as deferred consideration for the acquisition of Audacity, Inc. The issue price per share was 42.0 pence resulting in a merger reserve of £338,474.

13. Share-based payments

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
Huntsworth share option schemes			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Jan 2012–Mar 2026	32.5-43.84
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Jan 2010–Mar 2026	32.5–108.25
Huntsworth Performance Share Plan	10 years	Jan 2010–Mar 2026	nil
Huntsworth Deferred Share Bonus Plan	10 years	Mar 2011–Mar 2019	nil
Huntsworth Deferred Share Bonus Plan	10 years	Mar 2012–Mar 2019	nil
The Huntsworth Long Term Incentive Plan 2016	10 years	June 2019–Oct 2026	nil

Options are forfeited if the employee leaves the Company within the vesting period. Any share options which remain unexercised after the exercise period will expire. Certain grants of share options are also subject to specific performance conditions relevant to an employee, such as the consolidated Group's adjusted basic earnings per share and total shareholder return relative to a peer group. Specific details of the exercise conditions of options granted to Directors are set out in the Report of the Directors on Remuneration.

The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2016 and 31 December 2015:

	2016		2015	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at the end of the year	**9,106,553**	**23.8**	11,425,220	20.6
Exercised	**3,620,207**	**11.2**	1,768,943	12.9

The weighted average share price at the date of exercise for share options exercised during the year was 40.9 pence (2015: 39.3 pence). The options outstanding at the end of the year have a weighted average remaining life of 8.8 years (2015: 5.1 years).

14. Reserves

Called up share capital

The balance classified as called up share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising £0.01 ordinary shares.

Merger reserve

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

Following the impairment of certain investments held by the Company, £1.5 million (2015: £13.4 million) relating to the acquisition of those subsidiaries has been transferred from the merger reserve to the profit and loss reserve.

Treasury shares

The Group did not transfer any shares to employees pursuant to the settlement of share options (2015: transferred 585,707 shares to past employees for proceeds of £146,250). As at 31 December 2016 the Group held 1,686,681 shares (2015: 1,686,681 shares) in Treasury

Investment in own shares

Investment in own shares represents the cost of own shares acquired in the Company by the Huntsworth Employee Benefit Trust. The purpose of the Trust is to facilitate and encourage the ownership of shares by employees, by acquiring shares in the Company and distributing them in accordance with employee share schemes. The Trust may operate in conjunction with the Company's existing share option schemes and other share schemes that may apply from time to time.

Pursuant to the settlement of share options, the Trust transferred 4,051,129 shares to employees and past employees, including 231,081 accrued dividend shares (2015: 1,198,969 shares, including 115,733 accrued dividend shares), for proceeds of £251,449 (2015: £48,750).

During 2016 the Trust did not purchase any shares (2015: nil). At 31 December 2016 the Trust held 2.4 million shares (2015: 6.4 million shares) in the Company which had a market value at 31 December 2016 of £0.9 million (2015: £2.5 million).

Hedging reserve

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

Notes to the Company Financial Statements continued
for the year ended 31 December 2016

14. Reserves continued
Other reserves
The amount held in other reserves represents the credit to equity where Huntsworth plc grants rights in its equity instruments to employees of a subsidiary and such share-based compensation is accounted for as equity-settled in the consolidated financial statements. The credit represents a contribution from the Parent Company to its subsidiaries.

15. Related parties
Details of Executive and Non-Executive Directors' emoluments and their interests in shares and options of the Company are shown in the Report of the Directors on Remuneration in the sections 'Directors' emoluments', 'Directors' interests in shares' and 'Directors' interests in share options'. The key management personnel of the Company are considered to be the Executive and Non-Executive Directors.

16. Contingent liabilities
(i) The Company is registered with HM Revenue and Customs as a member of a Group for VAT purposes and, as a result, is jointly and severally liable on a continuing basis for amounts owing by any other members of that Group in respect of unpaid VAT. At the balance sheet date, the outstanding VAT liability in the other Group companies amounted to approximately £1.6 million (2015: £1.6 million).
(ii) In connection with the Group's banking and borrowing facilities, the Company and certain of its subsidiary undertakings have entered into cross-guarantee and indemnity arrangements with Lloyds Bank plc, Barclays Bank plc and HSBC Bank plc.
(iii) In the normal course of business, the Company is, from time to time, subjected to legal actions, contractual disputes, employment claims and tax assessments. In the opinion of the Directors, the ultimate resolution of these matters will not have a material adverse effect on the Company.
(iv) The Company has entered into a number of indemnifications, performance and financial guarantees, in the normal course of business, which gives rise to obligations to pay amounts or fulfil obligations to external parties should certain conditions not be met or specified events occur. As at the date of this report, no matter has come to the attention of the Company which indicates that any material outflow will occur as a result of these indemnities and guarantees.

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, goodwill impairment, restructuring costs, and acquisition/transaction related costs. In the prior year, impairment of software development costs was 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 5.

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 10.

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 26.

Cash conversion
Cash conversion is the net cash inflow from operations before highlighted items expressed as a percentage of adjusted operating profit and provides an understanding of how much profit the group has converted to cash.

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 26.

Effective tax rate
The effective tax rate is the total tax charge incurred by the Group on headline profit before tax, 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 results are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and 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 results and IFRS revenues are included in the table below:

Year ended 31 December 2016	Citigate Dewe Rogerson £000	Grayling £000	Red £000	Huntsworth Health £000	Total Group £000
IFRS revenue	22,087	53,862	13,349	90,839	180,137
Business closures	-	(4,730)	-	(28)	(4,758)
Like-for-like revenue	**22,087**	**49,132**	**13,349**	**90,811**	**175,379**

Year ended 31 December 2015	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total Group £000
IFRS revenue	20,039	63,209	12,830	72,320	168,398
Constant exchange rates	1,101	5,360	-	7,617	14,078
Business closures	-	(9,072)	-	(104)	(9,176)
Like-for-like revenue	21,140	59,497	12,830	79,833	173,300

Appendix 2 – Subsidiaries and associates

This appendix forms part of the financial statements.

The Group consists of the Parent Company, Huntsworth plc, and a number of subsidiaries held both directly and indirectly by Huntsworth plc, which operate and are incorporated around the world. Details of the Company's subsidiary undertakings at 31 December 2016 are set out below.

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Adamson Ussher Marketing Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Apothecom ScopeMedical Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Atomic Communications Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Citigate Dewe Rogerson Limited[1]	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	100%	100%
Conscientia Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
EHPR Ltd	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Fred Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Grayling (CEE) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Haslimann Taylor Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
HS Corporate Investments Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Huntsworth Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Huntsworth Investments Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Strategy Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
The Red Consultancy Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Tonic Life Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Trimedia Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Atlantic Public Relations Limited	19 Thistle Street, Edinburgh, EH2 1DF	15%	100%
Alternate Resources Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Atlantic Group Holdings Limited	19 Thistle Street, Edinburgh, EH2 1DF	0%	100%
Atomic PR UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Avenue Healthcare Knowledge Management Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Axis Healthcare Europe Limited	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Ballard Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Beaumark Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Brand Health International Limited	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Brand Health International Validation Limited	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Catalyst Communications Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Catalyst Publications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Chris Parry Promotions Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Citigate Broad Street UK Limited	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Citigate Communications Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Citigate Europe Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Citigate Northern Ireland Public Affairs Limited	c/o Arthur Cox Belfast, Victoria House, 15-17 Gloucester Street, Belfast, BT1 4LS	0%	100%
Citigate Public Affairs Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Citigate Sponsorship Limited	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Citigate Westminster Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
David Baker Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Dewe Rogerson Group Limited	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Dewe Rogerson Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Dewe Rogerson UK Limited	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Ergo Communications Services Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Facet Group Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Dormant 1 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling International Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Harnett Milan Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Harrison Cowley 222 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Hatch Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Hatch International Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Holmes & Marchant Central Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Holmes & Marchant Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Holmes & Marchant Corporate Design Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Holmes & Marchant Enskat Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Holmes & Marchant Field-Force Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Holmes & Marchant Healthcare Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Holmes & Marchant Publishing Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth (CB) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth (I2) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%

Appendix 2 – Subsidiaries and associates continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Huntsworth Dormant (IH) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant (IUK)	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Huntsworth Dormant 1 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant 2 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant 3 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant 4 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant 5 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant 6 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant 7 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Financial Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Health Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Healthcare Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
IG Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
IOL Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
MacLaurin Ltd	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Masterguide Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Park Avenue Productions Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Pineblue Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Quiller Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Shiny Red Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Superfresh Hygienics Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Tactical Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Tactical Marketing Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
TEAM LGM Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Counsel Group Limited	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
The Development Counsel Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Quiller Consultancy Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Red Consultancy Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
TMG Group Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Trimedia Communications UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
V B Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Woodside Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Ireland DAC	Harcourt Centre, Harcourt Road, Dublin 2	0%	100%
Grayling Holdings AG	Niederdorfstrasse 88, 8001 Zurich, Switzerland	100%	100%
Grayling France SAS	43 rue de Rendez Vous, 75012 Paris, France	72.6%	100%
Grayling Suisse SA	Strehlgasse 29, 8001 Zurich, Switzerland	12.1%	100%
Grayling International AG	Zollikerstrasse 141, 8008 Zurich, Switzerland	1.7%	100%
Citigate & Trimedia Norden AB	Arenavagen 29, 8 tr. 121 77 Johanneshov, Stockholm, Sweden	0%	100%
Citigate Dewe Rogerson Belgium SA	Avenue de Cortenbergh, 66 1000 Brussels, Belgium	0%	100%
Citigate First Financial B.V.	James Wattstraat 100-10, 1097 DM Amsterdam, The Netherlands	0%	100%
Grayling & Citigate Norden AB	Arenavagen 29, 8 tr. 121 77 Johanneshov, Stockholm, Sweden	0%	100%
Grayling Austria GmbH	Siebensterngasse 31, 1070 Wien, Austria	0%	100%
Grayling Bulgaria EOOD	9 Positano Str., Entry B Floor 2 1000 Sofia, Bulgaria	0%	100%
Grayling Comunicacion, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Grayling Corporate, Public Affairs & Public Relations Consultants (Cyprus) Limited	Lambrou Katsoni 8, Office 202, 1082 Nicosia, Cyprus	0%	100%
Grayling Czech Republic s.r.o.	Palackého 740/1, 110 00 Prague 1, Czech Republic	0%	100%
Grayling d.o.o.	Kralja Drzislava 4, 10000 Zagreb, Croatia	0%	100%
Grayling d.o.o.	Gospodar Jovanova 81, 11000 Belgrade, Serbia	0%	100%
Grayling d.o.o.	Dunajska 5, 7th Floor, 1000 Ljubljana, Slovenia	0%	100%
Grayling Deutschland GmbH	Hanauer Landstraße 147, 60314 Frankfurt am Main, Germany	0%	100%
Grayling Eurasia LLC	Krasnoproletarskaya Str. 16, Building 3, Entrance #8, Floor 5, Office 6, Moscow 127473, Russia	0%	100%
Grayling Hungary Kft	Teréz krt. 46., 1066 Budapest, Hungary	0%	100%
Grayling München GmbH	Hanauer Landstraße 147, 60314 Frankfurt am Main, Germany	0%	100%
Grayling Nederland B.V.	James Wattstraat 100, 1097 DM Amsterdam, Netherlands	0%	100%
Grayling Poland Sp.z.o.o.	Equator II, Floor 5, Al. Jerozolimskie 96, Warsaw 00-807, Poland	0%	100%
Grayling Romania S.R.L.	Str Maltopol 9, Sectorul 1, 011047, Bucharest, Romania	0%	100%
Grayling SA	Avenue des Arts, 46, 1000 Brussels, Belgium	0%	100%
Grayling Slovakia s r.o.	Palisady 36, 811 06 Bratislava, Slovakia	0%	100%
Grayling Ukraine OOO	23A Pushkinska Str., 01004 Kyiv, Ukraine	0%	100%
Huntsworth Holdings GmbH	Hanauer Landstraße 147, 60314 Frankfurt am Main, Germany	0%	100%
Huntsworth Spain, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
PGA Communication SA	Gwattstrasse 8, c/o ueltschi solutions GmbH, 3185 Schmitten FR	0%	100%
Sanchis y Asociados Imagen y Comunicacion, S.A.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Trimedia Public Affairs GmbH	Siebensterngasse 31, 1070 Wien, Austria	0%	100%
Zahner & Partner AG	Gwattstrasse 8, c/o ueltschi solutions GmbH, 3185 Schmitten FR	0%	100%
ApotheCom ScopeMedical Inc.	874 Walker Road, Ste C, Dover DE 19904, United States	0%	100%
Atomic Communications LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Audacity Health LLC	800 Township Line Rd Ste 300, Yardley Pa 19067	0%	100%
Axiom Professional Health Learning LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
C-B Interests Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate Broad Street Inc.	1740 Broadway New York, New York, 10019.	0%	100%
Citigate Cunningham LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate Global Intelligence and Security Inc.	Davis & Gilbert 1740 Broadway, New York, NY 10019	0%	100%
Citigate Global Intelligence and Security LLC	State of New York Department of State, Division of Corporations and State Records, Albany NY 12231-0001, United States	0%	100%
Dunwoodie Communications Inc.	80 State Street, Albany, New York, 12207	0%	100%
Dutko DPM Holding LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Global LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Government Markets, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Midco LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko State & Local, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Washington, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Worldwide, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Evoke Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%

Appendix 2 – Subsidiaries and associates continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Evoke Health LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Firsthand Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling Americas LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling Communications, Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
HHCG Acquisition LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Financial Holdings LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Financial LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Health Corporation	1 South Broad Street., Philadelphia, PA 19107	0%	100%
Huntsworth Health North America LLC	800 Township Line Road, Yardley, PA 19067, United States	0%	100%
Huntsworth Healthcare Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Holdings Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth LLC	10 Bank Street, White Plains, New York, 10606	0%	100%
Hypertonic LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
inRx LLC	3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Random Animal LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Rose & Kindel	608 University Avenue, Sacremento, CA CA95825, United States	0%	100%
The Red Consultancy California LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
The Red Consultancy USA LLC	Davis & Gilbert 1740 Broadway, New York, NY 10019	0%	100%
Tonic Life Communications Dallas LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Tonic Life Communications New York LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Traverse HealthStrategy LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Whiteboard Advisors, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Health Singapore Private Limited	55 Market Street, #02-02, Singapore 048941	100%	100%
Citigate Asia Limited	15/F Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Citigate Dewe Rogerson (Beijing) Consulting Services Co., Ltd	1506A, Floor 15, Avic Building, No. B10 East Third Ring Road, Beijing 100022, China	0%	100%
Citigate Dewe Rogerson, i.Mage Pte Limited	55 Market Street, #02-01, Singapore 048941	0%	100%
Grayling (Shanghai) Public Relations Consulting Co., Limited	Room 801, Floor 8, F659 Building, Nanjing WesT Road, Jing'an District, Shanghai, People's Republic of China	0%	100%
Grayling (Thailand) Co., Limited	174 Silom Road, Suriyawong Sub-District, Bangrak District, Bangkok, Thailand	0%	100%
Grayling Asia Pte Limited	55 Market Street #02-02, Singapore 048941	0%	100%
Grayling China Limited	1901 Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Huntsworth Dormant (IL) Limited	15/F, Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Tonic Life Communications Asia Pacific Limited	15/F, Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Grayling Momentum Limited[2]	Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands[3]	100%	100%
Grayling Halkla Iliskiler Limited Sirketi	Evliya Celebi Mah. Mesrutiyet Cad., Bilsar Binasi, No:90, Kat:2, Sishane, Beyoglu, Istanbul, Turkey	0%	100%
Grayling Kenya Limited	2nd Floor, Wing A, Apollo Centre, Ring Road Parklands, Westlands PO Box 764 00606, Sarit Centre, Nairobi, Kenya	0%	100%
Huntsworth Advertising LLC	4th Floor, Amideast building, Al Jami Al Akbar Street, Ghala Heights, Muscat, Oman	0%	70%

1. Citigate Dewe Rogerson Limited also operates through branches registered in France and Qatar
2. Grayling Momentum Limited also operates through a branch registered in Qatar.
3. Operating in the UAE.

Associate	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Hudson Sandler LLP	29 Cloth Fair, London, England, EC1A 7NN	25%	25%

Five-Year Summary

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Revenue before highlighted items	**180,137**	168,398	164,719	171,668	173,030
Highlighted items - revenue	**-**	-	1,013	727	-
Operating profit before highlighted items	**17,978**	15,253	18,228	23,595	26,547
Highlighted items - operating expenses	**(32,507)**	(53,071)	(76,161)	(3,737)	(3,613)
Net finance costs	**(1,973)**	(2,001)	(2,205)	(3,531)	(4,089)
(Loss)/profit before tax	**(16,502)**	(39,819)	(59,552)	17,054	18,845
Non-current assets	**172,925**	188,485	233,845	299,144	299,429
Net current assets/(liabilities)	**29,978**	10,089	9,588	6,760	(10,549)
Net assets	**152,315**	155,302	193,874	257,644	214,157
Equity shareholders' funds	**152,315**	155,302	193,874	257,644	214,157
Basic (loss)/earnings per share (pence)	**(5.6)**	(12.3)	(17.6)	5.0	6.3
Diluted (loss)/earnings per share (pence)	**(5.6)**	(12.3)	(17.6)	4.9	6.1
Adjusted basic earnings per share (pence)	**3.4**	3.0	3.8	5.8	7.1
Adjusted diluted earnings per share (pence)	**3.4**	3.0	3.7	5.6	6.9
Share price - high (pence)	**47.0**	49.3	72.0	69.25	53.0
Share price - low (pence)	**34.0**	35.0	39.4	39.0	32.3

Group Information

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

Investor relations
Should you have any queries, please contact either Paul Taaffe or Neil Jones on +44 (0)20 3861 3999.

Alternatively, you can email your query to paul.taaffe@huntsworth.com or neil.jones@huntsworth.com.

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

Alternatively, you can telephone the dedicated Huntsworth shareholder helpline on 0870 707 1048 or write to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

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180 Oxford Street
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HSBC Bank plc
60 Queen Victoria Street
London EC4N 4TR

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10 Paternoster Square
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Financial Calendar 2017

21 March 2017	Announcement of final results
25 May 2017	Annual General Meeting
25 May 2017	Ex-dividend date for final dividend
26 May 2017	Record date for final dividend
06 July 2017	Final dividend paid

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