

# HUNTSWORTH

Parent Company for 06179972 - Fred Communications  
Limited subsidiary company.

Statement is on page 102.

**Huntsworth plc** Annual Report and Accounts 2017

Driving sustainable growth



# Huntsworth plc is an international healthcare and communications group

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# Highlights

## Summary Financial Performance

	31 December 2017	31 December 2016
Revenue	<b>£197.0m</b>	£180.1m
Operating profit/(loss)	<b>£24.9m</b>	£(14.5)m
Profit/(loss) before tax	<b>£22.9m</b>	£(16.5)m
Diluted earnings/(loss) per share	<b>4.7p</b>	(5.6)p
Headline operating profit <sup>1</sup>	<b>£26.4m</b>	£18.0m
Headline profit before tax <sup>1</sup>	<b>£24.4m</b>	£16.0m
Headline diluted earnings per share <sup>1</sup>	<b>5.8p</b>	4.0p
Final dividend per share	<b>1.45p</b>	1.25p
Net debt	<b>£36.3m</b>	£31.6m

## Financial Highlights

- Revenue up 9% at £197.0 million (2016: £180.1 million)
- Headline operating profit up 47% at £26.4m (2016: £18.0 million), representing a margin of 13.4% (2016: 10.0%)
- Headline profit before tax up 52% at £24.4 million (2016: £16.0 million)
- Headline diluted earnings per share increased to 5.8p (2016: 4.0p)
- Strong cash conversion of 113% (2016: 87%) with free cash flow of £20.7 million (2016: £2.9 million)
- Proposed final dividend up 16% at 1.45p per share (2016: 1.25p per share) giving a total dividend for the year of 2.0p per share (2016: 1.75p per share)

## Operational Highlights

- Continued strong organic growth from Healthcare divisions
- All operating divisions growing profits
- Acquisition of The Creative Engagement Group ('TCEG'), which is now integrated and performing well
- Restructuring of the Group into four principal divisions which reflect the increased Healthcare focus
- Grayling restructuring completed with a return to profitability

Huntsworth made strong progress in 2017, led by its Healthcare agencies. Our focus is to better serve our Healthcare clients by developing and adding capability to the Group, and with a strengthening balance sheet we are well placed to continue to do so. Despite increasing foreign exchange headwinds, the year has started well with good trading momentum and Huntsworth is well positioned for further growth in 2018.

Paul Taaffe Chief Executive Officer

- 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.
- 2 Like-for-like revenues are stated at constant exchange rates and excluding the effect of acquisitions and disposals. A reconciliation of IFRS revenues and operating profit to like-for-like results is included in Appendix 1.

## Revenue

**£197.0m**

(2016: £180.1m)

## Dividend

**2.00p**

(2016: 1.75p)

## Headline Operating Profit

**£26.4m**

(2016: £18.0m)

## Headline Diluted EPS

**5.8p**

(2016: 4.0p)

## Group Overview

Huntsworth  
operates  
from  
**46** principal  
offices in  
**19** countries

Huntsworth plc is an international healthcare and communications group. The Group's principal area of focus is Health, which provides marketing and medical communications services to healthcare clients, which are primarily large and mid-size pharmaceutical and biotech companies. It also has a smaller Communications group, which provides a wide range of communications and advisory services including strategic communications, public affairs, investor relations and consumer marketing.

huntsworth health

Principal brands

Huntsworth Health has three main divisions. Medical focuses on communicating evidence on new scientific and drug developments and educating healthcare professionals and payers on the appropriate use of therapy. Marketing focuses on post-approval marketing of drugs to payers, healthcare professionals and consumers, primarily in the US. Immersive provides live experiences, communications and interactive content.

Group revenue

**61%**

2017: £119.4m

For more information:  
Delivering our strategy  
**Pgs 10-11**

huntsworth communications

## Principal brands

Communications contains three main communication and advisory agencies. Grayling is a global integrated communications network, covering public relations, investor relations and public affairs. Citigate Dewe Rogerson is an international financial and corporate public relations consultancy. Red is a strategic communications consultancy offering public relations, digital and content expertise.

Group revenue

**39%**

2017: £77.6m

For more information:  
Delivering our strategy  
**Pgs 10-11**

## Chairman's Statement

# A very strong year at Huntsworth

I am pleased to report a very strong year at Huntsworth. We have made significant progress in executing our strategy of transforming the Group into a Healthcare marketing services-focused business, helped by the acquisition of The Creative Engagement Group ('TCEG').

Our continued focus on operational efficiencies and the elimination of loss-making agencies combined with strong organic growth from the Healthcare division produced a very strong like-for-like growth in headline profit of 20%.

We continued to refine and execute the Group's strategy during 2017. The restructuring of the Group into four principal divisions following the acquisition of TCEG gives a better balance to our reporting structure and provides greater insight into the performance of the Group.

Buoyant trading in the three Healthcare-focused divisions was again led by Evoke (within the Marketing division) and ApotheCom (in the Medical division), both of which had outstanding years. I was delighted to welcome TCEG into the Group in July, an excellent team with a passion for their work. They bring new capabilities in mixed media and exhibitions to the Group, as well as access to new types of clients. TCEG has performed well in its first six months, it is now fully integrated within the Group and is increasingly engaged in joint new business with other Group agencies.

Revenue (m)

**£197.0m**

(2016: £180.1m)

We have made significant progress in executing our strategy of transforming the Group into a Healthcare marketing services focused business.

Derek Mapp Chairman

In our Communications division, I am pleased to report that Grayling has responded positively to its restructuring and has now returned to profitability, with a notably strong performance from its UK operation. Red has had a good year despite some client attrition, but recent wins emphasise its fundamental strength. Citigate Dewe Rogerson has had a solid year despite difficult market conditions in the UK and Asia.

There is real momentum at Huntsworth as all the agencies focus on what is of most value to their clients. There is a very different sense of what is possible than there was just over three years ago when I joined the Group. So it is with much sadness that, given my other commitments, I will step down as Chair, subject to an orderly succession process.

After three years' service, Tim Ryan, the Group's Senior Independent Director, stepped down from the Board in December 2017. I would like to thank Tim for his support and help in guiding the Group over the critical restructuring period from 2014 to 2017. Andy Boland, who is the Group's longest serving Non-Executive Director, will become the new Senior Independent Director. We also welcomed Liz McKee Anderson to the Board on 1 January 2018. Liz brings a wealth of experience in healthcare and will be a valuable asset for the Group as it expands its Healthcare focus in the coming years.

On behalf of the Board, I would like to thank the management team and staff for their hard work in achieving the growth we have enjoyed this year and look forward to more of the same during 2018.

These impressive results are an encouraging indicator of the progress made over the past three years. We enter 2018 with good trading momentum and confidence for the year ahead.

**Derek Mapp**  
Chairman  
5 March 2018

## Governance highlights

### M&A procedures

The Board reviewed its procedures concerning M&A and was particularly engaged in the acquisition of TCEG.

### Internal audit appointment

Given the diverse geographical spread of the Group, KPMG were duly appointed as internal auditors in 2017.

### Shareholder dialogue

Throughout the year the Board actively engaged with its principal shareholders, particularly at the capital markets day.

For more information:  
Corporate Governance  
Pgs 36-64

**Profit before tax (m)**  
(before highlighted items)

**£24.4m**

(2016: £16.0m)

**Headline Diluted EPS**

**5.8p**

(2016: 4.0p)

## Market Review

# The trends and drivers that influence our markets

Huntsworth comprises a broad range of businesses, with a diverse geographic and sector reach. As such each of our businesses operates in markets with their own characteristics and dynamics.

However, there are also overarching trends and drivers which are common across our businesses, at both a macro and micro level, which influence demand trends for our products and services and help shape the Group's future strategy and focus.

### Macro developments

#### **Economic and political uncertainty**

The Group is overwhelmingly weighted to lower risk jurisdictions, with 91% of the Group's revenues generated from the US, UK and western Europe. Nevertheless, the past 18 months have seen an increase in political and economic uncertainty, particularly following the Brexit decision in the UK, the elections in the US, and the 2017 UK elections and resulting minority government. While the political and economic environment has remained relatively stable to date despite these changes, significant policy changes may have an impact, whether in respect of US tax reform, healthcare reform in the US, or wider economic policy.

#### **Exchange rate fluctuations**

Largely as a result of the political developments above, exchange rates have proved relatively volatile over the past 18 months. The result has been a material impact on the Group's results. In light of this, to enable a better understanding of the Group's results, our like-for-like measures exclude the impact of exchange rate movements. Currency headwinds are currently anticipated into 2018, primarily as a result of the weaker US Dollar.

### Revenues by Geography

For more information:  
Delivering our strategy  
**Pgs 10-11**



## huntsworth health

**The world is getting older**

The global population is getting older all the time. Within 10 years there will be one billion individuals over the age of 60. Over the next thirty years the changes will be even more significant, with global life expectancy rising by eight years, the number of over-65-year-olds doubling and the number of over-80-year-olds tripling.

**The world is getting sicker**

Demand for healthcare is rising globally, and especially quickly in the US. 133 million Americans currently have at least one chronic disease, a number expected to rise to 164 million in the next 10 years. This is mirrored in the global demand for prescription drugs, which is expected to grow at an average annual rate of over 6% for at least the next five years.

**Drugs are getting more complex**

Whilst overall demand for prescription drugs and other treatments is growing strongly, more complex drugs are growing particularly quickly. Biotech products are expected to account for 29% of total drug sales by 2022, up from 26% in 2017. This creates additional opportunities for agencies which are best able to navigate the complex regulatory and institutional environment surrounding these drugs.

**Healthcare is becoming more digital**

Healthcare providers and consumers are both becoming increasingly digital. Healthcare professionals are twice as likely to use online sources than print when making clinical decisions. Globally, over 60% of people use the internet to search for advice on health, medicines or medical conditions, a figure which rises to 80% in the US.

## huntsworth communications

**Increasing pressure on client budgets**

Pressures on marketing budgets continue to intensify and there is increasing pressure to justify spend. As a result there is a demand for better measurement to quantify success and a need to see new ideas and new ways of solving problems.

**Disruption of traditional marketing and consultancy**

The lines between traditional marketing, advertising, communications and public relations are becoming increasingly blurred. This has led to intensifying competition from new entrants and established players, leading clients to more frequently review the solutions available to them. In this environment, innovative offerings are increasingly rewarded over established ways of doing things.

**Integrated offering**

Clients increasingly demand an integrated offering, to avoid the friction and inefficiencies of working with multiple agencies. Within this context it is important to shift away from siloed thinking and to focus on the wider client needs to determine how best to achieve their goals.

82%

of Healthcare professionals ('HCPs') used a computer, smartphone and tablet for professional purposes in 2014

90%

of HCPs used smartphones for professional purposes in 2014

70%

of Primary Care Physicians use Social Media for professional purposes

## Business Model

Huntsworth generates value through a network of specialist agencies.

### Resources and relationships

#### Strong brands

Huntsworth's businesses, in both the Healthcare and Communications divisions, operate under a range of strong, well-respected brands. Brands continue to be essential in a market which places a premium on trustworthy, quality businesses.

huntsworth health

#### Strong client base

Huntsworth works with a range of longstanding clients, big and small; nearly two-thirds of our clients have been a customer for more than five years. In our Healthcare divisions we work with the biggest pharma companies in the world, including all of the top 20, as well as a number of smaller, nimble biotech companies. In our Communications division we work with a range of blue chip companies and household names.

#### Global network

All of our businesses operate globally which means that we can be where our clients are. Whilst each business is focused on the specific needs of its clients, we can create integrated teams – within or across our divisions – to address challenges that require a multidisciplinary solution.

#### Enabling growth

Huntsworth the Parent Company enables innovation and growth in the agencies, by taking on much of the administrative burden in areas such as financial control, treasury, tax, M&A, investor relations, legal services and internal audit. This frees up the agencies to provide better quality service to their clients.

huntsworth communications

#### Experienced talent

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 the Group retains its market-leading position.

For more information:  
Delivering our strategy  
**Pgs 10-11**

For more information:  
Delivering our strategy  
**Pgs 10-11**

## Returns generated

### Revenue growth

Our strong brands, quality people and global network combine to support revenues which are both resilient and which can grow sustainably. Growth in revenue sustains the long-term growth in the earnings of the business.

**+4%**

like-for-like revenue growth

### Profit growth

Growth in profits is driven by both revenue growth and a continued focus on operational and cost efficiencies. Over the past two years we have reorganised our business in order to maximise the efficiency in the way that we operate, and continually review how, when and why we do things in order to identify further improvements.

**+20%**

like-for-like headline profit growth

### Cashflow

Strong cashflows are underpinned by good profit generation combined with sensible working capital management. Our businesses deliver to sustainable but tightly managed working capital targets which delivers both visibility over cashflows and ensures that we minimise our debt requirements. Short and long-term cashflow forecasting also ensures that we continue to operate well within our facility limits whilst delivering an optimum capital structure.

**113%**

cash conversion

For more information:  
Delivering our strategy  
Pgs 10-11

## Stakeholder outcomes

### Customers

We help our customers engage, adapt and evolve in fast-changing landscapes, building brand resilience and creating measurable advantage to achieve their business objectives – whether that's building awareness, affinity or improving reputation leading to increased sales, visits or sign-ups.

### Employees

Our employees benefit from working in a stimulating and rewarding environment, doing high quality work alongside talented colleagues. Our employees have access to a number of training initiatives, as well as an annual appraisal and performance evaluation, to further their development.

### Investors

We aim to maximise value for our shareholders and other investors through sustainable growth in earnings and cashflows.

**+45%**

growth in headline diluted EPS

For more information:  
Delivering our strategy  
Pgs 10-11

## Delivering Our Strategy

Our four divisions each have sector or service specialisations which are aligned to Group objectives.

### Initiatives

#### Strengthen the Group's focus on Healthcare marketing services

The Healthcare industry has a good long-term outlook, underpinned by strong fundamentals, including an ageing population and a rise in chronic health conditions. At the same time it is becoming increasingly competitive with the established pharma companies facing challenges from small biotech firms and other niche players. In this environment, Healthcare marketing services have an increasingly important role to play.

#### Extend and grow our capabilities and services

The lines between traditional marketing, advertising, communications and public relations are becoming increasingly blurred. With clients critically reviewing the solutions available to them, and with a premium placed on innovative solutions, it is important to continually review our service offering and to extend and develop new capabilities and services.

#### Improve profitability across the Group

The Group has made significant progress over the past two years in improving its profitability but we aim to drive further operational and cost efficiencies, as well as focusing on higher value-add services, in order to deliver market-leading margins.

### Progress and outlook

#### Increased share of revenue and profits from Healthcare

# 79%

#### Healthcare share of Group profits

Healthcare now accounts for 79% of Group profits, up from 77% in 2016. The increase has been driven by a combination of strong organic growth from all divisions, combined with the acquisition of TCEG in July 2017. The increased

weighting of Healthcare has been reflected in the revised reporting structure of the Group. Further growth in 2018, combined with the annualisation of TCEG, is likely to increase Healthcare as a proportion of the Group.

#### Development of new capabilities and services

Huntsworth has a culture which incentivises the creation of new capabilities, and our businesses are constantly challenged to think about what they do and why. Close links are also encouraged between the agencies to develop cross-selling and cross-fertilisation. Meanwhile the acquisition of TCEG has meant our offering

has been strengthened in a number of key areas, including exhibitions, live experiences and virtual reality. Over the course of 2018 we expect to continue to add to our service offering, through a combination of targeted M&A and organic development as appropriate.

#### Improve profitability

# 13%

#### Headline operating margin

Group headline operating margins have risen from 9% in 2015, through 10% in 2016 to 13% in 2017. We expect this margin to improve further in 2018, reflecting the growing

proportion of higher margin businesses, the impact of cost savings actioned mid-way through 2017, and the effect of gearing on our fixed cost base.

For more information:  
Principal risks  
**Pgs 26-30**

## KPIs

### Healthcare share of Group profits

79%

### New capabilities & services

+4%

#### Like-for-like revenue growth

Like-for-like revenue growth is an indicator of how well our service offering addresses market needs

£25m

#### Acquisition spend

Acquisition spend helps to grow our capabilities in new areas

### Improved profitability

13%

## Risk

### Healthcare

#### Over-reliance on Healthcare sector

Whilst the fundamentals of the Healthcare sector are good and offer a strong platform for sustainable growth, being overweight in Healthcare means that any changes to the political, economic or regulatory regime could have a disproportionate effect on the Group. This risk is currently deemed low, given the current and growing importance of the Healthcare sector.

#### Acquisitions or investments do not deliver expected benefits

There is a risk that acquisitions or investments do not deliver the expected benefits. This would mean an opportunity cost in terms of both cash and management time and attention, together with lower growth rates than anticipated. This risk is mitigated through careful due diligence and strategic appraisal on acquisition targets, and clear implementation plans and exit routes for organic investments.

### New capabilities and services

#### Service offering does not meet market needs

If the service offering does not meet market needs, this would lead to a failure to retain clients or to win new clients. In turn this would impact upon the Group's ability to grow its revenues and deliver for its stakeholders. This risk is mitigated through a continual critical review of our service offering and a detailed assessment of low-growth regions.

#### Acquisitions or investments do not deliver expected benefits

There is a risk that acquisitions or investments do not deliver the expected benefits. This would mean an opportunity cost in terms of both cash and management time and attention, together with lower growth rates than anticipated. This risk is mitigated through careful due diligence and strategic appraisal on acquisition targets, and clear implementation plans and exit routes for organic investments.

### Improved profitability

#### Underinvestment in future growth

There is a risk that a focus on profitability and margin performance leads to a failure to invest in the business, which would impact on the longer-term growth prospects. This risk is mitigated by a culture which prioritises long-term sustainable growth over short-term margin, an approach which is reflected in the incentive plans for key management.

## Chief Executive's Statement

# Our evolving business model and strategy

### Introduction

Huntsworth made strong progress in 2017 with all operating divisions growing profit. Revenue grew by 9% to £197.0 million and headline profit before tax by 52% to £24.4 million. On a like-for-like basis, this represents growth of 4% and 20% respectively.

As part of the strategic development of the Group and its increased focus on Healthcare we took the decision to streamline how we organise ourselves, providing shareholders with a better understanding of the Group and offering clients easier access to multiple services when required. The Group now has two distinct areas of focus: Healthcare, which is made up of three divisions, Medical, Marketing, and Immersive; and Communications, which constitutes one division and contains the agencies Grayling, Red and Citigate Dewe Rogerson.

### huntsworth health

Healthcare remains the primary focus of Huntsworth. Fast-moving innovation in healthcare treatments, along with growing global demand for new drugs to help ageing populations, are driving a complex market place that requires a combination of higher margin consultancy services and more effective marketing.

### Group revenue

# +9.0%

2017: £197.0m (2016: £180.1m)

### Headline profits

# +52.0%

2017: £24.4m (2016: £16.0m)

Following a decision to streamline how we organise ourselves, the Group now has two distinct areas of focus; Healthcare and Communications.

**Paul Taaffe** Chief Executive Officer

We see increasing opportunities arising from healthcare-focused clients seeking a more differentiated and increasingly digital offering for their medical and marketing communications. To further support this we acquired The Creative Engagement Group ('TCEG') in July 2017 for £25.0 million, settled in cash. TCEG consists of three agencies that provide experiential marketing, primarily to healthcare clients. Its integration will further strengthen our digital capability while allowing TCEG to benefit from access to the Group's global resources.

While Huntsworth is firmly focused on developing and adding to its Healthcare assets, Communications remains an important part of the Group, contributing 21% of profits before central costs. 2017 has seen further good progress in reorganising and right-sizing elements of the offering, leaving the division in a better position to compete and increase profitability in the coming years.

#### Group performance overview

The Group's performance this year primarily reflects a combination of strong growth from the three Healthcare divisions, the impact of a favourable move in exchange rates and Grayling's return to profitability. The bridge below shows the key movements in headline profits in 2017.

A weaker sterling in 2017 compared to 2016 has generated a translational gain of £1.1 million, with a further £2.0 million incremental gain on hedging instruments. The acquisition of TCEG added £1.5 million to profits, net of interest. Reduced losses on operations disposed of in either 2016 or 2017 added a further £0.1 million to profits. After adjusting for these factors, like-for-like profits were up 20% reflecting strong organic growth.

Revenues were £197.0 million in 2017 (2016: £180.1 million), with favourable currency movements contributing £7.1 million. On a like-for-like basis, revenues

grew by 4%, reflecting strong organic growth from the Healthcare divisions, offset by decreases in revenues from the Communications division as we eliminated loss making agencies and clients.

Headline profit before tax was £24.4 million (2016: 16.0 million), an increase of 52% or 20% on a like-for-like basis. Operating profits were £24.9 million (2016: loss of £14.5 million), with much of the improvement attributable to a lower goodwill impairment charge. The table below reconciles statutory to headline profits.

The Group's effective tax rate has increased to 21% (2016: 18%) principally as a result of the increase in profits. Adjusted diluted earnings per share were 5.8p (2016: 4.0p), an increase of 45%. Looking forward we expect the recently announced tax reforms in the US to have a moderately positive effect on the Group's tax rate.

£'m	2017	2016
Operating profit	<b>24.9</b>	(14.5)
Goodwill impairment	-	30.5
Restructuring costs	-	2.0
Amortisation	<b>1.4</b>	0.9
Other highlighted items	<b>0.1</b>	(0.9)
Operating profit before highlighted items	<b>26.4</b>	18.0
<b>Margin</b>	<b>13.4%</b>	10.0%
Interest	<b>(2.0)</b>	(2.0)
Headline profit before tax	<b>24.4</b>	16.0

#### Headline profit before tax

## Chief Executive's Statement continued

# Divisional performance overview

Huntsworth made strong progress in 2017 with all operating divisions growing profits.

**Paul Taaffe** Chief Executive Officer

### Marketing

Marketing is led by US-based Evoke, the Group's largest agency, which primarily specialises in the marketing of prescription drugs directly to patients. It also incorporates specialist Healthcare public relations agency Tonic and Healthcare Professional Marketing agencies First Hand and Nitrogen. During the year the division continued to make good progress in Healthcare Professional Marketing (HCP) and the growing area of Payer Marketing. Clients are increasingly looking for a single agency solution as healthcare marketing becomes more integrated, digital and seeks to reach multiple stakeholders. In this context, the combining of marketing agencies under one management team will create additional growth opportunities in 2018. Overall, the division continued to experience very strong growth this year, increasing revenue by 18% (13% on a like-for-like basis) to £73.6 million with operating profit increasing by 26% (16% on a like-for-like basis) to £15.5 million.

### Medical

Medical is led by UK and US-based ApotheCom, which specialises in medical communications strategy, underpinned by data and analytics. The Group has been transformed over the past two years by strong leadership and an increased focus on consultancy led services which has resulted in record revenue growth and improved operating margins. The division grew revenue by 22% (18% on a like-for-like basis) to £30.9 million with operating profit increasing by 40% (34% on a like-for-like basis) to £8.3 million.

### Investment case

#### Healthcare focus

The Healthcare industry has a good long-term outlook, underpinned by strong fundamentals, including an ageing population and a rise in chronic health conditions. At the same time it is becoming increasingly competitive with the established pharma companies facing challenges from small biotech firms and other niche players. In this environment, Healthcare marketing services have an increasingly important role to play.

#### Leading brands

Huntsworth's businesses, in both the Healthcare and Communications divisions, operate under a range of strong, well-respected brands. Brands continue to be essential in a market which places a premium on trustworthy, quality businesses.



### Immersive

Immersive is led by The Creative Engagement Group which joined Huntsworth in July 2017. The Creative Engagement Group, through its agencies, WRG, The Moment and Just, is focused on providing deeply immersive experiences in exhibitions, events, training and internal communications, mostly for healthcare clients. This division has great potential to grow in the US and expand its offering in internal communications and mixed media. The division delivered revenues of £14.9 million and operating profits of £1.9 million.

#### huntsworth communications

The Communications division is comprised of Grayling, Red and specialist financial agency Citigate Dewe Rogerson (CDR). The division achieved revenues of £77.6 million (2016: £89.3 million), a decline of 7% on a like-for like basis, and operating profit of £7.0 million (2016: £5.5 million), an improvement of 24% on a like-for like basis. Declining revenues were largely the result of closing loss-making agencies in Grayling in both 2016 and 2017.

During the year, Grayling has responded well to the prior year restructuring and has returned to profitability. This was led by the UK business which saw a particularly strong rebound in performance. Overall, Grayling reported

revenues of £40.5 million, lower by 11% on a like-for-like basis, with operating profit of £1.1 million against a prior year loss of £0.8 million. Red had a good year, with revenue growth of 3% and operating profit growth of 4% despite a difficult marketplace and client churn largely driven by procurement-led tenders. The agency won a number of significant new mandates, and we anticipate little net effect on trading in 2018. Citigate Dewe Rogerson performed solidly with revenues of £22.2 million (2016: £22.1 million) and operating profit of £3.5 million (2016: £3.6 million). The results reflect a mixed performance across the agency, with a strong performance in the Netherlands offset by a weaker UK performance. A quieter Asian market impacted the Greater China business early in the year, however, all CDR operations benefited from an improving market towards the end of the year.

### Dividend

Given the strength of the Group's performance, the Company will be proposing to increase its final dividend by 16% to 1.45p, giving a total dividend for the year of 2.0p, an increase of 14% on the previous year.

### Group Outlook

Despite increasing foreign exchange headwinds, the Group remains well positioned for further growth. Our Marketing, Medical and Immersive divisions are continuing to grow on the back of multiple client wins, and the

Communications division continues to make progress. Our focus is to better serve our Healthcare clients by developing and adding capability to the Group, and with a strengthening balance sheet we are well placed to continue to do so. Overall, we are well positioned for future growth and look forward to reporting further progress in 2018.

On behalf of the Board, I would like to thank our Chair Derek Mapp for his leadership in guiding us all through the restructure of Huntsworth to where we are today. His contribution through a period of significant change can be seen in these results and we are delighted that he will stay with us until a new Chair has been appointed.

**Paul Taaffe**  
Chief Executive Officer  
5 March 2018

### Customer partnerships

We help our customers engage, adapt and evolve in fast-changing landscapes, building brand resilience and creating measurable advantage to achieve their business objectives – whether that's building awareness, affinity or improving reputation leading to increased sales, visits or sign-ups.

### Skilled employees

Our employees benefit from working in a stimulating and rewarding environment, doing high-quality work alongside talented colleagues. Our employees have access to a number of training initiatives, as well as an annual appraisal and performance evaluation, to further their development.

### Strong financial position

The Group is in a strong financial position with significant headroom against both facility limits and covenant levels.

**1.1x EBITDA**  
pro-rata leverage

For more information:  
Business model  
Pgs 8-9

huntsworth health

# Marketing

Built upon a heritage of digital innovation, the Marketing division is a collection of leading health marketing and communication agencies bound by a common purpose - to make Health more Human.

The Marketing division, led by Evoke, is a collection of leading health and wellness marketing & communications agencies, primarily focused on marketing prescription drugs to consumers (principally in the USA) and marketing to Healthcare professionals both in the USA and Europe. Its overwhelmingly digital work is focused in marketing, advertising, CRM, public relations, social media and analytics. The Group's client base comes from a broad spectrum of the Healthcare marketplace from biotech and pharma to OTC, wellness and lifestyle brands.

Evoke has been named one of the Best Places to Work for three years running helping to attract the industry's best and brightest talent. With offices in New York, Philadelphia, Chicago, Los Angeles and London, Evoke works with 18 of the top 20 pharmaceutical companies worldwide.

For more information:  
[www.evokehealth.com](http://www.evokehealth.com)

## Revenue

**+13%**  
Like-for-like  
2017: £73.5m (2016: £62.5m)

## Profits

**+16%**  
Like-for-like  
2017: £15.5m (2016: £12.3m)

For more information:  
Chief Executive's Statement  
Pgs 12-15

We make  
Health more  
Human

huntsworth health

# Medical

Smart science alone does not ensure best patient outcomes. That is why our Medical division, led by ApotheCom, drives an integrated approach to medical strategy – combining science, market access, data and analytics to deliver meaningful change.

The Medical division works primarily with medical affairs stakeholders across pharmaceutical and biotechnology clients in the *development and delivery* of strategy and activities across the life cycle of a product. Core services span scientific strategy and communications, publications planning and delivery, specialized medical writing, medical education, payer and value communications and support for internal medical teams.

Increasingly, medical affairs is taking a strategic and lead role in bringing new products to market, particularly areas of specialised medicine and rare diseases. This is driven by increased evidence requirements; market access hurdles; proliferation of stakeholders including patients who require information about clinical studies; and the strict regulatory environment meaning that activities prior to launch are increasingly medically led.

## Revenue

**+18%**  
Like-for-like  
2017: £30.9m (2016: £25.3m)

## Profits

**+34%**  
Like-for-like  
2017: £8.3m (2016: £6.0m)

For more information:  
[www.apothecom.com](http://www.apothecom.com)

For more information:  
Chief Executive's Statement  
Pgs 12-15

We make  
science fit for  
the real world

huntsworth health

# Immersive

Revenue

£14.9m

(2016: £3.0m)

Profits

£1.9m

(2016: £0.0m)

The Immersive division, led by The Creative Engagement Group, engages audiences through the creation and delivery of live experiences, film, immersive, interactive, training and scientific content.

The Creative Engagement Group works with an international blue-chip client base with a particular strength in healthcare. The nature of engagement with internal and external audiences is changing and our Immersive division supports its clients by providing expertise across a range of engagement channels:

Live Events and Meetings, which given their ability to create deeper levels of engagement, is a category that has seen 15 consecutive quarters of increased client marketing confidence and spend.

Film, which is of increasing importance with 82% of the world's online traffic expected to be video by 2021. With origins in film production we create and produce a full range of films from short form internal engagement films, to broadcast quality documentaries, to mode of action demonstrations.

VR & instructional design. With the global Immersive market predicted to reach \$209bn by 2021, we develop immersive experiences that cover a range of client requirements - from training employees to explaining complex science.

Interactive. With internet marketing continuing to grow year on year, our capabilities in digital strategy and development are utilised for a range of clients and audiences.

Employee Engagement. With a greater corporate requirement for employee engagement and 115% rise in employees working remotely since 2005, we design a range of strategic and creative programmes to engage internal audiences for global businesses across a range of sectors including healthcare.

Given the growing requirement to demonstrate and explain increasingly complicated science in healthcare, our Immersive division is focused on making the complex simple, through integrated and innovative content.

For more information:  
[www.tceg.com](http://www.tceg.com)

For more information:  
Chief Executive's Statement  
Pgs 12-15

We make  
the complex,  
simple

huntsworth communications

Grayling is a global integrated communications network, providing public relations and public affairs solutions.

The agency's focus is on creating measurable advantage, operating on the basis that communication should always be in service of a client's commercial or organizational objectives.

For more information:  
[www.grayling.com](http://www.grayling.com)

Citigate Dewe Rogerson is an international financial and corporate public relations consultancy.

It 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.

For more information:  
[www.citigatedewerogerson.com](http://www.citigatedewerogerson.com)

Red is a strategic communications consultancy offering public relations, 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.

For more information:  
[www.redconsultancy.com](http://www.redconsultancy.com)

For more information:  
Chief Executive's Statement  
Pgs 12-15

#### Revenue

**-7%**  
Like-for-like

2017: £77.6m (2016: £89.3m)

#### Profits

**+24%**  
Like-for-like

2017: £7.0m (2016: £5.5m)



We create  
measurable  
advantage for  
our clients

## Chief Financial Officer's Report

# Strong cash generation and financial position

### Revenue

In 2017 the Group delivered £197.0 million, up from £180.1 million in 2016. On a divisional basis, 37% of revenue came from Marketing, 16% from Medical, 8% from Immersive and 39% from Communications.

Geographically, 50% of Group revenue in 2017 was from the US; 31% from the UK; 13% from Europe; and 6% from Asia, the Middle East and Africa.

### Currency

Changes in exchange rates versus 2016 increased revenues by £7.1 million and operating profits by £3.1 million.

The strengthening of Sterling against the Dollar between 31 December 2016 and 31 December 2017 has also resulted in a £8.2 million debit to Other Comprehensive Income and Expense due to the retranslation of the Group's overseas assets.

### Operating profit

Operating profit was £24.9 million (2016: loss of £14.5 million), with much of the increase attributable to the £30.5 million impairment charge in 2016. Before highlighted items, operating profit was £26.4 million (2016: £18.0 million), which represents a margin of 13.4% (2016: 10.0%).

Central costs increased from £5.0 million to £7.6 million, with £2.4 million of the increase relating to variable executive remuneration, being annual bonuses together with increased share option charges.

### Headline diluted EPS

# +45.0%

2017: 5.8p (2016: 4.0p)

### Dividend

# +14.0%

2017: 2.0p (2016: 1.75p)

After excellent cash generation during the year, the Group ended 2017 in a strong financial position, with significant headroom against both facility limits and covenant levels.

Neil Jones Chief Financial Officer

**Highlighted items**

Operating highlighted items of £1.5 million comprise the following:

	£'m
Acquisition related costs	0.4
Disposal related credit	(0.3)
Amortisation of intangible assets	1.4
	1.5

Acquisition costs relate to the acquisition of The Creative Engagement Group ('TCEG') on 1 July 2017. The disposal related credit relates to adjustments in respect of deferred consideration receivable on Whiteboard Advisors together with the recycling of exchange gains held in reserves on the disposal of Audacity.

**Cash Flow and Net debt**

Cash conversion of operating profit into operating cash flows before highlighted items was 113% (2016: 87%).

Operating cash flow before highlighted items was £29.8 million (2016: £15.6 million). Free cash flow (after interest, tax and capital expenditure) was £20.7 million (2016: £2.9 million). Dividend payments were £4.9 million (2016: £5.6 million), which is down slightly on prior year despite an increased interim dividend as a result of a greater scrip take up. Net expenditure on acquisitions and disposals was £20.3 million, primarily relating to the acquisition of TCEG.

The resulting net debt at year-end was £36.3 million, up from £31.6 million at 31 December 2016 despite spending £25.0 million on the acquisition of TCEG. This represents a gearing ratio of 1.2x EBITDA, or 1.1x on a pro-rata basis, comfortably within our covenant terms of 3.0x EBITDA.

Financial covenants based on the Group's facility agreements continue to be comfortably met. After the year end the Group amended and extended its existing facility, as a result of which the Group has total committed facilities of £75 million available until September 2021, with a further accordion option of £40 million and an uncommitted overdraft of £5 million.

**Dividends**

At the forthcoming AGM, the Board will propose a final dividend of 1.45p, bringing the total dividend for 2017 to 2.0p, up 14% from 1.75p in 2016 and reflecting the strong growth in earnings. Subject to shareholder approval, the final dividend will be paid on 5 July 2018 to all shareholders on the register at 25 May 2018. The shares will trade ex-dividend on 24 May 2018. A scrip dividend alternative will be available. The dividend payout ratio for 2017 is 34% (2016: 44%).

**Tax**

The total tax charge of £7.3 million (2016: £1.8 million) comprises an underlying tax expense of £5.1 million (2016: £2.9 million) together with a charge of £2.2 million on highlighted items (2016: credit of £1.1 million). The full year underlying tax rate is 21%

(2016: 18%). The highlighted tax charge of £2.2 million relates primarily to deferred tax on intangible assets and the sale of Whiteboard Advisors.

For the periods ended 31 December 2017 and 31 December 2016 the Group has reclassified the deferred tax expense on US intangible assets from profit before tax and highlighted items into highlighted items. This is on the basis that the deferred tax expense would only ever crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale would be a highlighted item.

Net corporation tax paid in the year was £3.3 million (2016: £2.1 million).

**Earnings per share**

Profits attributable to ordinary shareholders before highlighted items were £19.3 million (2016: £13.1 million). Profits after highlighted items attributable to ordinary shareholders are £15.7 million (2016: loss of £18.3 million).

Before highlighted items, basic earnings per share for 2017 is 5.9p (2016: 4.0p) and diluted earnings per share is 5.8p (2016: 4.0p). The comparatives have been adjusted for the disclosure change on deferred tax.

After highlighted items, basic earnings per share is 4.8p (2016: loss of 5.6p) and diluted earnings per share is 4.7p (2016: loss of 5.6p).

Neil Jones  
Chief Financial Officer  
5 March 2018

**Revenues by division****Revenues by geography****Cash conversion (%)**

# 113%

(2016: 87%)

## Principal Risks

# How we manage risk

**The Risk Committee, on behalf of the Board, undertakes a robust assessment of the principal risks facing the Group.**

During the year the Group's principal risks and internal controls have been reassessed and the outcome of this reassessment is shown on pages 27 to 30. Our risk management approach is designed to identify risks to the Group using both a bottom-up and top-down approach. The Group considers macro, strategic and operational risks, which includes all operational, IT and financial risks.

The likelihood and impact of each risk is determined using a risk scoring system. Appetite is set for each risk and indicators established to determine whether the Group is operating within the risk appetite set by the Board. The Group obtains various forms of ongoing assurance over the controls in place to mitigate each of the risks identified. All risks are documented in the Group's risk register which is reviewed at least six monthly or more frequently as required.

Further details of the risk management processes undertaken in the year are included in the Corporate Governance Report.

Risk	Risk and impact	Mitigating factors	Trend
<b>MACRO</b>			
<b>Economic downturn</b>	<p>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. Subdued global financial markets can result in reductions to the level of transactional activity, reducing client mandates.</p> <p>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.</p>	<p>The Group has a wide spread of clients both across geography and industry sector, reducing reliance on any one particular economic environment.</p> <p>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.</p> <p>The Group closely reports and monitors aged debts, and ensures local management have action plans in place to minimise the risk of any loss.</p>	
<b>Political instability</b>	<p>Political instability or change in our countries of operation may impact on our ability to operate, for example through licensing or regulatory changes.</p> <p>The political environment can also have an impact on the wider economic conditions, either through the direct impact of government policies in our countries of operation, or through the impact on business confidence.</p>	<p>The Group operates primarily within low-risk jurisdictions, with 91% of revenues coming from the US, UK and western Europe. Although the Health sector is regulated, our agencies have extensive experience in navigating the regulatory environment and in providing compliant solutions to clients. In addition, the underlying sector fundamentals are strong and give protection against the possibility of material adverse regulatory change.</p>	
<b>Currency risk</b>	<p>A substantial proportion of the Group operates outside of the UK, with significant operations in the US and Europe.</p> <p>As a result, the Group's reported profits and asset values are impacted by any fluctuation of Sterling relative to other currencies, particularly the US Dollar and Euro. The Group may also suffer restrictions on the ability to repatriate cash.</p> <p>The proportion of the Group's profits made in the US is increasing which increases the level of risk when exchange rates fluctuate. Exchange rates have also continued to prove volatile, particularly in light of the ongoing uncertainty over Brexit.</p>	<p>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.</p> <p>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.</p>	

## Principal Risks continued

Risk	Risk and impact	Mitigating factors	Trend
<b>STRATEGIC</b>			
<b>Over-reliance on Health sector</b>	<p>One of the Group's strategic aims is to strengthen its focus on the Healthcare sector. In doing so, the Group's exposure to a single sector increases. Given the strength of the Healthcare sector in the US, and the fact that consumer marketing of prescription drugs is largely confined to the US, an increased focus on Healthcare is also likely to lead to an increased exposure to the US economy.</p> <p>By increasing the Group's exposure to a single sector and single geography, there is a risk that the Group will be more materially affected by a downturn in these markets.</p>	<p>The fundamentals of the Healthcare sector are strong, as a result of ageing populations and increasing prevalence of chronic diseases, particularly in the US. This leads to growing end-user demand which is relatively unaffected by economic cycles, thereby mitigating against the risk of a downturn. In addition, the Healthcare marketing services sector is fragmented, which means there would be continued opportunity for growth even if the overall sector were to enter a downturn.</p> <p>The Group is also expanding its suite of services, both organically and through acquisition, which increases the diversity of its offering within the Healthcare sector.</p>	
<b>Service offering fails to evolve to meet changing market needs</b>	<p>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.</p> <p>Failure to evolve can result in loss of market share, client losses and pressures on pricing, which can impact on revenue and margins.</p>	<p>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.</p> <p>The Group continues to diversify its service offering to provide a full spectrum of healthcare communications and public relations services.</p> <p>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.</p>	
<b>Acquisitions or investments fail to deliver expected growth</b>	<p>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.</p> <p>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.</p>	<p>All significant investments are supported by a business case, which must be approved by Executive Management and the Board, where appropriate.</p> <p>Rigorous due diligence procedures are performed prior to all acquisitions in order to identify and evaluate potential risks to the extent possible.</p> <p>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.</p>	

Risk	Risk and Impact	Mitigating factors	Trend
<b>OPERATIONAL</b>			
Client dissatisfaction and 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.	<p>The Group endeavours to build long-term relationships with its clients and to obtain preferred supplier and agency of record status where possible.</p> <p>The Group has a large portfolio of clients and seeks to expand and diversify its client base where possible. 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.</p>	
Loss of key talent	<p>The Group's talent base is its most important resource. There is strong competition within the industry for experienced healthcare communications and PR professionals.</p> <p>Recruitment and retention of key individuals is important both for maintaining client relationships and ensuring that our services are of the highest quality.</p>	<p>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.</p> <p>Restrictive covenants are included in employee contracts where legally enforceable.</p>	
Poor profitability	Overservicing or underpricing may lead to poor profitability on client contracts, which could mean static or reduced returns to shareholders even if revenues are increasing.	The Group monitors the profitability of its operations, at both a business and a contract level. Poor profitability is quickly highlighted and remedial action – such as removing costs, or improving pricing discipline – is taken where appropriate.	
Information systems access and security	<p>Any information systems failure could negatively impact the Group's business operations, including delays to client work.</p> <p>Unauthorised access to confidential information held by the Group could compromise our client relationships and have a detrimental effect on our reputation.</p> <p>Cyber security risks are perceived to be increasing across the industry at the moment.</p>	<p>Business and IT disaster recovery plans have been implemented to minimise any disruption in the event of an IT failure.</p> <p>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.</p>	

## Principal Risks continued

Risk	Risk and impact	Mitigating factors	Trend
OPERATIONAL continued			
Unethical business practices	Both reputational and operational damage may arise if the Group engages in actual or perceived unethical client work. Ethical matters that are not identified or managed appropriately could cause reputational damage to the Group.	<p>The Group strives to foster a culture of openness, responsibility and ethical behaviour and has an externally managed whistleblowing process for the reporting of any unethical conduct. The Group's Code of Ethics is provided to every employee and they are expected to read and formally acknowledge the content and act accordingly.</p> <p>Referral processes, including divisional committees, are in place to manage all perceived ethical and conflict issues.</p>	
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.	<p>The Group has £75 million of multi-currency loan facilities with a syndicate of banks maturing in 2021, with an accordion option for a further £40 million as well as a £5 million uncommitted overdraft. Management closely monitors all covenants on the Group's facilities and actively manages undrawn headroom.</p> <p>The Group has robust cash management processes including weekly cash reporting from our operations and cash pooling arrangements.</p>	
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.	<p>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.</p> <p>In-house training is conducted on key legislative matters such as health and safety, and the UK Bribery Act.</p> <p>Policies on gifts, entertainment, anti-bribery and corruption, electronic communications, share trading and confidentiality are communicated to all employees using dedicated Policy Management Software.</p>	



**Going concern**

The Group's activities, financial performance, 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 in this report.

*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 Corporate Governance Code 2014, the Directors have assessed the prospects of the Company over a longer period 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 2017, the Board assessed the principal risks associated with the business model and strategy as outlined on pages 8 to 11, 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 after the period 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.

## Sustainability

# Responsible business

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 2017.

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, which covers personal conduct and the professional standards of behaviour we expect from our employees, is published on the Group's intranet and all employees have access to Group policies via a dedicated policy management system.

Furthermore, senior management have to undertake Bribery Act training. 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 and 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 2017 was approved by the Board of Huntsworth plc on 25 January 2018 and is available on the Company's website at <http://www.huntsworth.com/investor-relations/corporate-governance/>.

#### 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 2017 women accounted for 45% (13) of executive management, 39% (31) of senior management and 64% (996) of total employees. There are currently three 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 at least at 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.

#### 2017 gender diversity

**45%**

of executive management are women

**39%**

of senior management are women

## Sustainability continued

**Training and development (continued)**  
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 is 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.

### 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 a wide range of charities as well as offering pro bono support to non-profit projects, helping to raise money and awareness for good causes.

During 2017, our Dutch office CFF Communications and Grayling in the US provided pro bono support for 'The Ocean Clean Up', an innovative and potentially world-changing project to help get rid of plastic in our oceans. Huntsworth Health's staff in the UK donated to Save the Children and Shelter through charitable activities, as did Head Office for the charity Breast Cancer Now. Grayling Europe participated in the 2020 Challenge, targeting 2020 acts of kindness from charitable activities to acts designed to lower their carbon footprint. In the wake of the Grenfell tragedy in London, Red raised funds towards children's projects in the memory of those lost.

The Group also made formal contributions of over £22,000 to 38 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 2017, 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, due to continued efficiencies in the use of our property portfolio.

### 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 640 trees and 67 tonnes of CO<sub>2</sub> in 2017.

	Tonnes of CO <sub>2</sub> e 2017	Tonnes of CO <sub>2</sub> e 2016
Scope 1	67	39
Scope 2	1,465	1,746
<b>Total GHG emissions</b>	<b>1,532</b>	<b>1,785</b>
Average number of employees	1,561	1,517
<b>Emissions per employee</b>	<b>0.98</b>	<b>1.17</b>

## Board of Directors

### **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. In March 2017 Derek won the Non-Executive Director of the year award 2017 for quoted companies for his work as Chairman of Huntsworth. He is Chairman of Informa plc, Chairman of Mitle Group plc, non-executive Chairman of Salmon Developments Limited, the Chairman of Imagesound Limited and the non-executive Chairman of 3aaa Limited. Derek has an historical career as founder of Tom Cobleigh pub chain and Leapfrog Day Nurseries. He also has a number of private business interests.

### **Paul Taaffe** Chief Executive Officer

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.

### **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.

### **Andy Boland** Independent Non-Executive Director

Andy Boland was appointed to the Huntsworth Board as Independent Non-Executive Director on 11 August 2014, and was appointed as Huntsworth's Senior Independent Director with effect from 1 January 2018. Andy is a member of the Audit Committee and Nomination Committee. Andy previously served as Audit Committee Chair up until 22 March 2017. Andy is the Chief Executive Officer of Addison Lee Limited, 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.

**Elizabeth McKee Anderson**  
Independent Non-Executive  
Director

Liz was appointed to the Huntsworth Board on 1 January 2018, and is a member of the Audit Committee. Liz has extensive experience in the pharmaceuticals industry, notably having held a number of senior executive roles at Johnson & Johnson. Since April 2017, Liz has been a Board Director of Bavarian Nordic A/S, a biotechnology company listed on the Danish stock exchange. Liz is also an Independent Board Director of Aro Biotherapeutics, Inc. and Revolution Medicines, Inc. She holds a number of other positions in both commercial and non-profit spheres, including the Wistar Institute. Liz holds an MBA from Loyola University and has a degree in Engineering.

**Nicky Dulieu**  
Independent Non-Executive  
Director

Nicky Dulieu was appointed to the Huntsworth Board as Independent Non-Executive Director on 1 January 2015, is Chair of the Remuneration Committee and is a member of both the Audit Committee and Nomination 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, Chair of Notcutts Group Limited and a Commercial Board member of the Royal Horticultural Society.

**Pat Billingham**  
Independent Non-Executive  
Director

Pat was appointed to the Huntsworth Board as Independent Non-Executive Director on 1 December 2015 and has been Chair of the Audit Committee since 22 March 2017. Pat is also a member of both the Remuneration Committee and Nomination 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, where she is the Chair of the Audit Committee, Syndicate Management Limited, and Exemplar Limited.

**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 service company. He qualified as a Chartered Accountant in 1994 and as an Associate of the Chartered Institute of Taxation in 1998.

# Corporate Governance

## Letter from the Chairman

On behalf of the Board, I present Huntsworth plc's Corporate Governance Report for the financial year ended 31 December 2017.

In this section of the Annual Report insight is provided into the activities which have supported the Company's corporate governance during the year.

**Board and Committee changes**  
In October 2017 we announced that, *owing to his other business commitments*, Tim Ryan would be resigning from the Huntsworth Board with effect from 31 December 2017 on the expiry of his first three-year term.

On 1 January 2018 Elizabeth McKee Anderson joined the Board of Huntsworth as an Independent Non-Executive Director and member of the Audit Committee. Elizabeth brings extensive pharmaceutical industry experience to the Board, particularly in the US – the key area of strategic focus for the Group.

On 22 March 2017 we had a change of chair of the Audit Committee, with Andy Boland deciding to step down from this role and Pat Billingham being appointed in his place. Andy had occupied this role since he joined the Board on 11 August 2014 and continues to be a member of both the Audit and Nomination Committees.

In December 2017, we also announced that Pat Billingham and Nicky Dulieu would both be joining the Nomination Committee with effect from 1 January 2018.

Lastly, Andy Boland also agreed to serve as the Huntsworth Senior Independent Director with effect from 1 January 2018.

**Shareholder Dialogue**  
*Throughout the year, the Board actively engaged with its principal shareholders.*

In particular, in October 2017 the Company held a capital markets day, which focused on the Company's healthcare business.

On 6 September 2017 the Company announced the appointment of Dowgate Capital Stockbrokers as the Company's Joint Broker, to act alongside Numis Securities, to assist the Board in engaging with smaller investors.

There were a number of changes of note in the shareholder base of the Company during 2017, the most notable of which was the sale by BlueFocus of its entire shareholding in the Company and the acquisition of sizeable shareholdings in the Company by Fidelity International and Hargreave Hale (now Canaccord Genuity Inc.). Further details in respect of the Company's major shareholders can be found on page 60.



#### 2017 Board Evaluation

Due to its size, the Company is not required to have an externally facilitated Board evaluation once every three years. However, as announced last year, the Board took the decision to appoint an external firm, being Independent Audit Limited, to facilitate its 2017 Board evaluation. The results of the evaluation were presented to the Board in July 2017 and further detail can be found on page 42.

#### Annual Re-election of Directors

Following the adoption of new Articles of Association at the Company's 2016 Annual General Meeting (AGM), the Company's Directors are now subject to annual re-election. The Board agreed to implement this measure in the interests of good corporate governance, notwithstanding that the Company is not obliged to comply with the UK Corporate Governance Code provision that all directors be subject to annual re-election. Accordingly, all Directors submitted themselves for re-election at the 2017 AGM.

#### Electronic General Meetings

In line with a number of other companies, it is proposed that the Company will amend its Articles of Association at the 2018 AGM in order to permit the holding of general meetings electronically as well as physically in accordance with the Companies (Shareholders' Rights) Regulations 2009 and the Companies Act 2006.

#### Appointment of KPMG as internal auditors

Given the diverse geographic spread of the business, it was felt that using external advisers to provide internal audit services to the Company was preferred and hence KPMG were duly appointed to this role during the year.

#### Compliance with the 2016 UK Corporate Governance Code

I am pleased to be able to report that the Board has been able to operate effectively and within the principles of good governance, and confirm that the Company has complied throughout the year ended 31 December 2017 with all of the provisions of the Code that are relevant to a smaller company outside of the FTSE 350.

**Derek Mapp**  
Chairman

# 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 on page 40 to 41.

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](http://www.huntsworth.com). The activities of each of these Board Committees are set out in separate sections of this Report.

The Audit Committee is, in turn, supported by the Risk Committee.

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 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 36.

#### 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: Andy Boland

##### 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

Eight 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 the number of meetings attended out of meetings eligible to attend. In addition to the Board meetings above there were two ad hoc sub-committee meetings which, amongst other things, approved the 2016 Annual Report and Accounts and the 2017 Interim Report respectively, with delegated authority from the Board.

#### Board meetings attendance

Derek Mapp	8 of 8
Paul Taaffe	8 of 8
Neil Jones	8 of 8
Andy Boland	7 of 8
Tim Ryan <sup>1</sup>	7 of 8
Nicky Dulieu	8 of 8
Pat Billingham	8 of 8
Elizabeth McKee Anderson <sup>2</sup>	n/a

- 1 Tim Ryan resigned as a Director of Huntsworth plc with effect from 31 December 2017.
- 2 Elizabeth McKee Anderson was appointed as a Non-Executive Director with effect from 1 January 2018.

A summary of some of the Board's activities in the year is set out below:

Responsibilities	Activities
Annual budget	Approved the 2018 Budget
Strategy	<ul style="list-style-type: none"> <li>• Debated ongoing strategy including presentations from divisional management teams</li> <li>• Review of portfolio and approval of closure or disposal of non-core businesses</li> <li>• Monitored the Company's acquisition strategy and its implementation by the Executive Directors</li> </ul>
Performance and operational matters	<ul style="list-style-type: none"> <li>• Monitored performance of the individual business divisions</li> <li>• Presentations on performance from divisional management teams</li> </ul>

Responsibilities	Activities
Financial Statements	<ul style="list-style-type: none"> <li>Approved the 2016 Annual Report and recommended final dividend</li> <li>Approved the 2017 Interim Report and recommended interim dividend</li> </ul>
Finance and capital	<ul style="list-style-type: none"> <li>Reviewed the Group's capital structure</li> <li>Monitored going concern and long-term viability</li> <li>Assessed the impact from US tax reform proposals</li> </ul>
People	<ul style="list-style-type: none"> <li>Reviewed and approved changes to the Huntsworth Health senior management team</li> <li>Reviewed and approved the Company's Modern Slavery Act Statement for the year ended 31 December 2016</li> </ul>
Acquisitions and disposals	<ul style="list-style-type: none"> <li>Reviewed potential acquisition and transaction opportunities</li> <li>Reviewed and approved the acquisition of The Creative Engagement Group</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Reviewed reports from Board Committees</li> <li>Received updates on key governance changes such as the proposed changes to the UK Corporate Governance Code, the Criminal Finances Act 2017 and the EU General Data Protection Regulation</li> <li>Reviewed and agreed amendments to the Group's key compliance policies</li> </ul>
Risk and internal control	<ul style="list-style-type: none"> <li>Robust assessment of principal risks</li> <li>Debating and approving the Group's risk appetite</li> <li>Reviewed reports from Board and Audit Committees on risk management</li> <li>Reviewed the effectiveness of the Group's risk management and internal control systems</li> <li>Considered the Group's risk appetite in light of its strategic priorities</li> <li>Discussed the implications of the UK's vote to leave the European Union</li> </ul>
Investor communications	<ul style="list-style-type: none"> <li>Discussed analyst and investor feedback on strategic and operational review</li> <li>Received feedback from Chairman and Executive Directors from meetings with shareholders</li> </ul>
Board effectiveness review	<ul style="list-style-type: none"> <li>Discussion of results of Board, Committee and Director evaluations</li> <li>Reviewed the conclusions of the externally facilitated Board effectiveness review</li> </ul>

The Board was particularly engaged in the acquisition of The Creative Engagement Group, which had a short acquisition timetable. The Board also visited The Creative Engagement Group's offices in Manchester and met with key members of staff and management.

The Board reviewed its procedures concerning M&A activity and agreed that the Executive Directors would, at each Board meeting, present a summary of potential and ongoing M&A activity to enable the Board to better assess this element of the Group's strategy for growth.

The Board agreed that, in order to improve its awareness of the investor marketplace, the Chief Financial Officer would present at each Board meeting a paper summarising investor activity as a standing agenda item.

During 2017, the Board appointed Dowgate Capital Stockbrokers as joint broker with Numis Securities to assist the Board in engaging with smaller investors.

Following the success of the approach in 2016, the Board again held a strategy day during which it discussed and considered a number of items, including:

- the presentation of the Group into four divisions (Huntsworth Health being split into Medical, Marketing and Immersive, and the remainder of the Group as one Communications sub-group);
- targeted acquisitions, particularly in the US healthcare marketplace; and
- exploring the opportunities for cross-selling to clients to leverage the capabilities of The Creative Engagement Group.

The holding of a separate strategy meeting enabled the Board to focus on developing the Company's strategy. It is intended to continue to hold an annual strategy day in future years.

The Board receives periodic (typically annually) updates in respect of IT, tax, property and treasury matters. Furthermore the Board receives updates for approval on the Group's key policies.

#### How the Board operates

##### Board information

Board papers containing, amongst other things, current and forecast trading results, governance, 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. Furthermore, presentations from divisional management are provided to the Board. All Directors have 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

All Board members receive updates on regulatory and legal changes as well as operational briefings. Training and development needs are kept under review by the Chairman.

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.

## Corporate Governance Report continued

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.

In early 2018, Elizabeth McKee Anderson received a Board induction, which included: meetings with the Executive Directors and senior management; law and regulation pertinent to the role; the Group's commercial strategy; and details of the Company's shareholders, bank facilities and insurance arrangements.

### Board performance evaluation

Even though this is not a requirement for the Company under the UK Corporate Governance Code, the Board and Nomination Committee agreed that the 2017 performance evaluation should be externally facilitated. The Company engaged Independent Audit Limited, which has no other connection with the Company, to facilitate its 2017 performance evaluation.

This evaluation included Independent Audit Limited's attendance at the Board's April meeting to observe, a review of prior Board papers and minutes, interviews with each Director and with the Company Secretary, and a presentation of the results at the Board's July meeting.

The review suggested a number of actions for the Board to consider including, together with progress, the following:

Action	Progress
Appointment of a Non-Executive Director with pharmaceutical experience.	Liz McKee Anderson was appointed to the Board with effect from 1 January 2018. Liz has extensive pharmaceutical experience – particularly in the US market.
The Board to get frequent updates on the progress in the US healthcare communications business and for the Non-Executive Directors to meet senior management on a more frequent basis.	The Board's strategy meeting in September 2017 was held in New York and afforded Board members an opportunity to meet with the Group's key senior management in the US – including those from Evoke Group. The strategy meeting also focused on healthcare in particular.
Ensuring that the Executive Directors have a good understanding of the Non-Executive Directors' needs and expectations in relation to proposed acquisitions.	As stated on page 41, the Executive Directors present a summary at each Board meeting of M&A activity (including pipeline).
Review scheduling of meetings to eliminate long gaps where possible.	Board meetings are now scheduled to take place every two months.

Review the role and remit of the Nomination Committee.

As well as discussing succession planning for senior management, the Nomination Committee has expanded its role to include consideration of the Group's people strategy and culture.

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.

### 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 36 to 37. 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.

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.

### 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.

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
- internal audit 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. These include 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 2017, 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, one issue was raised, which was investigated by senior management and appropriate actions carried out to resolve the matter.

#### 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 October 2017, the Company held a capital markets day. The capital markets day focused in particular on the Group's healthcare communications business and included presentations from the senior management of the Evoke, ApotheCom and The Creative Engagement Group businesses.

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.

# Audit Committee Report

Members:	Attendance at meetings during 2017
Pat Billingham (Chair from 22 March 2017) <sup>1</sup>	3 of 3
Nicky Dulieu	3 of 3
Tim Ryan <sup>2</sup>	1 of 3
Andy Boland (Chair until 21 March 2017) <sup>1</sup>	3 of 3
Elizabeth McKee Anderson <sup>3</sup>	n/a

## 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 replaced Andy Boland as the Audit Committee Chair with effect from 22 March 2017.
- 2 Tim Ryan resigned as a Director of Huntsworth plc and member of the Audit Committee with effect from 31 December 2017.
- 3 Elizabeth McKee Anderson was appointed to the Audit Committee with effect from 1 January 2018.

The Committee's Terms of Reference were reviewed during 2017 and are available on the Company's website at [www.huntsworth.com](http://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 36 to 37 provide further detail.

## Committee meetings

The Audit Committee held three 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 Chief Financial Officer, the Head of Finance and Internal Audit. Provision is made for the external auditors and 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 2017 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 2017 Interim Report, and the 2017 Annual Report and Accounts.

The primary issues and areas of judgement considered by the Committee in relation to the 2017 Interim Report and 2017 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 12.

#### 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 31.

#### 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 and amortisation charges 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 6.

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.

Notably, the Committee also reviewed the potential impact of the changes to be introduced through IFRS 15 Revenue Recognition and IFRS 16 Leases.

#### 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, including a proposal for the Company's risk appetites and how to monitor the Group's current status against the appetite;
- 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;
- reviewing the Company's first statement under the Modern Slavery Act 2015 and recommending its adoption to the Board; and
- reviewing the Group's IT and cyber security arrangements.

## Audit Committee Report continued

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

### Risk Committee

The Risk Committee reports to the Audit Committee on risk management activities undertaken by the Group. The Committee comprises senior management representatives from each division, 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 2017, the Risk Committee provided the Audit Committee and Board with proposals for the Company's risk appetite as well as key indicators to enable effective monitoring of risk. In addition, the Risk Committee reviewed the Company's first statement under the Modern Slavery Act and recommended its adoption to the Audit Committee.

### Internal audit

Internal audit performs reviews as part of a programme approved by the Audit Committee. During the year, it was agreed that the Company should engage KPMG LLP to provide internal audit services, as it was considered that an external appointee would be able to provide the breadth of coverage required by the business and the geographic spread of the business lends itself to using external advisers.

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.

During the year the main activities of the Audit Committee regarding internal audit matters were:

- appointing KPMG LLP as the Group's internal auditor;
- reviewing and approving the scope of internal audit activities for 2017 and KPMG LLP's proposed internal audit plan for 2017/18;
- 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.

### Audit effectiveness

One of the key responsibilities of the Audit Committee is to assess the effectiveness of the external audit process. Since December 2016, PricewaterhouseCoopers LLP (PwC) has served as the Company's external auditor.

During the year, the Committee reviewed the reports they received from 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 2018.

**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. PwC were initially appointed in December 2016, following a tender process and their reappointment was approved by shareholders at the 2017 AGM.

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](http://www.huntsworth.com)). This policy was reviewed by the Committee during the year and it was agreed to amend the policy such that over any three-year period, the annual fees for non-audit services should not exceed 70% of the average of the audit fees for the preceding three-year period in addition to the existing financial cap of £75,000 for an individual service or specific project.

Since their initial appointment in December 2016, PwC have provided covenant compliance services. Details of the non-audit fees paid to the external auditors are set out on page 84. 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 adviser is engaged.



## Nomination Committee Report

Members:	Attendance at meetings during 2017
Derek Mapp (Chair)	2 of 2
Andy Boland	2 of 2
Tim Ryan <sup>1</sup>	1 of 2
Pat Billingham <sup>2</sup>	n/a
Nicky Dulieu <sup>2</sup>	n/a

### 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.
- consideration of the group's people strategy and culture.*

- Tim Ryan resigned as a Director of Huntsworth plc and member of the Nomination Committee with effect from 31 December 2017.
- Pat Billingham and Nicky Dulieu were appointed to the Nomination Committee with effect from 1 January 2018.

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 42% female representation (3 out of 7). During 2017, the Board had 28% female representation (2 out of 7). 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 activities of the Nomination Committee included:

- assessing the skill set and composition of the existing Board and its Committees.
- reviewing the continued contribution and effectiveness of Andy Boland and Nicky Dulieu, whose first three-year terms expired on 11 August and 31 December respectively. The Nomination Committee recommended the extension of the appointments of Andy Boland and Nicky Dulieu for further three-year terms to the Board, subject to annual re-election at each Annual General Meeting in accordance with the Company's Articles of Association.
- reviewing the Board's membership in the light of Tim Ryan's decision to resign from the Board on the conclusion of his first three-year term on 31 December 2017. The Nomination Committee agreed to engage Russell Reynolds Associates, an external search consultancy, to assist in the appointment of an Independent Non-Executive Director with pharmaceutical and biotechnology experience. Russell Reynolds Associates has no other connection with the Company. This search was successfully concluded with the appointment of Elizabeth McKee Anderson with effect from 1 January 2018. All members of the Board met with Elizabeth before the Board agreed to appoint her as an Independent Non-Executive Director.
- recommending to the Board that Pat Billingham and Nicky Dulieu should join the Nomination Committee and that Andy Boland should be appointed as the Company's Senior Independent Director, all with effect from 1 January 2018.
- discussing succession planning both in respect of Board members and senior management within the business.
- discussing the output of the 2017 evaluation exercise of the Board and its Committees. Please refer to page 42 for further details.
- discussing its remit and future role, including reviewing its terms of reference.

## Report of the Directors on Remuneration

The Remuneration Committee

Members:	Attendance at meetings in 2017
Nicky Dulieu (Chair)	5 of 6
Tim Ryan <sup>1</sup>	4 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.

<sup>1</sup> Tim Ryan resigned as a Director of Huntsworth plc and member of the Remuneration Committee with effect from 31 December 2017.

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.

## Annual Statement

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2017. This Report is split into two parts:

- This Annual Statement, setting out the key remuneration decisions made during the year, and
- The Annual Remuneration Report, detailing the implementation of the Company's Remuneration Policy during the 2017 financial year.

The Directors' Remuneration Policy as approved at the 2016 AGM is available on the Company's website at <http://www.huntsworth.com/media/1278/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.

### Key decisions made by the Committee in 2017

Overall, 2017 has been a successful year for the Company; our share price has grown by 114% over the course of the year and we have made significant progress towards the Company's strategic aims, including the acquisition of The Creative Engagement Group ('TCEG').

Given the improvement in the Company's financial performance and the progression of its strategic aims into areas such as M&A activity, the Committee has addressed specific remuneration issues arising from these positive developments. The Company's accounting disclosure change regarding US tax on goodwill amortisation (Tax Disclosure Change) has had a potential impact to existing incentive arrangements that have also required review. All decisions have been made with a view to ensuring that Executive remuneration arrangements are aligned to the long-term performance of the Company and remain equally stretching as originally envisaged. The Committee has also been mindful of the wider changing landscape for Executive Remuneration matters and the evolving views of investors and other stakeholders.

### M&A activity

To take into account the impact of the Company's M&A activity during 2017, the Remuneration Committee made amendments to the existing performance targets of awards made to Paul Taaffe and Neil Jones under The Huntsworth Performance Share Plan (PSP) and the replacement awards under The Huntsworth Executive Share Option Scheme 2006 (2006 ESOS Scheme), the awards made to the Executive Directors under The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP Scheme), and the Executive Directors' 2017 Annual Bonus (together the Existing Remuneration Arrangements). In making these amendments, it was the Remuneration Committee's intention to ensure that the Existing Remuneration Arrangements continued to be comparably stretching as was the aim when the awards were granted.

### Tax Disclosure Change

As explained on page 25, the Company changed its 2017 accounting disclosure for US tax on goodwill amortisation. The Remuneration Committee discussed the impact of this change and agreed that the impact of the Tax Disclosure Change should be removed from the actual headline EPS (HEPS) reported results in determining the performance outcomes of the long-term incentive awards made in 2015, 2016 and 2017. The Committee considered this adjustment necessary to ensure that performance targets remained stretching and that participants did not benefit from the Tax Disclosure Change.

### 2017 Performance Targets and Annual Bonus outcome

The Remuneration Committee set the performance targets for Paul Taaffe and Neil Jones in respect of their 2017 Annual Bonus and share awards.

The 2017 Annual Bonus was based upon achieving headline PBT (HPBT) and revenue targets of £21.3 million and £200.7 million respectively, after adjusting for M&A activity in the year, with HPBT having an 80% weighting and revenue a 20% weighting. As was the case in previous years, the Remuneration Committee agreed that any bonus would only be payable to the extent that it did not reduce HPBT to below £21.3 million. The Company achieved HPBT of £24.4 million (or 115% of the HPBT threshold target) and revenues of £197.0 million (representing 98% of the revenue threshold target). The 2017 Annual Bonus payable to the Executive Directors represented 119% of their salary during the year (which equates to 79% of the maximum bonus opportunity).

50% of any bonus payment in excess of 100% of salary is subject to compulsory deferral under The Huntsworth Deferred Share Bonus Plan 2016 (2016 DSBP Scheme). However, whilst not included within the initial terms and conditions, the Executives have voluntarily agreed to increase this and will now defer 100% of the bonus payment in excess of 100% of salary. Accordingly, awards will be made under the 2016 DSBP Scheme to Paul and Neil equivalent in value to £112,400 and £65,500 respectively.

Further details on the performance targets for the 2017 Annual Bonus and share awards, including on the outcome of the 2017 Annual Bonus, can be found on pages 51 to 52.

Long-term incentive outcomes in respect of 2017 performance  
Long-term incentive awards granted to Paul Taaffe in 2015, being the PSP award and the replacement award under the 2006 ESOS Scheme, are due to vest in 2018 following completion of their performance periods. Vesting of the PSP award was subject to the achievement of stretching HEPS and TSR performance targets, whilst the award under the 2006 ESOS Scheme was subject to an HEPS performance target.

Given the Company's strong financial performance since the grant of the awards, the 2015 PSP award is expected to vest at 82% of maximum subject to completion of the TSR performance period in May 2018, and the replacement award under the 2006 ESOS Scheme will vest in full.

Further details on the performance targets and the performance outcomes can be found on page 52.

## Report of the Directors on Remuneration continued

Annual Statement continued

### 2018 Performance Targets

The Remuneration Committee has also agreed the 2018 Executive Annual Bonus and share award targets.

As part of its discussions regarding the proposed framework for the 2018 share awards under the 2016 LTIP Scheme, the Remuneration Committee agreed a number of changes to the format of the awards. In previous years, performance targets have been based on a combination of HEPS and TSR targets. However, for the proposed 2018 awards under the 2016 LTIP Scheme, the Committee has determined that performance targets are based solely on achieving stretching HEPS targets, which support the strategic aim of growing the core business whilst also delivering accretive M&A activity.

Further detail, including the performance targets, can be found on page 58.

### Holding Periods

In line with evolving best practice, in particular increasing expectations from investors for post-vesting holding periods to be applied to share awards, the Committee has determined that share awards granted in 2018 will include a two-year holding period after the end of the three-year performance period.

Furthermore, whilst not included within the original terms and conditions of the awards, the Executive Directors have voluntarily agreed to a one-year holding period in respect of the existing share awards under the PSP granted to Paul in 2015 and to the share awards granted to the Executive Directors in 2016 and 2017.

### 2018 Executive Salaries

The Committee reviewed Executive Director salaries during 2017 and determined that Neil's salary would increase by 2.8% to £360,000 (a £10,000 increase), with effect from 1 January 2018. Whilst this represents his first salary increase since joining the Company on 1 February 2016, the Committee were keen to ensure that his salary increase was no greater than salary increases seen within the Group's wider employee population. Paul's annual salary remains unchanged at US \$936,000.

### Senior management

The Remuneration Committee reviewed various incentive arrangements in place across the organisation during 2017, with a continued focus of expanding awards granted under the 2016 LTIP Scheme. As a result of this review, a higher proportion of our senior management team now participate in the 2016 LTIP Scheme, aligning their interests with those of shareholders, and aligning the various businesses to the Group's overall performance. This also 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 both retain and attract new talent.

### Dilution position

The Investment Association's guidelines state 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.

The Remuneration Committee continues to monitor the Company's dilution position as a result of broadening the equity awards to senior management.

### Conclusion

The Remuneration Committee believes that the key decisions taken during the year represent a fair balance between the Company's performance and shareholder outcomes over the relevant periods.

We welcome the opportunity to engage with shareholders about any aspect of our Remuneration Policy and its implementation. We were pleased to receive good shareholder support at our 2017 AGM and I look forward to receiving your support once more. Shareholders will have the opportunity to vote on the 2017 Directors' Remuneration Report at our 2018 AGM to be held on Thursday 24 May 2018.

Lastly, I wish to thank my Committee colleagues for their full support over the year.

Nicky Dulieu  
Chair, Remuneration Committee  
5 March 2018

## Annual Report on Remuneration

In this section of the report, we provide details of the payments made to the Directors relating to the 2017 financial year and the implementation of our remuneration policy in 2018.

**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 2017 financial year, together with comparative figures for 2016. Details of Non-Executive Directors' fees are set out on page 53.

£'000	Paul Taaffe		Neil Jones	
	2017	2016	2017	2016 <sup>2</sup>
Salary	727 <sup>1</sup>	637	350	321
Benefits <sup>3,4</sup>	24	20	5	9
Short term incentive (i.e. annual bonus)	712	212	415	113
Long-term incentives <sup>5</sup>	2,777	-	-	-
Pension <sup>6</sup>	-	-	-	-
<b>Total</b>	<b>4,240</b>	<b>869</b>	<b>770</b>	<b>443</b>

1 As described in the 2016 Annual Report and Accounts on pages 42 to 43, Paul Taaffe's salary was converted into USD from 1 October 2016 onwards. His salary in USD for 2017 was unchanged from 2016 at \$936,000 – this equates to £727,606 based on the prevailing conversion rate of circa 1.29 for 2017.

2 However, for calculation of bonus and LTIP awards, Paul Taaffe's pre-1 October 2016 GBP denominated base salary of £600,000 will continue to be used.

3 From 1 February 2016.

4 Benefits received by Paul Taaffe are private medical insurance, life assurance and UK tax return preparation services.

5 Benefits received by Neil Jones are private medical insurance and life assurance.

6 This reflects the estimated vesting outcome of Paul Taaffe's 2015 PSP award and the replacement award under the 2006 ESOS Scheme based on a three-month average share price to 31 December 2017. Further details on the vesting of these awards can be found on page 52. The value will be restated in next year's report to reflect actual performance outcome of the 2015 PSP award and the actual share price on the respective vesting dates.

7 Under the terms of their service agreements, neither Executive Director receives a pension benefit or payment in lieu of a pension.

Neil Jones is a non-executive director of Taptica International, an AIM listed Ad-Tech business, for which he received an annual fee of £35,000 until 31 May 2017. From 1 June 2017, the annual fee increased to £40,000 per annum.

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

**Annual Bonus (audited)**

The Annual Bonus targets for 2017 were based upon achieving stretching 2017 financial targets. The targets were an adjusted profit before tax target (HPBT Performance Target), based on normalised earnings, and a revenue target (Revenue Performance Target). As described on page 49, the performance targets for the 2017 Annual Bonus were adjusted (by increasing the HPBT and Revenue Performance Targets) to reflect the impact of M&A activity undertaken in 2017.

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 2017, the Annual Bonus would only be payable to the extent that it did not reduce post-bonus HPBT below the budgeted target of £21.3 million. The payment of any Annual Bonus was contingent on the threshold level of HPBT being achieved.

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

The table below summarises the Annual Bonus outcome against the adjusted targets set and the amounts payable in total to the Executive Directors. The Annual Bonus payable amounted to £712,400 to Paul Taaffe and £415,500 to Neil Jones.

	Weighting	Threshold target	Maximum target	Actual	Total Actual Bonus payable	
					as a percentage of salary <sup>1</sup>	as a percentage of the maximum opportunity of 150%
HPBT Performance Target	80%	£21.3 million	£25.6 million	£24.4 million	105.6%	70.4%
Revenue Performance Target	20%	£200.7 million	£240.9 million	£197.0 million	13.1%	8.8%
				<b>Total:</b>	<b>118.7%</b>	<b>79.2%</b>

1 The percentage of Annual Bonus payable has been calculated based upon Paul Taaffe's annual salary being £600,000 and Neil Jones's 2017 salary being £350,000.

# Report of the Directors on Remuneration continued

## Annual Report on Remuneration continued

The 2017 Annual Bonus 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 Scheme. However, whilst not included within the initial terms and conditions, the Executives have voluntarily agreed to increase this and will now defer 100% of the bonus payment in excess of 100% of salary. Therefore, for 2017, share awards equivalent to the cash figures below will be made to Paul Taaffe and Neil Jones under the 2016 DSBP Scheme, as the bonus payments were in excess of 100% of their salaries:

- Paul Taaffe: £112,400
- Neil Jones: £65,500

Malus and clawback provisions apply to the 2017 Annual Bonus.

Paul Taaffe's 2015 award under The Huntsworth Performance Share Plan

In 2015, Paul Taaffe was granted an award under the Performance Share Plan equivalent to 3,057,324 shares. The award was subject to achieving an HEPS target for the year ended 31 December 2017 and a TSR target calculated at the date of vesting (being 10 May 2018). Given the performance conditions are substantially complete at 31 December 2017, an estimated value of the award vesting has been included in the single total figure table for Paul Taaffe on page 51. The actual performance outcome will be disclosed in next year's report, following the completion of the TSR performance period, and the value of the award at vesting will be restated to reflect actual performance outcome and the share price on the date of vesting (i.e. 10 May 2018).

As explained on page 49, the HEPS performance targets attaching to Paul's award under the PSP were adjusted (i.e. by increasing the targets) during 2017 to take into account the impact of M&A activity during 2017. The adjusted performance targets for the award are detailed below:

67% based on HEPS for the year ended 31 December 2017 as follows:

Less than 4.8p	0% vest
Equals 4.8p = threshold vesting	50% vests
More than 4.8p but less than 5.3p	Straight-line vesting between 50% and 100%
Greater than or equal to 5.3p	100% vest

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

Below median	0% vest
Median = threshold vesting	50% vests
Median to upper quartile	Straight-line vesting between 50% and 100%
Upper quartile	100% vest

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

The Company's actual HEPS reported for the year ended 31 December 2017 was 5.8p. For the purposes of determining the vesting of Paul Taaffe's 2015 PSP award, the impact of the Tax Disclosure Change was removed to give a revised HEPS figure of 5.03. Based on this outcome, 73% of the HEPS element will vest, resulting in an award of 1,493,342 shares.

The Company's estimated TSR performance puts Huntsworth plc in the upper quartile. Provided that the Company remains in this quartile, 100% of the TSR element will vest, which equates to 1,008,916 shares.

Subject to the final TSR outcome, it is estimated that the total number of shares that will vest on 10 May 2018 is 2,502,258 (i.e. 1,493,342 plus 1,008,916) (82% of maximum).

As stated above, Paul Taaffe has voluntarily agreed to a one-year holding period in respect of the shares subject to the PSP award, despite this not being included in the original terms of the award.

Paul Taaffe's 2015 replacement award under the Executive Share Option Scheme 2006

Upon Paul Taaffe's appointment to the Board in April 2015, he was awarded an option under the Company's Executive Share Option Scheme 2006 over 2 million shares with an exercise price being calculated as the market value of a share on the date of grant plus 5% (i.e. 42.14p) by way of compensation for awards forfeited at his previous employment.

This award vests in April 2018 subject to HEPS for the year ended 31 December 2017 being greater than 3.7p. The Company's revised HEPS figure of 5.03p (as noted above) for the year ended 31 December 2017 results in this award vesting in full.

LTIP awards (audited)

No LTIP awards vested or were due to vest in the calendar year 2017.

Pension entitlements and cash allowances (audited)

Neither Paul Taaffe nor Neil Jones received an annual pension contribution or allowance.

## Long-term incentives awarded in 2017 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2017 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 Scheme <sup>1</sup>	2017 awards (100% salary)	£600,000 <sup>2</sup>	100%	31 December 2019
Neil Jones	2016 LTIP Scheme <sup>1</sup>	2017 awards (100% salary)	£350,000	100%	31 December 2019

<sup>1</sup> 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/1278/remuneration-policy-2015-huntsworth.pdf>

<sup>2</sup> Paul Taaffe's awards under the 2016 LTIP Scheme are based on the pre-1 October 2016 GBP denominated salary of £600,000.

After the awards were made, the Executive Directors agreed that a one-year holding period would apply to the 2016 LTIP Scheme award made in 2017.

## Performance conditions for 2017 awards (audited)

The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP Scheme)

Paul Taaffe and Neil Jones were granted awards under the 2016 LTIP Scheme, which are subject to meeting the following performance targets over the performance period that commenced on 1 January 2017 and ends on 31 December 2019:

67% based on cumulative HEPS as follows:

Less than 12.94p	0% vest
Equals 12.94p = threshold vesting	25% vests
More than 12.94p but less than 14.77p	Straight-line vesting between 25% and 100%
Greater than or equal to 14.77p	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 cumulative HEPS targets described above have been adjusted, by increasing the targets, to take into account the impact of M&A activity during 2017.

## Payments to past Directors (audited)

No payments to past Directors were made during the year.

## Payments for loss of office

No payments for loss of office were made to Directors 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 2017.

£'000	2017 <sup>1</sup>	2016
Derek Mapp	135	150
Andy Boland <sup>2</sup>	40	40
Tim Ryan <sup>3</sup>	40	40
Nicky Dulieu	44	40
Pat Billingham <sup>2</sup>	43	35

<sup>1</sup> As described on page 50 of the 2016 Annual Report and Accounts, the fees payable to the Non-Executive Directors and Chairman were amended with effect from 1 April 2017. Accordingly, the amounts shown are pro-rated to take into account this change. The current fees payable to Non-Executive Directors are detailed on page 59.

<sup>2</sup> Pat Billingham succeeded Andy Boland as Chair of the Audit Committee with effect from 22 March 2017. Accordingly, the figures shown above have been pro-rated to take into account this change.

<sup>3</sup> Tim Ryan resigned as a Director with effect from 31 December 2017.

# Report of the Directors on Remuneration continued

## Annual Report on Remuneration continued

### 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 2017, or the date of leaving the Board, are set out in the table below.

No awards were exercised by Directors in the 2017 financial year.

There were no changes in the shareholdings of Directors in office as at 31 December 2017 between the year-end and the announcement date.

					Vested awards		Unvested awards <sup>3</sup>	
	Shareholding requirement (% of salary/ fees)	Target number of shares to hold	Shareholding guidelines met?	Interests in shares	Market priced awards	Nil cost awards	Awards with performance conditions	Total interests in shares
<b>Executive Director</b>								
Paul Taaffe	100% <sup>5</sup>	738,461	In progress	400,000	-	-	7,848,397 <sup>1</sup>	400,000
Neil Jones	100% <sup>3</sup>	430,769	In progress	400,000	-	-	2,209,232 <sup>2</sup>	400,000

1 Paul Taaffe has 2,000,000 unvested market priced awards (2006 ESOS Scheme) and 3,057,324 unvested Performance Share Plan (PSP) awards and 2,791,073 unvested awards under the 2016 LTIP Scheme. Further details on these awards can be found on page 55.

2 Neil Jones has 501,853 unvested market priced awards (2006 ESOS Scheme), 848,484 unvested PSP awards and 858,895 unvested awards under the 2016 LTIP Scheme. Further details on these awards can be found on page 55.

3 The share price of 81.25p (as at 31 December 2017) 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 Scheme are counted 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 2017. 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.

### 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
<b>Non-Executive Director</b>	
Derek Mapp	515,235
Andy Boland	89,496
Tim Ryan <sup>1</sup>	-
Nicky Dulieu	-
Pat Billingham	-
Elizabeth McKee Anderson <sup>2</sup>	-

1 Tim Ryan resigned as a Non-Executive Director with effect from 31 December 2017.

2 Elizabeth McKee Anderson was appointed as a Non-Executive Director with effect from 1 January 2018.



## Directors' interests in share awards (audited)

The interests in share awards of the Executive Directors at 31 December 2017 are as set out below.

Scheme	At 1 January 2017	Granted during year	Exercised during year	Lapsed during year	At 31 December 2017	Share price at date of award (pence)	Exercise price (pence)	Award exercise period/Vesting date
<b>Paul Taaffe</b>								
Performance Share Plan (PSP) <sup>1</sup>	3,057,324	-	-	-	<b>3,057,324</b>	39.25	nil	10 May 2018
2006 Executive Share Option Scheme	2,000,000	-	-	-	<b>2,000,000</b>	40.13	42.14	April 2018 - April 2025
The Huntsworth Long Term Incentive Plan 2016:								
- award granted in 2016 <sup>2</sup>	1,318,681		-	-	<b>1,318,681</b>	45.50	nil	9 June 2019
- award granted in 2017 <sup>3</sup>	-	1,472,392	-	-	<b>1,472,392</b>	40.75	nil	20 March 2020
<b>Total Paul Taaffe</b>	<b>6,376,005</b>	<b>1,472,392</b>	-	-	<b>7,848,397</b>			

1 Paul Taaffe was granted the award as a Performance Share Unit Award (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. It is expected that this award will vest at 82% of maximum (details on page 52). Paul Taaffe has voluntarily agreed during 2017 that a one-year holding period would apply to this award.

2 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. Furthermore, Paul Taaffe has agreed during 2017 that a one-year holding period would apply to this award.

3 Paul Taaffe was granted the award as a Conditional Share Award, which will vest, subject to the performance conditions being met, on 20 March 2020, i.e. three years following the date of grant. Paul Taaffe has agreed during 2017 that a one-year holding period would apply to this award.

Scheme	At 1 January 2017	Granted during year	Exercised during year	Lapsed during year	At 31 December 2017	Share price at date of award (pence)	Exercise price (pence)	Award exercise period
<b>Neil Jones</b>								
Performance Share Plan (PSP) <sup>1</sup>	848,484		-	-	<b>848,484</b>	41.25	nil	March 2019 - March 2026
2006 Executive Share Option Scheme	501,853		-	-	<b>501,853</b>	41.75	43.84	March 2019 - March 2026
The Huntsworth Long Term Incentive Plan 2016 <sup>1</sup>	-	858,895	-	-	<b>858,895</b>	40.75	nil	March 2020 - March 2027
<b>Total Neil Jones</b>	<b>1,350,337</b>	<b>858,895</b>	-	-	<b>2,209,232</b>			

1 Neil Jones has voluntarily agreed during 2017 that a one-year holding period would apply to this award.

## Performance conditions

Performance conditions for the awards under the 2016 LTIP Scheme made to Paul Taaffe and Neil Jones in 2017 are disclosed on page 53.

The original performance conditions for the award of 3,057,324 shares under the PSP made to Paul Taaffe in 2015 are detailed on page 52 and the performance conditions for the 2006 ESOS Scheme award are described in the Company's 2015 Annual Report and Accounts on page 47. The original performance conditions for the award under the 2016 LTIP Scheme made to Paul Taaffe in 2016 are described in the Company's 2016 Annual Reports and Accounts on page 45.

The original performance conditions for the award of 848,484 under the PSP made to Neil Jones in 2016 and for the 2006 ESOS Scheme award, are described in the Company's 2016 Annual Report and Accounts on page 45.

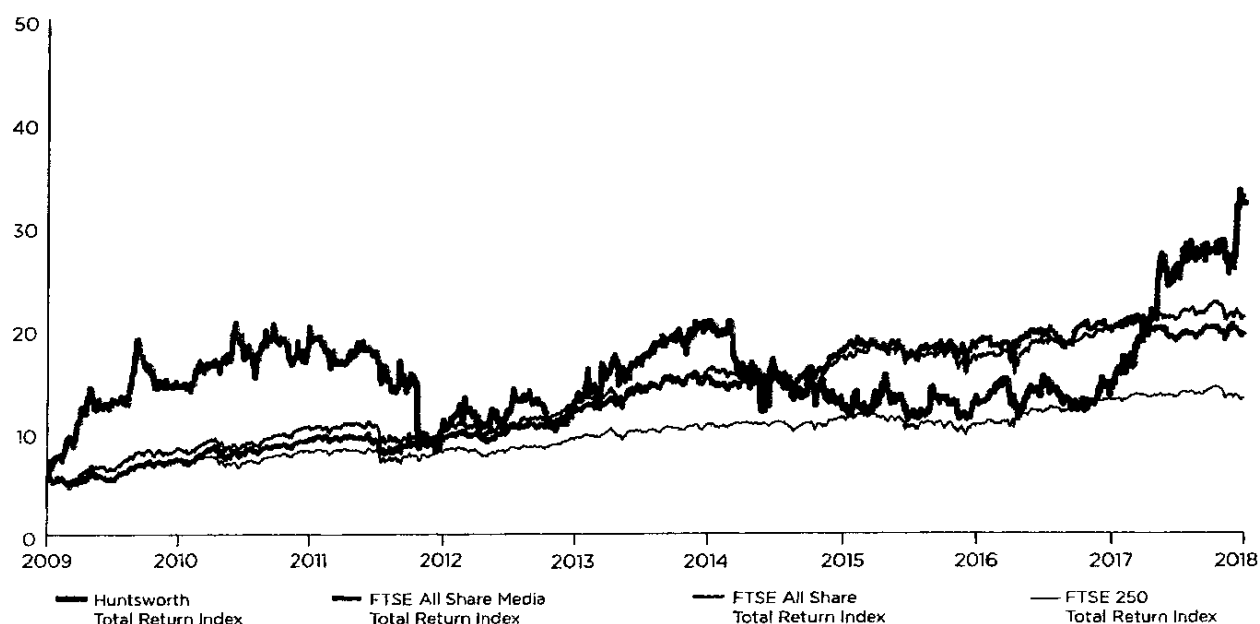
# Report of the Directors on Remuneration continued

## Annual Report on Remuneration continued

### Comparison of overall performance and pay

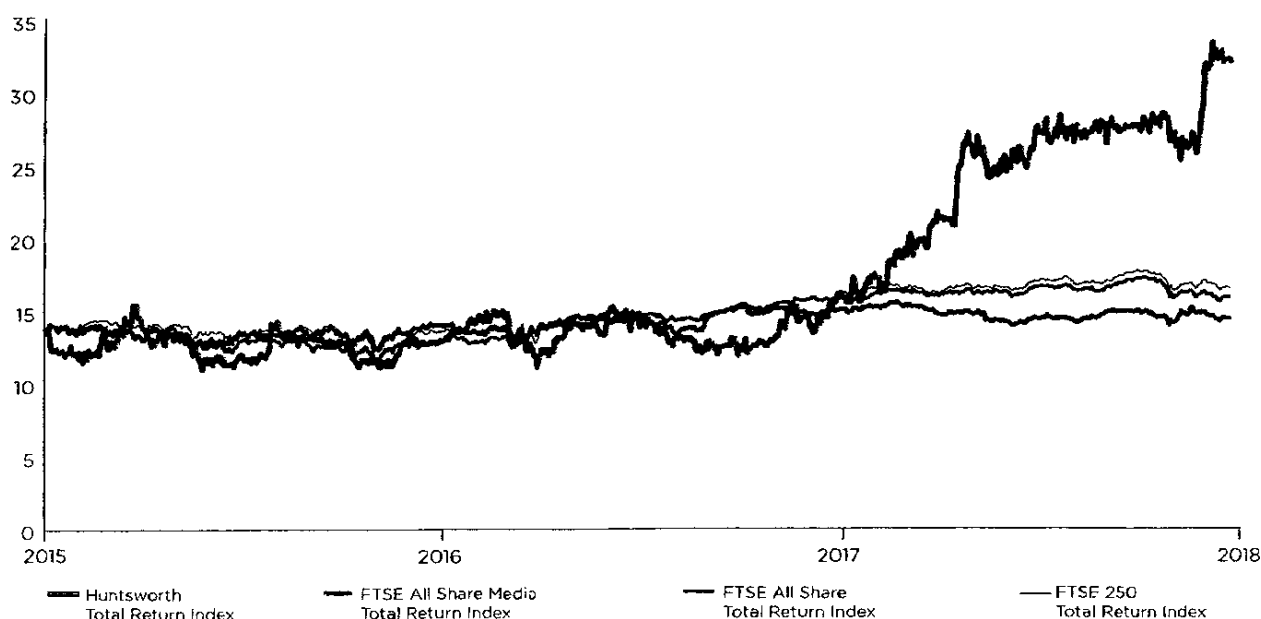
#### Total Shareholder Return

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 2017 was 81.25p and the range during 2017 was 36.00p to 83.75p.

The graph below shows the Company's TSR performance against the same indices, but starting with 7 April 2015, being the date that Paul Taaffe joined the Group.



The opening market price of Huntsworth shares at 7 April 2015 was 42.75p, representing a 90% increase in share price between this date and 31 December 2017.

#### Total CEO remuneration

The table below sets out the total remuneration delivered to the CEO over the last nine 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	2017
Total remuneration	673	1,036	729	1,224	1,033	724	645	869	4,240 <sup>1,2</sup>
Annual bonus payment level achieved									
(% maximum opportunity)	0%	0%	0%	40%	41%	0%	0%	24%	79%
LTIP vesting level achieved									
(% maximum opportunity)	0%	100%	100%	58%	0%	NA	NA	NA	89% <sup>1</sup>

1 This includes the 2015 replacement award under the 2006 ESOS Scheme, which was made by way of compensation for the loss of awards from Paul Taaffe's previous employment.

2 Of Total remuneration of £4,240,987, £2,777,715 relates to achieving performance targets attaching to long-term incentive plans. As noted above, up to 31 December 2017, the Company's share price had increased by 90% since Paul Taaffe joined the Company on 7 April 2015.

#### 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 2016 to 2017 compared with the average percentage change for the Group's employees.

£'000	2017	2016	Change %
<b>CEO</b>			
Salary	727	637	14% <sup>1</sup>
Benefits	24	20	20%
Bonus	712	212	235%
<b>Total</b>	<b>1,463</b>	<b>869</b>	<b>68%</b>
<b>Average Group employees</b>			
Salary	63	61	3%
Benefits	5	5	0%
Bonus	4	3	33%
<b>Total</b>	<b>72</b>	<b>69</b>	<b>4%</b>

1 Paul Taaffe's salary is denominated and paid in US Dollars. His US Dollar salary of \$936,000 is unchanged and has applied since 1 October 2016. The percentage change represents an exchange rate difference when converting Paul Taaffe's salary from USD to GBP.

#### Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in 2017 and 2016 compared with other disbursements from profit.

£'000	2017	2016	Change %
Profit distributed by way of dividend	5,878	5,702	3%
Overall spend on pay (including Directors)	120,765	111,535	8%

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

# Report of the Directors on Remuneration continued

## Annual Report on Remuneration continued

### Implementation of remuneration policy in 2018

#### Executive Directors

##### Salary

The Committee reviewed Executive Director salaries during 2017, and it was determined that Neil Jones would receive an increase in his salary equivalent to 2.8%, with effect from 1 January 2018. This represents his first salary increase since joining the Company on 1 February 2016, and the Committee was keen to ensure that it was no greater than salary increases seen within the Group's wider employee population. Paul Taaffe's annual salary remains unchanged at US \$936,000.

The annualised salaries for 2018 and 2017 are set out below:

Executive Director	2018 USD'000	2017 USD '000	Change
Paul Taaffe	936	936	0% <sup>1</sup>

<sup>1</sup> Paul Taaffe's salary is denominated and paid in US Dollars. His US Dollar salary shown in the above table of \$936,000 has applied from 1 October 2016 onwards, as explained on page 50. Paul Taaffe's US Dollar denominated salary will remain unchanged in 2018. 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 original GBP base salary figure of £600,000. In the single figure table on page 51, his salary is presented in GBP, giving a salary figure of £727,606 during the full year 2017 at an exchange rate of circa 1.29.

Executive Director	2018 £'000	2017 £'000	Change
Neil Jones	360	350	2.8%

#### Annual Bonus performance targets

The 2018 annual bonus for Paul Taaffe and Neil Jones will be based on achieving specific HPBT and revenue performance targets. The awards sizes will be in line with the Remuneration Policy and awards made in 2017 (i.e. a maximum opportunity of 150% of salary for Executive Directors). For Paul Taaffe this will be based on his GBP denominated base salary of £600,000.

The Committee is of the opinion that given commercial sensitivity, disclosing precise HPBT 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 any bonus payment in excess of 100% of salary under the 2016 DSBP Scheme.

#### Long-term incentive plan targets

Awards will be made to Paul Taaffe and Neil Jones in line with the Remuneration Policy, the 2016 LTIP Scheme rules and award sizes in 2017 (i.e. 100% of salary) and, depending on the 2018 Annual Bonus outcome (see above), under the 2016 DSBP Scheme. For Paul Taaffe, as per the approach for his annual bonus, the award under the 2016 LTIP Scheme will be based on his GBP denominated base salary of £600,000.

For awards to be made under the 2016 LTIP Scheme to Paul Taaffe and Neil Jones, these awards will be based solely on achieving stretching HEPS targets that grow the core business and deliver accretive M&A activity as detailed below.

Cumulative HEPS for the three years ending 31 December 2020 as follows:

Less than 20.0p	0% vest
Equals 20.0p = threshold vesting	25% vests
More than 20.0 pence but less than 22.8p	Straight-line vesting between 25% and 100%
Greater than or equal to 22.8p	100% vest

The cumulative HEPS required for maximum vesting (22.8p) is approximately 54% higher than the cumulative HEPS required for maximum vesting in respect of the 2017 awards (being 14.77p), illustrating the stretching nature of the targets.

In addition, the Committee has determined that the 2018 share awards will include a two-year holding period after the end of the three-year performance period. Furthermore the awards will include conditions to accommodate M&A activity within acceptable gearing levels.

The 2018 share awards will be subject to malus and clawback provisions.

### Non-Executive Directors

Following a review of the fees payable to independent Non-Executive Directors, the Board agreed to amend the fees payable to the Non-Executive Directors with effect from 1 January 2018 as shown below. Non-Executive Directors are paid a base fee with an additional fee payable for chairing a Committee. No additional fee is payable to the Company Chairman where he also chairs the Nomination Committee. An additional fee is payable for performing the Senior Independent Director role.

£'000	Fee from 1 January 2018	Fee from 1 April 2017 – 31 December 2017
Independent NED base fee	43	40
Audit Committee Chairman	7	5
Remuneration Committee Chairman	7	5
Nomination Committee Chairman	-	-
Senior Independent Director	5	-

In addition, the Committee reviewed the fee payable to the Company's Chairman and agreed to increase this fee from £130,000 to £140,000 with effect from 1 January 2018, partly reflecting the additional complexities in the role from the Company's strategic M&A activity.

The intention is that the fees payable to the Non-Executive Directors and Chairman from 1 January 2018 will be fixed for two to three years (minimum two years).

The following table sets out the expected annual fees payable to the Company's Non-Executive Directors for 2018:

£'000	2018
Derek Mapp	140
Andy Boland	48
Nicky Dulieu	50
Pat Billingham	50
Elizabeth McKee Anderson	43

### Advisers to the Remuneration Committee

During 2017, the Committee engaged the services of Deloitte LLP as independent Remuneration Committee advisers.

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 2017 for Remuneration Committee matters were £38,535 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 voting

At the 2017 AGM, the following votes were cast in respect of the 2016 Annual Remuneration Report (advisory vote):

	2016 Annual Remuneration Report	
	Number of Votes	% of votes cast
For & Discretionary	213,918,161	86.44
Against	33,563,571	13.56
Withheld	30,039	0.0

The Remuneration Policy approved by shareholders at the 2016 AGM remains in force and will not be voted on by shareholders until the 2019 AGM. For ease of reference, the 2016 AGM voting outcome is shown below (binding vote):

	Remuneration Policy	
	Number of Votes	% of votes cast
For & Discretionary	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 2017 comprises the Corporate Governance Report on pages 40 to 43 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 1 to 35. These specifically include:

- an indication of likely future developments in the business of the Company, pages 10 to 11;
- details of the Group's financial risk management strategy, policies and instruments held are set out in Note 21 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 32 to 35.

### Dividends

The Directors recommend a final dividend of 1.45p per share for the year ended 31 December 2017. An interim dividend of 0.55p per share was paid on 6 November 2017, making a total for ordinary dividends of 2.00p per share for the year (2016: 1.75p per share). The record date for the final dividend will be 25 May 2018 and it is payable on 5 July 2018. A scrip dividend alternative will be available.

### Directors

The following Directors served during the year ended 31 December 2017 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 and from 22 March 2017, Chair of the Audit Committee
Andy Boland	Independent Non-Executive Director, Chairman of the Audit Committee until 22 March 2017 and appointed as Senior Independent Director with effect from 1 January 2018
Nicky Dulieu	Independent Non-Executive Director and Chair of the Remuneration Committee
Neil Jones	Chief Financial Officer
Elizabeth McKee	Independent Non-Executive Director (appointed 1 January 2018)
Tim Ryan	Senior Independent Director (resigned 31 December 2017)
Paul Taaffe	Chief Executive Officer

Biographical details of the Directors in office at the date of this report are set out on pages 36 to 37.

The interests of the Directors in office at 31 December 2017 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 48 to 59.

Whilst the Company is not required to comply with the 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 (Remuneration Report), 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 2017, the Company had been notified of the interests in the Company's ordinary share capital as set out in the table below. The notifications of holdings relate to indirect and/or direct beneficial ownership by the relevant holder of the ordinary shares of the Company and exclude, for example, holdings managed on behalf of a third party (i.e. managed holdings).

Holder	% of share capital <sup>1</sup>	Number of shares	Nature of holding
Aberforth Partners LLP	16.07%	52,797,322	Indirect
Canaccord Genuity Group Inc <sup>2</sup>	10.1558%	33,479,512	Indirect
FIL Limited	10.14%	33,451,559	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
Kabouter Management LLC	5.39%	17,753,402	Direct
Michinoko Limited	5.0%	16,500,000	Direct
Milton Group plc	5.0%	16,490,492	Indirect

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

2 Previously Hargreave Hale.

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 2017 to 5 March 2018 no further notifications were received.

### 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 2017, the Company's issued share capital comprised 331,858,168 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 23 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 2017 the Directors were granted the authority to purchase up to approximately 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 21 to the Consolidated Financial Statements. The authority granted amounted to 32,862,392 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 24 August 2018 or the conclusion of the 2018 AGM on 24 May 2018. No ordinary shares were purchased during the year or up to the date of this report.

During the year ended 31 December 2017, 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 2017 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 32 to 35.

#### 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 £11,294 was paid

attending conferences and to cover function expenses. This was made up of £7,679 paid to the Conservative Party and £3,615 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.

#### 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.

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.

## Directors' Report continued

### 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.

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 2017 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 49p per share and shall be paid only after the holders of any and all ordinary shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those ordinary shares held by them at that time plus the payment in cash or specie of £10,000,000 for every 1p paid up or credited as paid up on those ordinary shares.

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



*Significant direct or indirect holdings of securities and special rights*

Directors' interests in the share capital of the Company are shown in the table on page 54. 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 60. 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 2016 final dividend and the 2017 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 2016, 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 32,862,392 ordinary shares. This authority expires on the earlier of 24 August 2018 or the conclusion of the 2018 AGM on 24 May 2018. The minimum price which must be paid for such shares is 1p and the maximum price payable is the higher of: (i) 5% above the average of the closing middle market quotations for ordinary shares (as derived from the London Stock Exchange Daily Official List) for the five dealing days immediately preceding the date of purchase; and (ii) the higher of the price of the last independent trade and the highest current independent purchase 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 £75 million revolving credit and up to £40 million accordion facilities agreement dated 28 February 2018 between, amongst others, the Company, Lloyds Bank plc (as facility agent) and the banks named therein as lenders (the New Facilities Agreement), 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.

The New Facilities Agreement replaced a £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 (together, the Previous Facilities Agreements). Under the Previous Facilities Agreements, upon a change of control, the agent was permitted, if the lenders so required, to cancel the facilities by giving not less than 30 business days' notice and to 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.

## Directors' Report continued

### Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the 2018 Annual General Meeting on 24 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 36 to 37. 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 24 May 2018 at the registered offices of Huntsworth plc, 8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN. 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, it is also available to be viewed on the Company's website.

### 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 pages 36 to 37 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  
5 March 2018

# Independent Auditor's Report

To the members of Huntsworth plc

## Report on the audit of the Group financial statements

### 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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts ('the Annual Report'), which comprise: the Consolidated Balance Sheet as at 31 December 2017; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expense, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group in the period from 1 January 2017 to 31 December 2017.

### Our audit approach

#### Overview



- Overall Group materiality: £1.22 million (2016: £0.8 million), based on 5% of profit before tax adjusted for highlighted items as defined in note 2 to the financial statements.
- We carried out procedures on parts of the business which accounted for 76% (2016: 81%) of Group revenues and 53% (2016: 69%) of Group profit before tax and highlighted items.
- Audits of the complete financial information were performed on the Company ('plc'), Red Consultancy and The Creative Engagement Group in the UK and Evoke and ApotheCom in the US, which accounted for 55% (2016: 44%) of revenue.
- Audit procedures were performed over revenue in six further components, which accounted for 21% (2016: 37%) of revenue.
- Risk of fraud in revenue recognition in relation to cut-off – with a particular focus on stage of completion of project-based revenues.
- Impairment of goodwill and other intangible assets.
- Measurement and presentation of highlighted items.
- Acquisition accounting for The Creative Engagement Group.

### The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, Companies Act 2006, the Listing Rules and UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators and with legal advisers, enquiries of management and review of internal audit reports in so far as they related to

# Independent Auditor's Report continued

To the members of Huntsworth plc

the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We found risk of fraud in revenue recognition in relation to cut-off to be a key audit matter, and this is discussed further below. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Risk of fraud in revenue recognition in relation to cut-off – with a particular focus on stage of completion of project-based revenues</b></p> <p>Refer to page 45 (Audit Committee Report) and note 2 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates.</p> <p>Our specific audit focus was on the risk that revenue may be recorded in the incorrect period in respect of the stage of completion of project-based revenues, in light of the incentive schemes for management 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.</p>	<p>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.</p> <p>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.</p> <p>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 expected completion costs and/or corroborated amounts recorded through discussion with the responsible project managers.</p> <p>There were no material issues identified by our testing of revenue recognition in the period.</p>
<p><b>Impairment of goodwill and other intangible assets</b></p> <p>Refer to page 45 (Audit Committee Report), page 78 (Significant Accounting Policies) and page 89 (notes).</p> <p>The Group carried £181.2 million of goodwill and other intangible assets at 31 December 2017 (2016: £159.7 million).</p> <p>The carrying value of goodwill is contingent on the future cash flows of the underlying cash generating units ('CGUs') and there is a risk that if these cash flows do not meet the Directors' expectations, the assets will be impaired.</p> <p>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.</p> <p>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.</p>	<p>We evaluated and sensitised the Directors' future cash flow projections and evaluated the process by which they were drawn up, and tested the underlying value in use calculations.</p> <p>We challenged:</p> <ul style="list-style-type: none"> <li>the key assumptions for short and long-term growth rates in the projections by comparing them to historical results, as well as economic and industry forecasts and comparable companies; and</li> <li>the discount rate used in the calculations by assessing the cost of capital for the CGU and comparable organisations.</li> </ul> <p>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.</p> <p>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.</p>

Key audit matter	How our audit addressed the key audit matter
<p>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.</p> <p>The Directors' impairment assessment showed that all segments had headroom above the carrying value of the net assets including goodwill when subject to the Directors' sensitivity analysis.</p>	<p>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 to support the Directors' assessments that no impairments were recognised.</p> <p>The Directors determined that no impairment and no sensitivity disclosures were necessary for all CGUs. We found that these judgements were supported by reasonable assumptions that would require significant downside changes before any impairments were necessary.</p>
<b>Measurement and presentation of Highlighted items</b>	
<p>Refer to page 45 (Audit Committee Report), page 81 (Significant Accounting Policies) and page 84 (notes).</p> <p>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.</p> <p>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 highlighted, in that it includes items that both increase and decrease the adjusted profit measure.</p> <p>Current year highlighted charges relate to the £1.4 million amortisation of intangible assets, £0.4 million acquisition related costs and a £0.3 million disposal related credits in respect of an adjustment to the deferred consideration receivable.</p>	<p>We considered the appropriateness of the adjustments made to statutory profit before taxation to derive profit before tax and highlighted items.</p> <p>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.</p> <p>Our work in relation to each type of highlighted item is summarised below.</p> <ul style="list-style-type: none"> <li>• Amortisation of acquired intangible assets – the cost of amortising acquired intangible assets including trademarks, brands and customer relationships has been treated as highlighted, consistent with prior years. We concluded that classifying this item as highlighted is appropriate as the assets upon which the amortisation is charged arise as a result of business combinations. As this is distinct from underlying business performance, the Directors' view the additional analysis as beneficial to the understanding of performance.</li> <li>• Acquisition related costs – costs associated with the acquisition of The Creative Engagement Group were recognised as highlighted in line with Group's historic treatment of acquisition related costs. We tested the accuracy and completeness of the costs incurred, by agreeing a sample of expenses to underlying invoice.</li> <li>• Deferred consideration adjustment – the estimated deferred consideration receivable associated with disposals was adjusted to reflect the final position. The original transaction was treated as a highlighted item historically. We concluded that classifying this item as highlighted is appropriate and consistent with prior years' treatments of such items.</li> </ul> <p>We also reviewed the tax related to highlighted items including the change in the classification of the deferred tax expense on US intangible assets from profit before tax and highlighted items into highlighted items. The Directors made this change, including updating comparatives, on the basis the deferred tax expense would only ever crystallise on a sale of the business and such a sale would be a highlighted item. We concluded that the tax related to highlighted items was classified appropriately and consistent with the Group's accounting policy.</p> <p>We also tested the reconciliation of adjusted profit to statutory profit in note 6, and agreed material adjustments to underlying accounting records and our audit work performed over other balances.</p>

# Independent Auditor's Report continued

To the members of Huntsworth plc

Key audit matter	How our audit addressed the key audit matter
	<p>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.</p> <p>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.</p>
<p><b>Acquisition accounting for The Creative Engagement Group ("TCEG")</b></p> <p>Refer to page 77 (Significant Accounting Policies) and page 82 (notes).</p> <p>During the year, the Group acquired TCEG for a cash consideration of £21.2 million and settlement of third party debt of £3.8 million.</p> <p>The Directors provisional purchase price allocation of the identifiable assets acquired and the liabilities assumed has resulted in the recognition of intangible assets of brands and customer relationships of £1.5 million and £8.6 million respectively giving rise to a provisional goodwill balance of £18.8 million.</p>	<p>We evaluated the Directors' provisional purchase price allocation for the fair value of the acquired assets and liabilities including the acquired intangibles assets. We evaluated the process by which the assets were valued, and tested the underlying discounted cash flow valuation models used in the valuation of intangibles assets.</p> <p>We considered the Directors' assumptions and judgements through challenge of the following:</p> <ul style="list-style-type: none"> <li>• auditing the opening balances and provisional fair value adjustments which feed into allocation model including the completeness of the liabilities assumed based on known and potential liabilities;</li> <li>• the discount rate used in the calculations by assessing the cost of capital for TCEG and comparing to comparable companies;</li> <li>• the royalty rate and contributory asset charges by reviewing the underlying workings and comparing to industry practice and benchmarking against companies in similar industries;</li> <li>• the forecast cash flows from customers including historical customer retention rates and operating margin assumptions used in the valuation of customer relationships;</li> <li>• we have confirmed the consideration to underlying records and the sale and purchase agreement.</li> </ul> <p>We determined that the provisional fair values agree to the underlying accounting records and the valuation models used and key assumptions made were appropriate based on the information available.</p> <p>We have also reviewed the disclosures within the financial statements and consider these to be appropriate.</p>

## 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 76% of Group revenues and 53% of Group profit before tax adjusted for highlighted items.

The Group consists of the Company ('plc') and four divisions: Communications; Medical; Marketing; and Immersive.

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 Communications; Medical; Marketing; and Immersive 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 Communications divisions, The Creative Engagement Group in the Immersive division, Evoke within the Marketing division and ApotheCom US within the Medical division, required an audit of their complete financial information. These procedures accounted for 55% of the Group's revenues.

Specific risk-based audit procedures were performed over revenue in the Grayling UK, the Citigate Dewe Rogerson Financial and Corporate businesses, ApotheCom UK and two further Marketing division businesses based on the audit risks we had identified in these areas. These procedures accounted for 21% 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, acquisition accounting, 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 in aggregate 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	£1.22 million (2016: £0.8 million).
How we determined it	5% of profit before tax adjusted for highlighted items as defined in note 2 to the financial statement.
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.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2,000 and £900,000. For the purposes of our group audit we allocated materiality of £900,000 to the Parent Company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £59,000 (2016: £30,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Independent Auditor's Report continued

To the members of Huntsworth plc

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

### Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 42 to 43) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 40 to 43) with respect to the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 60 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 64 of the Annual Report 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 to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group its environment obtained in the course of the audit. (Listing Rules)

### Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 64, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group obtained in the course of performing our audit.
- The section of the Annual Report on pages 44 to 46 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.



**Responsibilities for the financial statements and the audit****Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

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.

**Other required reporting**

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

**Appointment**

Following the recommendation of the Audit Committee, we were appointed by the Directors on 6 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2016 to 31 December 2017.

**Other matter**

We have reported separately on the Parent Company financial statements of Huntsworth plc for the year ended 31 December 2017 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

5 March 2018

# Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
<b>Turnover</b>		<b>259,797</b>	216,145
<b>Revenue</b>	4	<b>196,976</b>	180,137
Operating expenses	5	<b>(172,237)</b>	(194,723)
Share of profit from associate	14	<b>167</b>	57
<b>Operating profit/(loss)</b>	5	<b>24,906</b>	(14,529)
Finance income	7	<b>5</b>	9
Finance costs	7	<b>(1,977)</b>	(1,982)
<b>Profit/(Loss) before tax</b>	4	<b>22,934</b>	(16,502)
Comprising:			
Profit before tax and highlighted items	6	<b>24,401</b>	16,005
Highlighted items	6	<b>(1,467)</b>	(32,507)
	4	<b>22,934</b>	(16,502)
Taxation expense	9	<b>(7,269)</b>	(1,759)
<b>Profit/(Loss) for the year attributable to Parent Company's equity shareholders</b>		<b>15,665</b>	(18,261)
	Note	2017 pence	2016 pence
<b>Earnings/(Loss) per share</b>			
Basic	11	<b>4.8</b>	(5.6)
Diluted	11	<b>4.7</b>	(5.6)

# Consolidated Statement of Comprehensive Income and Expense

For the year ended 31 December 2017

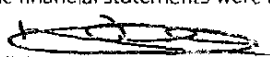
	Notes	2017 £000	2016 £000
<b>Profit/(Loss) for the year</b>		<b>15,665</b>	<b>(18,261)</b>
<b>Other comprehensive income and expense</b>			
<i>Items that may be reclassified subsequently to the income statement</i>			
Amounts recognised in the income statement on interest rate swaps		<b>248</b>	231
Movement in valuation of interest rate swaps		<b>56</b>	(664)
Tax (expense)/credit on interest rate swaps	9	<b>(57)</b>	82
Currency translation differences		<b>(8,242)</b>	20,095
Tax credit on currency translation differences	9	<b>418</b>	-
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(7,577)</b>	19,744
<b>Other comprehensive income and expense for the year</b>		<b>(7,577)</b>	19,744
<b>Total comprehensive income and expense for the year attributable to Parent Company's equity shareholders</b>		<b>8,088</b>	1,483

# Consolidated Balance Sheet

As at 31 December 2017

	Notes	2017 £000	2016 £000
<b>Non-current assets</b>			
Intangible assets	12	181,228	159,797
Property, plant and equipment	13	10,180	11,832
Investment in associate	14	212	182
Other receivables		2,339	188
Deferred tax assets	20	32	926
		<b>193,991</b>	<b>172,925</b>
<b>Current assets</b>			
Work in progress		9,327	5,396
Trade and other receivables	16	66,372	56,087
Current tax receivable		613	1,504
Cash and short-term deposits	21	10,054	14,978
Assets of disposal group classified as held for sale	15	-	3,319
		<b>86,366</b>	<b>81,284</b>
<b>Current liabilities</b>			
Obligations under finance leases	18, 21	(2)	(2)
Bank overdraft	21	(399)	(495)
Trade and other payables	17	(67,565)	(47,920)
Current tax payable		(1,508)	(756)
Derivative financial liabilities	21	(170)	(609)
Provisions	19	(559)	(1,979)
		<b>(70,203)</b>	<b>(51,761)</b>
<b>Non-current liabilities</b>			
Bank loans and overdrafts	21	(45,686)	(45,412)
Obligations under finance leases	18, 21	(2)	(4)
Trade and other payables	17	(2,978)	(2,892)
Derivative financial liabilities	21	(51)	(70)
Deferred tax liabilities	20	(2,691)	(202)
Provisions	19	(1,345)	(1,553)
		<b>(52,753)</b>	<b>(50,133)</b>
<b>Net assets</b>		<b>157,401</b>	<b>152,315</b>
<b>Equity</b>			
Called up share capital	23	107,203	107,188
Share premium account	25	63,843	62,926
Merger reserve	25	29,468	29,468
Foreign currency translation reserve	25	35,762	44,004
Hedging reserve	25	(221)	(525)
Treasury shares	25	(1,166)	(1,166)
Investment in own shares held in Employee Benefit Trusts	25	(1,658)	(1,764)
Retained earnings		(75,830)	(87,816)
<b>Equity attributable to equity holders of the parent</b>		<b>157,401</b>	<b>152,315</b>

The financial statements were approved by the Directors on 5 March 2018 and signed on their behalf by:

  
 Neil Jones  
 Director

# Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
<b>Cash inflow from operating activities</b>			
Cash inflow from operations	27(a)	27,497	12,640
Interest paid		(1,284)	(1,398)
Interest received		5	6
Cash flows from hedging activities		(248)	(231)
Net tax paid		(3,347)	(2,107)
<b>Net cash inflow from operating activities</b>		<b>22,623</b>	<b>8,910</b>
<b>Cash outflow from investing activities</b>			
Acquisition of subsidiary – cash paid	3	(24,978)	-
Cash acquired through acquisition	3	2,227	-
Proceeds from sale of businesses, net of cash disposed		2,413	462
Acquisition of intangible assets		-	(488)
Cost of internally developed intangible assets		(287)	(933)
Purchases of property, plant and equipment		(1,643)	(5,053)
Proceeds from sale of property, plant and equipment		16	27
Dividends received from associates		137	-
<b>Net cash outflow from investing activities</b>		<b>(22,115)</b>	<b>(5,985)</b>
<b>Cash (outflow)/inflow from financing activities</b>			
Proceeds from sale of own shares to settle share options		115	251
Repayment of finance lease liabilities		(2)	(24)
Net drawdown of borrowings		-	5,975
Dividends paid to equity holders of the parent		(4,946)	(5,562)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(4,833)</b>	<b>640</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(4,325)</b>	<b>3,565</b>
<b>Movements in cash and cash equivalents</b>			
(Decrease)/increase in cash and cash equivalents		(4,325)	3,565
Effects of exchange rate fluctuations on cash held		(503)	2,000
Cash and cash equivalents at 1 January		14,483	8,918
<b>Cash and cash equivalents at 31 December</b>	27(c)	<b>9,655</b>	<b>14,483</b>

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Retained earnings £000	Total £000
At 1 January 2016	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
Profit for the year	-	-	-	-	-	-	-	15,665	15,665
Other comprehensive (expense)/income	-	-	-	(8,242)	304	-	-	361	(7,577)
Settlement of share options	-	-	-	-	-	-	106	9	115
Share issue costs	-	(16)	-	-	-	-	-	-	(16)
Charge for share-based payments	-	-	-	-	-	-	-	1,289	1,289
Tax on share-based payments	-	-	-	-	-	-	-	540	540
Scrip dividends	15	933	-	-	-	-	-	-	948
Equity dividends	-	-	-	-	-	-	-	(5,878)	(5,878)
At 31 December 2017	107,203	63,843	29,468	35,762	(221)	(1,166)	(1,658)	(75,830)	157,401

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 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 5 March 2018 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 2017, but had no significant impact on the Group:

- IAS 7 (amendment) – Statement of Cash Flows
- IAS 12 (amendment) – Income Taxes

### New Standards and amendments not applied

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

- IFRS 2 (amendment) – Share-based Payments (effective for accounting periods beginning on or after 01 January 2018);
- IFRS 9 – Financial Instruments (effective for accounting periods beginning on or after 01 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 01 January 2018);
- IFRS 16 – Leases (effective for accounting periods beginning on or after 01 January 2019);
- IFRS 4 (amendment) – Insurance Contracts (effective for accounting periods beginning on or after 01 January 2018);
- IAS 40 (amendment) – Investment Property (effective for accounting periods beginning on or after 01 January 2018);
- Annual improvements (2014-2016 Cycle) (effective for accounting periods beginning on or after 01 January 2018); and
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 01 January 2018).

The initial assessment, involving a review of standard and material contracts, is that the Group does not expect there to be any material change to the financial statements of the Group from adopting IFRS 15.

The impact that IFRS 16 will have on the financial statements is as yet unquantified. Because 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.

The Directors do not expect that the adoption of the other Standards and amendments listed above will have a material impact on the financial statements of the Group in future periods.

## 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.

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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 2. Significant accounting policies continued

### Business combinations continued

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 probable. 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%

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.



## 2. Significant accounting policies continued

### 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 is 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.

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.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

### 2. Significant accounting policies continued

#### 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 24. 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 and disposals, 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.

#### 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).

## 2. Significant accounting policies continued

### 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 12. 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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 2. Significant accounting policies 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.

### Reclassification of prior period information

For the period ended 31 December 2016 the Group has reclassified the deferred tax expense on US intangible assets from profit before tax and highlighted items into highlighted items to be consistent with the presentation for the year ended 31 December 2017. This is on the basis that the deferred tax expense would only ever crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale would be a highlighted item. There is no impact of the statutory results.

Appendix 2 on page 121 includes details of the Group's subsidiaries and associates and forms part of these financial statements.

## 3. Acquisition of The Creative Engagement Group

On 1 July 2017, the Group acquired the entire issued share capital of The Creative Engagement Group Limited ('TCEG'). Acquisition accounting has been performed in accordance with IFRS 3 (revised) Business Combinations.

TCEG has contributed £12.2 million to revenue and £2.0 million to profit before tax for the period between the date of acquisition and the year end. If the acquisition of TCEG had been completed on the first day of the financial year, Group revenues post highlighted items for the period would have been £211.0 million and Group operating profit would have been £27.3 million.

The fair values of the net assets at the date of acquisition were as follows:

	Provisional Fair value recognised on acquisition £000
Customer relationships	8,601
Brands	1,466
Property, plant and equipment	735
Trade and other receivables	15,754
Cash and cash equivalents	2,227
Trade and other payables	(23,953)
Deferred tax liability	(2,059)
Provisions	(309)
Net assets acquired	2,462
Provisional goodwill arising on acquisition	18,757
	21,219
Discharged by:	
Cash consideration	21,219
Net cash outflow arising on acquisition:	
Cash consideration	21,219
Repayment of bank debt	3,759
Cash and cash equivalents acquired	(2,227)
	22,751

Goodwill comprises the value of expected synergies arising from the acquisition and other intangible assets that do not qualify for separate recognition.

Acquisition related costs of £395,000 were incurred and these are included within highlighted items in the Consolidated Income Statement. The Creative Engagement Group forms part of the Immersive Operating Segment.

#### 4. Segmental analysis

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

During the year there was a reorganisation of the Group's operating segments. Huntsworth Health was split into 3 segments - Medical, Marketing and Immersive. Grayling, Citigate Dewe Rogerson ('CDR') and Red have been combined into one operating segment, Communications.

These revised segments 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 2017	Marketing £000	Medical £000	Immersive £000	Communications £000	Total £000
<b>Segment revenue before highlighted items</b>	<b>73,540</b>	<b>30,875</b>	<b>14,949</b>	<b>77,612</b>	<b>196,976</b>
<b>Segment operating profit before highlighted items</b>	<b>15,509</b>	<b>8,315</b>	<b>1,853</b>	<b>7,006</b>	<b>32,683</b>
Year ended 31 December 2016	Marketing £000	Medical £000	Immersive £000	Communications £000	Total £000
Segment revenue before highlighted items	62,545	25,274	3,020	89,298	180,137
Segment operating profit before highlighted items	12,334	5,951	15	5,543	23,843

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

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

	2017 £000	2016 £000
<b>Segment operating profit before highlighted items</b>	<b>32,683</b>	23,843
Unallocated costs	<b>(6,477)</b>	(5,922)
Share of profit from associate	<b>167</b>	57
<b>Operating profit before highlighted items</b>	<b>26,373</b>	17,978
Highlighted items	<b>(1,467)</b>	(32,507)
<b>Operating profit/(loss)</b>	<b>24,906</b>	(14,529)
Net finance costs	<b>(1,972)</b>	(1,973)
<b>Profit/(Loss) before tax</b>	<b>22,934</b>	(16,502)

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

#### Geographical information

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

	2017 £000	2016 £000
<b>Revenue</b>		
United Kingdom	<b>60,831</b>	49,569
Europe	<b>25,343</b>	25,800
USA	<b>99,950</b>	93,900
Rest of the world	<b>10,852</b>	10,868
<b>Total revenue</b>	<b>196,976</b>	180,137

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 4. Segmental analysis continued

	2017 £000	2016 £000
<b>Non-current assets</b>		
United Kingdom	93,641	65,573
Europe	29,265	29,142
USA	65,635	71,409
Rest of the world	5,418	5,875
<b>Total non-current assets</b>	<b>193,959</b>	<b>171,999</b>

Non-current assets excludes deferred tax assets.

## 5. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	Notes	2017 £000	2016 £000
Auditor's remuneration		315	327
Depreciation of owned property, plant and equipment	13	2,988	2,734
Depreciation of property, plant and equipment held under finance leases	13	4	3
(Profit)/Loss on disposal of property, plant and equipment		(13)	72
Net foreign exchange (profit)/loss		(1,171)	878
Operating lease rentals:			
Lease payments		9,060	9,047
Sub-let income		(265)	(206)
Employee costs	8	120,765	111,535
Other administration costs		39,087	37,826
<b>Operating expenses – excluding highlighted items</b>		<b>170,770</b>	<b>162,216</b>
Highlighted items	6	1,467	32,507
<b>Total operating expenses</b>		<b>172,237</b>	<b>194,723</b>

	2017 £000	2016 £000
<b>Auditor's remuneration</b>		
Fees payable to the Company's auditor for the statutory audit of the Company and consolidated annual financial statements	313	290
Fees payable to the Company's auditor and its associates for other services:		
Other assurance services	2	2
Fees payable to the Company's previous auditor and its associates for other services:		
Audit-related assurance services	-	35
<b>Total other services</b>	<b>2</b>	<b>37</b>
<b>Total auditor's remuneration included in operating expenses</b>	<b>315</b>	<b>327</b>

## 6. Highlighted items

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

	Notes	2017 £000	2016 £000
Reported profit/(loss) before tax		22,934	(16,502)
<b>Adjustments charged/(credited) to operating expenses:</b>			
Amortisation of acquired intangible assets	12	1,393	840
Goodwill impairment	12	-	30,499
Impairment of software development costs	12	-	239
Restructuring costs		-	2,044
Acquisition and transaction related costs/(credit)	3	395	(679)
Disposal related credit		(321)	(436)
<b>Total adjustments charged to operating expenses</b>		<b>1,467</b>	<b>32,507</b>
<b>Adjusted profit before tax and highlighted items</b>		<b>24,401</b>	<b>16,005</b>

## 6. Highlighted items continued

	Notes	2017 £000	2016 £000
<b>Charged to profit before tax</b>		<b>1,467</b>	32,507
Taxation expense/(credit) on highlighted items	9	2,146	(1,132)
<b>Charged to profit for the year</b>		<b>3,613</b>	31,375

**Amortisation of acquired 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**

No impairment was recognised in the year. Further disclosures are given in Note 12. Impairments totalling £30.5 million were recognised in 2016 relating to goodwill in the Grayling CGU. Impairment charges are individually disclosed and are excluded from adjusted results as they do not relate to underlying trading.

**Impairment of software development costs**

No impairment was recognised in the year. In 2016 the impairment related to significant adverse changes in the extent to which internally developed software is expected to be used. The recoverable amount is the value in use which was determined to be £nil. The charge was excluded from adjusted results as it does not relate to underlying trading.

**Restructuring costs**

No restructuring costs were incurred in 2017 as the restructure was completed. Restructuring costs in 2016 comprised of cost-saving and right-sizing initiatives including severance payments, compensation for loss of office and other contract termination costs. Property costs relating to onerous contract provisions raised for property leases because of restructuring initiatives were included. These costs, which were part of the new management team's strategic refocus of the business, were excluded from adjusted results as they do not relate to underlying trading.

**Acquisition and transaction related costs/(credit)**

In 2017 the costs relate to the acquisition of subsidiaries. These costs are excluded from adjusted results as they are one-off in nature. The credit in 2016 related to subsequent re-measurement of the fair value of deferred contingent consideration. These costs were excluded from adjusted results as they relate to historic business combinations rather than ongoing operations.

**Disposal related credit**

This represents profit on disposal of subsidiaries including adjustments for deferred consideration receivable and recycled foreign currency translation reserves. These credits have been excluded from adjusted results as they do not relate to ongoing operations.

**Taxation**

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

## 7. Finance costs and income

	2017 £000	2016 £000
Bank interest payable	1,949	1,955
Imputed interest on long-term payables and provisions	28	27
Finance costs	1,977	1,982
Bank interest receivable	(3)	(2)
Other interest receivable	(2)	(7)
Finance income	(5)	(9)
<b>Net finance costs</b>	<b>1,972</b>	1,973

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 8. Employee information

The average number of employees during the year was:

	2017 Number	2016 Number
Marketing	389	359
Medical	164	145
Immersive	151	20
Communications	830	965
Centre	26	28
<b>Total</b>	<b>1,560</b>	<b>1,517</b>

Employee costs are as follows:

	2017 £000	2016 £000
Employee costs of all employees including Directors:		
Wages and salaries	105,746	99,026
Social security costs	11,192	9,854
Other pension costs	2,539	2,421
Share-based payment charge	1,288	234
<b>Total employee costs</b>	<b>120,765</b>	<b>111,535</b>

	2017 £000	2016 £000
Directors' emoluments	3,537	1,800

### Number of Directors accruing benefits under:

Defined contribution schemes	-	-
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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'.

## 9. Taxation

	2017 £000	2016 £000
<b>Consolidated income statement</b>		
<b>Current tax</b>		
Current year	5,523	1,290
Adjustments in respect of prior years	(226)	(177)
<b>Current tax expense</b>	<b>5,297</b>	<b>1,113</b>
<b>Deferred tax</b>		
Current year	2,968	963
Impact of changes in statutory tax rates	(998)	(19)
Adjustments in respect of prior years	2	(298)
<b>Deferred tax expense/(credit)</b>	<b>1,972</b>	<b>646</b>
<b>Income tax expense/(credit)</b>	<b>7,269</b>	<b>1,759</b>



**9. Taxation continued**

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

	2017 £000	2016 £000
<b>Profit/(Loss) before tax</b>	<b>22,934</b>	<b>(16,502)</b>
Notional income tax expense/(credit) at the effective UK statutory rate of 19.25% (2016: 20.0%) on profit/(loss) before tax	<b>4,415</b>	<b>(3,300)</b>
Permanent differences	<b>1,285</b>	<b>4,068</b>
Impact of share-based payments	<b>(107)</b>	<b>58</b>
Different tax rates on overseas profits	<b>2,378</b>	<b>590</b>
Impact of changes in statutory tax rates	<b>(998)</b>	<b>(19)</b>
Adjustments in respect of prior years	<b>(224)</b>	<b>(475)</b>
Utilisation and recognition of tax losses	<b>207</b>	<b>(27)</b>
Unrelieved current year losses	<b>313</b>	<b>864</b>
<b>Income tax expense</b>	<b>7,269</b>	<b>1,759</b>
Comprising:		
Income tax charge on profit before tax and highlighted items	<b>5,123</b>	<b>2,891</b>
Income tax expense/(credit) on highlighted items	<b>2,146</b>	<b>(1,132)</b>
	<b>7,269</b>	<b>1,759</b>

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 19.25% (2016: 20.0%). 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:

	2017 £000	2016 £000
<b>Other comprehensive income and expense</b>		
<b>Current tax credit</b>		
Currency translation differences	<b>(418)</b>	<b>-</b>
<b>Deferred tax expense/(credit)</b>		
Fair value movement on interest rate swaps (Note 21)	<b>57</b>	<b>(82)</b>
<b>Tax credit recognised in other comprehensive income and expense</b>	<b>(361)</b>	<b>(82)</b>
<b>Equity</b>		
<b>Deferred tax credit</b>		
Net revaluation of share-based payments	<b>(540)</b>	<b>(10)</b>
<b>Tax credit recognised in equity</b>	<b>(540)</b>	<b>(10)</b>

**10. Dividends**

	2017 £000	2016 £000
<b>Equity dividends on ordinary shares:</b>		
Final dividend for the year ended 2016: 1.25p (2015: 1.25p)	<b>4,078</b>	<b>4,071</b>
Interim dividend for the year ended 2017: 0.55p (2016: 0.5p)	<b>1,800</b>	<b>1,631</b>
<b>Total dividend expense</b>	<b>5,878</b>	<b>5,702</b>

The total dividend includes a cash element of £4.9 million (2016: £5.6 million) and a scrip element of £0.9 million (2016: £0.1 million). Shareholdings under the Group's Employee Benefit Trust of 2,379,181 shares waived their rights to both dividends (2015 final dividend and 2016 interim dividend: 2,591,344 and 2,507,643 shares respectively).

A 2017 final dividend of 1.45p per share has been proposed for approval at the Annual General Meeting in 2018

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 11. Earnings per share

	2017	2016
Basic earnings per share – pence	4.8	(5.6)
Diluted earnings per share – pence	4.7	(5.6)
Adjusted basic earnings per share – pence	5.9	4.0
Adjusted diluted earnings per share – pence	5.8	4.0

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

	2017 Earnings £000	2017 Weighted average number of shares 000s	2016 (Loss)/ earnings £000	2016 Weighted average number of shares 000s
Basic	15,665	326,827	(18,261)	325,245
Diluted	15,665	334,990	(18,261)	325,245 <sup>1</sup>
Adjusted basic	19,278	326,827	13,114	325,245
Adjusted diluted	19,278	334,990	13,114	329,488

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

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

Diluted earnings/(loss) per share takes the basic earnings/(loss) 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.

	2017 £000	2016 £000
<b>Earnings:</b>		
Profit/(loss) for the year attributable to the Parent Company's shareholders	15,665	(18,261)
Highlighted items (net of tax) attributable to the Parent Company's shareholders	3,613	31,375
<b>Adjusted earnings</b>	<b>19,278</b>	<b>13,114</b>

	2017 £000	2016 £000
<b>Number of shares:</b>		
Weighted average number of ordinary shares – basic	326,827	325,245
Effect of share options in issue	8,163	4,243
<b>Weighted average number of ordinary shares – diluted</b>	<b>334,990</b>	<b>329,488</b>

## 12. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software development costs £000	Total £000
<b>Cost</b>						
At 1 January 2016	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
<b>At 31 December 2016</b>	<b>27,875</b>	<b>35,100</b>	<b>336,775</b>	<b>1,754</b>	<b>4,713</b>	<b>406,217</b>
Acquisitions	1,466	8,601	18,757	-	-	28,824
Capitalised development costs	-	-	-	-	232	232
Disposals	(134)	(40)	-	-	-	(174)
Write-offs	-	-	-	(1,819)	-	(1,819)
Exchange differences	(821)	(1,848)	(9,964)	65	(183)	(12,751)
<b>At 31 December 2017</b>	<b>28,386</b>	<b>41,813</b>	<b>345,568</b>	<b>-</b>	<b>4,762</b>	<b>420,529</b>
<b>Amortisation and impairment charges</b>						
At 1 January 2016	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
<b>At 31 December 2016</b>	<b>24,010</b>	<b>34,769</b>	<b>183,322</b>	<b>1,754</b>	<b>2,565</b>	<b>246,420</b>
Charge for the year	637	756	-	-	292	1,685
Disposals	(92)	(40)	-	-	-	(132)
Write-offs	-	-	-	(1,819)	-	(1,819)
Exchange differences	(797)	(1,782)	(4,262)	65	(77)	(6,853)
<b>At 31 December 2017</b>	<b>23,758</b>	<b>33,703</b>	<b>179,060</b>	<b>-</b>	<b>2,780</b>	<b>239,301</b>
<b>Net book value at 31 December 2017</b>	<b>4,628</b>	<b>8,110</b>	<b>166,508</b>	<b>-</b>	<b>1,982</b>	<b>181,228</b>
Net book value at 31 December 2016	3,865	331	153,453	-	2,148	159,797

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:

	2017 £000	2016 £000
Citigate Dewe Rogerson	26,756	26,849
Grayling	24,381	25,041
Red	19,909	19,972
Medical	21,984	23,358
Marketing	53,139	56,457
Immersive	20,339	1,776
<b>Total</b>	<b>166,508</b>	<b>153,453</b>

During the year there was a reorganisation of the Group's operating segments. Huntsworth Health was split into 3 segments - Medical, Marketing and Immersive, with The Creative Engagement Group included in the Immersive operating segment. Grayling, Citigate Dewe Rogerson ('CDR') and Red have been combined into one operating segment, Communications.

Medical, Marketing and Immersive will now represent separate CGUs. Goodwill has been allocated to each using a relative value approach. The Grayling, CDR and Red CGUs will remain as management continue to monitor goodwill at this level.

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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 12. Intangible assets continued

### Cash flow forecasts

For each CGU, the forecast cash flows for the first five years are based on the 2018 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.

### Long-term growth rate

After the initial five-year forecast period, a long-term growth rate between 1.5% and 2.5% (2016: 2.0-2.5%) 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 12.6% (2016: 14.3%). 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.

The Board has considered various alternative performance scenarios for the 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.

## 13. Property, plant and equipment

	Leasehold improvements £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2016	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
<b>At 31 December 2016</b>	<b>13,223</b>	<b>18,469</b>	<b>394</b>	<b>32,086</b>
Acquisitions	629	2,832	-	3,461
Additions	212	1,198	3	1,413
Disposals	(1,135)	(1,485)	(31)	(2,651)
Exchange differences	(586)	(932)	-	(1,518)
<b>At 31 December 2017</b>	<b>12,343</b>	<b>20,082</b>	<b>366</b>	<b>32,791</b>
<b>Depreciation</b>				
At 1 January 2016	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
<b>At 31 December 2016</b>	<b>5,618</b>	<b>14,377</b>	<b>259</b>	<b>20,254</b>
Acquisitions	577	2,149	-	2,726
Charge for the period	1,143	1,810	39	2,992
Disposals	(944)	(1,406)	(28)	(2,378)
Exchange differences	(236)	(753)	6	(983)
<b>At 31 December 2017</b>	<b>6,158</b>	<b>16,177</b>	<b>276</b>	<b>22,611</b>
<b>Net book value at 31 December 2017</b>	<b>6,185</b>	<b>3,905</b>	<b>90</b>	<b>10,180</b>
Net book value at 31 December 2016	7,605	4,092	135	11,832

Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2017 of £5,000 (2016: £7,000).

**14. Investment in associate**

The Group is a 25% partner in Hudson Sandler LLP, a public relations business incorporated and operating in the UK. 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.

	2017 £000	2016 £000
<b>Carrying amount</b>		
At 1 January	182	-
Additions	-	125
Share of profit	167	57
Dividend received	(137)	-
<b>At 31 December</b>	<b>212</b>	<b>182</b>

**15. Assets of disposal group classified as 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.

	2017 £000	2016 £000
Goodwill	-	3,319
<b>At 31 December</b>	<b>-</b>	<b>3,319</b>

**16. Trade and other receivables**

Current	2017 £000	2016 £000
Trade receivables	47,174	39,230
Less: provision for impairment of trade receivables	(224)	(1,465)
Trade receivables - net	46,950	37,765
Other receivables	2,666	2,207
Prepayments	4,252	3,387
Accrued income	12,378	12,527
VAT receivable	126	201
<b>Trade and other receivables</b>	<b>66,372</b>	<b>56,087</b>

In addition to the above, the Group also has non-current other receivables of £2,339,000 (2016: £188,000).

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 2017, trade receivables of £0.2 million (2016: £1.5 million) were considered to be impaired. Movements in the provision are as follows:

	2017 £000	2016 £000
At 1 January	1,465	939
Impairment charge for the year	61	1,413
Receivables written off during the year as uncollectable	(101)	(320)
Amounts reversed as debt collected	(1,185)	(622)
Foreign exchange movements	(16)	55
<b>At 31 December</b>	<b>224</b>	<b>1,465</b>

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## 16. Trade and other receivables continued

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

At 31 December	Total £000	Neither past due nor impaired £000	Past due but not impaired			
			<30 days £000	30-60 days £000	60-90 days £000	>90 days £000
<b>2017</b>	<b>46,950</b>	<b>33,219</b>	<b>7,316</b>	<b>4,086</b>	<b>832</b>	<b>1,497</b>
2016	37,765	25,991	7,473	2,353	795	1,153

As at 31 December 2017, the Group held receivables of £nil (2016: £0.1 million) which would be overdue had they not been renegotiated.

## 17. Trade and other payables

	2017 £000	2016 £000
<b>Current</b>		
Trade payables	9,276	8,766
Other taxation and social security	6,841	3,367
Accruals	38,276	21,054
Deferred income	10,583	12,659
Other payables	2,589	2,074
<b>Current trade and other payables</b>	<b>67,565</b>	<b>47,920</b>
<b>Non-current</b>		
Leasehold property incentives	2,712	2,690
Other non-current payables	266	202
<b>Non-current trade and other payables</b>	<b>2,978</b>	<b>2,892</b>

## 18. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Amounts payable:</b>				
Within one year	2	2	2	2
In two to five years	2	4	2	4
	4	6	4	6
Less: finance charges allocated to future periods	-	-	-	-
<b>Present value of lease obligations</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>6</b>

## 19. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2016	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
<b>At 31 December 2016</b>	<b>-</b>	<b>2,930</b>	<b>602</b>	<b>3,532</b>
Arising during the year	-	67	-	67
Provision on acquisition of subsidiary	-	309	-	309
Released during the year	-	(97)	(22)	(119)
Utilised	-	(1,347)	(476)	(1,823)
Foreign exchange movements	-	(96)	6	(90)
Unwind of discount	-	21	7	28
<b>At 31 December 2017</b>	<b>-</b>	<b>1,787</b>	<b>117</b>	<b>1,904</b>
<b>Current</b>	<b>-</b>	<b>442</b>	<b>117</b>	<b>559</b>
<b>Non-current</b>	<b>-</b>	<b>1,345</b>	<b>-</b>	<b>1,345</b>

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 31 December 2016	-	1,413	566	1,979
Current	-	1,517	36	1,553
Non-current	-	2,930	602	3,532

## 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 prior year represented a change in the estimated future financial performance of the acquired company. Where deferred consideration was not contingent on the outcome of future events the amount was included in trade and other payables.

## 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.

# Notes to the Consolidated Financial Statements continued

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## 20. Deferred tax

	Tax depreciation £000	Share-based payments £000	Tax losses £000	Intangible assets £000	Other temporary differences £000	Total £000
At 1 January 2016	(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 9)	-	-	-	-	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
(Expense)/credit to income	357	341	(243)	(995)	(1,432)	(1,972)
Expense to other comprehensive income (Note 9)	-	-	-	-	(57)	(57)
Credit to equity	2	538	-	-	-	540
Acquisition related items	57	-	31	(2,210)	63	(2,059)
Foreign exchange and other movements	68	-	(19)	275	(159)	165
At 31 December 2017	(167)	964	407	(4,658)	795	(2,659)

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

	2017 £000	2016 £000
Deferred tax balances:		
Deferred tax assets	32	926
Deferred tax liabilities	(2,691)	(202)
Net deferred tax (liability)/asset	(2,659)	724

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 £38.7 million (2016: £41.4 million), have not been recognised on the basis that their future economic benefit is uncertain. These comprise tax losses and other temporary differences of £26.4 million (2016: £29.1 million) and capital losses of £12.3 million (2016: £12.3 million). Of this total, tax losses of £12.3 million (2016: £9.8 million) will expire at various dates between 2018 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 £4.0 million (2016: £3.8 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 US Government has enacted a reduction in the Federal rate of corporation tax to 21% with effect from 1 January 2018. The UK Government has enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. The impact of these changes is incorporated in the reported numbers where relevant.

## 21. 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 23, and its total borrowings, comprising bank loans and overdrafts and obligations under finance leases, as disclosed in Note 22.



## 21. 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 2017, after taking into account the effect of interest rate swaps, approximately 55% (2016: 55%) 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	
	2017	2016	2017 £000	2016 £000	2017 £000	2016 £000
At 31 December						
Within one year	-	-	-	-	-	-
Within one to two years	1.279%	-	25,000	-	(221)	-
Within two to three years	-	1.279%	-	25,000	-	(525)
Within three to four years	-	-	-	-	-	-
Within four to five years	-	-	-	-	-	-
			25,000	25,000	(221)	(525)

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

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	Total £000
At 31 December 2017					
<b>Fixed rate:</b>					
Obligations under finance leases	(2)	(2)	-	-	(4)
Bank loans hedged by interest rate swap	-	(25,000)	-	-	(25,000)
<b>Total fixed rate</b>	(2)	(25,002)	-	-	(25,004)
<b>Floating rate:</b>					
Cash	10,054	-	-	-	10,054
Bank overdrafts	(399)	(63)	-	-	(462)
Floating rate portion of bank loans	-	(45,623)	-	-	(45,623)
Bank loans hedged by interest rate swap	-	25,000	-	-	25,000
<b>Total floating rate</b>	9,655	(20,686)	-	-	(11,031)
<b>Total</b>	9,653	(45,688)	-	-	(36,035)

# Notes to the Consolidated Financial Statements continued

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## 21. Financial instruments continued

### Interest rate risk continued

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

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 2017 would decrease/increase by £269,000 (2016: £258,000). If US interest rates had been 1% higher or lower, the Group's profit before tax would decrease/increase by £nil (2016: £nil). 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 increase or decrease by £353,000 or £356,000 respectively (2016: £600,000 or £616,000 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	
		2017 £000	2016 £000
US Dollar	+10%	(1,464)	(1,259)
Euro	+10%	(211)	(162)
US Dollar	-10%	1,790	1,539
Euro	-10%	258	198

## 21. 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	
		2017 £000	2016 £000
US Dollar	+10%	(14,201)	(13,144)
Euro	+10%	(2,336)	(2,160)
US Dollar	-10%	17,356	16,065
Euro	-10%	2,855	2,640

### 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.

During the year the Group utilised a £65 million multi-currency revolving credit facility and a £5 million committed overdraft facility. In July 2017, the Group exercised its accordion option under the facility agreement to increase the limit on the revolving credit facility by £10 million to £75 million.

After the year end, the Group completed an amend and extend of its facility, as a result of which the Group has available a £75 million multi-currency revolving credit facility with a £40 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2017 and 2016 based on contractual undiscounted payments.

	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
At 31 December 2017							
Interest-bearing loans and borrowings	-	46,295	-	-	-	-	46,295
Interest rate swap	170	51	-	-	-	-	221
Obligations under finance leases	2	2	-	-	-	-	4
Leasehold property provisions	442	328	83	81	249	604	1,787
Trade and other payables <sup>1</sup>	60,724	766	430	419	401	1,006	63,746
	61,338	47,442	513	500	650	1,610	112,053
At 31 December 2016							
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 <sup>1</sup>	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

<sup>1</sup> Balance excludes tax and social security creditors.

# Notes to the Consolidated Financial Statements continued

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## 21. Financial instruments continued

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.

### 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 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial liabilities</b>				
Interest rate swap	-	221	-	221
	-	221	-	221
At 31 December 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial liabilities</b>				
Interest rate swap	-	525	-	525
Foreign exchange derivative	-	154	-	154
	-	679	-	679

### Valuation techniques used to derive Level 2 fair values

Level 2 derivatives comprise foreign exchange 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.

## 22. Borrowings

Interest-bearing loans and borrowings	Effective interest rate	2017 £000	2016 £000
<b>Current</b>			
Obligations under finance leases	2%	(2)	(2)
Bank overdrafts		(399)	(495)
		(401)	(497)
<b>Non-current</b>			
Obligations under finance leases	2%	(2)	(4)
Bank loan under fixed rate swap <sup>1</sup>	1.279% + margin	(25,000)	(25,000)
Variable rate bank loan <sup>1</sup>	LIBOR + margin	(20,623)	(20,412)
Bank overdrafts		(63)	-
		(45,688)	(45,416)
At 31 December		(46,089)	(45,913)

<sup>1</sup> The underlying liability for the above marked items was the £65 million committed revolving credit facility, which was increased to £75 million in July 2017. The average margin in 2017 was 1.9% (2016: 2%) and varies depending on the Group's net debt to EBITDA ratio.

### 23. 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 2016	212,012,343	103,886	328,498,733	3,284	107,170
Scrip dividends	-	-	311,869	3	3
Deferred consideration for the acquisition of Atomic Communications LLC	-	-	1,500,007	15	15
At 31 December 2016	212,012,343	103,886	330,310,609	3,302	107,188
Scrip dividends	-	-	1,547,559	15	15
<b>At 31 December 2017</b>	<b>212,012,343</b>	<b>103,886</b>	<b>331,858,168</b>	<b>3,317</b>	<b>107,203</b>

During the year, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2016 dividend and the interim 2017 dividend. On 6 July 2017, 1,035,547 ordinary shares of 1p each were issued at 54.4p with a resulting share premium of £552,982. On 6 November 2017, 512,012 ordinary shares of 1p each were issued at 75.2p with a resulting share premium of £379,913.

During 2016, the following shares were issued:

- On 14 January 2016, 1,500,007 ordinary shares of 1p 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 40.6p 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 1p each were issued at 45.3p with a resulting share premium of £95,666. On 4 November 2016, 95,918 ordinary shares of 1p each were issued at 43.5p with a resulting share premium of £40,717.

### 24. Share-based payments

The share-based payment schemes for employees of the Group in operation throughout 2017 are summarised in the following table:

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
<b>Huntsworth schemes</b>			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Mar 2019–Mar 2026	43.84
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Jan 2010–Mar 2026	42.14–108.25
Huntsworth Performance Share Plan	10 years	May 2018–May 2026	nil
Huntsworth Long Term Incentive Plan 2016	10 years	June 2019–July 2027	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.

The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2017 and 31 December 2016:

	2017		2016	
	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	11,923,442	48.2	14,241,678	27.7
Granted during the year	4,294,398	nil	4,099,952	5.4
Forfeited during the year	(1,193,020)	92.2	(2,598,141)	22.1
Exercised during the year	(200,000)	57.3	(3,820,047)	10.6
Outstanding at the end of the year	14,824,820	13.2	11,923,442	26.6
Exercisable at the end of the year	700,000	49.3	1,816,166	48.2

The weighted average share price at the date of exercise for share options exercised during the year was 78.25p (2016: 40.8p). The options outstanding at the end of the year have a weighted average remaining life of 7.3 years (2016: 8.7 years). The estimated average fair value of the options granted during the year is 35.98p (2016: 30.3p).

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 24. Share-based payments continued

### Fair value of share options

The fair value of share options granted in 2017 and 2016 were calculated using either the Monte Carlo model or the Black-Scholes model. The inputs to these models were:

	2017	2016
Weighted average share price	<b>43.86</b>	42.2 pence
Weighted average exercise price	<b>nil</b>	5.4 pence
Expected volatility	<b>41%-46%</b>	39%-45%
Expected life	<b>3 years</b>	3 years
Risk-free rate	<b>0.17%-0.3%</b>	0.09%-0.6%
Expected dividend yield	<b>2.8%-4.22%</b>	4.0%-4.2%

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 £1.3 million (2016: £0.2 million) related to equity-settled share-based transactions during the year.

## 25. 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.

There were no movements in the merger reserve in the current year. In 2016, following the impairment of certain investments held by Huntsworth plc, £1.5 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 in neither the current nor prior year. As at 31 December 2017 the Group held 1,686,681 shares (2016: 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 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 200,000 shares to employees and past employees (2016: 4,051,129 shares, including 231,081 accrued dividend shares), for proceeds of £114,500 (2016: £251,449).

The Trusts did not purchase any shares in 2017 (2016: nil). At 31 December 2017 the Trusts held 2.2 million shares (2016: 2.4 million shares) in the Company which had a market value at 31 December 2017 of £1.8 million (2016: £0.9 million).

**26. 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 2017 and 31 December 2016, are as follows:

	2017 £000	2016 £000
Within one year	7,745	8,557
Within two to five years	16,921	18,503
Over five years	6,721	7,376
	<b>31,387</b>	<b>34,436</b>

**Operating leases – Group as a lessor**

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

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2017 and 31 December 2016 are as follows:

	2017 £000	2016 £000
Within one year	339	40
Within two to five years	1,044	-
Over five years	47	-
	<b>1,430</b>	<b>40</b>

**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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 26. 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 (12) Limited (05135366)
Fred Communications Limited (06179972)	The Red Consultancy Limited (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 Limited (03140273)
Shiny Red Limited (05893962)	Huntsworth Health Limited (03193979)	Holmes & Marchant Communications Limited (01766310)
The Creative Engagement Group Limited (10824165)	WRG Worldwide Limited (07661987)	Canyon Associates Limited (06015141)
WRG Group Limited (03552198)	Mainstream Presentations Limited (02268867)	Mainstream Limited (03927635)
WRG Creative Communication Limited (01244084)	Just Communicate Limited (04100166)	WRG Public Events Limited (02610689)
The Moment Content Group Limited (09209488)	The Moment Content Company Limited (03962001)	The Rocket Science Group Holdings Limited (03048838)
The Moment Productions Limited (05493387)		



## 27. Cash flow analysis

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

	2017 £000	2016 £000
Operating profit/(loss)	24,906	(14,529)
Share of profit from associate	(167)	(57)
Depreciation	2,992	2,737
Share option charge	1,289	234
(Profit)/loss on disposal of property, plant and equipment	(13)	72
Amortisation of intangible assets	1,685	1,046
Impairment of intangible assets	-	30,786
(Gain)/loss on financial instruments	(154)	154
Profit on disposal of subsidiaries and investments	(321)	(436)
Increase in work in progress	(1,438)	(1,712)
Increase in debtors	(830)	(6,125)
Increase in creditors	1,325	2,339
Decrease in provisions	(1,777)	(1,869)
<b>Net cash inflow from operations</b>	<b>27,497</b>	<b>12,640</b>

Net cash inflow from operations is analysed as follows:

	2017 £000	2016 £000
Before highlighted items	29,825	15,639
Highlighted items	(2,328)	(2,999)
<b>Net cash inflow from operations</b>	<b>27,497</b>	<b>12,640</b>

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

	2016 £000	Cashflow	Non-cash changes				2017 £000
			New leases	Amortisation	Fair value changes	Foreign exchange	
Cash and short-term deposits	14,978	(4,381)	-	-	-	(543)	10,054
Overdraft	(495)	56	-	-	-	40	(399)
Bank loans	(45,412)	-	-	(274)	-	-	(45,686)
Derivative financial liabilities	(679)	248	-	-	210	-	(221)
Finance leases	(6)	2	-	-	-	-	(4)
<b>Net debt</b>	<b>(31,614)</b>	<b>(4,075)</b>	<b>-</b>	<b>(274)</b>	<b>210</b>	<b>(503)</b>	<b>(36,256)</b>

	2015 £000	Cashflow	Non-cash changes				2016 £000
			New leases	Amortisation	Fair value changes	Foreign exchange	
Cash and short-term deposits	8,918	4,017	-	-	-	2,043	14,978
Overdraft	-	(452)	-	-	-	(43)	(495)
Bank loans	(39,172)	(5,975)	-	(265)	-	-	(45,412)
Derivative financial liabilities	(92)	231	-	-	(818)	-	(679)
Finance leases	(25)	24	(5)	-	-	-	(6)
<b>Net debt</b>	<b>(30,371)</b>	<b>(2,155)</b>	<b>(5)</b>	<b>(265)</b>	<b>(818)</b>	<b>2,000</b>	<b>(31,614)</b>

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 27. Cash flow analysis continued

### (c) Analysis of net debt

	2017 £000	2016 £000
Cash and short-term deposits	10,054	14,978
Bank overdraft	(399)	(495)
Bank loans	(45,686)	(45,412)
Derivative financial liabilities	(221)	(679)
Obligations under finance leases	(4)	(6)
<b>Net debt</b>	<b>(36,256)</b>	<b>(31,614)</b>

At 31 December 2017 the Group had undrawn committed facilities of £32.9 million (2016: £24.0 million) available.

## 28. 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:

	2017 £000	2016 £000
Short-term benefits	2,536	1,636
Share-based payment charge	1,001	164
	<b>3,537</b>	<b>1,800</b>

## 29. Post balance sheet events

After the year end, the Group completed an amend and extend of its banking facilities, as a result of which the Group has available a £75 million multi-currency revolving credit facility with a £40 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft.

On 22 February 2018 Huntsworth plc acquired 75% of the issued shares in AboveNation Media LLC for initial cash consideration of \$1.75 million and two deferred payments due in 2019 and 2021, based on a multiple of EBITDA for the preceding years.

The financial effects of the above transaction have not been brought into account at 31 December 2017. The operating results and assets and liabilities of the Company will be brought into account from 22 February 2018. The fair value calculation of assets and liabilities acquired is on-going.

# Independent Auditor's Report

To the members of Huntsworth plc

## Report on the audit of the Parent Company financial statements

### 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 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts ('the Annual Report'), which comprise: the Company balance sheet as at 31 December 2017 and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in note 5 to the consolidated financial statements, we have provided no non-audit services to the Group and its subsidiaries in the period from 1 January 2017 to 31 December 2017.

### Our audit approach

#### Overview



- Overall materiality: £2.38 million (2016: £2.26 million), based on 1% of net assets.

- We carried out audit procedures on the complete financial information on the Parent Company.

- Risk of impairment in relation to investments in subsidiaries.

### The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Parent Company and the industry in which it operates, and considered the risk of acts by the Parent Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Parent Company's financial statements, including, but not limited to, Companies Act 2006, the Listing Rules and UK tax legislation. Our tests included, but were not limited to review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, review of correspondence with legal advisers and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the

# Independent Auditor's Report continued

To the members of Huntsworth plc

allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<b>Impairment of investment in subsidiaries</b>  Refer to page 113 (Significant Accounting Policies) and page 115 (notes).  The Company has £229.5 million of investments in and loans to subsidiaries as at 31 December 2017 (2016: £203.3 million).  Determining if an impairment charge is required involves an assessment of the net assets of the underlying investments and judgement about the future results and cash flows of the investments, including forecast growth in future revenues and operating profit margins.  The Directors' impairment assessment showed that no impairment was required for investments in and loans to subsidiaries as at 31 December 2017.	We reviewed the Directors' impairment assessment for investments in and loans to subsidiaries. This included comparing the investments carrying value against the net assets of the subsidiary and by reference to the discounted future cash flows the Directors expect the subsidiary to generate. We challenged the Directors' assumptions used in these discounted cash flow models including growth rates, discount rate and cash flows from operations.  In addition, we confirmed the market capitalisation of the Company exceeded the carrying value of investment in and loans to subsidiaries as at 31 December 2017.  For all investments the Directors determined that no impairment was required, we found that these judgements were supported by reasonable assumptions that would require significant downside changes before any impairments were necessary.

## 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 structure of the Company, the accounting processes and controls, and the industry in which it operates.

We scoped the balances to be audited in line with the materiality determined for the year.

## 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 in aggregate 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 materiality	£2.38 million (2016: £2.26 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the position of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £59,000 (2016: £30,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Parent Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

**Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

**Corporate Governance Statement**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 42 to 43) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 40 to 43) with respect to the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company. (CA06)

**The directors' assessment of the prospects of the Parent Company and of the principal risks that would threaten the solvency or liquidity of the Parent Company**

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 64 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Parent Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 64 of the Annual Report as to how they have assessed the prospects of the Parent Company, 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 Parent Company 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 to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Parent Company and statement in relation to the longer-term viability of the Parent Company. 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 UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit. (Listing Rules)

# Independent Auditor's Report continued

To the members of Huntsworth plc

## Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 64, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Parent Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 44 to 46 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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.

### Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; 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.

**Appointment**

Following the recommendation of the Audit Committee, we were appointed by the Directors on 6 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2016 to 31 December 2017.

**Other matter**

We have reported separately on the Group financial statements of Huntsworth plc for the year ended 31 December 2017.

**David Snell**

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

5 March 2018

# Company Balance Sheet

As at 31 December 2017

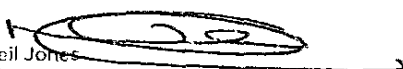
	Notes	2017 £000	2016 £000
<b>Fixed assets</b>			
Tangible fixed assets	4	80	35
Investments	5	229,511	203,300
		<b>229,591</b>	<b>203,335</b>
<b>Current assets</b>			
Debtors	6	190,432	189,284
Cash at bank and in hand		1,704	2,244
		<b>192,136</b>	<b>191,528</b>
<b>Creditors: amounts falling due within one year</b>	8	<b>(131,337)</b>	<b>(117,748)</b>
Net current assets		<b>60,799</b>	<b>73,780</b>
<b>Total assets less current liabilities</b>		<b>290,390</b>	<b>277,115</b>
<b>Creditors: amounts falling due after more than one year</b>			
Bank loans		<b>(52,571)</b>	<b>(50,686)</b>
Derivative financial liabilities	9	<b>(51)</b>	<b>(70)</b>
<b>Net assets</b>		<b>237,768</b>	<b>226,359</b>
<b>Capital and reserves</b>			
Called up share capital	10	107,203	107,188
Share premium account	12	63,843	62,926
Merger reserve	12	29,468	29,468
Other reserves	12	6,413	6,175
Hedging reserve	12	(221)	(525)
Treasury shares	12	(1,166)	(1,166)
Investment in own shares held in Employee Benefit Trust	12	(1,587)	(1,693)
Profit and loss account		33,815	23,986
<b>Total shareholders' funds</b>		<b>237,768</b>	<b>226,359</b>

## 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 £14.2 million (2016 profit: £4.3 million).

The Company number is 1729478.

The financial statements were approved by the Directors on 5 March 2018 and signed on their behalf by:

  
 Neil Jones  
 Director



# Company Statement of Changes in Equity

For the year ended 31 December 2017

	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 2016	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	-
<b>At 31 December 2016</b>	<b>107,188</b>	<b>62,926</b>	<b>29,468</b>	<b>6,175</b>	<b>(525)</b>	<b>(1,166)</b>	<b>(1,693)</b>	<b>23,986</b>	<b>226,359</b>
Profit for the year	-	-	-	-	-	-	-	14,223	14,223
Other comprehensive (expense)/income	-	-	-	-	304	-	-	(58)	246
Settlement of deferred consideration	-	-	-	-	-	-	-	-	-
Settlement of share options	-	-	-	-	-	-	106	9	115
Share issue costs	-	(16)	-	-	-	-	-	-	(16)
Share-based payments	-	-	-	238	-	-	-	1,051	1,289
Credit for unclaimed dividends	-	-	-	-	-	-	-	-	-
Tax on share-based payments	-	-	-	-	-	-	-	482	482
Scrip dividends	15	933	-	-	-	-	-	-	948
Equity dividends	-	-	-	-	-	-	-	(5,878)	(5,878)
<b>At 31 December 2017</b>	<b>107,203</b>	<b>63,843</b>	<b>29,468</b>	<b>6,413</b>	<b>(221)</b>	<b>(1,166)</b>	<b>(1,587)</b>	<b>33,815</b>	<b>237,768</b>

# Notes to the Company Financial Statements

for the year ended 31 December 2017

## 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 2017. 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 B67 of 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.

### Trade and other receivables

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.

### 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.

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.

## 2. Significant accounting policies continued

### 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.

# Notes to the Company Financial Statements continued

for the year ended 31 December 2017

## 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

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:

	2017 Number	2016 Number
Administration	24	28

Employee costs are as follows:

	2017 £000	2016 £000
Employee costs of all employees including Directors:		
Wages and salaries	3,987	3,528
Social security costs	1,130	419
Pension contributions	58	61
Share-based payment charge	1,050	165
<b>Total employee costs</b>	<b>6,225</b>	<b>4,173</b>
	2017 £000	2016 £000
Directors' emoluments	3,537	1,800
<b>Number of Directors accruing benefits under:</b>		
Defined contribution schemes	-	-

### 3. Employee information continued

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'.

### 4. Tangible fixed assets

	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>			
At 1 January 2017	259	31	290
Additions	72	-	72
Disposals	-	(31)	(31)
<b>At 31 December 2017</b>	<b>331</b>	<b>-</b>	<b>331</b>
<b>Depreciation</b>			
At 1 January 2017	230	25	255
Charge for the period	21	3	24
On disposals	-	(28)	(28)
<b>At 31 December 2017</b>	<b>251</b>	<b>-</b>	<b>251</b>
<b>Net book value at 31 December 2017</b>	<b>80</b>	<b>-</b>	<b>80</b>
Net book value at 31 December 2016	29	6	35

### 5. Investments

	Shares at cost £000	Loans to subsidiary undertakings £000	Total £000
<b>Cost</b>			
At 1 January 2016	293,462	40,139	333,601
Additions	69	-	69
<b>At 1 January 2017</b>	<b>293,531</b>	<b>40,139</b>	<b>333,670</b>
Additions	238	25,973	26,211
<b>At 31 December 2017</b>	<b>293,769</b>	<b>66,112</b>	<b>359,881</b>
<b>Amounts provided</b>			
At 1 January 2016	103,487	14,487	117,974
Impairment	7,964	4,432	12,396
<b>At 1 January 2017</b>	<b>111,451</b>	<b>18,919</b>	<b>130,370</b>
<b>At 31 December 2017</b>	<b>111,451</b>	<b>18,919</b>	<b>130,370</b>
<b>Net book value at 31 December 2017</b>	<b>182,318</b>	<b>47,193</b>	<b>229,511</b>
Net book value at 31 December 2016	182,080	21,220	203,300

The Company's principal trading subsidiaries and associated undertakings, which are listed in Appendix 2 to these financial statements.

#### Impairment testing

No impairment was recognised in the year. The investment balances impaired in 2016 related to the intermediary holding companies in which the Company holds investments. These do not reflect the Group's CGUs.

# Notes to the Company Financial Statements continued

for the year ended 31 December 2017

## 6. Debtors

	2017 £000	2016 £000
Amounts owed by subsidiary undertakings	188,985	188,480
Trade debtors	7	16
Deferred tax	921	255
VAT receivable	394	418
Prepayments	125	115
	<b>190,432</b>	<b>189,284</b>

Amounts included in the above to be due after more than one year.	2017 £000	2016 £000
Deferred tax	921	255

## 7. Deferred tax

	Tax depreciation £000	Share- based payments £000	Other temporary differences £000	Total £000
At 1 January 2016	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	<b>78</b>	<b>78</b>	<b>99</b>	<b>255</b>
Credit to income	3	230	9	242
Credit to other comprehensive income	-	-	(58)	(58)
Credit to equity	-	482	-	482
At 31 December 2017	<b>81</b>	<b>790</b>	<b>50</b>	<b>921</b>

The UK Government has enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. The impact of this change is incorporated in the reported numbers.

## 8. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	1	64
Amounts owed to subsidiary undertakings	127,041	115,000
Corporation tax	113	-
Other taxation and social security	447	475
Accruals	2,805	1,015
Derivative financial liability	170	609
Other creditors	760	585
	<b>131,337</b>	<b>117,748</b>

## 9. 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 21).

## 10. 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 2016	212,012,343	103,886	328,498,733	3,284	107,170
Scrip dividends	-	-	311,869	3	3
Deferred consideration for the acquisition of Atomic Communications LLC	-	-	1,500,007	15	15
At 31 December 2016	212,012,343	103,886	330,310,609	3,302	107,188
Scrip dividends	-	-	1,547,559	15	15
At 31 December 2017	212,012,343	103,886	331,858,168	3,317	107,203

During the year, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2016 dividend and the interim 2017 dividend. On 6 July 2017, 1,035,547 ordinary shares of 1p each were issued at 54.4p with a resulting share premium of £552,982. On 6 November 2017, 512,012 ordinary shares of 1p each were issued at 75.2p with a resulting share premium of £379,913.

During 2016, the following shares were issued:

- On 14 January 2016, 1,500,007 ordinary shares of 1p 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 40.6p 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 1p each were issued at 45.3p with a resulting share premium of £95,666. On 4 November 2016, 95,918 ordinary shares of 1p each were issued at 43.5p with a resulting share premium of £40,717.

## 11. Share-based payments

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
<b>Huntsworth share option schemes</b>			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Mar 2019-Mar 2026	43.84
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Jan 2010-Mar 2026	42.14-108.25
Huntsworth Performance Share Plan	10 years	May 2018-Mar 2026	nil
Huntsworth Long Term Incentive Plan 2016	10 years	June 2019-July 2027	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.

The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2017 and 31 December 2016:

	2017		2016	
	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	14,824,820	13.2	9,106,553	23.8
Exercised	-	-	3,620,207	11.2

The weighted average share price at the date of exercise for share options exercised during the year was nil (2016: 40.9p). The options outstanding at the end of the year have a weighted average remaining life of 7.1 years (2016: 8.8 years)

## 12. 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.

### Share premium account

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

## Notes to the Company Financial Statements continued

for the year ended 31 December 2017

### 12. Reserves continued

#### Merger reserve

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

There were no movements in the merger reserve in the current year. In 2016, following the impairment of certain investments held by Huntsworth plc, £1.5 million relating to the acquisition of those subsidiaries was 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 in neither the current nor prior year. As at 31 December 2017 the Group held 1,686,681 shares (2016: 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 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 200,000 shares to employees and past employees (2016: 4,051,129 shares, including 231,081 accrued dividend shares), for proceeds of £114,500 (2016: £251,449).

The Trusts did not purchase any shares in 2017 (2016: nil). At 31 December 2017 the Trusts held 2.2 million shares (2016: 2.4 million shares) in the Company which had a market value at 31 December 2017 of £1.8 million (2016: £0.9 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.

#### 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.

### 13. 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.

### 14. 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 £1.2 million (2016: £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.

### 15. Post balance sheet events

After the year end, the Company completed an amend and extend of its banking facilities, as a result of which the Company has available a £75 million multi-currency revolving credit facility with a £40 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft.



## Appendix 1 – Non-IFRS Measures

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

### Headline operating profit/profit before tax

Calculated as operating profit/profit before tax excluding highlighted items. Highlighted items in the current year comprise amortisation of intangible assets, acquisition/transaction related costs and disposal related credits. In the prior year, goodwill impairment, impairment of software development costs and restructuring costs were also included in highlighted items. Both headline profit and IFRS profit measures are presented in the income statement. An analysis of highlighted items is presented in Note 6.

### 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 11.

### 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 27.

### 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 27.

### 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 excluding the effect of acquisitions and disposals. 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 IFRS revenues and operating profit and like-for-like results are included in the table below:

#### Revenue

Year ended 31 December 2017	Marketing £000	Medical £000	Immersive £000	Communications £000	Total Group £000
Segmental revenue (Note 4)	73,540	30,875	14,949	77,612	196,976
Business closures	(1,388)	-	-	-	(1,388)
Acquisitions	-	-	(12,237)	-	(12,237)
Like-for-like revenue	72,152	30,875	2,712	77,612	183,351
Year ended 31 December 2016	Marketing £000	Medical £000	Immersive £000	Communications £000	Total Group £000
Segmental revenue (Note 4)	62,545	25,274	3,020	89,298	180,137
Constant exchange rates	2,888	953	152	3,082	7,075
Business closures	(1,699)	-	-	(9,400)	(11,099)
Like-for-like revenue	63,734	26,227	3,172	82,980	176,113

## Appendix 1 – Non-IFRS Measures continued

### Like-for-like continued Operating profit

Year ended 31 December 2017	Marketing £000	Medical £000	Immersive £000	Communications £000	Unallocated £'000	Total Group £000
Segmental operating profit (Note 4)	15,509	8,315	1,853	7,006	-	32,683
Unallocated costs	-	-	-	-	(6,477)	(6,477)
Share of profit from associate	-	-	-	-	167	167
Foreign exchange	-	-	-	-	(1,136)	(1,136)
Business closures	421	-	-	(8)	-	413
Acquisitions	-	-	(1,992)	-	-	(1,992)
Like-for-like operating profit	15,930	8,315	(139)	6,998	(7,446)	23,658

Year ended 31 December 2016	Marketing £000	Medical £000	Immersive £000	Communications £000	Unallocated £000	Total Group £000
Segmental operating profit (Note 4)	12,334	5,951	15	5,543	-	23,843
Unallocated costs	-	-	-	-	(5,922)	(5,922)
Share of profit from associate	-	-	-	-	57	57
Foreign exchange	-	-	-	-	877	877
Constant exchange rates	623	244	1	224	(8)	1,084
Business closures	720	-	-	(192)	-	528
Like-for-like operating profit	13,677	6,195	16	5,575	(4,996)	20,467

## 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 2017 are set out below.

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

### Trading companies – Marketing segment

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%
Huntsworth Health Corporation	1 S Broad St., Philadelphia, PA 19107, United States	0%	100%
Huntsworth Health Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Health Singapore Private Limited	55 Market Street, #02-02, 048941, Singapore	100%	100%
Tonic Life Communications Asia Pacific Limited	15/F., Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Tonic Life Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Traverse HealthStrategy LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%

### Trading companies – Medical segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
ApotheCom ScopeMedical Inc.	United Corporate Services, Inc., 874 Walker Road, Ste C, Dover Delaware 19904, United States	0%	100%
ApotheCom ScopeMedical Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%

### Trading companies – Immersive segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Axiom Professional Health Learning LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Just Communicate Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
The Moment Content Company Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Moment Content Company LLC	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
WRG Creative Communication Inc.	2711 Centreville Road, Suite 400, City of Wilmington 19808, County of New Castle, United States	0%	100%
WRG Creative Communication Limited	36 Great Titchfield Street, London, W1W 8BQ, England	0%	100%

### Trading companies – Communications segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Atomic Communications LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	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 Limited <sup>1</sup>	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	100%	100%
Citigate Dewe Rogerson, iMage Pte Limited	55 Market Street, #02-02, 048941, Singapore	0%	100%
Citigate First Financial B.V.	James Wattstraat 100-10, 1097 DM Amsterdam, The Netherlands	0%	100%
Dutko Worldwide, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%

## Appendix 2 – Subsidiaries and Associates continued

### Trading companies – Communications segment continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Grayling (Shanghai) Public Relations Consulting Co., Limited	Room 801, Floor 8, F659 Building, Nanjing West Road, Jing'an District, Shanghai, China	0%	100%
Grayling Asia Pte Limited	55 Market Street, #02-02, 048941, Singapore	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 China Limited	1901 Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Grayling Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Comunicacion, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	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 France SAS	43 rue de Rendez Vous, 75012 Paris, France	72.6%	100%
Grayling Hungary Kft	Teréz krt. 46., 1066 Budapest, Hungary	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%
Grayling Momentum Limited <sup>2</sup>	Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands <sup>3</sup>	100%	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 Maltepol 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 Suisse SA	Strehlgasse 29, 8001 Zurich, Switzerland	12.1%	100%
Huntsworth Advertising LLC	4th Floor, Amideast building, Al Jami Al Akbar Street, Ghala Heights, Muscat, Oman	0%	70%
Rose & Kindel	608 University Avenue, Sacramento, CA CA95825, United States	0%	100%
Shiny Red 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%

### Non-trading companies

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Atomic Communications Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Atomic PR UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Ballard Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Brand Health International Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Canyon Associates Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Citigate Broad Street Inc.	1740 Broadway New York, New York, 10019, United States	0%	100%
Citigate Public Affairs Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Dewe Rogerson 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
Evoke Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	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%
Grayling Dormant 1 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Holdings AG	Niederdorfstrasse 88, 8001 Zurich, Switzerland	100%	100%
Grayling International AG	Zollikerstrasse 141, 8008 Zurich, Switzerland	1.7%	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%
Hatch International Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
HHCG Acquisition LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Holmes & Marchant Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
HS Corporate Investments Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	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%
Huntsworth Financial Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	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 North America LLC	800 Township Line Road, Yardley, PA 19067, United States	0%	100%
Huntsworth Healthcare Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Healthcare Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Holdings GmbH	Hanauer Landstraße 147, 60314 Frankfurt am Main, Germany	0%	100%
Huntsworth Holdings Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	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%
Huntsworth Ireland DAC	Harcourt Centre, Harcourt Road, Dublin 2, Ireland	0%	100%
Huntsworth Spain, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Hypertonic LLC	c/o United Corporate Services, Inc., 874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
IG Communications 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%
Mainstream Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Mainstream Presentations Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Quiller Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Creative Engagement Group Limited	36 Great Titchfield Street, London, W1W 8BQ, England	100%	100%
The Moment Content Group Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Moment Productions Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Red Consultancy California LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
The Red Consultancy Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%

## Appendix 2 – Subsidiaries and Associates continued

### Non-trading companies continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
The Red Consultancy USA LLC	Davis & Gilbert 1740 Broadway, New York, NY 10019, United States	0%	100%
The Rocket Science Group Holdings Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	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%
Trimedia Communications UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
WRG Group Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
WRG Public Events Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
WRG Worldwide Limited	36 Great Titchfield Street, London, W1W 8BQ, England	0%	100%

### Dormant companies

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%
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, Scotland	0%	100%
Atlantic Public Relations Limited	19 Thistle Street, Edinburgh, EH2 1DF, Scotland	15%	100%
Avenue Healthcare Knowledge Management Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Axis Healthcare Europe Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Beaumarck Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Brand Health International Validation Limited	3rd Floor, 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%
C-B Interests Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Chris Parry Promotions Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Citigate & Trimedia Norden AB	Arenavagen 29, 8 tr. 121 77 Johanneshov, Stockholm, Sweden	0%	100%
Citigate Broad Street UK Limited	3rd Floor, 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 Cunningham LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate Dewe Rogerson Belgium SA	Avenue de Cortenbergh, 66 1000 Brussels, Belgium	0%	100%
Citigate Europe Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Citigate Global Intelligence and Security Inc.	Davis & Gilbert 1740 Broadway, New York, NY 10019, United States	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%
Citigate Northern Ireland Public Affairs Limited	Arthur Cox Belfast, Victoria House, 15-17 Gloucester Street, Belfast, BT1 4LS, Northern Ireland	0%	100%
Citigate Sponsorship Limited	3rd Floor, 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%
Conscientia Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
David Baker Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Dewe Rogerson Group Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Dewe Rogerson UK Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Dunwoodie Communications Inc.	Corporation Service Company 80 State Street, Albany, New York, 12207, United States	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%
EHPR Ltd	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	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 & Citigate Norden AB	Arenavägen 29, 8 tr. 121 77 Johanneshov, Stockholm, Sweden	0%	100%
Grayling (Thailand) Co., Limited	174 Silom Road, Suriyawong Sub-District, Bangrak District, Bangkok, Thailand	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 Corporate, Public Affairs & Public Relations Consultants (Cyprus) Limited	Lambrou Katsoni 8, Office 202, 1082 Nicosia, Cyprus	0%	100%
Grayling Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling München GmbH	Hanauer Landstraße 147, 60314 Frankfurt am Main, Germany	0%	100%
Grayling Ukraine OOO	23A Pushkinska Str., 01004 Kyiv, Ukraine	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%
Haslmann Taylor Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Hatch Group 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 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 Dormant (IH) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant (IL) Limited	15/F., Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Huntsworth Dormant (IUK)	3rd Floor, 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%

## Appendix 2 – Subsidiaries and Associates continued

### Dormant companies continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
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 Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth LLC	United Corporate Services, Inc., 10 Bank Street, White Plains, New York, 10606, United States	0%	100%
inRx LLC	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
IOL Limited	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%
PGA Communication SA	Gwattstrasse 8, c/o ueltschi solutions GmbH, 3185 Schmittlen, Fribourg, Switzerland	0%	100%
Pineblue Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Random Animal LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Sanchis y Asociados Imagen y Comunicacion, S.A.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Strategy Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	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	3rd Floor, 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%
TMG Group Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Trimedia Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Trimedia Public Affairs GmbH	Siebensterngasse 31, 1070 Wien, Austria	0%	100%
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%
Zahner & Partner AG	Gwattstrasse 8, c/o ueltschi solutions GmbH, 3185 Schmittlen, Fribourg, Switzerland	0%	100%

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 (unaudited)

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Revenue before highlighted items	<b>196,976</b>	180,137	168,398	164,719	171,668
Highlighted items – revenue	-	-	-	1,013	727
Operating profit before highlighted items	<b>26,373</b>	17,978	15,253	18,228	23,595
Highlighted items – operating expenses	<b>(1,467)</b>	(32,507)	(53,071)	(76,161)	(3,737)
Net finance costs	<b>(1,972)</b>	(1,973)	(2,001)	(2,632)	(3,531)
Profit/(loss) before tax	<b>22,934</b>	(16,502)	(39,819)	(59,552)	17,054
Non-current assets	<b>193,991</b>	172,925	188,485	233,845	299,144
Net current assets/(liabilities)	<b>16,163</b>	29,523	10,089	9,588	6,760
Net assets	<b>157,401</b>	152,315	155,302	193,874	257,644
Equity shareholders' funds	<b>157,401</b>	152,315	155,302	193,874	257,644
Basic earnings/(loss) per share (pence)	<b>4.8</b>	(5.6)	(12.3)	(17.6)	5.0
Diluted earnings/(loss) per share (pence)	<b>4.7</b>	(5.6)	(12.3)	(17.6)	4.9
Adjusted basic earnings per share (pence)	<b>5.9</b>	4.0	3.0	3.8	5.8
Adjusted diluted earnings per share (pence)	<b>5.8</b>	4.0	3.0	3.7	5.6
Share price – high (pence)	<b>83.8</b>	47.0	49.3	72.0	69.25
Share price – low (pence)	<b>36.0</b>	34.0	35.0	39.4	39.0

## Group Information

If you would like further information about Huntsworth, please visit our website at [www.huntsworth.com](http://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](mailto:paul.taaffe@huntsworth.com) or [neil.jones@huntsworth.com](mailto: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](http://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 0370 707 1048 or write to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

### Registered office and Group headquarters

Huntsworth plc  
8th Floor, Holborn Gate  
26 Southampton Buildings  
London, England  
WC2A 1AN  
Telephone: +44 (0)20 3861 3999

## Advisers

**Company Secretary**  
Martin Morrow**Registered Number**  
1729478**Registered office**  
8th Floor, Holborn Gate  
26 Southampton Buildings  
London, England  
WC2A 1AN**Auditors**  
PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH**Solicitors**  
Slaughter and May  
One Bunhill Row  
London EC1Y 8YY**Bankers**  
Lloyds Bank plc  
25 Gresham Street  
London EC2V 7HN**Santander UK plc**  
100 Ludgate Hill  
London EC4M 7RE**Bank of Ireland (UK) plc**  
Bow Bells House  
1 Bread Street  
London EC4M 9BE**HSBC Bank plc**  
71 Queen Victoria Street  
London EC4V 4AY**Stockbrokers**  
Numis Securities Limited  
10 Paternoster Square  
London EC4M 7LT**Registrars**  
Computershare Investor Services plc  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE

## Financial Calendar 2018

6 March 2018  
24 May 2018  
24 May 2018  
25 May 2018  
5 July 2018

Announcement of final results  
Annual General Meeting  
Ex-dividend date for final dividend  
Record date for final dividend  
Final dividend paid

# HUNTSWORTH

Huntsworth plc  
8th Floor  
Holborn Gate  
26 Southampton Buildings  
London  
WC2A 1AN

Tel: +44 (0)20 3861 3999  
Email: [info@huntsworth.com](mailto:info@huntsworth.com)

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

# Audit Committee Report

Members:	Attendance at meetings during 2017
Pat Billingham (Chair from 22 March 2017) <sup>1</sup>	3 of 3
Nicky Dulieu	3 of 3
Tim Ryan <sup>2</sup>	1 of 3
Andy Boland (Chair until 21 March 2017) <sup>1</sup>	3 of 3
Elizabeth McKee Anderson <sup>3</sup>	n/a

## 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 replaced Andy Boland as the Audit Committee Chair with effect from 22 March 2017.
- 2 Tim Ryan resigned as a Director of Huntsworth plc and member of the Audit Committee with effect from 31 December 2017.
- 3 Elizabeth McKee Anderson was appointed to the Audit Committee with effect from 1 January 2018.

The Committee's Terms of Reference were reviewed during 2017 and are available on the Company's website at [www.huntsworth.com](http://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 36 to 37 provide further detail.

## Committee meetings

The Audit Committee held three 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 Chief Financial Officer, the Head of Finance and Internal Audit. Provision is made for the external auditors and 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 2017 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 2017 Interim Report, and the 2017 Annual Report and Accounts.

The primary issues and areas of judgement considered by the Committee in relation to the 2017 Interim Report and 2017 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 12.

#### **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 31.

#### **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 and amortisation charges 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 6.

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.

Notably, the Committee also reviewed the potential impact of the changes to be introduced through IFRS 15 Revenue Recognition and IFRS 16 Leases.

#### **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, including a proposal for the Company's risk appetites and how to monitor the Group's current status against the appetite;
- 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;
- reviewing the Company's first statement under the Modern Slavery Act 2015 and recommending its adoption to the Board; and
- reviewing the Group's IT and cyber security arrangements.

## Audit Committee Report continued

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

### Risk Committee

The Risk Committee reports to the Audit Committee on risk management activities undertaken by the Group. The Committee comprises senior management representatives from each division, 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 2017, the Risk Committee provided the Audit Committee and Board with proposals for the Company's risk appetite as well as key indicators to enable effective monitoring of risk. In addition, the Risk Committee reviewed the Company's first statement under the Modern Slavery Act and recommended its adoption to the Audit Committee.

### Internal audit

Internal audit performs reviews as part of a programme approved by the Audit Committee. During the year, it was agreed that the Company should engage KPMG LLP to provide internal audit services, as it was considered that an external appointee would be able to provide the breadth of coverage required by the business and the geographic spread of the business lends itself to using external advisers.

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.

During the year the main activities of the Audit Committee regarding internal audit matters were:

- appointing KPMG LLP as the Group's internal auditor;
- reviewing and approving the scope of internal audit activities for 2017 and KPMG LLP's proposed internal audit plan for 2017/18;
- 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.

### Audit effectiveness

One of the key responsibilities of the Audit Committee is to assess the effectiveness of the external audit process. Since December 2016, PricewaterhouseCoopers LLP (PwC) has served as the Company's external auditor.

During the year, the Committee reviewed the reports they received from 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 2018.

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. PwC were initially appointed in December 2016, following a tender process and their reappointment was approved by shareholders at the 2017 AGM.

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](http://www.huntsworth.com)). This policy was reviewed by the Committee during the year and it was agreed to amend the policy such that over any three-year period, the annual fees for non-audit services should not exceed 70% of the average of the audit fees for the preceding three-year period in addition to the existing financial cap of £75,000 for an individual service or specific project.

Since their initial appointment in December 2016, PwC have provided covenant compliance services. Details of the non-audit fees paid to the external auditors are set out on page 84. 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 adviser is engaged.

# Nomination Committee Report

Members:	Attendance at meetings during 2017
Derek Mapp (Chair)	2 of 2
Andy Boland	2 of 2
Tim Ryan <sup>1</sup>	1 of 2
Pat Billingham <sup>2</sup>	n/a
Nicky Dulieu <sup>2</sup>	n/a

## 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.
- consideration of the group's people strategy and culture.

<sup>1</sup> Tim Ryan resigned as a Director of Huntsworth plc and member of the Nomination Committee with effect from 31 December 2017.

<sup>2</sup> Pat Billingham and Nicky Dulieu were appointed to the Nomination Committee with effect from 1 January 2018.

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 42% female representation (3 out of 7). During 2017, the Board had 28% female representation (2 out of 7). 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 activities of the Nomination Committee included:

- assessing the skill set and composition of the existing Board and its Committees.
- reviewing the continued contribution and effectiveness of Andy Boland and Nicky Dulieu, whose first three-year terms expired on 11 August and 31 December respectively. The Nomination Committee recommended the extension of the appointments of Andy Boland and Nicky Dulieu for further three-year terms to the Board, subject to annual re-election at each Annual General Meeting in accordance with the Company's Articles of Association.
- reviewing the Board's membership in the light of Tim Ryan's decision to resign from the Board on the conclusion of his first three-year term on 31 December 2017. The Nomination Committee agreed to engage Russell Reynolds Associates, an external search consultancy, to assist in the appointment of an Independent Non-Executive Director with pharmaceutical and biotechnology experience. Russell Reynolds Associates has no other connection with the Company. This search was successfully concluded with the appointment of Elizabeth McKee Anderson with effect from 1 January 2018. All members of the Board met with Elizabeth before the Board agreed to appoint her as an Independent Non-Executive Director.
- recommending to the Board that Pat Billingham and Nicky Dulieu should join the Nomination Committee and that Andy Boland should be appointed as the Company's Senior Independent Director, all with effect from 1 January 2018.
- discussing succession planning both in respect of Board members and senior management within the business.
- discussing the output of the 2017 evaluation exercise of the Board and its Committees. Please refer to page 42 for further details.
- discussing its remit and future role, including reviewing its terms of reference.



## Report of the Directors on Remuneration

The Remuneration Committee

Members:	Attendance at meetings in 2017
Nicky Dulieu (Chair)	5 of 6
Tim Ryan <sup>1</sup>	4 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.

<sup>1</sup> Tim Ryan resigned as a Director of Huntsworth plc and member of the Remuneration Committee with effect from 31 December 2017.

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.

## Annual Statement

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2017. This Report is split into two parts:

- This Annual Statement, setting out the key remuneration decisions made during the year, and
- The Annual Remuneration Report, detailing the implementation of the Company's Remuneration Policy during the 2017 financial year.

The Directors' Remuneration Policy as approved at the 2016 AGM is available on the Company's website at <http://www.huntsworth.com/media/1278/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.

### Key decisions made by the Committee in 2017

Overall, 2017 has been a successful year for the Company; our share price has grown by 114% over the course of the year and we have made significant progress towards the Company's strategic aims, including the acquisition of The Creative Engagement Group ('TCEG').

Given the improvement in the Company's financial performance and the progression of its strategic aims into areas such as M&A activity, the Committee has addressed specific remuneration issues arising from these positive developments. The Company's accounting disclosure change regarding US tax on goodwill amortisation (Tax Disclosure Change) has had a potential impact to existing incentive arrangements that have also required review. All decisions have been made with a view to ensuring that Executive remuneration arrangements are aligned to the long-term performance of the Company and remain equally stretching as originally envisaged. The Committee has also been mindful of the wider changing landscape for Executive Remuneration matters and the evolving views of investors and other stakeholders.

### M&A activity

To take into account the impact of the Company's M&A activity during 2017, the Remuneration Committee made amendments to the existing performance targets of awards made to Paul Taaffe and Neil Jones under The Huntsworth Performance Share Plan (PSP) and the replacement awards under The Huntsworth Executive Share Option Scheme 2006 (2006 ESOS Scheme), the awards made to the Executive Directors under The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP Scheme), and the Executive Directors' 2017 Annual Bonus (together the Existing Remuneration Arrangements). In making these amendments, it was the Remuneration Committee's intention to ensure that the Existing Remuneration Arrangements continued to be comparably stretching as was the aim when the awards were granted.

### Tax Disclosure Change

As explained on page 25, the Company changed its 2017 accounting disclosure for US tax on goodwill amortisation. The Remuneration Committee discussed the impact of this change and agreed that the impact of the Tax Disclosure Change should be removed from the actual headline EPS (HEPS) reported results in determining the performance outcomes of the long-term incentive awards made in 2015, 2016 and 2017. The Committee considered this adjustment necessary to ensure that performance targets remained stretching and that participants did not benefit from the Tax Disclosure Change.

### 2017 Performance Targets and Annual Bonus outcome

The Remuneration Committee set the performance targets for Paul Taaffe and Neil Jones in respect of their 2017 Annual Bonus and share awards.

The 2017 Annual Bonus was based upon achieving headline PBT (HPBT) and revenue targets of £21.3 million and £200.7 million respectively, after adjusting for M&A activity in the year, with HPBT having an 80% weighting and revenue a 20% weighting. As was the case in previous years, the Remuneration Committee agreed that any bonus would only be payable to the extent that it did not reduce HPBT to below £21.3 million. The Company achieved HPBT of £24.4 million (or 115% of the HPBT threshold target) and revenues of £197.0 million (representing 98% of the revenue threshold target). The 2017 Annual Bonus payable to the Executive Directors represented 119% of their salary during the year (which equates to 79% of the maximum bonus opportunity).

50% of any bonus payment in excess of 100% of salary is subject to compulsory deferral under The Huntsworth Deferred Share Bonus Plan 2016 (2016 DSBP Scheme). However, whilst not included within the initial terms and conditions, the Executives have voluntarily agreed to increase this and will now defer 100% of the bonus payment in excess of 100% of salary. Accordingly, awards will be made under the 2016 DSBP Scheme to Paul and Neil equivalent in value to £112,400 and £65,500 respectively.

Further details on the performance targets for the 2017 Annual Bonus and share awards, including on the outcome of the 2017 Annual Bonus, can be found on pages 51 to 52.

Long-term incentive outcomes in respect of 2017 performance  
Long-term incentive awards granted to Paul Taaffe in 2015, being the PSP award and the replacement award under the 2006 ESOS Scheme, are due to vest in 2018 following completion of their performance periods. Vesting of the PSP award was subject to the achievement of stretching HEPS and TSR performance targets, whilst the award under the 2006 ESOS Scheme was subject to an HEPS performance target.

Given the Company's strong financial performance since the grant of the awards, the 2015 PSP award is expected to vest at 82% of maximum subject to completion of the TSR performance period in May 2018, and the replacement award under the 2006 ESOS Scheme will vest in full.

Further details on the performance targets and the performance outcomes can be found on page 52.

## Report of the Directors on Remuneration continued

### Annual Statement continued

#### 2018 Performance Targets

The Remuneration Committee has also agreed the 2018 Executive Annual Bonus and share award targets.

As part of its discussions regarding the proposed framework for the 2018 share awards under the 2016 LTIP Scheme, the Remuneration Committee agreed a number of changes to the format of the awards. In previous years, performance targets have been based on a combination of HEPS and TSR targets. However, for the proposed 2018 awards under the 2016 LTIP Scheme, the Committee has determined that performance targets are based solely on achieving stretching HEPS targets, which support the strategic aim of growing the core business whilst also delivering accretive M&A activity.

Further detail, including the performance targets, can be found on page 58.

#### Holding Periods

In line with evolving best practice, in particular increasing expectations from investors for post-vesting holding periods to be applied to share awards, the Committee has determined that share awards granted in 2018 will include a two-year holding period after the end of the three-year performance period.

Furthermore, whilst not included within the original terms and conditions of the awards, the Executive Directors have voluntarily agreed to a one-year holding period in respect of the existing share awards under the PSP granted to Paul in 2015 and to the share awards granted to the Executive Directors in 2016 and 2017.

#### 2018 Executive Salaries

The Committee reviewed Executive Director salaries during 2017 and determined that Neil's salary would increase by 2.8% to £360,000 (a £10,000 increase), with effect from 1 January 2018. Whilst this represents his first salary increase since joining the Company on 1 February 2016, the Committee were keen to ensure that his salary increase was no greater than salary increases seen within the Group's wider employee population. Paul's annual salary remains unchanged at US \$936,000.

#### Senior management

The Remuneration Committee reviewed various incentive arrangements in place across the organisation during 2017, with a continued focus of expanding awards granted under the 2016 LTIP Scheme. As a result of this review, a higher proportion of our senior management team now participate in the 2016 LTIP Scheme, aligning their interests with those of shareholders, and aligning the various businesses to the Group's overall performance. This also 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 both retain and attract new talent.

#### Dilution position

The Investment Association's guidelines state 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.

The Remuneration Committee continues to monitor the Company's dilution position as a result of broadening the equity awards to senior management.

#### Conclusion

The Remuneration Committee believes that the key decisions taken during the year represent a fair balance between the Company's performance and shareholder outcomes over the relevant periods.

We welcome the opportunity to engage with shareholders about any aspect of our Remuneration Policy and its implementation. We were pleased to receive good shareholder support at our 2017 AGM and I look forward to receiving your support once more. Shareholders will have the opportunity to vote on the 2017 Directors' Remuneration Report at our 2018 AGM to be held on Thursday 24 May 2018.

Lastly, I wish to thank my Committee colleagues for their full support over the year.

Nicky Dulieu  
Chair, Remuneration Committee  
5 March 2018

## Annual Report on Remuneration

In this section of the report, we provide details of the payments made to the Directors relating to the 2017 financial year and the implementation of our remuneration policy in 2018.

## 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 2017 financial year, together with comparative figures for 2016. Details of Non-Executive Directors' fees are set out on page 53.

£'000	Paul Taaffe		Neil Jones	
	2017	2016	2017	2016 <sup>1</sup>
Salary	727 <sup>1</sup>	637	350	321
Benefits <sup>3,4</sup>	24	20	5	9
Short term incentive (i.e. annual bonus)	712	212	415	113
Long-term incentives <sup>5</sup>	2,777	-	-	-
Pension <sup>6</sup>	-	-	-	-
<b>Total</b>	<b>4,240</b>	<b>869</b>	<b>770</b>	<b>443</b>

1 As described in the 2016 Annual Report and Accounts on pages 42 to 43, Paul Taaffe's salary was converted into USD from 1 October 2016 onwards. His salary in USD for 2017 was unchanged from 2016 at \$936,000 - this equates to £727,606 based on the prevailing conversion rate of circa 1.29 for 2017.

However, for calculation of bonus and LTIP awards, Paul Taaffe's pre-1 October 2016 GBP denominated base salary of £600,000 will continue to be used

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 This reflects the estimated vesting outcome of Paul Taaffe's 2015 PSP award and the replacement award under the 2006 ESOS Scheme based on a three-month average share price to 31 December 2017. Further details on the vesting of these awards can be found on page 52. The value will be restated in next year's report to reflect actual performance outcome of the 2015 PSP award and the actual share price on the respective vesting dates.

6 Under the terms of their service agreements, neither Executive Director receives a pension benefit or payment in lieu of a pension.

Neil Jones is a non-executive director of Taptica International, an AIM listed Ad-Tech business, for which he received an annual fee of £35,000 until 31 May 2017. From 1 June 2017, the annual fee increased to £40,000 per annum.

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

## Annual Bonus (audited)

The Annual Bonus targets for 2017 were based upon achieving stretching 2017 financial targets. The targets were an adjusted profit before tax target (HPBT Performance Target), based on normalised earnings, and a revenue target (Revenue Performance Target). As described on page 49, the performance targets for the 2017 Annual Bonus were adjusted (by increasing the HPBT and Revenue Performance Targets) to reflect the impact of M&A activity undertaken in 2017.

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 2017, the Annual Bonus would only be payable to the extent that it did not reduce post-bonus HPBT below the budgeted target of £21.3 million. The payment of any Annual Bonus was contingent on the threshold level of HPBT being achieved.

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

The table below summarises the Annual Bonus outcome against the adjusted targets set and the amounts payable in total to the Executive Directors. The Annual Bonus payable amounted to £712,400 to Paul Taaffe and £415,500 to Neil Jones.

	Weighting	Threshold target	Maximum target	Actual	Total Actual Bonus payable	
					as a percentage of salary <sup>1</sup>	as a percentage of the maximum opportunity of 150%
HPBT Performance Target	80%	£21.3 million	£25.6 million	£24.4 million	105.6%	70.4%
Revenue Performance Target	20%	£200.7 million	£240.9 million	£197.0 million	13.1%	8.8%
<b>Total:</b>					<b>118.7%</b>	<b>79.2%</b>

1 The percentage of Annual Bonus payable has been calculated based upon Paul Taaffe's annual salary being £600,000 and Neil Jones's 2017 salary being £350,000.

# Report of the Directors on Remuneration continued

## Annual Report on Remuneration continued

The 2017 Annual Bonus 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 Scheme. However, whilst not included within the initial terms and conditions, the Executives have voluntarily agreed to increase this and will now defer 100% of the bonus payment in excess of 100% of salary. Therefore, for 2017, share awards equivalent to the cash figures below will be made to Paul Taaffe and Neil Jones under the 2016 DSBP Scheme, as the bonus payments were in excess of 100% of their salaries:

- Paul Taaffe: £112,400
- Neil Jones: £65,500

Malus and clawback provisions apply to the 2017 Annual Bonus.

### Paul Taaffe's 2015 award under The Huntsworth Performance Share Plan

In 2015, Paul Taaffe was granted an award under the Performance Share Plan equivalent to 3,057,324 shares. The award was subject to achieving an HEPS target for the year ended 31 December 2017 and a TSR target calculated at the date of vesting (being 10 May 2018). Given the performance conditions are substantially complete at 31 December 2017, an estimated value of the award vesting has been included in the single total figure table for Paul Taaffe on page 51. The actual performance outcome will be disclosed in next year's report, following the completion of the TSR performance period, and the value of the award at vesting will be restated to reflect actual performance outcome and the share price on the date of vesting (i.e. 10 May 2018).

As explained on page 49, the HEPS performance targets attaching to Paul's award under the PSP were adjusted (i.e. by increasing the targets) during 2017 to take into account the impact of M&A activity during 2017. The adjusted performance targets for the award are detailed below:

67% based on HEPS for the year ended 31 December 2017 as follows:

Less than 4.8p	0% vest
Equals 4.8p = threshold vesting	50% vests
More than 4.8p but less than 5.3p	Straight-line vesting between 50% and 100%
Greater than or equal to 5.3p	100% vest

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

Below median	0% vest
Median = threshold vesting	50% vests
Median to upper quartile	Straight-line vesting between 50% and 100%
Upper quartile	100% vest

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

The Company's actual HEPS reported for the year ended 31 December 2017 was 5.8p. For the purposes of determining the vesting of Paul Taaffe's 2015 PSP award, the impact of the Tax Disclosure Change was removed to give a revised HEPS figure of 5.03. Based on this outcome, 73% of the HEPS element will vest, resulting in an award of 1,493,342 shares.

The Company's estimated TSR performance puts Huntsworth plc in the upper quartile. Provided that the Company remains in this quartile, 100% of the TSR element will vest, which equates to 1,008,916 shares.

Subject to the final TSR outcome, it is estimated that the total number of shares that will vest on 10 May 2018 is 2,502,258 (i.e. 1,493,342 plus 1,008,916) (82% of maximum).

As stated above, Paul Taaffe has voluntarily agreed to a one-year holding period in respect of the shares subject to the PSP award, despite this not being included in the original terms of the award.

### Paul Taaffe's 2015 replacement award under the Executive Share Option Scheme 2006

Upon Paul Taaffe's appointment to the Board in April 2015, he was awarded an option under the Company's Executive Share Option Scheme 2006 over 2 million shares with an exercise price being calculated as the market value of a share on the date of grant plus 5% (i.e. 42.14p) by way of compensation for awards forfeited at his previous employment.

This award vests in April 2018 subject to HEPS for the year ended 31 December 2017 being greater than 3.7p. The Company's revised HEPS figure of 5.03p (as noted above) for the year ended 31 December 2017 results in this award vesting in full.

### LTIP awards (audited)

No LTIP awards vested or were due to vest in the calendar year 2017.

### Pension entitlements and cash allowances (audited)

Neither Paul Taaffe nor Neil Jones received an annual pension contribution or allowance.

**Long-term incentives awarded in 2017 (audited)**

The table below sets out the details of the long-term incentive awards granted in the 2017 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 Scheme <sup>1</sup>	2017 awards (100% salary)	£600,000 <sup>2</sup>	100%	31 December 2019
Neil Jones	2016 LTIP Scheme <sup>1</sup>	2017 awards (100% salary)	£350,000	100%	31 December 2019

<sup>1</sup> 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/1278/remuneration-policy-2015-huntsworth.pdf>

<sup>2</sup> Paul Taaffe's awards under the 2016 LTIP Scheme are based on the pre-1 October 2016 GBP denominated salary of £600,000.

After the awards were made, the Executive Directors agreed that a one-year holding period would apply to the 2016 LTIP Scheme award made in 2017.

**Performance conditions for 2017 awards (audited)**

The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP Scheme)

Paul Taaffe and Neil Jones were granted awards under the 2016 LTIP Scheme, which are subject to meeting the following performance targets over the performance period that commenced on 1 January 2017 and ends on 31 December 2019:

67% based on cumulative HEPS as follows:

Less than 12.94p	0% vest
Equals 12.94p = threshold vesting	25% vests
More than 12.94p but less than 14.77p	Straight-line vesting between 25% and 100%
Greater than or equal to 14.77p	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 cumulative HEPS targets described above have been adjusted, by increasing the targets, to take into account the impact of M&A activity during 2017.

**Payments to past Directors (audited)**

No payments to past Directors were made during the year.

**Payments for loss of office**

No payments for loss of office were made to Directors 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 2017.

£'000	2017 <sup>1</sup>	2016
Derek Mapp	135	150
Andy Boland <sup>2</sup>	40	40
Tim Ryan <sup>3</sup>	40	40
Nicky Dulieu	44	40
Pat Billingham <sup>2</sup>	43	35

<sup>1</sup> As described on page 50 of the 2016 Annual Report and Accounts, the fees payable to the Non-Executive Directors and Chairman were amended with effect from 1 April 2017. Accordingly, the amounts shown are pro-rated to take into account this change. The current fees payable to Non-Executive Directors are detailed on page 59.

<sup>2</sup> Pat Billingham succeeded Andy Boland as Chair of the Audit Committee with effect from 22 March 2017. Accordingly, the figures shown above have been pro-rated to take into account this change.

<sup>3</sup> Tim Ryan resigned as a Director with effect from 31 December 2017.

# Report of the Directors on Remuneration continued

## Annual Report on Remuneration continued

### 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 2017, or the date of leaving the Board, are set out in the table below.

No awards were exercised by Directors in the 2017 financial year.

There were no changes in the shareholdings of Directors in office as at 31 December 2017 between the year-end and the announcement date.

					Vested awards		Unvested awards <sup>3</sup>	
	Shareholding requirement (% of salary/fees)	Target number of shares to hold	Shareholding guidelines met?	Interests in shares	Market priced awards	Nil cost awards	Awards with performance conditions	Total interests in shares
<b>Executive Director</b>								
Paul Taaffe	100% <sup>3</sup>	738,461	In progress	400,000	-	-	7,848,397 <sup>1</sup>	400,000
Neil Jones	100% <sup>3</sup>	430,769	In progress	400,000	-	-	2,209,232 <sup>2</sup>	400,000

1 Paul Taaffe has 2,000,000 unvested market priced awards (2006 ESOS Scheme) and 3,057,324 unvested Performance Share Plan (PSP) awards and 2,791,073 unvested awards under the 2016 LTIP Scheme. Further details on these awards can be found on page 55.

2 Neil Jones has 501,853 unvested market priced awards (2006 ESOS Scheme), 848,484 unvested PSP awards and 858,895 unvested awards under the 2016 LTIP Scheme. Further details on these awards can be found on page 55.

3 The share price of 81.25p (as at 31 December 2017) 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 Scheme are counted 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 2017. 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.

### 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
<b>Non-Executive Director</b>	
Derek Mapp	515,235
Andy Boland	89,496
Tim Ryan <sup>1</sup>	-
Nicky Dulieu	-
Pat Billingham	-
Elizabeth McKee Anderson <sup>2</sup>	-

1 Tim Ryan resigned as a Non-Executive Director with effect from 31 December 2017.

2 Elizabeth McKee Anderson was appointed as a Non-Executive Director with effect from 1 January 2018.

## Directors' interests in share awards (audited)

The interests in share awards of the Executive Directors at 31 December 2017 are as set out below.

Scheme	At 1 January 2017	Granted during year	Exercised during year	Lapsed during year	At 31 December 2017	Share price at date of award (pence)	Exercise price (pence)	Award exercise period/Vesting date
<b>Paul Taaffe</b>								
Performance Share Plan (PSP) <sup>1</sup>	3,057,324	-	-	-	<b>3,057,324</b>	39.25	nil	10 May 2018
2006 Executive Share Option Scheme	2,000,000	-	-	-	<b>2,000,000</b>	40.13	42.14	April 2018 – April 2025
The Huntsworth Long Term Incentive Plan 2016:								
- award granted in 2016 <sup>2</sup>	1,318,681	-	-	-	<b>1,318,681</b>	45.50	nil	9 June 2019
- award granted in 2017 <sup>3</sup>	-	1,472,392	-	-	<b>1,472,392</b>	40.75	nil	20 March 2020
<b>Total Paul Taaffe</b>	<b>6,376,005</b>	<b>1,472,392</b>	-	-	<b>7,848,397</b>			

1 Paul Taaffe was granted the award as a Performance Share Unit Award (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. It is expected that this award will vest at 82% of maximum (details on page 52). Paul Taaffe has voluntarily agreed during 2017 that a one-year holding period would apply to this award.

2 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. Furthermore, Paul Taaffe has agreed during 2017 that a one-year holding period would apply to this award.

3 Paul Taaffe was granted the award as a Conditional Share Award, which will vest, subject to the performance conditions being met, on 20 March 2020, i.e. three years following the date of grant. Paul Taaffe has agreed during 2017 that a one-year holding period would apply to this award.

Scheme	At 1 January 2017	Granted during year	Exercised during year	Lapsed during year	At 31 December 2017	Share price at date of award (pence)	Exercise price (pence)	Award exercise period
<b>Neil Jones</b>								
Performance Share Plan (PSP) <sup>1</sup>	848,484	-	-	-	<b>848,484</b>	41.25	nil	March 2019 – March 2026
2006 Executive Share Option Scheme	501,853	-	-	-	<b>501,853</b>	41.75	43.84	March 2019 – March 2026
The Huntsworth Long Term Incentive Plan 2016 <sup>1</sup>	-	858,895	-	-	<b>858,895</b>	40.75	nil	March 2020 – March 2027
<b>Total Neil Jones</b>	<b>1,350,337</b>	<b>858,895</b>	-	-	<b>2,209,232</b>			

1 Neil Jones has voluntarily agreed during 2017 that a one-year holding period would apply to this award.

## Performance conditions

Performance conditions for the awards under the 2016 LTIP Scheme made to Paul Taaffe and Neil Jones in 2017 are disclosed on page 53.

The original performance conditions for the award of 3,057,324 shares under the PSP made to Paul Taaffe in 2015 are detailed on page 52 and the performance conditions for the 2006 ESOS Scheme award are described in the Company's 2015 Annual Report and Accounts on page 47. The original performance conditions for the award under the 2016 LTIP Scheme made to Paul Taaffe in 2016 are described in the Company's 2016 Annual Reports and Accounts on page 45.

The original performance conditions for the award of 848,484 under the PSP made to Neil Jones in 2016 and for the 2006 ESOS Scheme award, are described in the Company's 2016 Annual Report and Accounts on page 45.



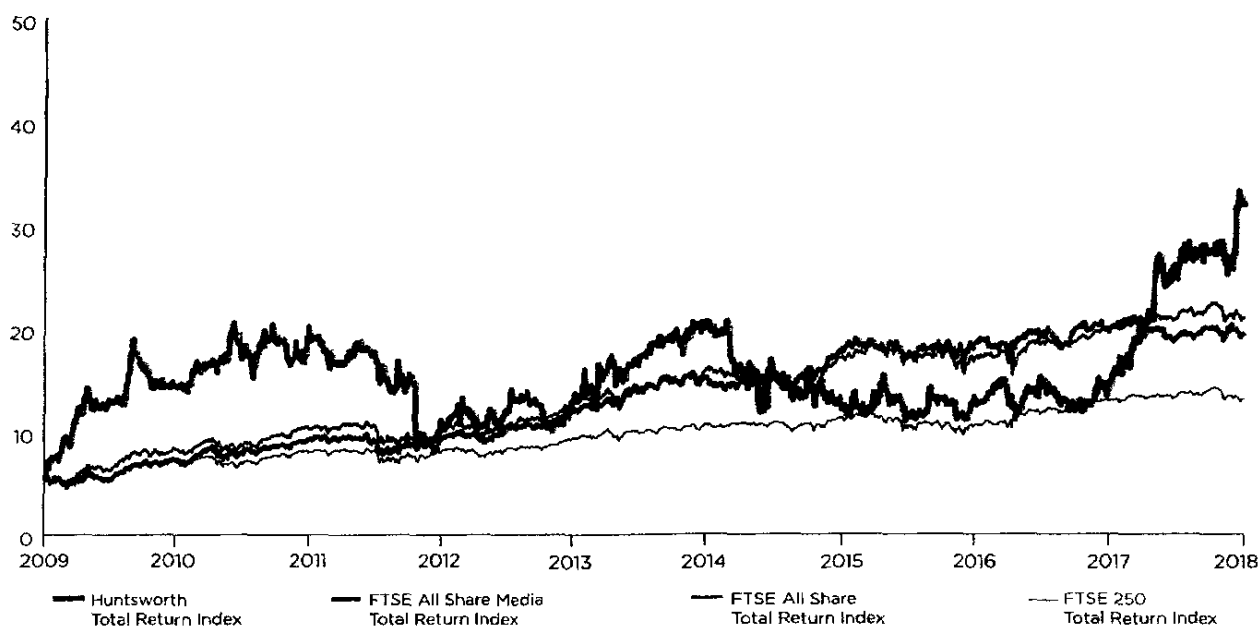
## Report of the Directors on Remuneration continued

Annual Report on Remuneration continued

### Comparison of overall performance and pay

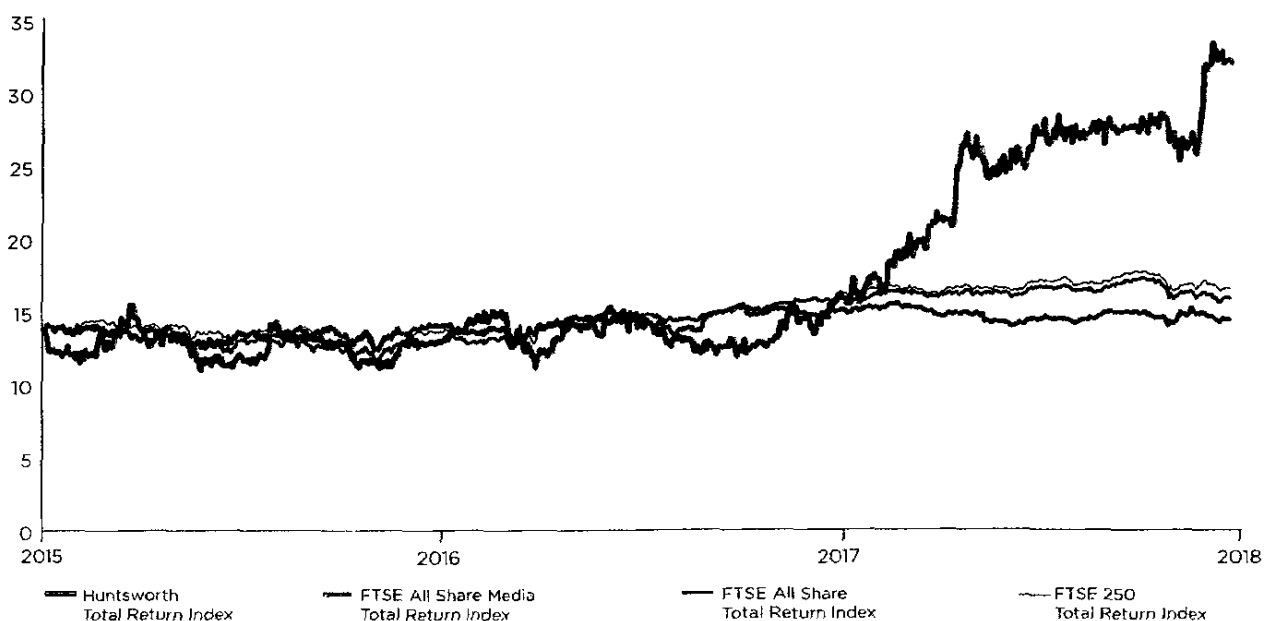
#### Total Shareholder Return

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 2017 was 81.25p and the range during 2017 was 36.00p to 83.75p.

The graph below shows the Company's TSR performance against the same indices, but starting with 7 April 2015, being the date that Paul Taaffe joined the Group.



The opening market price of Huntsworth shares at 7 April 2015 was 42.75p, representing a 90% increase in share price between this date and 31 December 2017.

#### Total CEO remuneration

The table below sets out the total remuneration delivered to the CEO over the last nine 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	2017
Total remuneration	673	1,036	729	1,224	1,033	724	645	869	4,240 <sup>1,2</sup>
Annual bonus payment level achieved									
(% maximum opportunity)	0%	0%	0%	40%	41%	0%	0%	24%	79%
LTIP vesting level achieved									
(% maximum opportunity)	0%	100%	100%	58%	0%	NA	NA	NA	89% <sup>1</sup>

1 This includes the 2015 replacement award under the 2006 ESOS Scheme, which was made by way of compensation for the loss of awards from Paul Taaffe's previous employment.

2 Of Total remuneration of £4,240,987, £2,777,715 relates to achieving performance targets attaching to long-term incentive plans. As noted above, up to 31 December 2017, the Company's share price had increased by 90% since Paul Taaffe joined the Company on 7 April 2015.

#### 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 2016 to 2017 compared with the average percentage change for the Group's employees.

£'000	2017	2016	Change %
<b>CEO</b>			
Salary	727	637	14% <sup>1</sup>
Benefits	24	20	20%
Bonus	712	212	235%
<b>Total</b>	<b>1,463</b>	<b>869</b>	<b>68%</b>
<b>Average Group employee</b>			
Salary	63	61	3%
Benefits	5	5	0%
Bonus	4	3	33%
<b>Total</b>	<b>72</b>	<b>69</b>	<b>4%</b>

1 Paul Taaffe's salary is denominated and paid in US Dollars. His US Dollar salary of \$936,000 is unchanged and has applied since 1 October 2016. The percentage change represents an exchange rate difference when converting Paul Taaffe's salary from USD to GBP.

#### Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in 2017 and 2016 compared with other disbursements from profit.

£'000	2017	2016	Change %
Profit distributed by way of dividend	5,878	5,702	3%
Overall spend on pay (including Directors)	120,765	111,535	8%

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

# Report of the Directors on Remuneration continued

## Annual Report on Remuneration continued

### Implementation of remuneration policy in 2018

#### Executive Directors

##### Salary

The Committee reviewed Executive Director salaries during 2017, and it was determined that Neil Jones would receive an increase in his salary equivalent to 2.8%, with effect from 1 January 2018. This represents his first salary increase since joining the Company on 1 February 2016, and the Committee was keen to ensure that it was no greater than salary increases seen within the Group's wider employee population. Paul Taaffe's annual salary remains unchanged at US \$936,000.

The annualised salaries for 2018 and 2017 are set out below:

Executive Director	2018 USD000	2017 USD 000	Change
Paul Taaffe	936	936	0% <sup>1</sup>

1. Paul Taaffe's salary is denominated and paid in US Dollars. His US Dollar salary shown in the above table of \$936,000 has applied from 1 October 2016 onwards, as explained on page 50. Paul Taaffe's US Dollar denominated salary will remain unchanged in 2018. 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 original GBP base salary figure of £600,000. In the single figure table on page 51, his salary is presented in GBP, giving a salary figure of £727,606 during the full year 2017 at an exchange rate of circa 1.29.

Executive Director	2018 £000	2017 £000	Change
Neil Jones	360	350	2.8%

#### Annual Bonus performance targets

The 2018 annual bonus for Paul Taaffe and Neil Jones will be based on achieving specific HPBT and revenue performance targets. The awards sizes will be in line with the Remuneration Policy and awards made in 2017 (i.e. a maximum opportunity of 150% of salary for Executive Directors). For Paul Taaffe this will be based on his GBP denominated base salary of £600,000.

The Committee is of the opinion that given commercial sensitivity, disclosing precise HPBT 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 any bonus payment in excess of 100% of salary under the 2016 DSBP Scheme.

#### Long-term incentive plan targets

Awards will be made to Paul Taaffe and Neil Jones in line with the Remuneration Policy, the 2016 LTIP Scheme rules and award sizes in 2017 (i.e. 100% of salary) and, depending on the 2018 Annual Bonus outcome (see above), under the 2016 DSBP Scheme. For Paul Taaffe, as per the approach for his annual bonus, the award under the 2016 LTIP Scheme will be based on his GBP denominated base salary of £600,000.

For awards to be made under the 2016 LTIP Scheme to Paul Taaffe and Neil Jones, these awards will be based solely on achieving stretching HEPS targets that grow the core business and deliver accretive M&A activity as detailed below.

Cumulative HEPS for the three years ending 31 December 2020 as follows:

Less than 20.0p	0% vest
Equals 20.0p = threshold vesting	25% vests
More than 20.0 pence but less than 22.8p	Straight-line vesting between 25% and 100%
Greater than or equal to 22.8p	100% vest

The cumulative HEPS required for maximum vesting (22.8p) is approximately 54% higher than the cumulative HEPS required for maximum vesting in respect of the 2017 awards (being 14.77p), illustrating the stretching nature of the targets.

In addition, the Committee has determined that the 2018 share awards will include a two-year holding period after the end of the three-year performance period. Furthermore the awards will include conditions to accommodate M&A activity within acceptable gearing levels.

The 2018 share awards will be subject to malus and clawback provisions.

### Non-Executive Directors

Following a review of the fees payable to independent Non-Executive Directors, the Board agreed to amend the fees payable to the Non-Executive Directors with effect from 1 January 2018 as shown below. Non-Executive Directors are paid a base fee with an additional fee payable for chairing a Committee. No additional fee is payable to the Company Chairman where he also chairs the Nomination Committee. An additional fee is payable for performing the Senior Independent Director role.

£'000	Fee from 1 January 2018	Fee from 1 April 2017 – 31 December 2017
Independent NED base fee	43	40
Audit Committee Chairman	7	5
Remuneration Committee Chairman	7	5
Nomination Committee Chairman	-	-
Senior Independent Director	5	-

In addition, the Committee reviewed the fee payable to the Company's Chairman and agreed to increase this fee from £130,000 to £140,000 with effect from 1 January 2018, partly reflecting the additional complexities in the role from the Company's strategic M&A activity.

The intention is that the fees payable to the Non-Executive Directors and Chairman from 1 January 2018 will be fixed for two to three years (minimum two years).

The following table sets out the expected annual fees payable to the Company's Non-Executive Directors for 2018:

£'000	2018
Derek Mapp	140
Andy Boland	48
Nicky Dulieu	50
Pat Billingham	50
Elizabeth McKee Anderson	43

### Advisers to the Remuneration Committee

During 2017, the Committee engaged the services of Deloitte LLP as independent Remuneration Committee advisers.

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 2017 for Remuneration Committee matters were £38,535 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 voting

At the 2017 AGM, the following votes were cast in respect of the 2016 Annual Remuneration Report (advisory vote):

	2016 Annual Remuneration Report	
	Number of Votes	% of votes cast
For & Discretionary	213,918,161	86.44
Against	33,563,571	13.56
Withheld	30,039	0.0

The Remuneration Policy approved by shareholders at the 2016 AGM remains in force and will not be voted on by shareholders until the 2019 AGM. For ease of reference, the 2016 AGM voting outcome is shown below (binding vote):

	Remuneration Policy	
	Number of Votes	% of votes cast
For & Discretionary	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 2017 comprises the Corporate Governance Report on pages 40 to 43 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 1 to 35. These specifically include:

- an indication of likely future developments in the business of the Company, pages 10 to 11;
- details of the Group's financial risk management strategy, policies and instruments held are set out in Note 21 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 32 to 35.

## Dividends

The Directors recommend a final dividend of 1.45p per share for the year ended 31 December 2017. An interim dividend of 0.55p per share was paid on 6 November 2017, making a total for ordinary dividends of 2.00p per share for the year (2016: 1.75p per share). The record date for the final dividend will be 25 May 2018 and it is payable on 5 July 2018. A scrip dividend alternative will be available.

## Directors

The following Directors served during the year ended 31 December 2017 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 and from 22 March 2017, Chair of the Audit Committee
Andy Boland	Independent Non-Executive Director, Chairman of the Audit Committee until 22 March 2017 and appointed as Senior Independent Director with effect from 1 January 2018
Nicky Dulieu	Independent Non-Executive Director and Chair of the Remuneration Committee
Neil Jones	Chief Financial Officer
Elizabeth McKee	Independent Non-Executive Director (appointed 1 January 2018)
Tim Ryan	Senior Independent Director (resigned 31 December 2017)
Paul Taaffe	Chief Executive Officer

Biographical details of the Directors in office at the date of this report are set out on pages 36 to 37.

The interests of the Directors in office at 31 December 2017 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 48 to 59.

Whilst the Company is not required to comply with the 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 (Remuneration Report), 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 2017, the Company had been notified of the interests in the Company's ordinary share capital as set out in the table below. The notifications of holdings relate to indirect and/or direct beneficial ownership by the relevant holder of the ordinary shares of the Company and exclude, for example, holdings managed on behalf of a third party (i.e. managed holdings).

Holder	% of share capital <sup>1</sup>	Number of shares	Nature of holding
Aberforth Partners LLP	16.07%	52,797,322	Indirect
Canaccord Genuity Group Inc <sup>2</sup>	10.1558%	33,479,512	Indirect
FIL Limited	10.14%	33,451,559	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
Kabouter Management LLC	5.39%	17,753,402	Direct
Michinoko Limited	5.0%	16,500,000	Direct
Milton Group plc	5.0%	16,490,492	Indirect

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

2 Previously Hargreave Hale.

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 2017 to 5 March 2018 no further notifications were received.

## 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 2017, the Company's issued share capital comprised 331,858,168 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 23 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 2017 the Directors were granted the authority to purchase up to approximately 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 21 to the Consolidated Financial Statements. The authority granted amounted to 32,862,392 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 24 August 2018 or the conclusion of the 2018 AGM on 24 May 2018. No ordinary shares were purchased during the year or up to the date of this report.

During the year ended 31 December 2017, 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 2017 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 32 to 35.

#### 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 £11,294 was paid

attending conferences and to cover function expenses. This was made up of £7,679 paid to the Conservative Party and £3,615 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.

#### 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.

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.

## Directors' Report continued

### 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.

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 2017 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 49p per share and shall be paid only after the holders of any and all ordinary shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those ordinary shares held by them at that time plus the payment in cash or specie of £10,000,000 for every 1p paid up or credited as paid up on those ordinary shares.

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

**Significant direct or indirect holdings of securities and special rights**

Directors' interests in the share capital of the Company are shown in the table on page 54. 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 60. 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 2016 final dividend and the 2017 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 2016, 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 32,862,392 ordinary shares. This authority expires on the earlier of 24 August 2018 or the conclusion of the 2018 AGM on 24 May 2018. The minimum price which must be paid for such shares is 1p and the maximum price payable is the higher of: (i) 5% above the average of the closing middle market quotations for ordinary shares (as derived from the London Stock Exchange Daily Official List) for the five dealing days immediately preceding the date of purchase; and (ii) the higher of the price of the last independent trade and the highest current independent purchase 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 £75 million revolving credit and up to £40 million accordion facilities agreement dated 28 February 2018 between, amongst others, the Company, Lloyds Bank plc (as facility agent) and the banks named therein as lenders (the New Facilities Agreement), 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.

The New Facilities Agreement replaced a £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 (together, the Previous Facilities Agreements). Under the Previous Facilities Agreements, upon a change of control, the agent was permitted, if the lenders so required, to cancel the facilities by giving not less than 30 business days' notice and to 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.



## Directors' Report continued

### Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the 2018 Annual General Meeting on 24 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 36 to 37. 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 24 May 2018 at the registered offices of Huntsworth plc, 8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN. 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, it is also available to be viewed on the Company's website.

### 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 pages 36 to 37 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  
5 March 2018

# Independent Auditor's Report

To the members of Huntsworth plc

## Report on the audit of the Group financial statements

### 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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts ('the Annual Report'), which comprise: the Consolidated Balance Sheet as at 31 December 2017; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expense, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group in the period from 1 January 2017 to 31 December 2017.

### Our audit approach

#### Overview



- Overall Group materiality: £1.22 million (2016: £0.8 million), based on 5% of profit before tax adjusted for highlighted items as defined in note 2 to the financial statements.
- We carried out procedures on parts of the business which accounted for 76% (2016: 81%) of Group revenues and 53% (2016: 69%) of Group profit before tax and highlighted items.
- Audits of the complete financial information were performed on the Company ('plc'), Red Consultancy and The Creative Engagement Group in the UK and Evoke and ApotheCom in the US, which accounted for 55% (2016: 44%) of revenue.
- Audit procedures were performed over revenue in six further components, which accounted for 21% (2016: 37%) of revenue.
- Risk of fraud in revenue recognition in relation to cut-off – with a particular focus on stage of completion of project-based revenues.
- Impairment of goodwill and other intangible assets.
- Measurement and presentation of highlighted items.
- Acquisition accounting for The Creative Engagement Group.

### The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, Companies Act 2006, the Listing Rules and UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators and with legal advisers, enquiries of management and review of internal audit reports in so far as they related to

# Independent Auditor's Report continued

To the members of Huntsworth plc

the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We found risk of fraud in revenue recognition in relation to cut-off to be a key audit matter, and this is discussed further below. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Risk of fraud in revenue recognition in relation to cut-off – with a particular focus on stage of completion of project-based revenues</b></p> <p>Refer to page 45 (Audit Committee Report) and note 2 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates.</p> <p>Our specific audit focus was on the risk that revenue may be recorded in the incorrect period in respect of the stage of completion of project-based revenues, in light of the incentive schemes for management 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.</p>	<p>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.</p> <p>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.</p> <p>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 expected completion costs and/or corroborated amounts recorded through discussion with the responsible project managers.</p> <p>There were no material issues identified by our testing of revenue recognition in the period.</p>
<p><b>Impairment of goodwill and other intangible assets</b></p> <p>Refer to page 45 (Audit Committee Report), page 78 (Significant Accounting Policies) and page 89 (notes).</p> <p>The Group carried £181.2 million of goodwill and other intangible assets at 31 December 2017 (2016: £159.7 million).</p> <p>The carrying value of goodwill is contingent on the future cash flows of the underlying cash generating units ('CGUs') and there is a risk that if these cash flows do not meet the Directors' expectations, the assets will be impaired.</p> <p>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.</p> <p>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.</p>	<p>We evaluated and sensitised the Directors' future cash flow projections and evaluated the process by which they were drawn up, and tested the underlying value in use calculations.</p> <p>We challenged:</p> <ul style="list-style-type: none"> <li>the key assumptions for short and long-term growth rates in the projections by comparing them to historical results, as well as economic and industry forecasts and comparable companies; and</li> <li>the discount rate used in the calculations by assessing the cost of capital for the CGU and comparable organisations.</li> </ul> <p>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.</p> <p>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.</p>

Key audit matter	How our audit addressed the key audit matter
<p>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.</p> <p>The Directors' impairment assessment showed that all segments had headroom above the carrying value of the net assets including goodwill when subject to the Directors' sensitivity analysis.</p>	<p>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 to support the Directors' assessments that no impairments were recognised.</p> <p>The Directors determined that no impairment and no sensitivity disclosures were necessary for all CGUs. We found that these judgements were supported by reasonable assumptions that would require significant downside changes before any impairments were necessary.</p>
<b>Measurement and presentation of Highlighted items</b>	<p>We considered the appropriateness of the adjustments made to statutory profit before taxation to derive profit before tax and highlighted items.</p>
<p>Refer to page 45 (Audit Committee Report), page 81 (Significant Accounting Policies) and page 84 (notes).</p> <p>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.</p> <p>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 highlighted, in that it includes items that both increase and decrease the adjusted profit measure.</p> <p>Current year highlighted charges relate to the £1.4 million amortisation of intangible assets, £0.4 million acquisition related costs and a £0.3 million disposal related credits in respect of an adjustment to the deferred consideration receivable.</p>	<p>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.</p> <p>Our work in relation to each type of highlighted item is summarised below.</p> <ul style="list-style-type: none"> <li>• Amortisation of acquired intangible assets – the cost of amortising acquired intangible assets including trademarks, brands and customer relationships has been treated as highlighted, consistent with prior years. We concluded that classifying this item as highlighted is appropriate as the assets upon which the amortisation is charged arise as a result of business combinations. As this is distinct from underlying business performance, the Directors' view the additional analysis as beneficial to the understanding of performance.</li> <li>• Acquisition related costs – costs associated with the acquisition of The Creative Engagement Group were recognised as highlighted in line with Group's historic treatment of acquisition related costs. We tested the accuracy and completeness of the costs incurred, by agreeing a sample of expenses to underlying invoice.</li> <li>• Deferred consideration adjustment – the estimated deferred consideration receivable associated with disposals was adjusted to reflect the final position. The original transaction was treated as a highlighted item historically. We concluded that classifying this item as highlighted is appropriate and consistent with prior years' treatments of such items.</li> </ul> <p>We also reviewed the tax related to highlighted items including the change in the classification of the deferred tax expense on US intangible assets from profit before tax and highlighted items into highlighted items. The Directors made this change, including updating comparatives, on the basis the deferred tax expense would only ever crystallise on a sale of the business and such a sale would be a highlighted item. We concluded that the tax related to highlighted items was classified appropriately and consistent with the Group's accounting policy.</p> <p>We also tested the reconciliation of adjusted profit to statutory profit in note 6, and agreed material adjustments to underlying accounting records and our audit work performed over other balances.</p>

# Independent Auditor's Report continued

To the members of Huntsworth plc

Key audit matter	How our audit addressed the key audit matter
	<p>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.</p> <p>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.</p>
<p><b>Acquisition accounting for The Creative Engagement Group ('TCEG')</b></p> <p>Refer to page 77 (Significant Accounting Policies) and page 82 (notes).</p> <p>During the year, the Group acquired TCEG for a cash consideration of £21.2 million and settlement of third party debt of £3.8 million.</p> <p>The Directors provisional purchase price allocation of the identifiable assets acquired and the liabilities assumed has resulted in the recognition of intangible assets of brands and customer relationships of £1.5 million and £8.6 million respectively giving rise to a provisional goodwill balance of £18.8 million.</p>	<p>We evaluated the Directors' provisional purchase price allocation for the fair value of the acquired assets and liabilities including the acquired intangibles assets. We evaluated the process by which the assets were valued, and tested the underlying discounted cash flow valuation models used in the valuation of intangibles assets.</p> <p>We considered the Directors' assumptions and judgements through challenge of the following:</p> <ul style="list-style-type: none"> <li>• auditing the opening balances and provisional fair value adjustments which feed into allocation model including the completeness of the liabilities assumed based on known and potential liabilities;</li> <li>• the discount rate used in the calculations by assessing the cost of capital for TCEG and comparing to comparable companies;</li> <li>• the royalty rate and contributory asset charges by reviewing the underlying workings and comparing to industry practice and benchmarking against companies in similar industries;</li> <li>• the forecast cash flows from customers including historical customer retention rates and operating margin assumptions used in the valuation of customer relationships;</li> <li>• we have confirmed the consideration to underlying records and the sale and purchase agreement.</li> </ul> <p>We determined that the provisional fair values agree to the underlying accounting records and the valuation models used and key assumptions made were appropriate based on the information available.</p> <p>We have also reviewed the disclosures within the financial statements and consider these to be appropriate.</p>

## 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 76% of Group revenues and 53% of Group profit before tax adjusted for highlighted items.

The Group consists of the Company ('plc') and four divisions: Communications; Medical; Marketing; and Immersive.

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 Communications; Medical; Marketing; and Immersive 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 Communications divisions, The Creative Engagement Group in the Immersive division, Evoke within the Marketing division and ApotheCom US within the Medical division, required an audit of their complete financial information. These procedures accounted for 55% of the Group's revenues.

Specific risk-based audit procedures were performed over revenue in the Grayling UK, the Citigate Dewe Rogerson Financial and Corporate businesses, ApotheCom UK and two further Marketing division businesses based on the audit risks we had identified in these areas. These procedures accounted for 21% 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, acquisition accounting, 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 in aggregate 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	£1.22 million (2016: £0.8 million).
How we determined it	5% of profit before tax adjusted for highlighted items as defined in note 2 to the financial statement.
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.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2,000 and £900,000. For the purposes of our group audit we allocated materiality of £900,000 to the Parent Company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £59,000 (2016: £30,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Independent Auditor's Report continued

To the members of Huntsworth plc

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

### Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 42 to 43) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 40 to 43) with respect to the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 60 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 64 of the Annual Report 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 to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group its environment obtained in the course of the audit. (Listing Rules)

### Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 64, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group obtained in the course of performing our audit.
- The section of the Annual Report on pages 44 to 46 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

**Responsibilities for the financial statements and the audit****Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

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.

**Other required reporting****Companies Act 2006 exception reporting**

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
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

**Appointment**

Following the recommendation of the Audit Committee, we were appointed by the Directors on 6 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2016 to 31 December 2017.

**Other matter**

We have reported separately on the Parent Company financial statements of Huntsworth plc for the year ended 31 December 2017 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

5 March 2018



# Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
<b>Turnover</b>		<b>259,797</b>	216,145
<b>Revenue</b>	4	<b>196,976</b>	180,137
Operating expenses	5	<b>(172,237)</b>	(194,723)
Share of profit from associate	14	<b>167</b>	57
<b>Operating profit/(loss)</b>	5	<b>24,906</b>	(14,529)
Finance income	7	<b>5</b>	9
Finance costs	7	<b>(1,977)</b>	(1,982)
<b>Profit/(Loss) before tax</b>	4	<b>22,934</b>	(16,502)
Comprising:			
Profit before tax and highlighted items	6	<b>24,401</b>	16,005
Highlighted items	6	<b>(1,467)</b>	(32,507)
	4	<b>22,934</b>	(16,502)
Taxation expense	9	<b>(7,269)</b>	(1,759)
<b>Profit/(Loss) for the year attributable to Parent Company's equity shareholders</b>		<b>15,665</b>	(18,261)
	Note	2017 pence	2016 pence
<b>Earnings/(Loss) per share</b>			
Basic	11	<b>4.8</b>	(5.6)
Diluted	11	<b>4.7</b>	(5.6)

# Consolidated Statement of Comprehensive Income and Expense

For the year ended 31 December 2017


	Notes	2017 £000	2016 £000
<b>Profit/(Loss) for the year</b>		<b>15,665</b>	<b>(18,261)</b>
<b>Other comprehensive income and expense</b>			
<i>Items that may be reclassified subsequently to the income statement</i>			
Amounts recognised in the income statement on interest rate swaps		<b>248</b>	231
Movement in valuation of interest rate swaps		<b>56</b>	(664)
Tax (expense)/credit on interest rate swaps	9	<b>(57)</b>	82
Currency translation differences		<b>(8,242)</b>	20,095
Tax credit on currency translation differences	9	<b>418</b>	-
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(7,577)</b>	19,744
<b>Other comprehensive income and expense for the year</b>		<b>(7,577)</b>	19,744
<b>Total comprehensive income and expense for the year attributable to Parent Company's equity shareholders</b>		<b>8,088</b>	1,483

# Consolidated Balance Sheet

As at 31 December 2017

	Notes	2017 £000	2016 £000
<b>Non-current assets</b>			
Intangible assets	12	181,228	159,797
Property, plant and equipment	13	10,180	11,832
Investment in associate	14	212	182
Other receivables		2,339	188
Deferred tax assets	20	32	926
		<b>193,991</b>	<b>172,925</b>
<b>Current assets</b>			
Work in progress		9,327	5,396
Trade and other receivables	16	66,372	56,087
Current tax receivable		613	1,504
Cash and short-term deposits	21	10,054	14,978
Assets of disposal group classified as held for sale	15	-	3,319
		<b>86,366</b>	<b>81,284</b>
<b>Current liabilities</b>			
Obligations under finance leases	18, 21	(2)	(2)
Bank overdraft	21	(399)	(495)
Trade and other payables	17	(67,565)	(47,920)
Current tax payable		(1,508)	(756)
Derivative financial liabilities	21	(170)	(609)
Provisions	19	(559)	(1,979)
		<b>(70,203)</b>	<b>(51,761)</b>
<b>Non-current liabilities</b>			
Bank loans and overdrafts	21	(45,686)	(45,412)
Obligations under finance leases	18, 21	(2)	(4)
Trade and other payables	17	(2,978)	(2,892)
Derivative financial liabilities	21	(51)	(70)
Deferred tax liabilities	20	(2,691)	(202)
Provisions	19	(1,345)	(1,553)
		<b>(52,753)</b>	<b>(50,133)</b>
<b>Net assets</b>		<b>157,401</b>	<b>152,315</b>
<b>Equity</b>			
Called up share capital	23	107,203	107,188
Share premium account	25	63,843	62,926
Merger reserve	25	29,468	29,468
Foreign currency translation reserve	25	35,762	44,004
Hedging reserve	25	(221)	(525)
Treasury shares	25	(1,166)	(1,166)
Investment in own shares held in Employee Benefit Trusts	25	(1,658)	(1,764)
Retained earnings		(75,830)	(87,816)
<b>Equity attributable to equity holders of the parent</b>		<b>157,401</b>	<b>152,315</b>

The financial statements were approved by the Directors on 5 March 2018 and signed on their behalf by:

  
 Neil Jones  
 Director

# Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
<b>Cash inflow from operating activities</b>			
Cash inflow from operations	27(a)	27,497	12,640
Interest paid		(1,284)	(1,398)
Interest received		5	6
Cash flows from hedging activities		(248)	(231)
Net tax paid		(3,347)	(2,107)
<b>Net cash inflow from operating activities</b>		<b>22,623</b>	<b>8,910</b>
<b>Cash outflow from investing activities</b>			
Acquisition of subsidiary – cash paid	3	(24,978)	-
Cash acquired through acquisition	3	2,227	-
Proceeds from sale of businesses, net of cash disposed		2,413	462
Acquisition of intangible assets		-	(488)
Cost of internally developed intangible assets		(287)	(933)
Purchases of property, plant and equipment		(1,643)	(5,053)
Proceeds from sale of property, plant and equipment		16	27
Dividends received from associates		137	-
<b>Net cash outflow from investing activities</b>		<b>(22,115)</b>	<b>(5,985)</b>
<b>Cash (outflow)/inflow from financing activities</b>			
Proceeds from sale of own shares to settle share options		115	251
Repayment of finance lease liabilities		(2)	(24)
Net drawdown of borrowings		-	5,975
Dividends paid to equity holders of the parent		(4,946)	(5,562)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(4,833)</b>	<b>640</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(4,325)</b>	<b>3,565</b>
<b>Movements in cash and cash equivalents</b>			
(Decrease)/increase in cash and cash equivalents		(4,325)	3,565
Effects of exchange rate fluctuations on cash held		(503)	2,000
Cash and cash equivalents at 1 January		14,483	8,918
<b>Cash and cash equivalents at 31 December</b>	27(c)	<b>9,655</b>	<b>14,483</b>

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Retained earnings £000	Total £000
At 1 January 2016	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
Profit for the year	-	-	-	-	-	-	-	15,665	15,665
Other comprehensive (expense)/income	-	-	-	(8,242)	304	-	-	361	(7,577)
Settlement of share options	-	-	-	-	-	-	106	9	115
Share issue costs	-	(16)	-	-	-	-	-	-	(16)
Charge for share-based payments	-	-	-	-	-	-	-	1,289	1,289
Tax on share-based payments	-	-	-	-	-	-	-	540	540
Scrip dividends	15	933	-	-	-	-	-	-	948
Equity dividends	-	-	-	-	-	-	-	(5,878)	(5,878)
At 31 December 2017	107,203	63,843	29,468	35,762	(221)	(1,166)	(1,658)	(75,830)	157,401

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 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 5 March 2018 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 2017, but had no significant impact on the Group:

- IAS 7 (amendment) – Statement of Cash Flows
- IAS 12 (amendment) – Income Taxes

### New Standards and amendments not applied

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

- IFRS 2 (amendment) – Share-based Payments (effective for accounting periods beginning on or after 01 January 2018);
- IFRS 9 – Financial Instruments (effective for accounting periods beginning on or after 01 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 01 January 2018);
- IFRS 16 – Leases (effective for accounting periods beginning on or after 01 January 2019);
- IFRS 4 (amendment) – Insurance Contracts (effective for accounting periods beginning on or after 01 January 2018);
- IAS 40 (amendment) – Investment Property (effective for accounting periods beginning on or after 01 January 2018);
- Annual improvements (2014-2016 Cycle) (effective for accounting periods beginning on or after 01 January 2018); and
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 01 January 2018).

The initial assessment, involving a review of standard and material contracts, is that the Group does not expect there to be any material change to the financial statements of the Group from adopting IFRS 15.

The impact that IFRS 16 will have on the financial statements is as yet unquantified. Because 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.

The Directors do not expect that the adoption of the other Standards and amendments listed above will have a material impact on the financial statements of the Group in future periods.

## 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.

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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 2. Significant accounting policies continued

### Business combinations continued

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 probable. 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%

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.

## 2. Significant accounting policies continued

### 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 is 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.

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.



# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 2. Significant accounting policies continued

### 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 24. 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 and disposals, 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.

### 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).

## 2. Significant accounting policies continued

### 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 12. 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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 2. Significant accounting policies 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.

### Reclassification of prior period information

For the period ended 31 December 2016 the Group has reclassified the deferred tax expense on US intangible assets from profit before tax and highlighted items into highlighted items to be consistent with the presentation for the year ended 31 December 2017. This is on the basis that the deferred tax expense would only ever crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale would be a highlighted item. There is no impact of the statutory results.

Appendix 2 on page 121 includes details of the Group's subsidiaries and associates and forms part of these financial statements.

## 3. Acquisition of The Creative Engagement Group

On 1 July 2017, the Group acquired the entire issued share capital of The Creative Engagement Group Limited ('TCEG'). Acquisition accounting has been performed in accordance with IFRS 3 (revised) Business Combinations.

TCEG has contributed £12.2 million to revenue and £2.0 million to profit before tax for the period between the date of acquisition and the year end. If the acquisition of TCEG had been completed on the first day of the financial year, Group revenues post highlighted items for the period would have been £211.0 million and Group operating profit would have been £27.3 million.

The fair values of the net assets at the date of acquisition were as follows:

	Provisional Fair value recognised on acquisition £000
Customer relationships	8,601
Brands	1,466
Property, plant and equipment	735
Trade and other receivables	15,754
Cash and cash equivalents	2,227
Trade and other payables	(23,953)
Deferred tax liability	(2,059)
Provisions	(309)
Net assets acquired	2,462
Provisional goodwill arising on acquisition	18,757
	21,219
Discharged by:	
Cash consideration	21,219
Net cash outflow arising on acquisition:	
Cash consideration	21,219
Repayment of bank debt	3,759
Cash and cash equivalents acquired	(2,227)
	22,751

Goodwill comprises the value of expected synergies arising from the acquisition and other intangible assets that do not qualify for separate recognition.

Acquisition related costs of £395,000 were incurred and these are included within highlighted items in the Consolidated Income Statement. The Creative Engagement Group forms part of the Immersive Operating Segment.

#### 4. Segmental analysis

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

During the year there was a reorganisation of the Group's operating segments. Huntsworth Health was split into 3 segments - Medical, Marketing and Immersive. Grayling, Citigate Dewe Rogerson ('CDR') and Red have been combined into one operating segment, Communications.

These revised segments 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 2017	Marketing £000	Medical £000	Immersive £000	Communications £000	Total £000
<b>Segment revenue before highlighted items</b>	<b>73,540</b>	<b>30,875</b>	<b>14,949</b>	<b>77,612</b>	<b>196,976</b>
<b>Segment operating profit before highlighted items</b>	<b>15,509</b>	<b>8,315</b>	<b>1,853</b>	<b>7,006</b>	<b>32,683</b>
Year ended 31 December 2016	Marketing £000	Medical £000	Immersive £000	Communications £000	Total £000
Segment revenue before highlighted items	62,545	25,274	3,020	89,298	180,137
Segment operating profit before highlighted items	12,334	5,951	15	5,543	23,843

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

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

	2017 £000	2016 £000
<b>Segment operating profit before highlighted items</b>	<b>32,683</b>	23,843
Unallocated costs	(6,477)	(5,922)
Share of profit from associate	167	57
<b>Operating profit before highlighted items</b>	<b>26,373</b>	17,978
Highlighted items	(1,467)	(32,507)
<b>Operating profit/(loss)</b>	<b>24,906</b>	(14,529)
Net finance costs	(1,972)	(1,973)
<b>Profit/(Loss) before tax</b>	<b>22,934</b>	(16,502)

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

#### Geographical information

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

	2017 £000	2016 £000
<b>Revenue</b>		
United Kingdom	60,831	49,569
Europe	25,343	25,800
USA	99,950	93,900
Rest of the world	10,852	10,868
<b>Total revenue</b>	<b>196,976</b>	180,137

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 4. Segmental analysis continued

	2017 £000	2016 £000
<b>Non-current assets</b>		
United Kingdom	93,641	65,573
Europe	29,265	29,142
USA	65,635	71,409
Rest of the world	5,418	5,875
<b>Total non-current assets</b>	<b>193,959</b>	<b>171,999</b>

Non-current assets excludes deferred tax assets.

## 5. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	Notes	2017 £000	2016 £000
Auditor's remuneration		315	327
Depreciation of owned property, plant and equipment	13	2,988	2,734
Depreciation of property, plant and equipment held under finance leases	13	4	3
(Profit)/Loss on disposal of property, plant and equipment		(13)	72
Net foreign exchange (profit)/loss		(1,171)	878
Operating lease rentals:			
Lease payments		9,060	9,047
Sub-let income		(265)	(206)
Employee costs	8	120,765	111,535
Other administration costs		39,087	37,826
<b>Operating expenses – excluding highlighted items</b>		<b>170,770</b>	<b>162,216</b>
Highlighted items	6	1,467	32,507
<b>Total operating expenses</b>		<b>172,237</b>	<b>194,723</b>

	2017 £000	2016 £000
<b>Auditor's remuneration</b>		
Fees payable to the Company's auditor for the statutory audit of the Company and consolidated annual financial statements	313	290
Fees payable to the Company's auditor and its associates for other services:		
Other assurance services	2	2
Fees payable to the Company's previous auditor and its associates for other services:		
Audit-related assurance services	-	35
<b>Total other services</b>	<b>2</b>	<b>37</b>
<b>Total auditor's remuneration included in operating expenses</b>	<b>315</b>	<b>327</b>

## 6. Highlighted items

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

	Notes	2017 £000	2016 £000
Reported profit/(loss) before tax		22,934	(16,502)
<b>Adjustments charged/(credited) to operating expenses:</b>			
Amortisation of acquired intangible assets	12	1,393	840
Goodwill impairment	12	-	30,499
Impairment of software development costs	12	-	239
Restructuring costs		-	2,044
Acquisition and transaction related costs/(credit)	3	395	(679)
Disposal related credit		(321)	(436)
<b>Total adjustments charged to operating expenses</b>		<b>1,467</b>	<b>32,507</b>
<b>Adjusted profit before tax and highlighted items</b>		<b>24,401</b>	<b>16,005</b>

## 6. Highlighted items continued

	Notes	2017 £000	2016 £000
<b>Charged to profit before tax</b>		<b>1,467</b>	32,507
Taxation expense/(credit) on highlighted items	9	<b>2,146</b>	(1,132)
<b>Charged to profit for the year</b>		<b>3,613</b>	31,375

**Amortisation of acquired 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**

No impairment was recognised in the year. Further disclosures are given in Note 12. Impairments totalling £30.5 million were recognised in 2016 relating to goodwill in the Grayling CGU. Impairment charges are individually disclosed and are excluded from adjusted results as they do not relate to underlying trading.

**Impairment of software development costs**

No impairment was recognised in the year. In 2016 the impairment related to significant adverse changes in the extent to which internally developed software is expected to be used. The recoverable amount is the value in use which was determined to be £nil. The charge was excluded from adjusted results as it does not relate to underlying trading.

**Restructuring costs**

No restructuring costs were incurred in 2017 as the restructure was completed. Restructuring costs in 2016 comprised of cost-saving and right-sizing initiatives including severance payments, compensation for loss of office and other contract termination costs. Property costs relating to onerous contract provisions raised for property leases because of restructuring initiatives were included. These costs, which were part of the new management team's strategic refocus of the business, were excluded from adjusted results as they do not relate to underlying trading.

**Acquisition and transaction related costs/(credit)**

In 2017 the costs relate to the acquisition of subsidiaries. These costs are excluded from adjusted results as they are one-off in nature. The credit in 2016 related to subsequent re-measurement of the fair value of deferred contingent consideration. These costs were excluded from adjusted results as they relate to historic business combinations rather than ongoing operations.

**Disposal related credit**

This represents profit on disposal of subsidiaries including adjustments for deferred consideration receivable and recycled foreign currency translation reserves. These credits have been excluded from adjusted results as they do not relate to ongoing operations.

**Taxation**

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

## 7. Finance costs and income

	2017 £000	2016 £000
Bank interest payable	<b>1,949</b>	1,955
Imputed interest on long-term payables and provisions	<b>28</b>	27
<b>Finance costs</b>	<b>1,977</b>	1,982
Bank interest receivable	<b>(3)</b>	(2)
Other interest receivable	<b>(2)</b>	(7)
<b>Finance income</b>	<b>(5)</b>	(9)
<b>Net finance costs</b>	<b>1,972</b>	1,973

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 8. Employee information

The average number of employees during the year was:

	2017 Number	2016 Number
Marketing	389	359
Medical	164	145
Immersive	151	20
Communications	830	965
Centre	26	28
<b>Total</b>	<b>1,560</b>	<b>1,517</b>

Employee costs are as follows:

	2017 £000	2016 £000
Employee costs of all employees including Directors:		
Wages and salaries	105,746	99,026
Social security costs	11,192	9,854
Other pension costs	2,539	2,421
Share-based payment charge	1,288	234
<b>Total employee costs</b>	<b>120,765</b>	<b>111,535</b>

	2017 £000	2016 £000
Directors' emoluments	3,537	1,800
<b>Number of Directors accruing benefits under:</b>		
Defined contribution schemes	-	-

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'.

## 9. Taxation

	2017 £000	2016 £000
<b>Consolidated income statement</b>		
<b>Current tax</b>		
Current year	5,523	1,290
Adjustments in respect of prior years	(226)	(177)
<b>Current tax expense</b>	<b>5,297</b>	<b>1,113</b>
<b>Deferred tax</b>		
Current year	2,968	963
Impact of changes in statutory tax rates	(998)	(19)
Adjustments in respect of prior years	2	(298)
<b>Deferred tax expense/(credit)</b>	<b>1,972</b>	<b>646</b>
<b>Income tax expense/(credit)</b>	<b>7,269</b>	<b>1,759</b>

## 9. Taxation continued

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

	2017 £000	2016 £000
<b>Profit/(Loss) before tax</b>	<b>22,934</b>	<b>(16,502)</b>
Notional income tax expense/(credit) at the effective UK statutory rate of 19.25% (2016: 20.0%) on profit/(loss) before tax	<b>4,415</b>	<b>(3,300)</b>
Permanent differences	<b>1,285</b>	<b>4,068</b>
Impact of share-based payments	<b>(107)</b>	<b>58</b>
Different tax rates on overseas profits	<b>2,378</b>	<b>590</b>
Impact of changes in statutory tax rates	<b>(998)</b>	<b>(19)</b>
Adjustments in respect of prior years	<b>(224)</b>	<b>(475)</b>
Utilisation and recognition of tax losses	<b>207</b>	<b>(27)</b>
Unrelieved current year losses	<b>313</b>	<b>864</b>
<b>Income tax expense</b>	<b>7,269</b>	<b>1,759</b>
Comprising:		
Income tax charge on profit before tax and highlighted items	<b>5,123</b>	<b>2,891</b>
Income tax expense/(credit) on highlighted items	<b>2,146</b>	<b>(1,132)</b>
	<b>7,269</b>	<b>1,759</b>

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 19.25% (2016: 20.0%). 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:

	2017 £000	2016 £000
<b>Other comprehensive income and expense</b>		
<b>Current tax credit</b>		
Currency translation differences	<b>(418)</b>	<b>-</b>
<b>Deferred tax expense/(credit)</b>		
Fair value movement on interest rate swaps (Note 21)	<b>57</b>	<b>(82)</b>
<b>Tax credit recognised in other comprehensive income and expense</b>	<b>(361)</b>	<b>(82)</b>
<b>Equity</b>		
<b>Deferred tax credit</b>		
Net revaluation of share-based payments	<b>(540)</b>	<b>(10)</b>
<b>Tax credit recognised in equity</b>	<b>(540)</b>	<b>(10)</b>

## 10. Dividends

	2017 £000	2016 £000
<b>Equity dividends on ordinary shares:</b>		
Final dividend for the year ended 2016: 1.25p (2015: 1.25p)	<b>4,078</b>	<b>4,071</b>
Interim dividend for the year ended 2017: 0.55p (2016: 0.5p)	<b>1,800</b>	<b>1,631</b>
<b>Total dividend expense</b>	<b>5,878</b>	<b>5,702</b>

The total dividend includes a cash element of £4.9 million (2016: £5.6 million) and a scrip element of £0.9 million (2016: £0.1 million). Shareholdings under the Group's Employee Benefit Trust of 2,379,181 shares waived their rights to both dividends (2015 final dividend and 2016 interim dividend: 2,591,344 and 2,507,643 shares respectively).

A 2017 final dividend of 1.45p per share has been proposed for approval at the Annual General Meeting in 2018.



# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 11. Earnings per share

	2017	2016
Basic earnings per share – pence	4.8	(5.6)
Diluted earnings per share – pence	4.7	(5.6)
Adjusted basic earnings per share – pence	5.9	4.0
Adjusted diluted earnings per share – pence	5.8	4.0

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

	2017 Earnings £000	2017 Weighted average number of shares 000s	2016 (Loss)/ earnings £000	2016 Weighted average number of shares 000s
Basic	15,665	326,827	(18,261)	325,245
Diluted	15,665	334,990	(18,261)	325,245 <sup>1</sup>
Adjusted basic	19,278	326,827	13,114	325,245
Adjusted diluted	19,278	334,990	13,114	329,488

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

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

Diluted earnings/(loss) per share takes the basic earnings/(loss) 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.

	2017 £000	2016 £000
<b>Earnings:</b>		
Profit/(loss) for the year attributable to the Parent Company's shareholders	15,665	(18,261)
Highlighted items (net of tax) attributable to the Parent Company's shareholders	3,613	31,375
<b>Adjusted earnings</b>	<b>19,278</b>	<b>13,114</b>
	2017 £000	2016 £000
<b>Number of shares:</b>		
Weighted average number of ordinary shares – basic	326,827	325,245
Effect of share options in issue	8,163	4,243
<b>Weighted average number of ordinary shares – diluted</b>	<b>334,990</b>	<b>329,488</b>

## 12. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software development costs £000	Total £000
<b>Cost</b>						
At 1 January 2016	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
<b>At 31 December 2016</b>	<b>27,875</b>	<b>35,100</b>	<b>336,775</b>	<b>1,754</b>	<b>4,713</b>	<b>406,217</b>
Acquisitions	1,466	8,601	18,757	-	-	28,824
Capitalised development costs	-	-	-	-	232	232
Disposals	(134)	(40)	-	-	-	(174)
Write-offs	-	-	-	(1,819)	-	(1,819)
Exchange differences	(821)	(1,848)	(9,964)	65	(183)	(12,751)
<b>At 31 December 2017</b>	<b>28,386</b>	<b>41,813</b>	<b>345,568</b>	<b>-</b>	<b>4,762</b>	<b>420,529</b>
<b>Amortisation and impairment charges</b>						
At 1 January 2016	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
<b>At 31 December 2016</b>	<b>24,010</b>	<b>34,769</b>	<b>183,322</b>	<b>1,754</b>	<b>2,565</b>	<b>246,420</b>
Charge for the year	637	756	-	-	292	1,685
Disposals	(92)	(40)	-	-	-	(132)
Write-offs	-	-	-	(1,819)	-	(1,819)
Exchange differences	(797)	(1,782)	(4,262)	65	(77)	(6,853)
<b>At 31 December 2017</b>	<b>23,758</b>	<b>33,703</b>	<b>179,060</b>	<b>-</b>	<b>2,780</b>	<b>239,301</b>
<b>Net book value at 31 December 2017</b>	<b>4,628</b>	<b>8,110</b>	<b>166,508</b>	<b>-</b>	<b>1,982</b>	<b>181,228</b>
Net book value at 31 December 2016	3,865	331	153,453	-	2,148	159,797

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:

	2017 £000	2016 £000
Citigate Dewe Rogerson	26,756	26,849
Grayling	24,381	25,041
Red	19,909	19,972
Medical	21,984	23,358
Marketing	53,139	56,457
Immersive	20,339	1,776
<b>Total</b>	<b>166,508</b>	<b>153,453</b>

During the year there was a reorganisation of the Group's operating segments. Huntsworth Health was split into 3 segments - Medical, Marketing and Immersive, with The Creative Engagement Group included in the Immersive operating segment. Grayling, Citigate Dewe Rogerson ('CDR') and Red have been combined into one operating segment, Communications.

Medical, Marketing and Immersive will now represent separate CGUs. Goodwill has been allocated to each using a relative value approach. The Grayling, CDR and Red CGUs will remain as management continue to monitor goodwill at this level.

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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 12. Intangible assets continued

### Cash flow forecasts

For each CGU, the forecast cash flows for the first five years are based on the 2018 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.

### Long-term growth rate

After the initial five-year forecast period, a long-term growth rate between 1.5% and 2.5% (2016: 2.0–2.5%) 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 12.6% (2016: 14.3%). 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.

The Board has considered various alternative performance scenarios for the 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.

## 13. Property, plant and equipment

	Leasehold improvements £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2016	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
<b>At 31 December 2016</b>	<b>13,223</b>	<b>18,469</b>	<b>394</b>	<b>32,086</b>
Acquisitions	629	2,832	-	3,461
Additions	212	1,198	3	1,413
Disposals	(1,135)	(1,485)	(31)	(2,651)
Exchange differences	(586)	(932)	-	(1,518)
<b>At 31 December 2017</b>	<b>12,343</b>	<b>20,082</b>	<b>366</b>	<b>32,791</b>
<b>Depreciation</b>				
At 1 January 2016	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
<b>At 31 December 2016</b>	<b>5,618</b>	<b>14,377</b>	<b>259</b>	<b>20,254</b>
Acquisitions	577	2,149	-	2,726
Charge for the period	1,143	1,810	39	2,992
Disposals	(944)	(1,406)	(28)	(2,378)
Exchange differences	(236)	(753)	6	(983)
<b>At 31 December 2017</b>	<b>6,158</b>	<b>16,177</b>	<b>276</b>	<b>22,611</b>
<b>Net book value at 31 December 2017</b>	<b>6,185</b>	<b>3,905</b>	<b>90</b>	<b>10,180</b>
Net book value at 31 December 2016	7,605	4,092	135	11,832

Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2017 of £5,000 (2016: £7,000).

**14. Investment in associate**

The Group is a 25% partner in Hudson Sandler LLP, a public relations business incorporated and operating in the UK. 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.

	2017 £000	2016 £000
<b>Carrying amount</b>		
At 1 January	182	-
Additions	-	125
Share of profit	167	57
Dividend received	(137)	-
<b>At 31 December</b>	<b>212</b>	<b>182</b>

**15. Assets of disposal group classified as 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.

	2017 £000	2016 £000
Goodwill	-	3,319
<b>At 31 December</b>	<b>-</b>	<b>3,319</b>

**16. Trade and other receivables**

	2017 £000	2016 £000
<b>Current</b>		
Trade receivables	47,174	39,230
Less: provision for impairment of trade receivables	(224)	(1,465)
Trade receivables – net	46,950	37,765
Other receivables	2,666	2,207
Prepayments	4,252	3,387
Accrued income	12,378	12,527
VAT receivable	126	201
<b>Trade and other receivables</b>	<b>66,372</b>	<b>56,087</b>

In addition to the above, the Group also has non-current other receivables of £2,339,000 (2016: £188,000).

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 2017, trade receivables of £0.2 million (2016: £1.5 million) were considered to be impaired. Movements in the provision are as follows:

	2017 £000	2016 £000
At 1 January	1,465	939
Impairment charge for the year	61	1,413
Receivables written off during the year as uncollectable	(101)	(320)
Amounts reversed as debt collected	(1,185)	(622)
Foreign exchange movements	(16)	55
<b>At 31 December</b>	<b>224</b>	<b>1,465</b>

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 16. Trade and other receivables continued

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

At 31 December	Total £000	Neither past due nor impaired £000	Past due but not impaired			
			<30 days £000	30-60 days £000	60-90 days £000	>90 days £000
<b>2017</b>	<b>46,950</b>	<b>33,219</b>	<b>7,316</b>	<b>4,086</b>	<b>832</b>	<b>1,497</b>
2016	37,765	25,991	7,473	2,353	795	1,153

As at 31 December 2017, the Group held receivables of £nil (2016: £0.1 million) which would be overdue had they not been renegotiated.

## 17. Trade and other payables

	2017 £000	2016 £000
<b>Current</b>		
Trade payables	<b>9,276</b>	8,766
Other taxation and social security	<b>6,841</b>	3,367
Accruals	<b>38,276</b>	21,054
Deferred income	<b>10,583</b>	12,659
Other payables	<b>2,589</b>	2,074
<b>Current trade and other payables</b>	<b>67,565</b>	47,920
<b>Non-current</b>		
Leasehold property incentives	<b>2,712</b>	2,690
Other non-current payables	<b>266</b>	202
<b>Non-current trade and other payables</b>	<b>2,978</b>	2,892

## 18. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Amounts payable:</b>				
Within one year	<b>2</b>	2	<b>2</b>	2
In two to five years	<b>2</b>	4	<b>2</b>	4
	<b>4</b>	6	<b>4</b>	6
Less: finance charges allocated to future periods	-	-	-	-
<b>Present value of lease obligations</b>	<b>4</b>	6	<b>4</b>	6

## 19. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2016	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
Arising during the year	-	67	-	67
Provision on acquisition of subsidiary	-	309	-	309
Released during the year	-	(97)	(22)	(119)
Utilised	-	(1,347)	(476)	(1,823)
Foreign exchange movements	-	(96)	6	(90)
Unwind of discount	-	21	7	28
At 31 December 2017	-	1,787	117	1,904
<b>Current</b>	-	442	117	559
<b>Non-current</b>	-	1,345	-	1,345

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 31 December 2016	-	1,413	566	1,979
Current	-	1,517	36	1,553
Non-current	-	2,930	602	3,532

## 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 prior year represented a change in the estimated future financial performance of the acquired company. Where deferred consideration was not contingent on the outcome of future events the amount was included in trade and other payables.

## 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.

# Notes to the Consolidated Financial Statements continued

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## 20. Deferred tax

	Tax depreciation £000	Share-based payments £000	Tax losses £000	Intangible assets £000	Other temporary differences £000	Total £000
At 1 January 2016	(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 9)	-	-	-	-	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
(Expense)/credit to income	357	341	(243)	(995)	(1,432)	(1,972)
Expense to other comprehensive income (Note 9)	-	-	-	-	(57)	(57)
Credit to equity	2	538	-	-	-	540
Acquisition related items	57	-	31	(2,210)	63	(2,059)
Foreign exchange and other movements	68	-	(19)	275	(159)	165
At 31 December 2017	(167)	964	407	(4,658)	795	(2,659)

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

	2017 £000	2016 £000
Deferred tax balances:		
Deferred tax assets	32	926
Deferred tax liabilities	(2,691)	(202)
Net deferred tax (liability)/asset	(2,659)	724

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 £38.7 million (2016: £41.4 million), have not been recognised on the basis that their future economic benefit is uncertain. These comprise tax losses and other temporary differences of £26.4 million (2016: £29.1 million) and capital losses of £12.3 million (2016: £12.3 million). Of this total, tax losses of £12.3 million (2016: £9.8 million) will expire at various dates between 2018 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 £4.0 million (2016: £3.8 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 US Government has enacted a reduction in the Federal rate of corporation tax to 21% with effect from 1 January 2018. The UK Government has enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. The impact of these changes is incorporated in the reported numbers where relevant.

## 21. 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 23, and its total borrowings, comprising bank loans and overdrafts and obligations under finance leases, as disclosed in Note 22.

## 21. 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 2017, after taking into account the effect of interest rate swaps, approximately 55% (2016: 55%) 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	
	2017	2016	2017 £000	2016 £000	2017 £000	2016 £000
At 31 December						
Within one year	-	-	-	-	-	-
Within one to two years	1.279%	-	25,000	-	(221)	-
Within two to three years	-	1.279%	-	25,000	-	(525)
Within three to four years	-	-	-	-	-	-
Within four to five years	-	-	-	-	-	-
			25,000	25,000	(221)	(525)

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

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	Total £000
At 31 December 2017					
<b>Fixed rate:</b>					
Obligations under finance leases	(2)	(2)	-	-	(4)
Bank loans hedged by interest rate swap	-	(25,000)	-	-	(25,000)
<b>Total fixed rate</b>	(2)	(25,002)	-	-	(25,004)
<b>Floating rate:</b>					
Cash	10,054	-	-	-	10,054
Bank overdrafts	(399)	(63)	-	-	(462)
Floating rate portion of bank loans	-	(45,623)	-	-	(45,623)
Bank loans hedged by interest rate swap	-	25,000	-	-	25,000
<b>Total floating rate</b>	9,655	(20,686)	-	-	(11,031)
<b>Total</b>	9,653	(45,688)	-	-	(36,035)



# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 21. Financial instruments continued

### Interest rate risk continued

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

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 2017 would decrease/increase by £269,000 (2016: £258,000). If US interest rates had been 1% higher or lower, the Group's profit before tax would decrease/increase by £nil (2016: £nil). 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 increase or decrease by £353,000 or £356,000 respectively (2016: £600,000 or £616,000 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	
		2017 £000	2016 £000
US Dollar	+10%	<b>(1,464)</b>	(1,259)
Euro	+10%	<b>(211)</b>	(162)
US Dollar	-10%	<b>1,790</b>	1,539
Euro	-10%	<b>258</b>	198

## 21. 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	
		2017 £000	2016 £000
US Dollar	+10%	(14,201)	(13,144)
Euro	+10%	(2,336)	(2,160)
US Dollar	-10%	17,356	16,065
Euro	-10%	2,855	2,640

### 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.

During the year the Group utilised a £65 million multi-currency revolving credit facility and a £5 million committed overdraft facility. In July 2017, the Group exercised its accordion option under the facility agreement to increase the limit on the revolving credit facility by £10 million to £75 million.

After the year end, the Group completed an amend and extend of its facility, as a result of which the Group has available a £75 million multi-currency revolving credit facility with a £40 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2017 and 2016 based on contractual undiscounted payments.

At 31 December 2017	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	-	46,295	-	-	-	-	46,295
Interest rate swap	170	51	-	-	-	-	221
Obligations under finance leases	2	2	-	-	-	-	4
Leasehold property provisions	442	328	83	81	249	604	1,787
Trade and other payables <sup>1</sup>	60,724	766	430	419	401	1,006	63,746
	61,338	47,442	513	500	650	1,610	112,053

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 <sup>1</sup>	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

<sup>1</sup> Balance excludes tax and social security creditors.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 21. Financial instruments continued

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.

### 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 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial liabilities</b>				
Interest rate swap	-	221	-	221
	-	221	-	221
At 31 December 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial liabilities</b>				
Interest rate swap	-	525	-	525
Foreign exchange derivative	-	154	-	154
	-	679	-	679

### Valuation techniques used to derive Level 2 fair values

Level 2 derivatives comprise foreign exchange 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.

## 22. Borrowings

Interest-bearing loans and borrowings	Effective interest rate	2017 £000	2016 £000
<b>Current</b>			
Obligations under finance leases	2%	(2)	(2)
Bank overdrafts		(399)	(495)
		(401)	(497)
<b>Non-current</b>			
Obligations under finance leases	2%	(2)	(4)
Bank loan under fixed rate swap <sup>1</sup>	1.279% + margin	(25,000)	(25,000)
Variable rate bank loan <sup>1</sup>	LIBOR + margin	(20,623)	(20,412)
Bank overdrafts		(63)	-
		(45,688)	(45,416)
At 31 December		(46,089)	(45,913)

<sup>1</sup> The underlying liability for the above marked items was the £65 million committed revolving credit facility, which was increased to £75 million in July 2017. The average margin in 2017 was 1.9% (2016: 2%) and varies depending on the Group's net debt to EBITDA ratio.

## 23. Called up share capital

	Deferred shares		Ordinary shares		Total
	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
Called up, fully allotted and fully paid					
At 1 January 2016	212,012,343	103,886	328,498,733	3,284	107,170
Scrip dividends	-	-	311,869	3	3
Deferred consideration for the acquisition of Atomic Communications LLC	-	-	1,500,007	15	15
At 31 December 2016	212,012,343	103,886	330,310,609	3,302	107,188
Scrip dividends	-	-	1,547,559	15	15
At 31 December 2017	212,012,343	103,886	331,858,168	3,317	107,203

During the year, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2016 dividend and the interim 2017 dividend. On 6 July 2017, 1,035,547 ordinary shares of 1p each were issued at 54.4p with a resulting share premium of £552,982. On 6 November 2017, 512,012 ordinary shares of 1p each were issued at 75.2p with a resulting share premium of £379,913.

During 2016, the following shares were issued:

- On 14 January 2016, 1,500,007 ordinary shares of 1p 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 40.6p 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 1p each were issued at 45.3p with a resulting share premium of £95,666. On 4 November 2016, 95,918 ordinary shares of 1p each were issued at 43.5p with a resulting share premium of £40,717.

## 24. Share-based payments

The share-based payment schemes for employees of the Group in operation throughout 2017 are summarised in the following table:

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
<b>Huntsworth schemes</b>			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Mar 2019-Mar 2026	43.84
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Jan 2010-Mar 2026	42.14-108.25
Huntsworth Performance Share Plan	10 years	May 2018-May 2026	nil
Huntsworth Long Term Incentive Plan 2016	10 years	June 2019-July 2027	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.

The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2017 and 31 December 2016:

	2017		2016	
	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	11,923,442	48.2	14,241,678	27.7
Granted during the year	4,294,398	nil	4,099,952	5.4
Forfeited during the year	(1,193,020)	92.2	(2,598,141)	22.1
Exercised during the year	(200,000)	57.3	(3,820,047)	10.6
Outstanding at the end of the year	14,824,820	13.2	11,923,442	26.6
Exercisable at the end of the year	700,000	49.3	1,816,166	48.2

The weighted average share price at the date of exercise for share options exercised during the year was 78.25p (2016: 40.8p). The options outstanding at the end of the year have a weighted average remaining life of 7.3 years (2016: 8.7 years). The estimated average fair value of the options granted during the year is 35.98p (2016: 30.3p).

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 24. Share-based payments continued

Fair value of share options

The fair value of share options granted in 2017 and 2016 were calculated using either the Monte Carlo model or the Black-Scholes model. The inputs to these models were:

	2017	2016
Weighted average share price	<b>43.86</b>	42.2 pence
Weighted average exercise price	<b>nil</b>	5.4 pence
Expected volatility	<b>41%-46%</b>	39%-45%
Expected life	<b>3 years</b>	3 years
Risk-free rate	<b>0.17%-0.3%</b>	0.09%-0.6%
Expected dividend yield	<b>2.8%-4.22%</b>	4.0%-4.2%

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 £1.3 million (2016: £0.2 million) related to equity-settled share-based transactions during the year.

## 25. 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.

There were no movements in the merger reserve in the current year. In 2016, following the impairment of certain investments held by Huntsworth plc, £1.5 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 in neither the current nor prior year. As at 31 December 2017 the Group held 1,686,681 shares (2016: 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 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 200,000 shares to employees and past employees (2016: 4,051,129 shares, including 231,081 accrued dividend shares), for proceeds of £114,500 (2016: £251,449).

The Trusts did not purchase any shares in 2017 (2016: nil). At 31 December 2017 the Trusts held 2.2 million shares (2016: 2.4 million shares) in the Company which had a market value at 31 December 2017 of £1.8 million (2016: £0.9 million).

**26. 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 2017 and 31 December 2016, are as follows:

	2017 £000	2016 £000
Within one year	7,745	8,557
Within two to five years	16,921	18,503
Over five years	6,721	7,376
	<b>31,387</b>	<b>34,436</b>

**Operating leases - Group as a lessor**

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

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2017 and 31 December 2016 are as follows:

	2017 £000	2016 £000
Within one year	339	40
Within two to five years	1,044	-
Over five years	47	-
	<b>1,430</b>	<b>40</b>

**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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 26. 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 Limited (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 Limited (03140273)
Shiny Red Limited (05893962)	Huntsworth Health Limited (03193979)	Holmes & Marchant Communications Limited (01766310)
The Creative Engagement Group Limited (10824165)	WRG Worldwide Limited (07661987)	Canyon Associates Limited (06015141)
WRG Group Limited (03552198)	Mainstream Presentations Limited (02268867)	Mainstream Limited (03927635)
WRG Creative Communication Limited (01244084)	Just Communicate Limited (04100166)	WRG Public Events Limited (02610689)
The Moment Content Group Limited (09209488)	The Moment Content Company Limited (03962001)	The Rocket Science Group Holdings Limited (03048838)
The Moment Productions Limited (05493387)		

## 27. Cash flow analysis

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

	2017 £000	2016 £000
Operating profit/(loss)	24,906	(14,529)
Share of profit from associate	(167)	(57)
Depreciation	2,992	2,737
Share option charge	1,289	234
(Profit)/loss on disposal of property, plant and equipment	(13)	72
Amortisation of intangible assets	1,685	1,046
Impairment of intangible assets	-	30,786
(Gain)/loss on financial instruments	(154)	154
Profit on disposal of subsidiaries and investments	(321)	(436)
Increase in work in progress	(1,438)	(1,712)
Increase in debtors	(830)	(6,125)
Increase in creditors	1,325	2,339
Decrease in provisions	(1,777)	(1,869)
<b>Net cash inflow from operations</b>	<b>27,497</b>	<b>12,640</b>

Net cash inflow from operations is analysed as follows:

	2017 £000	2016 £000
Before highlighted items	29,825	15,639
Highlighted items	(2,328)	(2,999)
<b>Net cash inflow from operations</b>	<b>27,497</b>	<b>12,640</b>

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

	2016 £000	Cashflow	Non-cash changes				2017 £000
			New leases	Amortisation	Fair value changes	Foreign exchange	
Cash and short-term deposits	14,978	(4,381)	-	-	-	(543)	10,054
Overdraft	(495)	56	-	-	-	40	(399)
Bank loans	(45,412)	-	-	(274)	-	-	(45,686)
Derivative financial liabilities	(679)	248	-	-	210	-	(221)
Finance leases	(6)	2	-	-	-	-	(4)
<b>Net debt</b>	<b>(31,614)</b>	<b>(4,075)</b>	<b>-</b>	<b>(274)</b>	<b>210</b>	<b>(503)</b>	<b>(36,256)</b>

	2015 £000	Cashflow	Non-cash changes				2016 £000
			New leases	Amortisation	Fair value changes	Foreign exchange	
Cash and short-term deposits	8,918	4,017	-	-	-	2,043	14,978
Overdraft	-	(452)	-	-	-	(43)	(495)
Bank loans	(39,172)	(5,975)	-	(265)	-	-	(45,412)
Derivative financial liabilities	(92)	231	-	-	(818)	-	(679)
Finance leases	(25)	24	(5)	-	-	-	(6)
<b>Net debt</b>	<b>(30,371)</b>	<b>(2,155)</b>	<b>(5)</b>	<b>(265)</b>	<b>(818)</b>	<b>2,000</b>	<b>(31,614)</b>



# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

## 27. Cash flow analysis continued

### (c) Analysis of net debt

	2017 £000	2016 £000
Cash and short-term deposits	10,054	14,978
Bank overdraft	(399)	(495)
Bank loans	(45,686)	(45,412)
Derivative financial liabilities	(221)	(679)
Obligations under finance leases	(4)	(6)
<b>Net debt</b>	<b>(36,256)</b>	<b>(31,614)</b>

At 31 December 2017 the Group had undrawn committed facilities of £32.9 million (2016: £24.0 million) available.

## 28. 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:

	2017 £000	2016 £000
Short-term benefits	2,536	1,636
Share-based payment charge	1,001	164
	<b>3,537</b>	<b>1,800</b>

## 29. Post balance sheet events

After the year end, the Group completed an amend and extend of its banking facilities, as a result of which the Group has available a £75 million multi-currency revolving credit facility with a £40 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft.

On 22 February 2018 Huntsworth plc acquired 75% of the issued shares in AboveNation Media LLC for initial cash consideration of \$1.75 million and two deferred payments due in 2019 and 2021, based on a multiple of EBITDA for the preceding years.

The financial effects of the above transaction have not been brought into account at 31 December 2017. The operating results and assets and liabilities of the Company will be brought into account from 22 February 2018. The fair value calculation of assets and liabilities acquired is on-going.

# Independent Auditor's Report

To the members of Huntsworth plc

## Report on the audit of the Parent Company financial statements

### 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 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts ('the Annual Report'), which comprise: the Company balance sheet as at 31 December 2017 and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in note 5 to the consolidated financial statements, we have provided no non-audit services to the Group and its subsidiaries in the period from 1 January 2017 to 31 December 2017.

### Our audit approach

#### Overview



- Overall materiality: £2.38 million (2016: £2.26 million), based on 1% of net assets.
- We carried out audit procedures on the complete financial information on the Parent Company.
- Risk of impairment in relation to investments in subsidiaries.

### The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Parent Company and the industry in which it operates, and considered the risk of acts by the Parent Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Parent Company's financial statements, including, but not limited to, Companies Act 2006, the Listing Rules and UK tax legislation. Our tests included, but were not limited to review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, review of correspondence with legal advisers and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on the overall audit strategy; the

# Independent Auditor's Report continued

To the members of Huntsworth plc

allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

## Key audit matter

### Impairment of investment in subsidiaries

Refer to page 113 (Significant Accounting Policies) and page 115 (notes).

The Company has £229.5 million of investments in and loans to subsidiaries as at 31 December 2017 (2016: £203.3 million).

Determining if an impairment charge is required involves an assessment of the net assets of the underlying investments and judgement about the future results and cash flows of the investments, including forecast growth in future revenues and operating profit margins.

The Directors' impairment assessment showed that no impairment was required for investments in and loans to subsidiaries as at 31 December 2017.

## How our audit addressed the key audit matter

We reviewed the Directors' impairment assessment for investments in and loans to subsidiaries. This included comparing the investments carrying value against the net assets of the subsidiary and by reference to the discounted future cash flows the Directors expect the subsidiary to generate. We challenged the Directors' assumptions used in these discounted cash flow models including growth rates, discount rate and cash flows from operations.

In addition, we confirmed the market capitalisation of the Company exceeded the carrying value of investment in and loans to subsidiaries as at 31 December 2017.

For all investments the Directors determined that no impairment was required, we found that these judgements were supported by reasonable assumptions that would require significant downside changes before any impairments were necessary.

## 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 structure of the Company, the accounting processes and controls, and the industry in which it operates.

We scoped the balances to be audited in line with the materiality determined for the year.

## 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 in aggregate 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 materiality	£2.38 million (2016: £2.26 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the position of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £59,000 (2016: £30,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Parent Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

**Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

**Corporate Governance Statement**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 42 to 43) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 40 to 43) with respect to the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company. (CA06)

**The directors' assessment of the prospects of the Parent Company and of the principal risks that would threaten the solvency or liquidity of the Parent Company**

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 64 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Parent Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 64 of the Annual Report as to how they have assessed the prospects of the Parent Company, 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 Parent Company 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 to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Parent Company and statement in relation to the longer-term viability of the Parent Company. 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 UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit. (Listing Rules)

# Independent Auditor's Report continued

To the members of Huntsworth plc

## Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 64, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Parent Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 44 to 46 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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.

### Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; 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.

**Appointment**

Following the recommendation of the Audit Committee, we were appointed by the Directors on 6 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2016 to 31 December 2017.

**Other matter**

We have reported separately on the Group financial statements of Huntsworth plc for the year ended 31 December 2017.

**David Snell**

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

5 March 2018

# Company Balance Sheet

As at 31 December 2017

	Notes	2017 £000	2016 £000
<b>Fixed assets</b>			
Tangible fixed assets	4	80	35
Investments	5	229,511	203,300
		<b>229,591</b>	203,335
<b>Current assets</b>			
Debtors	6	190,432	189,284
Cash at bank and in hand		1,704	2,244
		<b>192,136</b>	191,528
<b>Creditors: amounts falling due within one year</b>	8	<b>(131,337)</b>	(117,748)
Net current assets		<b>60,799</b>	73,780
<b>Total assets less current liabilities</b>		<b>290,390</b>	277,115
<b>Creditors: amounts falling due after more than one year</b>			
Bank loans		<b>(52,571)</b>	(50,686)
Derivative financial liabilities	9	<b>(51)</b>	(70)
<b>Net assets</b>		<b>237,768</b>	226,359
<b>Capital and reserves</b>			
Called up share capital	10	107,203	107,188
Share premium account	12	63,843	62,926
Merger reserve	12	29,468	29,468
Other reserves	12	6,413	6,175
Hedging reserve	12	(221)	(525)
Treasury shares	12	(1,166)	(1,166)
Investment in own shares held in Employee Benefit Trust	12	(1,587)	(1,693)
Profit and loss account		33,815	23,986
<b>Total shareholders' funds</b>		<b>237,768</b>	226,359

## 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 £14.2 million (2016 profit: £4.3 million).

The Company number is 1729478.

The financial statements were approved by the Directors on 5 March 2018 and signed on their behalf by:

Neil Jones  
Director

# Company Statement of Changes in Equity

For the year ended 31 December 2017

	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 2016	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	-
<b>At 31 December 2016</b>	<b>107,188</b>	<b>62,926</b>	<b>29,468</b>	<b>6,175</b>	<b>(525)</b>	<b>(1,166)</b>	<b>(1,693)</b>	<b>23,986</b>	<b>226,359</b>
Profit for the year	-	-	-	-	-	-	-	14,223	14,223
Other comprehensive (expense)/income	-	-	-	-	304	-	-	(58)	246
Settlement of deferred consideration	-	-	-	-	-	-	-	-	-
Settlement of share options	-	-	-	-	-	-	106	9	115
Share issue costs	-	(16)	-	-	-	-	-	-	(16)
Share-based payments	-	-	-	238	-	-	-	1,051	1,289
Credit for unclaimed dividends	-	-	-	-	-	-	-	-	-
Tax on share-based payments	-	-	-	-	-	-	-	482	482
Scrip dividends	15	933	-	-	-	-	-	-	948
Equity dividends	-	-	-	-	-	-	-	(5,878)	(5,878)
<b>At 31 December 2017</b>	<b>107,203</b>	<b>63,843</b>	<b>29,468</b>	<b>6,413</b>	<b>(221)</b>	<b>(1,166)</b>	<b>(1,587)</b>	<b>33,815</b>	<b>237,768</b>



# Notes to the Company Financial Statements

for the year ended 31 December 2017

## 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 2017. 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 B67 of 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.

### Trade and other receivables

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.

### 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.

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.

## 2. Significant accounting policies continued

### 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.

# Notes to the Company Financial Statements continued

for the year ended 31 December 2017

## 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

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:

	2017 Number	2016 Number
Administration	24	28

Employee costs are as follows:

	2017 £000	2016 £000
Employee costs of all employees including Directors:		
Wages and salaries	3,987	3,528
Social security costs	1,130	419
Pension contributions	58	61
Share-based payment charge	1,050	165
<b>Total employee costs</b>	<b>6,225</b>	<b>4,173</b>
	2017 £000	2016 £000
Directors' emoluments	3,537	1,800
<b>Number of Directors accruing benefits under:</b>		
Defined contribution schemes	-	-

### 3. Employee information continued

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'.

### 4. Tangible fixed assets

	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>			
At 1 January 2017	259	31	290
Additions	72	-	72
Disposals	-	(31)	(31)
<b>At 31 December 2017</b>	<b>331</b>	<b>-</b>	<b>331</b>
<b>Depreciation</b>			
At 1 January 2017	230	25	255
Charge for the period	21	3	24
On disposals	-	(28)	(28)
<b>At 31 December 2017</b>	<b>251</b>	<b>-</b>	<b>251</b>
<b>Net book value at 31 December 2017</b>	<b>80</b>	<b>-</b>	<b>80</b>
Net book value at 31 December 2016	29	6	35

### 5. Investments

	Shares at cost £000	Loans to subsidiary undertakings £000	Total £000
<b>Cost</b>			
At 1 January 2016	293,462	40,139	333,601
Additions	69	-	69
<b>At 1 January 2017</b>	<b>293,531</b>	<b>40,139</b>	<b>333,670</b>
Additions	238	25,973	26,211
<b>At 31 December 2017</b>	<b>293,769</b>	<b>66,112</b>	<b>359,881</b>
<b>Amounts provided</b>			
At 1 January 2016	103,487	14,487	117,974
Impairment	7,964	4,432	12,396
<b>At 1 January 2017</b>	<b>111,451</b>	<b>18,919</b>	<b>130,370</b>
<b>At 31 December 2017</b>	<b>111,451</b>	<b>18,919</b>	<b>130,370</b>
<b>Net book value at 31 December 2017</b>	<b>182,318</b>	<b>47,193</b>	<b>229,511</b>
Net book value at 31 December 2016	182,080	21,220	203,300

The Company's principal trading subsidiaries and associated undertakings, which are listed in Appendix 2 to these financial statements.

#### Impairment testing

No impairment was recognised in the year. The investment balances impaired in 2016 related to the intermediary holding companies in which the Company holds investments. These do not reflect the Group's CGUs.

# Notes to the Company Financial Statements continued

for the year ended 31 December 2017

## 6. Debtors

	2017 £000	2016 £000
Amounts owed by subsidiary undertakings	<b>188,985</b>	188,480
Trade debtors	<b>7</b>	16
Deferred tax	<b>921</b>	255
VAT receivable	<b>394</b>	418
Prepayments	<b>125</b>	115
	<b>190,432</b>	189,284

	2017 £000	2016 £000
Amounts included in the above to be due after more than one year:		
Deferred tax	<b>921</b>	255

## 7. Deferred tax

	Tax depreciation £000	Share- based payments £000	Other temporary differences £000	Total £000
At 1 January 2016	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	<b>78</b>	<b>78</b>	<b>99</b>	<b>255</b>
Credit to income	<b>3</b>	<b>230</b>	<b>9</b>	<b>242</b>
Credit to other comprehensive income	-	-	(58)	(58)
Credit to equity	-	<b>482</b>	-	<b>482</b>
At 31 December 2017	<b>81</b>	<b>790</b>	<b>50</b>	<b>921</b>

The UK Government has enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. The impact of this change is incorporated in the reported numbers.

## 8. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	<b>1</b>	64
Amounts owed to subsidiary undertakings	<b>127,041</b>	115,000
Corporation tax	<b>113</b>	-
Other taxation and social security	<b>447</b>	475
Accruals	<b>2,805</b>	1,015
Derivative financial liability	<b>170</b>	609
Other creditors	<b>760</b>	585
	<b>131,337</b>	117,748

## 9. 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 21).

## 10. 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 2016	212,012,343	103,886	328,498,733	3,284	107,170
Scrip dividends	-	-	311,869	3	3
Deferred consideration for the acquisition of Atomic Communications LLC	-	-	1,500,007	15	15
At 31 December 2016	<b>212,012,343</b>	<b>103,886</b>	<b>330,310,609</b>	<b>3,302</b>	<b>107,188</b>
Scrip dividends	-	-	1,547,559	15	15
At 31 December 2017	<b>212,012,343</b>	<b>103,886</b>	<b>331,858,168</b>	<b>3,317</b>	<b>107,203</b>

During the year, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2016 dividend and the interim 2017 dividend. On 6 July 2017, 1,035,547 ordinary shares of 1p each were issued at 54.4p with a resulting share premium of £552,982. On 6 November 2017, 512,012 ordinary shares of 1p each were issued at 75.2p with a resulting share premium of £379,913.

During 2016, the following shares were issued:

- On 14 January 2016, 1,500,007 ordinary shares of 1p 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 40.6p 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 1p each were issued at 45.3p with a resulting share premium of £95,666. On 4 November 2016, 95,918 ordinary shares of 1p each were issued at 43.5p with a resulting share premium of £40,717.

## 11. Share-based payments

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
<b>Huntsworth share option schemes</b>			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Mar 2019–Mar 2026	43.84
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Jan 2010–Mar 2026	42.14–108.25
Huntsworth Performance Share Plan	10 years	May 2018–Mar 2026	nil
Huntsworth Long Term Incentive Plan 2016	10 years	June 2019–July 2027	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.

The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2017 and 31 December 2016:

	2017		2016	
	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	<b>14,824,820</b>	<b>13.2</b>	9,106,553	23.8
Exercised	-	-	3,620,207	11.2

The weighted average share price at the date of exercise for share options exercised during the year was nil (2016: 40.9p). The options outstanding at the end of the year have a weighted average remaining life of 7.1 years (2016: 8.8 years).

## 12. 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.

### Share premium account

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

## Notes to the Company Financial Statements continued

for the year ended 31 December 2017

### 12. Reserves continued

#### Merger reserve

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

There were no movements in the merger reserve in the current year. In 2016, following the impairment of certain investments held by Huntsworth plc, £1.5 million relating to the acquisition of those subsidiaries was 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 in neither the current nor prior year. As at 31 December 2017 the Group held 1,686,681 shares (2016: 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 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 200,000 shares to employees and past employees (2016: 4,051,129 shares, including 231,081 accrued dividend shares), for proceeds of £114,500 (2016: £251,449).

The Trusts did not purchase any shares in 2017 (2016: nil). At 31 December 2017 the Trusts held 2.2 million shares (2016: 2.4 million shares) in the Company which had a market value at 31 December 2017 of £1.8 million (2016: £0.9 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.

#### 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.

### 13. 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.

### 14. 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 £1.2 million (2016: £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.

### 15. Post balance sheet events

After the year end, the Company completed an amend and extend of its banking facilities, as a result of which the Company has available a £75 million multi-currency revolving credit facility with a £40 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft.

## Appendix 1 – Non-IFRS Measures

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

### Headline operating profit/profit before tax

Calculated as operating profit/profit before tax excluding highlighted items. Highlighted items in the current year comprise amortisation of intangible assets, acquisition/transaction related costs and disposal related credits. In the prior year, goodwill impairment, impairment of software development costs and restructuring costs were also included in highlighted items. Both headline profit and IFRS profit measures are presented in the income statement. An analysis of highlighted items is presented in Note 6.

### 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 11.

### 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 27.

### 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 27.

### 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 excluding the effect of acquisitions and disposals. 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 IFRS revenues and operating profit and like-for-like results are included in the table below:

#### Revenue

	Marketing £000	Medical £000	Immersive £000	Communications £000	Total Group £000
Year ended 31 December 2017					
Segmental revenue (Note 4)	73,540	30,875	14,949	77,612	196,976
Business closures	(1,388)	-	-	-	(1,388)
Acquisitions	-	-	(12,237)	-	(12,237)
Like-for-like revenue	72,152	30,875	2,712	77,612	183,351
Year ended 31 December 2016					
Segmental revenue (Note 4)	62,545	25,274	3,020	89,298	180,137
Constant exchange rates	2,888	953	152	3,082	7,075
Business closures	(1,699)	-	-	(9,400)	(11,099)
Like-for-like revenue	63,734	26,227	3,172	82,980	176,113



## Appendix 1 – Non-IFRS Measures continued

### Like-for-like continued Operating profit

Year ended 31 December 2017	Marketing £000	Medical £000	Immersive £000	Communications £000	Unallocated £'000	Total Group £000
Segmental operating profit (Note 4)	15,509	8,315	1,853	7,006	-	32,683
Unallocated costs	-	-	-	-	(6,477)	(6,477)
Share of profit from associate	-	-	-	-	167	167
Foreign exchange	-	-	-	-	(1,136)	(1,136)
Business closures	421	-	-	(8)	-	413
Acquisitions	-	-	(1,992)	-	-	(1,992)
Like-for-like operating profit	15,930	8,315	(139)	6,998	(7,446)	23,658

Year ended 31 December 2016	Marketing £000	Medical £000	Immersive £000	Communications £000	Unallocated £000	Total Group £000
Segmental operating profit (Note 4)	12,334	5,951	15	5,543	-	23,843
Unallocated costs	-	-	-	-	(5,922)	(5,922)
Share of profit from associate	-	-	-	-	57	57
Foreign exchange	-	-	-	-	877	877
Constant exchange rates	623	244	1	224	(8)	1,084
Business closures	720	-	-	(192)	-	528
Like-for-like operating profit	13,677	6,195	16	5,575	(4,996)	20,467

## 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 2017 are set out below.

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

### Trading companies – Marketing segment

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%
Huntsworth Health Corporation	1 S Broad St., Philadelphia, PA 19107, United States	0%	100%
Huntsworth Health Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Health Singapore Private Limited	55 Market Street, #02-02, 048941, Singapore	100%	100%
Tonic Life Communications Asia Pacific Limited	15/F., Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Tonic Life Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Traverse HealthStrategy LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%

### Trading companies – Medical segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
ApotheCom ScopeMedical Inc.	United Corporate Services, Inc., 874 Walker Road, Ste C, Dover Delaware 19904, United States	0%	100%
ApotheCom ScopeMedical Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%

### Trading companies – Immersive segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Axiom Professional Health Learning LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Just Communicate Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
The Moment Content Company Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Moment Content Company LLC	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
WRG Creative Communication Inc.	2711 Centreville Road, Suite 400, City of Wilmington 19808, County of New Castle, United States	0%	100%
WRG Creative Communication Limited	36 Great Titchfield Street, London, W1W 8BQ, England	0%	100%

### Trading companies – Communications segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Atomic Communications LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	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 Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	100%	100%
Citigate Dewe Rogerson, iMage Pte Limited	55 Market Street, #02-02, 048941, Singapore	0%	100%
Citigate First Financial B.V.	James Wattstraat 100-10, 1097 DM Amsterdam, The Netherlands	0%	100%
Dutko Worldwide, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%

## Appendix 2 – Subsidiaries and Associates continued

### Trading companies – Communications segment continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Grayling (Shanghai) Public Relations Consulting Co., Limited	Room 801, Floor 8, F659 Building, Nanjing West Road, Jing'an District, Shanghai, China	0%	100%
Grayling Asia Pte Limited	55 Market Street, #02-02, 048941, Singapore	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 China Limited	1901 Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Grayling Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Comunicacion, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	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 France SAS	43 rue de Rendez Vous, 75012 Paris, France	72.6%	100%
Grayling Hungary Kft	Teréz krt. 46., 1066 Budapest, Hungary	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%
Grayling Momentum Limited <sup>2</sup>	Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands <sup>3</sup>	100%	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, Secturul 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 Suisse SA	Strehlgasse 29, 8001 Zurich, Switzerland	12.1%	100%
Huntsworth Advertising LLC	4th Floor, Amideast building, Al Jami Al Akbar Street, Ghala Heights, Muscat, Oman	0%	70%
Rose & Kindel	608 University Avenue, Sacramento, CA CA95825, United States	0%	100%
Shiny Red 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%

### Non-trading companies

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Atomic Communications Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Atomic PR UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Ballard Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Brand Health International Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Canyon Associates Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Citigate Broad Street Inc.	1740 Broadway New York, New York, 10019, United States	0%	100%
Citigate Public Affairs Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Dewe Rogerson 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
Evoke Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	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%
Grayling Dormant 1 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Holdings AG	Niederdorfstrasse 88, 8001 Zurich, Switzerland	100%	100%
Grayling International AG	Zollikerstrasse 141, 8008 Zurich, Switzerland	1.7%	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%
Hatch International Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
HHCG Acquisition LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Holmes & Marchant Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
HS Corporate Investments Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	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%
Huntsworth Financial Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	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 North America LLC	800 Township Line Road, Yardley, PA 19067, United States	0%	100%
Huntsworth Healthcare Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Healthcare Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Holdings GmbH	Hanauer Landstraße 147, 60314 Frankfurt am Main, Germany	0%	100%
Huntsworth Holdings Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	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%
Huntsworth Ireland DAC	Harcourt Centre, Harcourt Road, Dublin 2, Ireland	0%	100%
Huntsworth Spain, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Hypertonic LLC	c/o United Corporate Services, Inc., 874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
IG Communications 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%
Mainstream Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Mainstream Presentations Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Quiller Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Creative Engagement Group Limited	36 Great Titchfield Street, London, W1W 8BQ, England	100%	100%
The Moment Content Group Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Moment Productions Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Red Consultancy California LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
The Red Consultancy Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%

## Appendix 2 – Subsidiaries and Associates continued

### Non-trading companies continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
The Red Consultancy USA LLC	Davis & Gilbert 1740 Broadway, New York, NY 10019, United States	0%	100%
The Rocket Science Group Holdings Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	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%
Trimedia Communications UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
WRG Group Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
WRG Public Events Limited	Level 4 Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
WRG Worldwide Limited	36 Great Titchfield Street, London, W1W 8BQ, England	0%	100%

### Dormant companies

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%
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, Scotland	0%	100%
Atlantic Public Relations Limited	19 Thistle Street, Edinburgh, EH2 1DF, Scotland	15%	100%
Avenue Healthcare Knowledge Management Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Axis Healthcare Europe Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Beaumarck Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Brand Health International Validation Limited	3rd Floor, 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%
C-B Interests Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Chris Parry Promotions Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Citigate & Trimedia Norden AB	Arenavagen 29, 8 tr. 121 77 Johanneshov, Stockholm, Sweden	0%	100%
Citigate Broad Street UK Limited	3rd Floor, 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 Cunningham LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate Dewe Rogerson Belgium SA	Avenue de Cortenbergh, 66 1000 Brussels, Belgium	0%	100%
Citigate Europe Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Citigate Global Intelligence and Security Inc.	Davis & Gilbert 1740 Broadway, New York, NY 10019, United States	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%
Citigate Northern Ireland Public Affairs Limited	Arthur Cox Belfast, Victoria House, 15-17 Gloucester Street, Belfast, BT1 4LS, Northern Ireland	0%	100%
Citigate Sponsorship Limited	3rd Floor, 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%
Conscientia Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
David Baker Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Dewe Rogerson Group Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Dewe Rogerson UK Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Dunwoodie Communications Inc.	Corporation Service Company 80 State Street, Albany, New York, 12207, United States	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%
EHPR Ltd	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	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 & Citigate Norden AB	Arenavagen 29, 8 tr. 121 77 Johanneshov, Stockholm, Sweden	0%	100%
Grayling (Thailand) Co., Limited	174 Silom Road, Suriyawong Sub-District, Bangrak District, Bangkok, Thailand	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 Corporate, Public Affairs & Public Relations Consultants (Cyprus) Limited	Lambrou Katsoni 8, Office 202, 1082 Nicosia, Cyprus	0%	100%
Grayling Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling München GmbH	Hanauer Landstraße 147, 60314 Frankfurt am Main, Germany	0%	100%
Grayling Ukraine OOO	23A Pushkinska Str., 01004 Kyiv, Ukraine	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%
Haslimann Taylor Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Hatch Group 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 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 Dormant (IH) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant (IL) Limited	15/F., Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Huntsworth Dormant (IUK)	3rd Floor, 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%

## Appendix 2 – Subsidiaries and Associates continued

### Dormant companies continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
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 Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth LLC	United Corporate Services, Inc., 10 Bank Street, White Plains, New York, 10606, United States	0%	100%
inRx LLC	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
IOL Limited	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%
PGA Communication SA	Gwattstrasse 8, c/o ueltschi solutions GmbH, 3185 Schmiten, Fribourg, Switzerland	0%	100%
Pineblue Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Random Animal LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Sanchis y Asociados Imagen y Comunicacion, S.A.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Strategy Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	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	3rd Floor, 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%
TMG Group Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Trimedia Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Trimedia Public Affairs GmbH	Siebensterngasse 31, 1070 Wien, Austria	0%	100%
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%
Zahner & Partner AG	Gwattstrasse 8, c/o ueltschi solutions GmbH, 3185 Schmiten, Fribourg, Switzerland	0%	100%

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 (unaudited)

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Revenue before highlighted items	<b>196,976</b>	180,137	168,398	164,719	171,668
Highlighted items - revenue	-	-	-	1,013	727
Operating profit before highlighted items	<b>26,373</b>	17,978	15,253	18,228	23,595
Highlighted items - operating expenses	<b>(1,467)</b>	(32,507)	(53,071)	(76,161)	(3,737)
Net finance costs	<b>(1,972)</b>	(1,973)	(2,001)	(2,632)	(3,531)
Profit/(loss) before tax	<b>22,934</b>	(16,502)	(39,819)	(59,552)	17,054
Non-current assets	<b>193,991</b>	172,925	188,485	233,845	299,144
Net current assets/(liabilities)	<b>16,163</b>	29,523	10,089	9,588	6,760
Net assets	<b>157,401</b>	152,315	155,302	193,874	257,644
Equity shareholders' funds	<b>157,401</b>	152,315	155,302	193,874	257,644
Basic earnings/(loss) per share (pence)	<b>4.8</b>	(5.6)	(12.3)	(17.6)	5.0
Diluted earnings/(loss) per share (pence)	<b>4.7</b>	(5.6)	(12.3)	(17.6)	4.9
Adjusted basic earnings per share (pence)	<b>5.9</b>	4.0	3.0	3.8	5.8
Adjusted diluted earnings per share (pence)	<b>5.8</b>	4.0	3.0	3.7	5.6
Share price - high (pence)	<b>83.8</b>	47.0	49.3	72.0	69.25
Share price - low (pence)	<b>36.0</b>	34.0	35.0	39.4	39.0



## Group Information

If you would like further information about Huntsworth, please visit our website at [www.huntsworth.com](http://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](mailto:paul.taaffe@huntsworth.com) or [neil.jones@huntsworth.com](mailto: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](http://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 0370 707 1048 or write to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

### Registered office and Group headquarters

Huntsworth plc  
8th Floor, Holborn Gate  
26 Southampton Buildings  
London, England  
WC2A 1AN  
Telephone: +44 (0)20 3861 3999

## Advisers

**Company Secretary**  
Martin Morrow**Registered Number**  
1729478**Registered office**  
8th Floor, Holborn Gate  
26 Southampton Buildings  
London, England  
WC2A 1AN**Auditors**  
PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH**Solicitors**  
Slaughter and May  
One Bunhill Row  
London EC1Y 8YY**Bankers**  
Lloyds Bank plc  
25 Gresham Street  
London EC2V 7HNSantander UK plc  
100 Ludgate Hill  
London EC4M 7REBank of Ireland (UK) plc  
Bow Bells House  
1 Bread Street  
London EC4M 9BEHSBC Bank plc  
71 Queen Victoria Street  
London EC4V 4AY**Stockbrokers**  
Numis Securities Limited  
10 Paternoster Square  
London EC4M 7LT**Registrars**  
Computershare Investor Services plc  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE

## Financial Calendar 2018

6 March 2018  
24 May 2018  
24 May 2018  
25 May 2018  
5 July 2018Announcement of final results  
Annual General Meeting  
Ex-dividend date for final dividend  
Record date for final dividend  
Final dividend paid

# HUNTSWORTH

**Huntsworth plc**  
8th Floor  
Holborn Gate  
26 Southampton Buildings  
London  
WC2A 1AN

Tel: +44 (0)20 3861 3999  
Email: [info@huntsworth.com](mailto:info@huntsworth.com)

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