HUNTSWORTH

Huntsworth plc

Annual Report and Accounts 2015

HUNTSWORTH PLC IS AN INTERNATIONAL HEALTHCARE COMMUNICATIONS AND PUBLIC RELATIONS GROUP

HIGHLIGHTS[1]

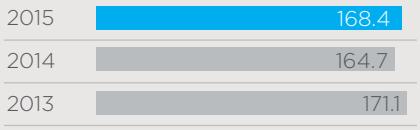
"These full year results show Huntsworth returning to modest growth, led by Huntsworth Health, which delivered double digit revenue growth and is now the largest part of the Group. After a year of significant change, Huntsworth is now well positioned to see the benefits of the restructuring flow through to its results in the coming year."

Paul Taaffe Chief Executive Officer

REVENUE[1]

£168.4m

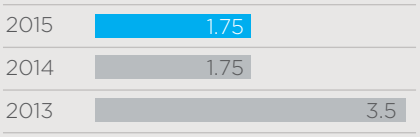
(2014: £164.7m)



DIVIDEND

1.75p

(2014: 1.75p)



OPERATING PROFIT[1]

£15.3m

(2014: £18.2m)

DILUTED EPS[1]

3.0p

(2014: 3.7p)

Operational highlights

- Full strategic review undertaken under new leadership
- Restructuring substantially completed
- Return to like-for-like[2] revenue growth: +1.5%
- Huntsworth Health growth of 13.7% on a like-for-like[2] basis, now the Group's largest division
- Strong cash flow from operations: 119% cash conversion
- Dividend maintained at 1.75p for the year

Revenue

- Revenue £168.4 million (2014: £164.7 million)
- Like-for-like[2] revenue growth of 1.5%

Profit before highlighted items

- Operating profit of £15.3 million (2014: £18.2 million)
- Operating profit margin before central costs 13.1% (2014: 15.0%)
- Operating profit margin post central costs 9.1% (2014: 11.1%)
- Profit before tax of £13.3 million (2014: £16.0 million)

Loss after highlighted items

- Operating loss of £37.8 million (2014: loss of £56.9 million)
- Operating loss includes £48.8 million impairment (2014: £71.5 million)
- Loss before tax of £39.8 million (2014: loss of £59.6 million)

Cash flow and net debt

- Cash flow from operations before highlighted items of £18.2 million, representing a cash conversion of 119% (2014: 98%)
- Cash flow from operations after highlighted items of £15.2 million (2014: £17.4 million)
- Net debt £30.4 million (2014: £35.6 million)

Diluted earnings/loss per share

- Earnings per share before highlighted items at 3.0p (2014: 3.7p)
- Loss per share after highlighted items at 12.3p (2014: loss of 17.6p)

Dividend per share

- Proposed final dividend of 1.25p (2014: 0.75p), giving a total 2015 dividend of 1.75p (2014: 1.75p)

Notes:

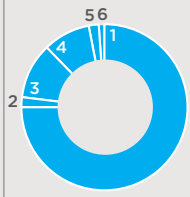
1. Headline financial results are adjusted to exclude highlighted items. Highlighted items comprise goodwill impairment charges £48.8 million (2014: £71.5 million), impairment of software development costs £0.6 million (2014: £nil), amortisation of intangible assets £0.8 million (2014: £1.0 million), restructuring costs £3.3 million (2014: £1.9 million), and acquisition/transaction related credit £0.4 million (2014: costs £0.2 million). In 2014 there were also highlighted revenues in respect of start-up operations of £1.0 million that produced £0.5 million of operating losses and facility fees written off £0.4 million.
2. Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures during the year.

DELIVERING NEW CAPABILITIES

Huntsworth is an international healthcare communications and public relations group operating from 63 principal offices in 29 countries.

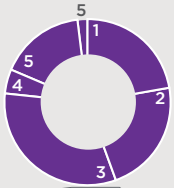
US revenue £80.0m

1.	Healthcare	75%
2.	Corporate	2%
3.	Consumer	11%
4.	Public Affairs	9%
5.	Financial	2%
6.	Other	1%



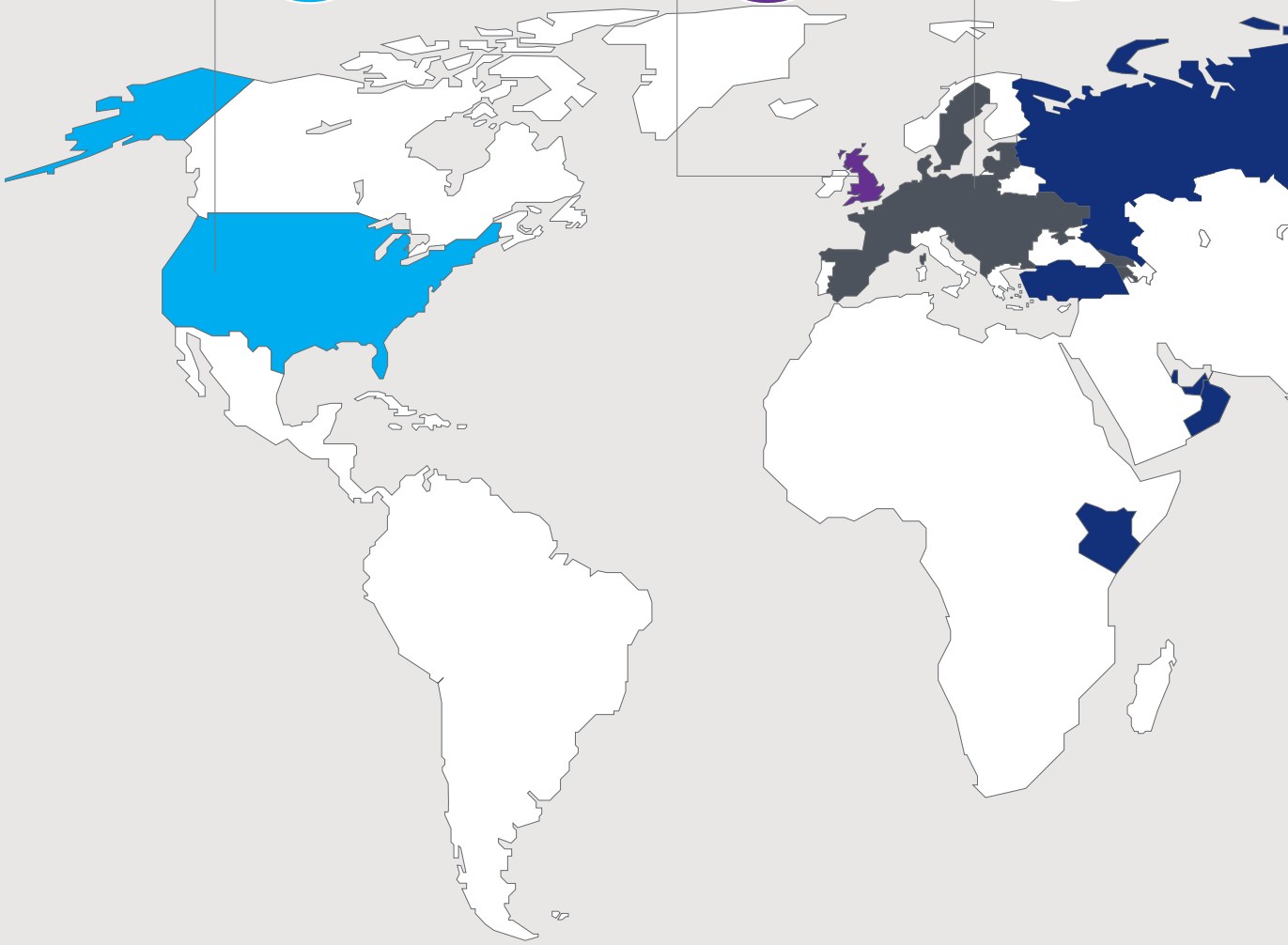
UK revenue £51.5m

1.	Healthcare	23%
2.	Corporate	20%
3.	Consumer	33%
4.	Public Affairs	5%
5.	Financial	19%
6.	Other	2%



Europe revenue £24.5m

1.	Corporate	63%
2.	Consumer	14%
3.	Public Affairs	14%
4.	Financial	6%
5.	Other	3%



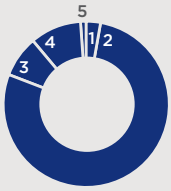
£168.4m
Global revenue

1,570
Employees

63
Principal offices

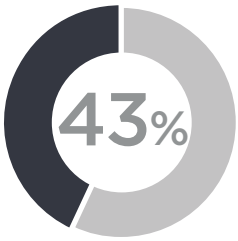
Rest of World revenue £12.4m

1.	Healthcare	3%
2.	Corporate	78%
3.	Consumer	8%
4.	Financial	10%
5.	Other	1%



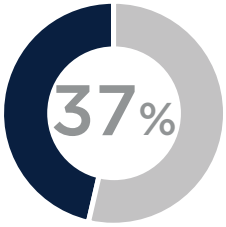
huntsworth health

GROUP REVENUE



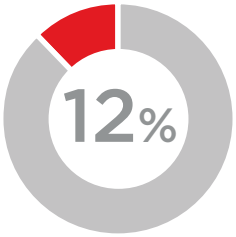
GRAYLING

GROUP REVENUE



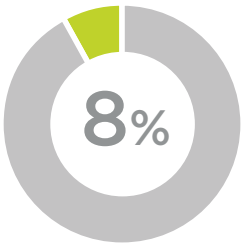
Citigate Dewe Rogerson

GROUP REVENUE



red

GROUP REVENUE



STRONG LEADERSHIP

We have completed a thorough review of all of our businesses during 2015 and have undertaken a number of appropriate actions. The Group ended 2015 in far better operational shape than it began the year.

Derek Mapp Chairman

2015 was my first full year as Chairman of the Board of Huntsworth, a year that saw significant change with new leadership and a full strategic review.

I believe that we now have an Executive team with the balance of skills and qualities to take the Group forward. As noted in my report last year, Paul Taaffe joined the Group in April 2015 to succeed the retiring Lord Chadlington. The appointment of Neil Jones as the Group's CFO, with effect from 1 February 2016, was also announced in 2015. Neil, who joined us from ITE Group plc, brings a wealth of experience, and his financial and commercial expertise will be extremely valuable as we implement our strategy. We have also welcomed Pat Billingham to the Board as a Non-Executive Director.

We have completed a thorough review of all of our businesses during 2015 and have undertaken a number of appropriate actions. The Group ended 2015 in far better operational shape than it began the year. I am delighted that Huntsworth Health has continued its record of delivering strong growth, and is now the largest division in the Group by both revenues and profits. Red has also returned to revenue growth and has good momentum moving into 2016. Citigate has performed strongly in some regions but needs to return to growth in others during the coming year.

"THE EXECUTIVE LEADERSHIP, THE BOARD AND ITS COMMITTEES ARE NOW AT FULL STRENGTH. THE KEY OPERATIONAL OBJECTIVE OF 2016 IS RETURNING THE GROUP TO SUSTAINABLE REVENUE AND PROFIT GROWTH."

We have also implemented a number of cost reduction initiatives, particularly in Grayling, and we are confident that the work we have undertaken has positioned this division to return to growth. Grayling has been successful in securing some large contracts, especially in Africa and the Middle East.

The Executive leadership, the Board and its Committees are now at full strength. The key operational objective of 2016 is returning the Group to sustainable revenue and profit growth.

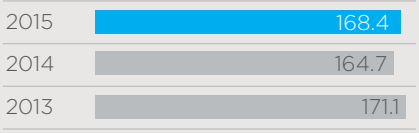
A lot of hard work has gone into establishing a strong base for fulfilling this, and we begin 2016 with cause for optimism.

On behalf of the Board, I would like to thank the management team and staff for their hard work in getting to this stage. I look forward to reporting on our progress in delivering these improvements during 2016.

REVENUE (m)

£168.4m

(2014: £164.7m)



PBT (m) (BEFORE HIGHLIGHTED ITEMS)

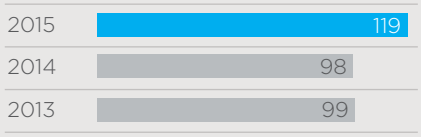
£13.3m

(2014: £16.0m)

CASH CONVERSION (%)

119%

(2014: 98%)



DELIVERING OUR FULL POTENTIAL

Since joining in April 2015, I have completed a strategic review focused on evaluating the specialisations of each of our businesses, assessing their future potential and determining how to best increase their growth rates. As a result, the Group is undergoing a number of significant changes, which will allow its constituent businesses to deliver their full potential.

Paul Taaffe Chief Executive Officer

Achieving our strategic objectives requires having outstanding and talented people at every level of our businesses. During 2015 we have refreshed the senior management teams in a number of our agencies, invested in talent to facilitate growth in the businesses with the most potential, and put in place incentive schemes to better align key talent with Group objectives. Establishing the right talent in each market will drive new business wins and enable us to improve client retention, delivering both organic revenue and profit growth.

Alongside these investments, we have looked to right-size the cost base of each business by redeploying resources, closing offices where necessary and restructuring others to align them to market needs. The second half of 2015 focused on completing this restructuring, which positions each of our businesses for sustainable profit growth in 2016 and beyond. I am pleased to say that, as the Group ended 2015, the majority of this restructuring is now complete.

When we announced our interim results, I looked forward to a second half year in which Huntsworth Health would continue on its double-digit growth trajectory and Grayling would return to stronger profitability after a poor first half year. I am pleased to report that the Group delivered on both of these expectations, although in Grayling's case, these are still early days and we continue to see some volatility in trading.

Group performance overview

Full year results for 2015 have been mixed. Revenue grew by 1.5% on a like-for-like basis, returning Huntsworth to revenue growth for the first time since 2011. Operating margin before central costs and highlighted items was 13.1% (2014: 15.0%). This represents an absolute year-on-year reduction in operating profit before central costs of £2.6 million. Operating loss after highlighted items was £37.8 million (2014: £56.9 million) which includes goodwill impairment charges of £48.8 million (2014: £71.5 million). Full year profit before tax and highlighted items was £13.3 million (2014: £16 million).

Central costs for 2015 of £6.9 million have exceeded the 2014 level by 5.5%, largely due to the dual running of my costs from April with those of my predecessor, Lord Chadlington, who continues to act as Special Adviser until 6 April 2016. I would like to acknowledge Peter's personal contribution to the Group he led over many years. I would also like to thank Brian Porritt, our interim CFO, who successfully led the restructuring process in 2015.

Interest costs for the year were £2.0 million, a reduction of £0.2 million compared to 2014. The Group's effective tax rate has increased to 27% as the continued growth of Huntsworth Health increases the proportion of the Group's profits that arise in the US.

The combination of the above elements results in adjusted diluted earnings per share of 3.0p compared with 3.7p in 2014.

Working capital management and further net debt reduction were priorities for the Group during the year, with net debt at 31 December 2015 reducing to £30.4 million (2014: £35.6 million).

Divisional performance overview

Huntsworth Health

Huntsworth Health is now the Group's largest division by both revenue and profit. It has a strong portfolio of specialist healthcare communications agencies that have continued to deliver double-digit revenue growth whilst maintaining strong operating margins.

Revenue growth accelerated in H2 2015, reaching 13.7% on a like-for-like basis for the full year (H1: 11%; H2: 16.3%). These growth rates are well above industry averages, and represent a very strong result. This growth was led by Evoke Health, our digital consumer agency.

Revenue growth has been driven through expansion of key client relationships, significant new client wins, and a focused approach to solving the myriad of challenges facing our clients as the healthcare world continues its rapid change. Huntsworth Health's top five clients delivered £29.4 million of revenue in 2015, compared to £20.6 million in 2014.

Awards won in 2015 include the 2015 LTEN Provider Innovation Award Winner, Pharma Times: 2015 International Communications Agency Team of the Year Winner, Communiqué Awards 2015 Finalist: Writing Excellence – HCPs (Novo Nordisk), PM Society Awards: 2015 Gold Winner, Craft Award for Primary Care Campaign (AstraZeneca) and IPA Best of Health Awards 2015 Bronze Award: Consumer (patient) Film Campaign (Vertex).

New business momentum is solid entering 2016 and the foundation has been set for continued organic revenue and operating profit growth with sustained operating profit margins in 2016.

Huntsworth Health continues to establish and build new growth platforms with a new full-service digital marketing agency FIRSTHAND opened in Q4 2015 and a digital consulting business Traverse HealthStrategy opening in Q1 2016. Huntsworth Health is also growing revenues in the expansion markets of Asia Pacific and the Middle East, where we have opened new offices in Shanghai and Dubai.

We have also invested in talented teams in our other specialist agencies, with several ending the year under new senior management, and with strong momentum. Huntsworth Health is well placed to continue its strong performance into 2016.

Grayling

Grayling revenues fell 7.4% on a like-for-like basis for the full year, although the rate of decline slowed with each successive quarter. Similarly, operating margin, whilst only 4.2% for the full year, improved with each quarter.

Grayling was the focus of the majority of the restructuring activity in 2015 – in order to halt its decline, right-size its cost base and, importantly, to reinvest in order to take advantage of the most promising growth opportunities.

This programme included the closure of seven offices, with others being fundamentally restructured. The leasehold property portfolio has been rationalised, with consolidations in the major cities completed or in progress by the end of the year.

OUR BUSINESSES

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

GRAYLING

Grayling develops and manages reputations for a diverse range of organisations across multiple sectors including consumer brands, technology, energy, healthcare, financial services, transport & logistics and governments. Grayling's offer is rooted in data-driven insights, trusted close working relationships with clients, breakthrough ideas and rapid activation across multiple channels and screens. The approach leads to tangible results for Grayling clients.

Citigate Dewe Rogerson

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

red

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

Our business model

A new leadership team is now in place following the departure of the CEO and CFO in January 2015, and new senior management has been appointed in a number of significant markets.

Grayling UK underwent significant transition in 2015. The business saw a change in leadership midway through the year and a restructuring of the business in Q4 to create a more focused, leaner structure for growth in 2016. Q4 also saw the merging of Atomic into Grayling UK to strengthen its consumer and technology proposition in the marketplace. Significant wins in the second half of the year included wide-ranging work with HSBC and the prestigious 23rd World Energy Congress in Istanbul, in partnership with Grayling Turkey. Grayling UK also won important strategic projects with TFL and a GP recruitment programme for the NHS. As we move into 2016, Grayling UK is already seeing the positive effects of the restructuring with some high-profile wins.

Grayling US generated organic growth with ZTE, the Chinese mobile phone manufacturer, and added several significant wins including Dechert LLP, Amadeus and integrated marketing work for Edmunds.com and Lowe's, the national retailer. It expanded its affiliate network throughout Latin America and added several key hires from professional services and technology sectors.

Grayling increased its regional strength across Continental Europe, including a number of key leadership appointments and structural transformations which extended the agency's multi-market capabilities. Grayling's multi-country accounts across Continental Europe now represent over 50% of the revenue, with 35 clients spanning at least three markets simultaneously. Major regional wins like Croatian National Tourist Board ('CNTB') are also the result of these changes. Grayling Spain received an additional boost by being named the 'Best Agency of the Year' by PR Noticias, the most high-profile award available in Spain.

2015 was a stellar year for Grayling's Middle East, Turkey and Africa ('META') business, with growth delivered right across the region. Grayling's Africa plan got underway with a new office in Kenya now acting as the hub for business in the East Africa region, and the focus moving forward will widen as the same approach is taken for West Africa through entry into the Nigerian market. At the 2016 African Excellence Awards Grayling won a number of awards, including best newcomer agency of the year, best website, best mobile communication and social app, best travel and tourism campaign, best social media programme as well as being named runner-up in the best launch category.

Moving into 2016, whilst the Qatar business is set to retract, the UAE continues to generate good opportunities and larger mandates are now coming through in Oman. Aside from a broader footprint across the region, the business continues to diversify with the creative services team providing world-class brand development programmes through to digital applications, exhibition support and experiential activations.

For Grayling Asia, 2015 was a year of restructuring and investment; the office in Thailand closed, and two new MDs were appointed. The businesses are now right-sized and positioned for future growth.

Citigate

Citigate's individual businesses have performed very differently in 2015.

Citigate First Financial in the Netherlands achieved 26.6% like-for-like revenue growth and strong operating margins. Citigate's Asian businesses also delivered strong margins on 2.9% revenue growth.

By contrast, Citigate's London businesses suffered a like-for-like revenue decline of 16.9% and a sharp drop in operating margins. As announced at the half year, price competition for mandates remains strong and, in London, the business continues to face a challenging environment, which is reflected in the full year figures. A new investment programme, which began in the second half of the year, continues to progress with the aim of strengthening Citigate's positioning, offering and margins.

Despite operating in a tough environment, Citigate continued to demonstrate its leading position in IPO communications by advising on key UK, European and Asian IPOs in 2015. These included Ibstock, On the Beach, Sanne Group and HSS Hire in the UK; ABN AMRO and Flow Traders in the Netherlands; OSE Pharma and Abivax in France, Nordic Nanovector in Norway and Jumbo Group in Singapore.

Citigate had a stronger second half than first half and the division looks to return to growth in 2016. A number of new and important mandates were secured in the last few months of the year, notably QinetiQ, Charter Court Financial Services, Saudi Electricity Company, Allied Minds, Silverfleet Capital, Collinson, Momentum Pensions, Global Jet Capital, Gama Aviation and Source.

Red

Red Consultancy grew 4.2% in 2015 on the back of strong demand for consumer campaigning as well as growth in corporate and technology services. Operating margins were maintained at Red's long-term level of 20%.

Notable highlights included the launch of McDonald's Signature range of premium burgers; the launch of the latest instalment of the world's most popular video game, Call of Duty Black Ops III, for Activision; and Carling's Brighton or Barbados campaign for Molson Coors. All of these high-profile campaigns saw media relations, social media and events combined to create major impact.

New clients won during 2015 included leading housebuilders Crest Nicholson, Heathrow Airport, SlimFast, Listerine, and Royal Caribbean cruises.

Many industry awards were won for the agency's lauded work for NHS's Blood and Transplant service, as well as for work for McDonald's, Samsung and Allergan.

The agency's outstanding talent development was recognised with its second Media Employer of the Year award.

Growth momentum and organic investment plans give encouragement for continued improvements in 2016.

Group outlook

2015 has been a year in which the underlying cost base has been largely addressed and resources invested to appropriately position each of our businesses for the future.

The full year benefits of the restructuring, along with the introduction of new senior management at a number of our individual agencies and other investment initiatives, leaves the Group well placed to achieve stronger revenue growth and an improved profit performance in 2016.

Paul Taaffe
14 March 2016

INVESTING IN INNOVATIVE BUSINESSES AND INSPIRATIONAL TALENT TO DRIVE BEHAVIOURAL CHANGE

Our brands

huntsworth health

Huntsworth Health invests in innovative healthcare communications businesses and the talent that sets those businesses apart from their competitors. Huntsworth Health's agencies create compelling stories and build emotional experiences to change perception and drive behavioural change. We make health care communications 'human' through a patient-centric lens.

Huntsworth Health's agencies are driven by strategy derived from actionable insights. We are serious about science and medicine and committed to adding real value to our client relationships. Huntsworth Health is a team of passionate communications professionals that believe in making a difference in health and wellbeing by engaging audiences in experiences that precipitate positive behavioural change. Huntsworth Health does this in a seamlessly integrated way across multiple platforms and channels, or is focused on a specific solution for a clearly defined communications objective.

£72.3m
Revenue

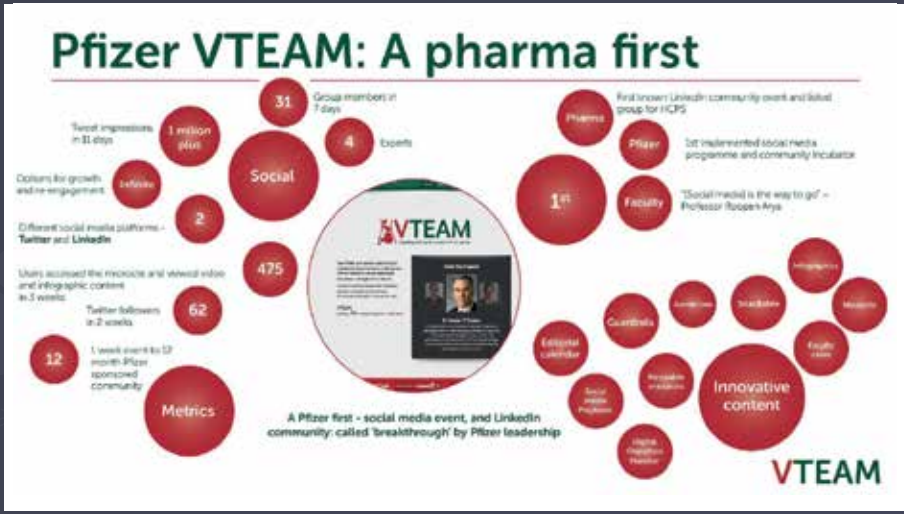
19.1%
Operating margin

43%
Group revenue

CASE STUDY

Pfizer VTEAM: A PHARMA FIRST

Pfizer has worked in the thrombosis field for decades. With limited resources, the goal was to establish a platform for sustained engagement with UK healthcare professionals and facilitate peer-to-peer education and best practice sharing in cancer-associated thrombosis management. We developed a Pfizer-first programme combining social media and an online community for multi-disciplinary healthcare professionals in the UK. The community was launched with a week-long online event including individual case presentations by expert faculty and live commentary culminating in a live panel hour-long discussion on LinkedIn. The combination and successful use of social media in a professional healthcare professional campaign was heralded as innovation and sustainable professional education and communications with event promotion driven by email, Twitter and LinkedIn adverts, LinkedIn inMail and faculty endorsement in their social networks.



HUNTSWORTH HEALTH

INVESTING IN INNOVATIVE BUSINESSES AND INSPIRATIONAL TALENT TO DRIVE BEHAVIOURAL CHANGE

Huntsworth Health's agencies understand how to engage with healthcare professionals, patients, consumers and buyers of healthcare services.

Nitrogen and **Audacity** are full service branding and brand activation agencies that build brand supremacy by creating compelling stories, building emotional experiences and fostering loyalty behaviours to produce enhanced brand value.

ApotheCom is a global medical communications powerhouse that provides scientific communications and publications, medical marketing and education, and market access communications. **ApotheCom** is a proactive broker of collaborative and sustained engagement for the healthcare community to drive meaningful change and positive outcomes. At its core **ApotheCom** brings data agility, scientific storytelling and convergence of technology to produce insight-driven problem solving.

Evoke Health creates influence by creating a compelling story, selecting the right platform and building and shaping a culturally relevant conversation. At the crossroads of creativity and technology, the agency has built on this heritage to innovate, integrate, and inspire, across every platform and channel. With offices in New York, Philadelphia, Chicago and Los Angeles, **Evoke Health** is able to help brands create more meaningful, more engaging, more human relationships with their customers.

FIRSTHAND is a specialised agency with digital at its core. **FIRSTHAND** focuses on optimising interactions between and across health system stakeholders to better enable the flow of information and enhance brand pull-through. Central to their approach is a rigorous reliance on data-driven insights for first-hand knowledge of customer needs and channel effectiveness, to drive smarter decision-making for clients.

Traverse HealthStrategy combines best-in-class strategic theory with real world operational understanding to help clients get the most value from investing in cross-channel technologies and capabilities. **Traverse HealthStrategy** offers clients access to senior strategic professionals across geographies, each with a combination of agency, client-side, and consulting experience. **Traverse HealthStrategy** consultants support clients in three broad areas: marketing channel planning, digital strategy, and organisational design.

Tonic has the art of communication down to a science. **Tonic** listens, absorbs, and interprets in order to craft stories that educate, create and strengthen relationships, stimulate conversations and motivate action. **Tonic** translates science into meaningful narrative that influences healthcare professionals, consumers and internal stakeholders.

Axiom is the leading life sciences training agency providing comprehensive learning solutions which empower medical science liaisons and sales specialists to have effective clinical dialogue with their respective customers. Our comprehensive end-to-end solutions are built on customised instructional design methodologies and powerful digital expertise with customised eLearning and live training events.

CASE STUDY

Amyloidosis is a rare and life-threatening disease. It is often missed or misdiagnosed, resulting in patients going untreated and at risk of sudden death or life-limiting symptoms. We work with Prothena to improve outcomes for patients with amyloidosis by raising awareness of the symptoms, understanding the patient journey, and providing the evidence underpinning improved patient outcomes. Working collaboratively across different healthcare specialties and patient organisations, we provide a joined-up approach to highlighting an unmet medical need and providing new, evidence-based solutions.

CASE STUDY

Evoke Health played a crucial role in the successful launch of JARDIANCE – bringing the brand to life with an insight driven, full-spectrum DTC campaign that drove results:

- That's Life is seen as more likable and more relatable than competitors, helping JARDIANCE eclipse direct competitors – with strong favourable opinion ratings and very healthy interest levels.
- That's Life has been successful at driving awareness and engagement among target segments.
- From time of launch, brand awareness has increased 170% – with website traffic up 163%.

OUR STRATEGY

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

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

Huntsworth acquires, creates and develops specialist agencies that deliver marketing and communication services. The shared objective of all of our Group companies is to deliver high-value solutions to clients through the integration of our creative and technical expertise along with the quality and speed of our implementation. In doing so, we aim to gain further market share. The return for our shareholders, when this is optimised, is higher growth, higher margin businesses.

Strategic priorities	Achievements in 2015
	See also Chairman's Statement on page 4 and Chief Executive's Review on pages 6 to 9.
Recruit and retain the best talent in each marketplace.	Recruited new Group leadership. New senior management in place in several of the Group's agencies.
Winning new business in an increasingly competitive market.	Grayling brand refresh completed. Market-leading revenue growth in Huntsworth Health. Won the largest client mandate in Grayling's history. Red returned to revenue growth. Developments in reporting of new business pipeline, wins and losses.
Delivering outstanding service to every client.	Reinvigoration of teams and leadership. Significant number of industry awards won.
Investing for growth.	Realigned the cost base with the revenue potential of each business. Established a new agency aligned with Evoke Health. New offices established to support growing agencies.
Aligning all businesses to Huntsworth Group objectives and values.	Re-established three-year strategic planning process in all divisions. New annual incentive plans implemented across the Group, with a greater emphasis on variable compensation tied to revenue and operating profit growth. Launch of Group-wide policy management system.

Plans for 2016	Supporting operational metrics	Risks
See also Chairman's Statement on page 4 and Chief Executive's Review on pages 6 to 9.	Our principal Group KPIs are set out on page 5.	Our principal risks are described in more detail on pages 28 to 31.
Proactive sourcing and development of existing talent across the Group. Enhancing performance assessment, upskilling and cross-training. Strengthening and broadening our talent pipeline through diversifying our talent sourcing.	Recruitment of senior talent. Staff turnover rates.	Loss of key talent.
Continual increase in quality of pitch preparation and presentation. Further support of transition from contract process to service delivery.	Number, value and quality of new revenue opportunities. Pipeline conversion. Pitch conversion.	Service offering fails to evolve to meet market needs.
Leadership development, maintenance of client continuity at multiple levels.	Client retention. Client satisfaction.	Loss of key clients.
Organic and acquisitive growth investment. Continued improvements in efficiency to deliver operational excellence.	Return on investments. Net margin.	Investment decisions fail to deliver expected growth.
Equity-based long-term incentives to be issued to divisional and agency leadership.	Revenue growth. Operating profit growth.	Service offering fails to evolve to meet changing market needs.

GRAYLING

CREATING ADVANTAGE

Our brands

GRAYLING

Quiller Consultants

ATOMIC

Hudson Sandler

W/A Whiteboard Advisors

Grayling is a global integrated communications network, covering marketing communications, public relations and public affairs. **Grayling** creates measurable advantage for its clients with smart and inventive solutions that are rapidly scalable and that deliver against organisational needs. **Grayling** helps its clients engage, adapt and evolve in fast-changing landscapes. **Grayling** now has a steady flow of integrated briefs being serviced across the business that take in the full marketing spectrum of strategic communications, media support, digital, social, design, market research and advertising. This is in line with the vision to offer 360 degree communications and act as a holistic marketing solution to clients.

Atomic is a data-driven creative communications agency. Atomic helps clients by analysing data to pinpoint winning strategies. The **Atomic** team surrounds a big idea with relevant and meaningful content to connect brands with their audiences, wherever they are.

Hudson Sandler is a financial public relations specialist with offices in London and Hong Kong. **Hudson Sandler** aims to enhance and protect reputations through thoughtful communications advice and campaigns. Long-term client relationships result from our proven and trusted expertise in delivering added value for financial PR and corporate communications.

Quiller specialises in helping clients build the trust of government, media and public audiences and handles all aspects of strategic communications and reputation management, from brand positioning through to crisis management. **Quiller** brings together senior people from government, politics, journalism and business to create a highly networked and experienced group of strategic advisors.

Whiteboard Advisors is an education and technology strategy and consulting firm based in Washington, DC. Whiteboard helps entrepreneurs, investors, and donors navigate complex challenges to make an impact. **Whiteboard**'s team has an understanding of highly regulated markets, including education and health and wellness, and combines on-the-ground experience with industry knowledge, insights from White House service and leadership in state capitals.

£63.2m
Revenue

4.2%
Operating margin

37%
Group revenue

CASE STUDY

CROATIAN NATIONAL TOURIST BOARD: FULL OF LIFE

An integrated programme across multiple media and markets across EMEA, with a strong focus on digital engagement, user-generated content and experiences, supported by ongoing press office.

2015 saw a number of major activations, including a hugely successful social listening campaign reaching out to people, letting them know that 'Croatia Loves You' and sending them a licitar – a national symbol and token of affection. The audience was also engaged on Facebook with the chance to win trips to Croatia by creating licitars and emailing them to friends using a specially designed online app. With nearly 3,000 licitars created, the competition was a huge success.

'Full of Life' was a giant VIP and consumer activation event on the occasion of Croatia National Tourist Board's brand relaunch. Core to this was a 9x10m artificial island towed down the River Thames providing a unique photo opportunity and the backdrop for two days of Croatian festivities. Attendees were given RFID bracelets connected to their social graphs so that they could instantly share photographs and their creations on a digital graffiti wall. A video of the event was posted to Facebook and received 1.2 million views and was shared 145,000 times.

In the first half of 2015 there were 270,000 additional visitors to Croatia and a 7.6% increase in tourism revenues. Our campaigns generated 2.7 million interactions on social media, a phenomenal 6% of all people reached, and resulted in an 18% increase in search volume of Croatia as a destination.

A RETURN TO REVENUE GROWTH

Full year results for 2015 have been mixed. Whilst operating profit has fallen, revenue grew by 1.5% on a like-for-like basis, returning Huntsworth to revenue growth for the first time since 2011.

Neil Jones Chief Financial Officer

Revenue and clients
Huntsworth plc is a healthcare communications and public relations Group with 63 principal offices across 29 countries. In 2015 the Group worked for circa 1,870 clients.

The Group comprises four divisions: Huntsworth Health, Grayling, Citigate, and Red. At 31 December 2015 the Group employed approximately 1,570 staff with an average annual fee income per head of £107,400.

Geographically, 30.6% of Group revenue in 2015 was from the UK; 14.6% from European countries; 47.5% from the US; and 7.3% from Asia Pacific, the Middle East and Africa.

51% of the Group's revenue is derived from companies in the FTSE 100, Fortune 500, FTSEurofirst 300 or Top 50 Pharma Companies.

Currency
Sterling strengthened during 2015, which resulted in a £0.6 million decline in the Group's operating profit due to changes in average exchange rates as compared to 2014. In addition, there has been a £3.6 million credit to other comprehensive income and expense from the retranslation of the Group's overseas assets.

Cash flow and net debt

The strong cash collections from H1 continued in H2, resulting in overall cash conversion of operating profit into operating cash flows before highlighted items of 119%.

Operating cash flow before highlighted items was £18.2 million. Free cash flow (after interest, tax and capital expenditure) of £9.5 million was generated before dividend payments of £3.8 million and earn-out payments of £0.7 million.

The resulting reduction in net debt at year end to £30.4 million, from £33.5 million at 30 June and from £35.6 million at 31 December 2014, despite the restructuring costs, is a strong result.

Following a £25 million voluntary cancellation in October 2015 of part of the revolving credit facility, the Group now maintains a revolving credit facility of £65 million and a committed overdraft facility of £5 million – both of which mature in 2019. The Group remains comfortably within the terms of its banking facilities.

Dividends

The Board will propose at the forthcoming AGM a final dividend of 1.25 pence, bringing the total 2015 dividend to 1.75 pence, in line with 2014. The record date for this dividend will be 27 May 2016 and it will be payable on 7 July 2016. A scrip dividend alternative will be available.

The dividend payout ratio for 2015 is 60% (2014: 47%).

Highlighted items

Operating highlighted items of £53.1 million include £48.8 million non-cash impairment of goodwill, £0.6 million of impairment of software development costs, £0.8 million for non-cash amortisation of intangible assets, £3.3 million of restructuring costs, and a credit of £0.4 million in respect of acquisition and transaction-related items.

At the Interim Results announced in August 2015, goodwill was impaired by £48.8 million, being £38.0 million in respect of Grayling and £10.8 million in respect of Citigate. The carrying value of goodwill has been reviewed again at the 2015 year-end but no further impairment charges are considered necessary.

Restructuring costs incurred during 2015 were in relation to the Group-wide strategic review. Of the total costs of £3.3 million, the majority related to people (£2.7 million) with the remainder being property and associated costs.

Tax

The total tax credit of £0.4 million comprises an underlying tax expense of £3.6 million together with a credit of £4.0 million on highlighted items. The full-year underlying tax rate is 27.0% (2014: 25.0%). The highlighted tax credit of £4.0 million includes a £3.5 million deferred tax credit relating to the goodwill impairment charge in the period. Net corporation tax paid in the year was £1.3 million (2014: £1.3 million).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £9.7 million (2014: £12.0 million). Losses after highlighted items attributable to ordinary shareholders are £39.4 million (2014: loss of £56.2 million).

Before highlighted items, basic earnings per share for 2015 is 3.0p (2014: 3.8p) and diluted earnings per share is 3.0p (2014: 3.7p). Basic loss per share after highlighted items is 12.3p (2014: loss of 17.6p) and diluted loss per share after highlighted items is 12.3p (2014: loss of 17.6p).

CITIGATE

SPECIALIST FINANCIAL AND CORPORATE COMMUNICATIONS

Our brands

Citigate First Financial

Citigate Dewe Rogerson

Citigate Dewe Rogerson i.MAGE

Citigate is a global financial, investor relations, corporate, consumer and public policy communications consultancy with an integrated network across the UK, Europe, US and Asia. The business addresses all major sectors including financial services, technology, professional services, consumer brands, oil & gas, retail, distribution & logistics, healthcare, public sector, manufacturing and aviation.

Citigate's approach is to help clients achieve their business objectives by providing media relations, investor relations, crisis communications, research, public policy, litigation support, creative consumer campaigns and digital expertise. **Citigate** understands not only how markets operate but how opinion is formed and how it can be influenced. **Citigate** is acknowledged as a specialist in IPOs and M&A advisory, with a long track record spanning the full spectrum of financial, corporate and investor communications. **Citigate** also operates in other rapidly evolving areas such as consumer technology, reputation management and social media.

£20.0m
Revenue

15.3%
Operating margin

12%
Group revenue

CASE STUDY

During the course of 2015, Citigate was appointed to provide Financial PR for UK and European IPOs ranging from £16 million to £2.9 billion in deal value. It worked with the firms on all aspects of IPO communications, from media strategy and company positioning, to the drafting of press releases, market announcements and new corporate websites. Three notable IPOs which Citigate worked on were those of ABN AMRO, Ibstock and Jumbo Group. ABN AMRO Bank was privatised and listed on Euronext on the Amsterdam Stock Exchange in November 2015. Citigate successfully differentiated the business story as a strongly capitalised bank with focused growth and an attractively valued returns story versus its European peer group, contributing to a successful IPO which was oversubscribed and valued at €3.8 billion.

Citigate also worked with Ibstock, a leading manufacturer of clay bricks and concrete products, with operations in the United Kingdom and the United States, which listed on the Main Market of the London Stock Exchange in October 2015. Since listing, its shares have performed positively and it is now a member of the FTSE 250.

Citigate in Singapore worked on Jumbo Group's Catalist Board listing on Singapore's Exchange in November 2015. Jumbo Group is one of Singapore's leading multi-dining concept F&B establishments, which is best known for the country's iconic dish chilli crab. With a market capitalisation of S$160.3 million, the listing raised S$40.8 million in total and attracted prominent institutional investors including a unit of Temasek Holdings, which is a sovereign wealth fund of the Government of Singapore, and strong interest from retail investors. Having nearly doubled its share price to date since its listing, Jumbo was one of the best performing IPOs of the year with a 'winning recipe' for growth and expansion.

RESPONSIBLE BUSINESS

Introduction

The Group recognises the impact of its business operations on a diverse range of stakeholders, including our employees and the wider community.

This report outlines the Group's approach to responsible business practices and details some of the activities that we have undertaken in 2015. We remain dedicated to growing our business and delivering shareholder value while maintaining an uncompromising stance on unethical practices, products or organisations.

Our approach reflects the diverse, independent operations of the Group and each business implements these practices in a way that is appropriate for them.

Our ethics

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

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

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

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

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 2015 women accounted for 38% (29) of executive management, 57% (65) of senior management and 65% (1,028) of total employees. There are currently two female Non-Executive Directors on Huntsworth's Board. The Board understands the benefits of boardroom diversity and its aspiration and expectation is to maintain the proportion of women on the Board to at least the current level, while maintaining flexibility to ensure that all appointments are made on the individual's ability and competency to fulfil the requirements of the role.

Training and development

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

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

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

Communication

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

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

Health and wellbeing

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

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

- flexible working 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.

DIVERSITY

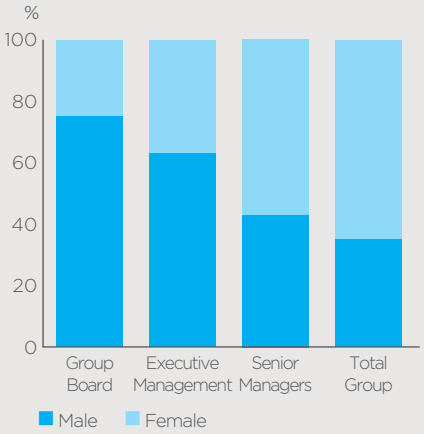
38%

of executive management are women

57%

of senior management are women

2015 GENDER DIVERSITY



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, public transport should be used where possible.

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

Community

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

We support our employees in participating in volunteering and fundraising activities. Our businesses have supported a wide range of charities through the year through organising and participating in events. The Group also makes formal contributions to charities. During 2015, the Group donated over £13,000 to 40 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 2015, 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 2015. The results are presented in the table on page 25.

COMMUNITY

The Group donated over

£13,000

to 40 different charities around the world

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.

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 693 trees and 72 tonnes of CO_2 in 2015.

GHG EMISSIONS

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

	Tonnes of CO_2e 2015	Tonnes of CO_2e 2014
Scope 1	**38**	46
Scope 2	**1,800**	2,108
Total GHG emissions	**1,838**	2,154
Average number of employees	**1,577**	1,603
Emissions per employee	**1.19**	1.39

RED

PROVOKING THOUGHT, PROVOKING ACTION

Our brands

red

SHINYred

Red Consultancy develops and manages campaigns, runs major press offices and steers brands and businesses through engagement with media, consumers, customers, stakeholders and internal audiences within the UK and beyond.

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

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

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

Red Consultancy's clients include: McDonald's, Johnson & Johnson, Emirates, Activision, Samsung, Adobe, Nestlé and Boots.

£12.8m
Revenue

20.3%
Operating margin

8%
Group revenue

CASE STUDY

Red Consultancy ensured the launch of Activision's highly anticipated Call of Duty: Black Ops III, the world's biggest entertainment franchise, hit headlines across mainstream media as well as gaming press in November 2015.

An action-packed event culminating in a two-hour livestream showcasing the new game was created, with Red managing all logistics, on-the-night media opportunities and coordinating over 500 guests including media, celebrities and YouTube influencers.

Content for use across traditional and social media channels was created pre-event to build momentum, along with interviews with celebrity Call of Duty ambassadors. Further social media amplification and media interview opportunities took place during the event. The livestream was hosted on mainstream websites including The Sun and Daily Express and was awarded a Guinness World Record for the 'most watched video game launch broadcast'.

The launch generated hundreds of launch features and reviews across print and broadcast media as well as high engagement across social media channels.

PRINCIPAL RISKS

The Group has undertaken a robust assessment of the principal risks facing the Group during the year. 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, operational and process risks, which includes all operational, IT and financial risks. The likelihood and impact of each risk is determined using a risk scoring system. All risks are documented in the Group's risk register which is reviewed at least six monthly or more frequently as required.

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

HOW WE MANAGE RISK

Risk	Risk and impact	Mitigating factors	Trend
MACRO			
Economic downturn	Any economic downturn may result in fewer new client mandates, longer procurement processes and a squeeze on pricing, or an outright reduction in business. This can impact both revenue growth and operating margins. Weak economic conditions can increase the length of time that clients take to pay for services, which can put pressure on the Group's working capital. There is also an increased risk of bad debts occurring as a result of clients' financial problems. Subdued global financial markets can result in reductions to the level of transactional activity, reducing client mandates.	The Group has a wide spread of clients both across geography and industry sector, reducing reliance on any particular economic environment. Costs are managed in each business such that they can be flexed where needed in a downturn. However, where there are protracted economic difficulties in the Group's key markets, the ability of the Group to minimise the impact is constrained and performance may deteriorate. The Group has formal procedures and processes, including contractual assurance, to mitigate against legal and financial risks associated with both new and existing clients. The Group closely reports and monitors aged debts, and ensures local management have action plans in place to minimise the risk of any loss.	<>
STRATEGIC			
Service offering fails to evolve to meet changing market needs	The communications industry is always changing, driven by client changes, technological change or emergence of competitors. The Group needs to be proactive in identifying and delivering solutions to changing client needs. Failure to evolve can result in loss of market share, client losses and pressures on pricing, which can impact on revenue and margins.	The Group's range of services and international footprint increasingly allows us to offer clients an integrated portfolio of services across geographical locations which are attractive to new clients and help to strengthen existing client relationships. The Group continues to diversify its service offering to provide a full spectrum of healthcare communications and public relations services. Reviews of all new business opportunities won and lost across the Group are performed regularly. Appropriate actions are taken where new business conversion rates are below expectations.	<>
Investment decisions fail to deliver expected growth	The Group's strategy includes investing in new business opportunities, talent, start-ups and the acquisition of businesses which will broaden and enhance existing business operations. There is a risk that investments are based on inaccurate information or assumptions which fail to meet client needs and which may result in the investment being less financially beneficial than anticipated.	All significant investments are supported by a business case, which must be approved by Executive management and the Board, where appropriate. Rigorous due diligence procedures are performed prior to all acquisitions in order to identify and evaluate potential risks to the extent possible. In addition to the receipt of legal warranties and indemnities, the total consideration paid for a business typically includes an element of deferred consideration contingent upon future performance which mitigates the risk of overpaying for a business.	<>
Loss of key clients	Any loss of a key client would result in reduced revenues and profits and potentially an inability to recover amounts due under the contract.	The Group endeavours to build long-term relationships with its clients and to obtain preferred supplier and agency of record status where possible. The Group has a large portfolio of clients and seeks to expand and diversify its client base where possible. 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.	<>

Risk	Risk and impact	Mitigating factors	Trend
STRATEGIC CONTINUED			
Loss of key talent	The Group's talent base is its most important resource. There is strong competition within the industry for experienced healthcare communications and PR professionals. Recruitment and retention of key individuals is important both for maintaining client relationships and ensuring that our services are of the highest quality.	The Group's policy is to recruit both Directors and employees of the highest quality and to remunerate them accordingly. The Group carries out succession planning and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key individuals. Restrictive covenants are included in employee contracts where legally enforceable.	<>
OPERATIONAL			
Information systems access and security	Any information systems failure could negatively impact the Group's business operations, including delays to client work. Unauthorised access to confidential information held by the Group could compromise our client relationships and have a detrimental effect on our reputation. Cyber security risks are perceived to be increasing across the industry at the moment.	Business and IT disaster recovery plans have been implemented to minimise any disruption in the event of an IT failure. External access to data is protected by the Group's IT security, which is reviewed and tested frequently to ensure that the Group's network is as secure as possible. Internal access to data is restricted appropriately.	^
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.	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. Referral processes, including divisional committees, are in place to manage all perceived ethical and conflict issues.	<>
FINANCIAL			
Currency risk	A substantial proportion of the Group operates outside of the UK, with significant operations in the US and Europe. The Group may suffer restrictions on the ability to repatriate cash. Reported Group earnings are impacted by any fluctuation of Sterling relative to other currencies, particularly the US Dollar and the Euro. The proportion of the Group's profits made in the US is increasing which increases the level of risk when exchange rates fluctuate. The UK's referendum on remaining in the European Union in 2016 increases uncertainty over the future value of Sterling.	Most of the Group's revenue is matched by costs arising in the same currency. Foreign exchange exposure is continually monitored, and the Group uses derivative financial instruments to mitigate this risk where deemed necessary. Borrowings are also available to be drawn down in US Dollars and Euros if required to hedge foreign currency exposure. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.	^

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

Going concern

The Group's activities, financial performance, 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 the Strategic 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 2015, the Board assessed the principal risks associated with the business model and strategy, including the likelihood and potential impact of these occurring. These risks formed the basis of the reverse stress testing undertaken to assess the longer-term viability of the Group. This considered severe but plausible scenarios and the effectiveness of any mitigating actions.

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

CORPORATE GOVERNANCE OVERVIEW

LETTER FROM THE CHAIRMAN

After a number of significant changes to the Board in 2015, I am pleased to report that, as we enter 2016, we have a strong Board, equipped to lead the Group through this very important phase in its development.

In April 2015, we welcomed Paul Taaffe as Group CEO. We also announced the appointment of Neil Jones as Group CFO, who joined on 1 February 2016. We are confident this new executive team is well placed to deliver our key operational objectives of returning the Group to sustainable revenue and profit growth.

The new Non-Executive Directors appointed at the beginning of 2015 have established themselves as highly effective stewards of the Group through their work on the Board's Committees as well as on the main Board. Pat Billingham also joined the Board as a Non-Executive Director and a member of both the Audit and Remuneration Committees effective from 1 December 2015, following the resignation of Farah Ramzan Golant CBE. Oscar Zhao stepped down from the Board on 30 June 2015, although BlueFocus remains one of Huntsworth's largest shareholders. We have also been fortunate during 2015 to have had the financial guidance of interim CFO, Brian Porritt.

Throughout the Corporate Governance sections of this Annual Report we have sought to provide insight into the activities of the Board during the year and how the Board operates.

The Board has made significant progress in 2015. The strategic review led by Paul Taaffe revealed a number of key strengths, but also opportunities where our businesses can improve. Our development of the Group's strategy during the year included detailed consideration as to where the risks lie across the Group and how these can best be managed and mitigated. Our risk assessment and reporting framework has been refreshed in the year to better align it with the Group's strategy.

The Board has also reinvigorated the Group's strategic planning, implementing a new three-year plan process and driving a more disciplined approach to budgeting and forecasting.

Establishing a stable Board has enabled me to lead a full Board evaluation process, including a review of the Board's individual members and its Committees. I was pleased to conclude that the Board is operating effectively and has the skills and experience to lead the Group in 2016 and beyond.

Compliance with the 2014 UK Corporate Governance Code
The Board has been able to operate effectively and within the principles of good governance. I am pleased to report that we have complied throughout the year ended 31 December 2015 with all of the provisions of the Corporate Governance Code published by the Financial Reporting Council in 2014 ('the Code' available at www.frc.org.uk) relevant to a smaller company outside of the FTSE 350.

Derek Mapp
Chairman

BOARD OF DIRECTORS

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

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

3 Neil Jones
Chief Financial Officer
Neil was appointed as Huntsworth's CFO in February 2016, having held senior financial positions in the exhibitions industry for over 15 years, the last nine of which were in public companies. Most recently he was CFO of ITE Group plc which specialises 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 of England & Wales, qualifying with Price Waterhouse in 1990.

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

5 Terence M. Graunke
Independent Non-Executive Director
Terence M. Graunke was appointed to the Huntsworth Board as Independent Non-Executive Director on 21 May 2012. Terry has more than 30 years of experience in marketing services including starting, building, operating, and investing in companies and has been the founder and chief executive of both publicly-traded and private companies. He is the co-founder of Lake Capital Management LLC ('Lake Capital'), a private investment management firm. Through its private investment funds, Lake Capital has invested in a variety of service enterprises. In 2014 he was appointed Executive Chairman of Engine Group, a business acquired by Lake Capital. Prior to co-founding Lake Capital, Terry raised institutional capital, built and realised investments in information technology training, interactive development and marketing services.

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

7 Pat Billingham
Independent Non-Executive Director
Pat was appointed to the Huntsworth Board as Independent Non-Executive Director on 1 December 2015, and is a member of the Audit and Remuneration Committees. Following an early career with HM Revenue and Customs, Pat joined Ernst & Young, the multinational professional services firm, and was a partner 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 RenaissanceRe Syndicate Management Limited, the managing agent for a Lloyd's of London insurance syndicate; Aldwyck Housing Group, a registered social landlord where she also chairs their Audit and Remuneration, and Governance committees; and Exemplas Limited, a leading business support, skills and employment solutions provider. Pat is also a member of the Board of Governors and the Audit Committee of the University of East London.

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

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

The Directors shown above represent those in office at 14 March 2016.

CORPORATE GOVERNANCE REPORT

The role of the Board

The Board is responsible for delivering shareholder value over the long term, through the Group's 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 37.

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

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

Key roles and responsibilities

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

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 34.

Chief Executive Officer: Paul Taaffe

Key responsibilities:

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

Senior Independent Director: Tim Ryan

Key responsibilities:

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

Activities of the Board

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

Board meetings attended in 2015	
Derek Mapp	7 of 7
Paul Taaffe[1]	5 of 5
Lord Chadlington[1]	1 of 2
Terence M. Graunke	6 of 7
Andy Boland	6 of 7
Tim Ryan	7 of 7
Nicky Dulieu	7 of 7
Pat Billingham[1]	1 of 1
Farah Ramzan Golant CBE[1]	2 of 4
Oscar Zhao[1]	1 of 3

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

In addition to the sub-committee meetings above there were two ad hoc Board meetings, which approved the 2014 Annual Report and Accounts and the 2015 Interim Report respectively, with delegated authority from the Board. These sub-committees included the Chairman and the Chair of the Audit Committee and the views of the whole Board were taken into consideration.

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

Responsibilities	Activities
Annual budget	Approved the 2015 budget. Approved the 2016 budget.
Strategy	Debated strategy following completion of strategic review and presentations from divisional management teams. Approved the Group's three-year plan.
Performance and operational matters	Monitored performance of the individual business divisions. Presentations on performance from divisional management teams. Reviewed global real estate portfolio and strategy.
Financial statements	Approved the 2014 Annual Report and recommended final dividend. Approved the 2015 Interim Report and recommended interim dividend.
Finance and capital	Approved reduction in the Group's loan facilities to £70 million. Approved the Group's foreign exchange and interest rate hedging strategy. Reviewed the Group's capital structure.
People	Managed CEO transition arrangements. Approved appointments of Neil Jones and Pat Billingham. Reviewed and approved changes to the Grayling senior management team. Reviewed and approved divisional bonus plans.
Acquisitions and disposals	Reviewed potential acquisition and transaction opportunities.
Governance	Reviewed reports from Board Committees.
Risk and internal control	Reviewed and approved the Group's 2015 Viability Statement. Robust assessment of principal risks. Sponsored the launch of a new policy management system. Reviewed reports from Board Committees on risk management. Reviewed the effectiveness of the Group's risk management and internal control systems.
Investor communications	Discussed analyst and investor feedback on strategic and operational review.
Board effectiveness review	Discussion of results of Board, Committee and Director evaluations.

How the Board operates

Board information

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

Independent advice

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

Induction and personal development

The Chairman is responsible for ensuring that induction and training is provided to each Director. The Company Secretary organised the induction process for Paul Taaffe, Neil Jones and Pat Billingham in 2015. Each new Director received an induction pack and undertook a bespoke induction programme that provided them with information on the Group, their responsibilities and obligations. The induction pack included information on Directors' duties, matters reserved for the Board, Company policies and other operational and corporate governance matters, as well as practical information on the Company's Virtual Boardroom and other Board facilities.

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 advisors as appropriate.

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.

Board performance evaluation

During 2015, the Chairman conducted a Board evaluation process, covering the individual members of the Board and its Committees. The evaluation was carried out using structured interviews with each Director. The evaluation results were presented to the Board at its December meeting. 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 34 to 35. These demonstrate a broad range of experience, expertise, and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group.

Independence

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

Terence M. Graunke manages and controls entities on behalf of Lake Capital, a private equity fund, which owns a 7.59% shareholding in the Company. Mr Graunke was appointed to the Huntsworth Board for his wide experience in the marketing services sector to complement the skills of his fellow Directors and not to represent the interests of Lake Capital. The Board has reviewed Mr Graunke's role and has determined that he is independent in character and judgement and brings significant value to the business.

Oscar Zhao was a Non-Executive Director of the Company up to 30 June 2015. During this period, he was also the CEO of BlueFocus Communication Group Co. Ltd which, through its subsidiary BlueFocus International Limited (together 'BlueFocus'), holds 19.4% of the Company's issued share capital. Pursuant to the Subscription Agreement dated 25 April 2013 BlueFocus is entitled to nominate one Non-Executive Director to the Board. Accordingly, the Huntsworth Directors determined that, for the purposes of the Code, Mr Zhao was not considered independent in character and judgement for the period he was a Non-Executive Director. As at the date of this report, BlueFocus has not exercised its right to appoint a Non-Executive Director to replace Oscar Zhao. The right of BlueFocus to appoint or reappoint a Non-Executive Director lapses if it ceases to hold at least 47,250,000 ordinary shares in the capital of the Company.

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

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.

Oscar Zhao was a Non-Executive Director until his resignation on 30 June 2015 and, as noted above, he was also the CEO of BlueFocus Communication Group Co. Ltd. As a result of this conflict of interest, Mr Zhao did not vote on, was not present at any discussion of, nor received any information relating to any matter in respect of which it was considered that he and/or BlueFocus had a direct or indirect conflict of interest.

The potential conflict of interest arising from Terence M. Graunke's continuing position as Executive Chairman of Engine was reconsidered by the Board and the Board agreed to continue to authorise this conflict situation.

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 Group's divisions have some autonomy with regard to the implementation of risk management and internal control systems which meet their particular business risks and requirements. The design and effectiveness of these risk management and internal control systems is subject to central oversight. The Board delegates the monitoring of these internal control and risk management processes to the Audit Committee.

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

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. 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;
- Executive attendance at the Board meetings of each division, which cover any emerging operational, financial, strategic or compliance issues and controls;
- Board review of the principal risks identified at least annually;
- 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 to ensure effective management of appropriate strategic, financial, operational and compliance issues; and
- the Group's internal audit function provides an independent assessment of the systems and controls in place across the Group. Businesses are selected for internal audit on a risk focused basis; the results of internal audit are reported to management and to the Audit Committee.

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

Company ethics and whistleblowing

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

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

During 2015, an external firm continued to provide access to confidential whistleblowing helplines across the Group. The Whistleblowing Policy encourages reporting of any instances of malpractice for investigation and action as required. During the year, no issues of significance were raised.

Investor relations

Relations with shareholders

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

The Company holds presentations and conducts meetings with its institutional shareholders and City analysts throughout the year. The Chairman also meets 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.

During the year the Board has consulted with principal shareholders to obtain their views on the new Remuneration Policy and Share Schemes to be proposed at the 2016 AGM. The consultation also covered the proposed approach for remuneration in 2016 for both the Executive and senior management plus the levels of employee share awards that can be satisfied by issuing new shares.

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

Andy Boland (Chair)

Members at the date of this Report:	Attendance at meetings during 2015
– Andy Boland (Chair)	**4 of 4**
– Nicky Dulieu (appointed 1 January 2015)	**4 of 4**
– Tim Ryan (appointed 1 January 2015)	**4 of 4**
– Pat Billingham (appointed 1 December 2015)	**0 of 0**
Changes in Committee membership	
– Terence M. Graunke (resigned 1 January 2015)	**0 of 0**

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.

The Committee's terms of reference were reviewed and updated during 2015 and are available on the Company's website at www.huntsworth.com.

Members of the Audit Committee are provided with sufficient resources, and have broad business and financial experience which has been gained in a variety of disciplines, which the Board considers provides recent and relevant experience to enable the Committee to carry out its responsibilities. The Directors' biographies on pages 34 to 35 provide further detail.

Committee meetings

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

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

Activities of the Committee

The activities of the Committee are designed to assist the Board in carrying out its responsibilities in respect of financial reporting, risk management and internal control. 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 2015 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 2015 Interim Report and the 2015 Annual Report and Accounts.

The primary issues and areas of judgement considered by the Committee in relation to the 2015 Interim Report and 2015 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. This is challenging for a group of this size, which is exposed to a wide variety of economic factors in a number of different markets.	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, particularly for the CGUs where impairments have been recognised. Individual business forecasts are reviewed and approved by the Board. Further detail is included in Note 11.
Covenant compliance, going concern and viability	
The Group has to demonstrate that it can continue to meet the covenants of its banking facility for a period of at least 12 months from the date of approval of the financial statements in order for the Board to conclude that the Group is a going concern. 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.	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 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, restructuring costs, amortisation charges and the impairment of goodwill and software development costs have been classified as highlighted items, in line with the Group's accounting policies.	Particular consideration was given to the consistency of classification of highlighted items and whether their presentation can be considered fair, balanced and understandable. The Committee addressed this judgement by reviewing with management the definition of highlighted items as per the Group's accounting policy and the items disclosed to satisfy themselves that they are in accordance with this policy. Refer to detailed disclosure in Note 5.

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

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

Risk management and internal control

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

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

- reviewing the Group's risk matrices and challenging the classification and completeness of the risks identified;
- reviewing the Group's risk register;
- conducting an evaluation of the controls which are in force to ensure the integrity of the information reported to shareholders;
- assessing the effectiveness of the Group's risk management systems, including fraud and bribery risk and controls; and
- reviewing the Group's IT and cyber security arrangements.

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

Internal audit

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

The main activities of the Audit Committee during the year were:

- reviewing and approving the scope of internal audit activities for 2015;
- monitoring the effectiveness of internal audit activities, including reviewing the results of all internal audit procedures undertaken during the year; and
- reviewing internal audit resourcing, with a focus on ensuring that the function has the right calibre of resource in place.

External audit

Ernst & Young LLP are the Group's auditors and provide the Committee with relevant reports, reviews, information and advice throughout the year, as set out in their engagement letter.

The remit of the Audit Committee included:

- advising the Board on the reappointment 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.

Evaluation and reappointment of auditors

The Committee is responsible for making a recommendation to the Board, relating to the appointment, reappointment and removal of the external auditors.

One of the key responsibilities of the Audit Committee is to assess the effectiveness of the external audit process. The Committee reviews the reports they receive from Ernst & Young LLP, 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 performed a review of the cost effectiveness, independence, objectivity and expertise of the external auditors and following this review recommended to the Board that Ernst & Young LLP be proposed for reappointment as the external auditors for 2015.

Audit firm tendering

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. A new senior statutory auditor took over the engagement during 2014. Ernst & Young LLP have been the incumbent auditors since 2000. The external audit was last put out to formal tender in 2009.

Auditor's independence and objectivity and non-audit services

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.

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

In 2015, non-audit services were provided for review and covenant compliance services. Details of the non-audit fees paid to the external auditors are set out on page 92. The provision of non-audit services, within the constraints of applicable UK rules, is assessed on a case-by-case basis so that the best-placed advisor is engaged.

Nomination Committee Report

Derek Mapp (Chair)

Members at the date of this Report:	Attendance at meetings during 2015
– Derek Mapp (Chair)	**1 of 1**
– Andy Boland	**0 of 1**
– Tim Ryan (appointed 1 January 2015)	**1 of 1**
Changes in Committee membership	
– Terence M. Graunke (resigned 1 January 2015)	**0 of 0**

Key responsibilities:

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

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

Appointments are made on merit alone, with due consideration of the benefits of diversity in its broadest sense, including gender. The Board currently has 25% female representation (two out of eight). 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.

The Nomination Committee was responsible for identifying and nominating candidates for the approval of the Board. In making its recommendations to the Board, the members of the Nomination Committee considered the balance of skills, knowledge, independence and experience of the Board and the members of the Committees.

The Board engaged Korn Ferry to perform executive search services to support the appointment of Neil Jones. Korn Ferry does not have any conflicting connection with the Company. Neither an external search agency nor open advertising was used for the appointment of Pat Billingham, as she already had a strong reputation with a number of Board members. After meeting with all members of the Nomination Committee, Ms Billingham's appointment was endorsed by the Nomination Committee prior to being recommended to the Board.

Remuneration Committee Report

Nicky Dulieu (Chair)

Members at the date of this Report:	Attendance at meetings in 2015
– Nicky Dulieu (Chair) (appointed 1 January 2015)	**4 of 4**
– Tim Ryan (appointed 1 January 2015)	**4 of 4**
– Pat Billingham (appointed 1 December 2015)	**1 of 1**
Changes in Committee membership	
– Andy Boland (resigned 1 January 2015)	**0 of 0**
– Terence M. Graunke (resigned 1 January 2015)	**0 of 0**
– Farah Ramzan Golant CBE (appointed 1 January 2015, resigned 5 October 2015)	**2 of 2**

Key responsibilities:

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

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

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

REPORT OF THE DIRECTORS ON REMUNERATION

Dear Shareholder,

I am pleased to present the Remuneration Committee's report on Directors' remuneration for the year ended 31 December 2015.

During 2015 the Remuneration Committee initiated a review of the Group's remuneration arrangements. Our aim was to ensure that the structure for paying our Executive Directors and senior management is simple, that it ensures alignment with the objectives of the business going forward and is fit for purpose in the competitive business and talent markets in which Huntsworth operates. As part of the review, we were also mindful of the latest developments in market practice and corporate governance standards and have sought to reflect these in the new structure of executive pay. We consulted our key shareholders on our proposed changes to the remuneration arrangements for Executive Directors and senior management and have taken account of the feedback we received from them in coming to these final proposals.

New Remuneration Policy

Our current Remuneration Policy was approved by a majority of shareholders at the 2014 AGM and does not require re-approval until the 2017 AGM. However, following the recent review of the Group's remuneration structure, we have decided to revise our Policy. Furthermore, our current shareholder approved share schemes will expire at the 2016 AGM and hence we have also reviewed the Group's share plan arrangements. A new Remuneration Policy to apply for the three-year period to 2019 and new Long-Term Incentive Plan (2016 LTIP) and a Deferred Share Bonus Plan ('2016 DSBP') will be put to shareholders for approval at the 2016 AGM. The key changes are as follows:

- Annual bonus deferral – Going forward an element of the annual bonus for Executive Directors will be deferred into shares. For 2016, the Committee intends to require Executive Directors to defer half of any bonus payment in excess of 1x salary into shares for a period of two years.
- Long-term incentives – The current Huntsworth Executive Share Option Scheme ('ESOS') and Performance Share Plan ('PSP') will expire at the 2016 AGM. It is proposed that these schemes be replaced by a single long-term incentive plan, the 2016 LTIP scheme. Under this new scheme annual awards of up to 200% of salary may be made although it is the intention that the usual award maximum will be 100% of salary, with 200% awards being in exceptional circumstances at the discretion of the Committee. It should be noted that the maximum potential award levels under the ESOS and PSP is 300% (100% under ESOS and 200% under PSP).
- Malus and clawback – All incentive awards from 2016 onwards granted to Executive Directors under the annual bonus, 2016 DSBP and 2016 LTIP will be subject to both malus and clawback arrangements, in line with the 2014 UK Corporate Governance Code.
- Shareholding guidelines – Executive Directors will still be required to hold Huntsworth shares worth 100% of their salary. However, half of their vested share awards after tax must now be held in shares until this target is reached. Non-Executive Directors will not be required to hold Huntsworth shares, but will be encouraged to do so.

We have designed the new remuneration structure to incentivise the Executive Directors to deliver long-term value for shareholders. The Remuneration Committee is of the view that these proposals demonstrate Huntsworth's ongoing commitment to strengthening the alignment between executive and shareholder interests, ensuring that the remuneration arrangements are appropriate for a Group of our size and complexity and that we adopt the highest standards of corporate governance.

Senior management

During 2015, the remit of the Remuneration Committee was further extended to certain other senior executives in the Group. The Committee reviewed the divisional bonus plans for 2015 and 2016 and the incentive packages for individual senior executives. The Committee's aim is to achieve an appropriate balance between fixed and variable remuneration for senior management and to ensure that we can use equity awards as a mechanism to retain and attract new talent and to align senior management's interests with those of the shareholders. Accordingly, the Committee has decided to increase the number of below-board senior management participants in the LTIP this year. It is proposed that the senior management awards will be made under the 2016 LTIP scheme, subject to shareholder approval in 2016.

Remuneration advisors

During 2015, the Committee reviewed and retendered the appointment of its independent external advisors. After a thorough process, Deloitte LLP were appointed to advise the Committee.

2015 and 2016 performance targets

The Committee reviewed the performance targets for Paul Taaffe for 2015, which were all financial targets, and confirmed that none of the targets have been met and accordingly that no bonus will be payable. The Committee has also agreed the Annual bonus and LTIP targets for Paul Taaffe and Neil Jones for 2016.

The remainder of this Report of the Directors on Remuneration is split into two parts:

- The Annual Report on Remuneration sets out payments and awards made to the Directors and details the link between the Company's performance and remuneration for the 2015 financial year. The Annual Report on Remuneration together with this letter is subject to an advisory shareholder vote at the 2016 AGM.
- The Directors' Remuneration Policy section details the Company's new proposed remuneration policy for Directors, which will be put for approval at the 2016 AGM.

We are also putting forward resolutions to approve the 2016 LTIP and 2016 DSBP. I hope that you are able to support these four resolutions at our AGM.

Nicky Dulieu
Chair, Remuneration Committee
14 March 2016

In this section of the report, we provide details of the payments made to the Directors during the 2015 financial year.

Single total figure of remuneration – Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in relation to the 2015 financial year, together with comparative figures for 2014. Details of Non-Executive Directors' fees are set out on page 47.

	Paul Taaffe[1]		Lord Chadlington[2]	
£'000	**2015**	2014	**2015**	2014
Salary	**440**	–	**180**	668
Benefits[3]	**12**	–	**13**	56
Annual bonus	**–**	–	**–**	–
LTIP awards	**–**	–	**–**	–
Pension	**–**	–	**–**	–
Total	**452**	–	**193**	724

1. From 7 April 2015.
2. To 7 April 2015.
3. Lord Chadlington received car-related benefits (£8,000; 2014: £43,000), life assurance (£1,500; 2014: £5,000) and other benefits including private medical insurance. Paul Taaffe received private medical insurance and life assurance.

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

Annual bonus (audited)

The Annual bonus targets for 2015 were purely financial targets, which were not met. Accordingly, no bonus was payable to Paul Taaffe. The tables below summarise the targets set:

	Weighting	Threshold target	Actual	Bonus payable
Revenue	1/3	£173.6 million	£168.4m	£nil
Profit before tax and highlighted items	2/3	£16.4 million	£13.3m	£nil

The bonus payable would have been adjusted depending on the % targets met:

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

Payment of any bonus is contingent on the threshold level of PBT being achieved.

As set out in the 2014 remuneration report, the terms of the Settlement Agreement reached with Lord Chadlington stipulated that no bonus was payable for 2015.

LTIP awards (audited)

No LTIP awards vested or were due to vest in 2015.

Pension entitlements and cash allowances (audited)

Neither Paul Taaffe nor Lord Chadlington received an annual pension contribution or allowance.

Long-term incentives awarded in 2015 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2015 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	PSP (PSU)	2015 awards (200% salary)	£1,200,000	100%	10 May 2018
Paul Taaffe	ESOS (market priced option)[1]	Replacement awards	£842,800	100%	20 April 2018

1. The exercise price is the market value at the date of grant plus 5%.

Single total figure of remuneration – Executive Directors (audited) continued

Performance conditions for 2015 awards (audited)

Performance Share Plan ('PSP')

67% based on EPS for the year ending 31 December 2017 as follows:

Less than 4.7 pence	0% vest
Equals 4.7 pence	50% vest
More than 4.7 pence but less than 5.2 pence	Straight-line vesting between 50% and 100%
Greater than or equal to 5.2 pence	100% vest

33% is subject to a TSR target over the period commencing on 11 May 2015 and ending on 10 May 2018 as follows:

Below median	0% vest
Median to upper quartile	50% vest
Upper quartile	100% vest

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

The Huntsworth Executive Share Option Scheme ('ESOS')

If adjusted diluted EPS for the year ending 31 December 2017 is greater than 3.7p, 100% of the options will vest.

Payments to past Directors (audited)

No payments to past Directors were made during the year.

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

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director who served during 2015.

£'000	**2015**	2014
Derek Mapp[1]	**150**	13
Terence M. Graunke	**30**	37
Andy Boland[1]	**40**	16
Tim Ryan	**40**	–
Nicky Dulieu	**40**	–
Farah Ramzan Golant CBE	**27**	–
Pat Billingham	**3**	–
Oscar Zhao	**-**	–
Richard Sharp	**-**	60
Lord Myners	**-**	40
John Farrell	**-**	23
Joe MacHale	**-**	19

1. These Non-Executive Directors were appointed during 2014 and therefore their remuneration for 2014 reflects only a portion of the year.

Statement of Directors' shareholdings (audited)

The Group's current policy states that all Directors at Huntsworth are expected to hold shares (including vested share awards) equivalent in value to a minimum of one times their salary/fees within a maximum five-year period (three years for Non-Executive Directors) from the date of their appointment. A revised policy will be implemented in 2016, subject to shareholder approval at the 2016 AGM.

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 2015, or date of leaving the Board, are set out in the table below:

					Vested options[4]			Unvested options
	Shareholding requirement (% of salary/ fees)	Target number of shares to hold[3]	Shareholding guidelines met?	Interests in shares	Market priced options	Nil cost options	Total interests in shares	Options with performance conditions[2]
Executive Director								
Paul Taaffe	100%	1,518,987	Yes	–	–	–	–	5,057,324
Lord Chadlington[1]	100%	1,691,139	Yes	3,614,832	221,519	2,528,966	6,365,317	1,650,000
Non-Executive Director								
Derek Mapp	100%	379,747	Yes	134,245	–	–	134,245	–
Andy Boland	100%	101,266	Yes	89,496	–	–	89,496	–
Terence M. Graunke	100%	75,949	Yes	24,234,963	–	–	24,234,963	–
Tim Ryan	100%	101,266	Yes	–	–	–	–	–
Nicky Dulieu	100%	101,266	Yes	–	–	–	–	–
Farah Ramzan Golant[1]	100%	101,266	Yes	–	–	–	–	–
Pat Billingham	100%	88,608	Yes	–	–	–	–	–
Oscar Zhao[1]	100%	–	Yes	63,214,625	–	–	63,214,625	–

1. Interests disclosed as at date of leaving the Board.
2. Paul Taaffe has 2,000,000 market priced options and 3,057,324 performance share units. All of Lord Chadlington's invested options are nil cost options.
3. The share price of 39.5 pence (as at 31 December 2015) has been taken for the purpose of calculating the current shareholding as a percentage of salary/fees. Unvested share options do not count towards satisfaction of the shareholding guidelines. Vested share options and shares awarded under the deferred share bonus plan count towards the shareholding requirement.
4. Vested but unexercised options count towards the shareholding requirement based on the intrinsic gain in the option as at 31 December 2015. For vested market-priced options, the number of shares which count towards the shareholding guideline is calculated as the number of shares that could be purchased based on the intrinsic value of such options, 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 options.

No options were exercised by Directors in the 2015 financial year.

The Committee reviewed the relevant holdings as at 31 December 2015 and noted that the guidelines were satisfied by all Directors as at this date, taking account of Directors' beneficial ownership of shares in the Company and the date of their appointment as Directors.

The holding disclosed in respect of Terence M. Graunke consists of the ordinary shares that he manages and controls on behalf of Lake Capital Partners LP. The holding disclosed in respect of Oscar Zhao includes the ordinary shares held by BlueFocus International Limited which is a connected person in relation to him.

There were no changes in the shareholdings of Directors in office as at 31 December 2015 between the year-end and the date of this report.

Directors' interests in share options

The interests in share options of the Executive Directors as at 31 December 2015 (or at date of leaving office, if earlier) are as set out below.

Scheme	At 7 April 2015	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2015**	Share price at date of award (pence)	Exercise price (pence)	Option exercise period
Paul Taaffe								
Performance Share Plan	–	3,057,324	–	–	**3,057,324**	39.25	nil	May 2018 – May 2025
2006 Executive Share Option Scheme	–	2,000,000	–	–	**2,000,000**	40.13	42.14	April 2018 – April 2025
Total Paul Taaffe	**–**	**5,057,324**	**–**	**–**	**5,057,324**			

Scheme	At 1 January 2015	Granted during year	Exercised during year	Lapsed during year	**At 7 April 2015**	Share price at date of award (pence)	Exercise price (pence)	Option exercise period
Lord Chadlington								
Performance Share Plan	570,000	–	–	–	**570,000**	111.25	nil	Jan 2010 – Jan 2017
Performance Share Plan	1,650,000	–	–	–	**1,650,000**	61	nil	Apr 2016 – Apr 2017
2006 Executive Share Option Scheme	1,016,166	–	–	–	**1,016,166**		108.25	Jan 2010 – Jan 2017
2006 Executive Share Option Scheme	1,250,000	–	–	–	**1,250,000**		32.50	Jan 2012 – Apr 2017
Deferred Share Bonus Plan	936,564	–	–	–	**936,564**	45/71.25	nil	Mar 2011 – Apr 2017
Deferred Share Bonus Plan	1,022,402	–	–	–	**1,022,402**	45/49.25	nil	Mar 2012 – Apr 2017
Total Lord Chadlington	**6,445,132**	**–**	**–**	**–**	**6,445,132**			

Performance conditions

Performance conditions for all awards made to Paul Taaffe are disclosed on page 47.

Performance conditions for the 2013 PSP award made to Lord Chadlington are:

One-third based on EPS for the year ending 31 December 2015 as follows:

EPS less than 6.87p	No vesting
EPS equals 6.87p	25% vesting
EPS more than 6.87p but less than 8.11p	Straight-line vesting between 25% and 100%
EPS equals 8.11p or more	100% vesting

One-third based on Company revenue for the year ending 31 December 2015 as follows:

Revenue less than £181.2m	No vesting
Revenue equals £181.2m	25% vesting
Revenue more than £181.2m but less than £200.3m	Straight-line vesting between 25% and 100%
Revenue equals £200.3m or more	100% vesting

One-third is subject to TSR performance relative to a selected comparator group over the period commencing on 26 April 2013 and ending on 25 April 2016 as follows:

Median TSR	25% vesting
Between median and upper quartile TSR	Straight-line vesting between 25% and 100%
Upper quartile TSR	100% vesting

Directors' interests in share options continued

The TSR comparator group for this award comprised 4imprint Group plc, Bloomsbury Publishing plc, Centaur Media plc, Chime Communications plc, Euromoney Institutional Investor plc, Informa plc, ITE Group plc, Johnston Press plc, Mecom Group plc, Moneysupermarket.com Group plc, Perform Group plc, Rightmove plc, Tarsus Group plc, Trinity Mirror plc, UBM plc, UTV Media plc and Wilmington Group plc being the companies within the FTSE 250 and Small Cap Media sector (excluding the Company) at the date of grant of the award.

EPS for the year ended 31 December 2015 is 3.0p and revenue is £168.4 million; accordingly, these portions of the 2013 PSP award will lapse. The TSR portion will be assessed on 25 April 2016.

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 2015 was 39.5 pence and the range during 2015 was 35 pence to 49.25 pence.

Total CEO remuneration

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

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

The CEO single figure of remuneration for 2015 is a combination of the remuneration paid to Lord Chadlington until 7 April 2015 and to Paul Taaffe subsequently.

Comparison of overall performance and pay continued

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 2014 to 2015 compared with the average percentage change for Group employees.

£'000	2015	2014	Change %
CEO			
Salary	**600**	668	-10.2%
Benefits	**16**	56	-71.4%
Bonus	**–**	–	–
Total	**616**	724	-15.5%
Average Group employee			
Salary	**54**	53	2.5%
Benefits	**4**	3	38%
Bonus	**3**	1	142%
Total	**61**	57	7.3%

For simplicity, the CEO % change is based on an annualised remuneration package for Paul Taaffe compared to the 2014 package for Lord Chadlington.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in 2015 and 2014 compared with other disbursements from profit.

£'000	2015	2014	Change %
Profit distributed by way of dividend	**3,984**	11,056	(64.0)%
Overall spend on pay (including Directors)	**101,930**	99,676	2.3%

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

Implementation of remuneration policy in 2016

Executive Directors

Neil Jones

Neil Jones joined the Group as CFO on 1 February 2016. His remuneration package is in line with the policy approved by shareholders at the 2014 AGM. Details of his remuneration package are set out below:

Base salary	£350,000 per annum
Annual bonus	The bonus shall be set so that maximum achievement of the targets shall result in a bonus of 150% of salary and the corporate performance targets will be similar to those which apply for the Chief Executive Officer.
Long-term incentive plans	An award under the Company's PSP over Company shares with a market value at the date of grant equal to £350,000. The award will vest three years after the date of grant subject to the extent to which the relevant performance targets are met.
Forfeited awards	By way of compensation for the loss of awards from the Executive's previous employment, an option under the Company's ESOS over shares with a market value at the date of grant of £220,000 with an exercise price for these purposes being calculated as the market value of a share on the date of grant plus 5%. The option will become exercisable three years after the date of grant subject to the terms of the ESOS.
Benefits	Private health insurance scheme, life assurance.
Pension	None
Contractual term	Either party may terminate the contract with not less than 12 months' notice in writing.

Implementation of remuneration policy in 2016 continued

Salary

The annualised salaries for 2016 and 2015 are set out below:

Executive Director	2016 £000	2015 £000	Change
Paul Taaffe	**600**	600	0%
Neil Jones	**350**	N/A	N/A

Annual bonus performance targets

The 2016 annual bonus for Paul Taaffe and Neil Jones will be predominantly based on achieving specific PBT and revenue targets. Details of the bonus potentials are set out below:

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

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

Subject to shareholder approval of the new remuneration policy, both awards will be subject to malus and clawback provisions and will be subject to compulsory deferral of half of any bonus payment in excess of 100% of salary under the 2016 DSBP.

Long-term incentive plan targets

Awards will be made to Paul Taaffe under the new policy and 2016 LTIP and 2016 DSBP, subject to their approval by shareholders at the 2016 AGM.

Awards will be made to Neil Jones in accordance with his Service Agreement as disclosed on page 51.

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

Non-Executive Directors

The following table sets out the annual fees for the Non-Executive Directors for 2016:

£'000	2016
Derek Mapp	**150**
Andy Boland	**40**
Terence M. Graunke	**30**
Nicky Dulieu	**40**
Tim Ryan	**40**
Pat Billingham	**35**

A summary of the fees paid to Independent Non-Executive Directors is set out in the below table. In addition to the base fee of £30,000, one additional fee is paid for Committee representation, either as chair or as member, regardless of whether they have roles on multiple Committees. The only exception to this is that the Company Chairman and Senior Independent Director receive no additional fee for Committee representation.

£'000	Fee
Independent NED base fee	30
Audit Committee Chairman	10
Remuneration Committee Chairman	10
Nomination Committee Chairman	5
Committee membership	5
Senior Independent Director	10

Advisors to the Remuneration Committee

During 2014, the Committee engaged the services of Slaughter & May and Deloitte LLP as independent Remuneration Committee advisors.

Slaughter & May were engaged to provide advice on the proposed new remuneration policy and share schemes, and advice on executive remuneration. Fees payable to Slaughter & May for these services totalled £11,000.

Deloitte LLP were appointed as advisors to the Remuneration Committee in 2015 following a competitive tendering process and provided advice to the Committee on executive and long-term incentive remuneration, including the proposed new remuneration policy and share schemes. 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 2015 were £46,250. Deloitte is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Group's Code of Conduct when providing advice on executive remuneration in the UK.

Shareholder context

At the June 2015 AGM, the following votes were cast in respect of the 2014 Directors' Remuneration Report

	Annual report on remuneration	
	Number of votes	%
For	251,950,758	97.37
Against	6,814,534	2.63
Withheld	27,712	0.0

Introduction

In this section of the Report of the Directors on Remuneration we provide details of the Company's new Remuneration Policy for Directors that will govern the Company's future remuneration payments. This new policy is being introduced in order to implement the changes described in the Chair of the Committee's statement above.

Subject to approval by shareholders, the policy is intended to apply for three years and will be applicable from the date of the 2016 AGM. This part of the Report of the Directors on Remuneration will be displayed on the Company's website immediately after the 2016 AGM.

The Remuneration Committee has established the policy on the remuneration of the Executive Directors and the Chairman, whereas the Board has established the policy on the remuneration of the Non-Executive Directors.

The policy is designed around the following key principles:

- providing a strong link between reward and the performance of both the individual and the Company in order to align the interests of Executive Directors with those of shareholders;
- maintaining a competitive package against comparable businesses, both in terms of size and sector, with reference to the breadth of the role and experience the role holder brings to the Company;
- encouraging a personal stake in the business and a long-term focus on sustained growth through long-term shareholding;
- providing a balanced remuneration package;
- ensuring compliance with the latest standards of best practice through application of malus and clawback provisions to all elements of variable pay; and
- taking into account the associated risks of each aspect of remuneration.

Remuneration structure (Policy table)

Policy for Executive Directors

The table below sets out the key elements of the Company's remuneration policy for the Executive Directors:

Base salary	
Objective and link to strategy	To provide a market-competitive base salary which recognises individual contribution, changes in responsibilities and attracts and retains talent in the labour market in which the Executive Director is employed.
Operation	Base salary is normally set annually with any changes effective from 1 January. When determining the salary of the Executive Directors the Committee takes into consideration: • the level of base salary for similar positions with comparable status, responsibility and skills, in comparable organisations of broadly similar size and complexity; • the individual Executive Director's experience and responsibilities; • pay and conditions throughout the Group; and • existing contractual arrangements.
Opportunity	While the Committee has not set a monetary maximum on salary, any base salary increases will have due regard to those applied to the wider employee population of the Group. The 2016 annual salaries for the Executive Directors are set out in the Statement of Implementation of Remuneration Policy on page 52.
Performance conditions and assessment	N/A

Remuneration structure (Policy table) continued

Annual bonus	
Objective and link to strategy	Aligns reward to strategy by ensuring the annual performance targets which are set for the financial year are aligned with the Company's KPIs. As such, the annual bonus targets are primarily based on key objectives relating to the Group's financial operational performance.
Operation	The annual bonus is reviewed annually at the start of the financial year to ensure bonus opportunity, performance measures and weightings support the Company's strategy. The performance period for the annual bonus targets is normally linked to the Company's financial year. The Committee has discretion to defer annual bonus payments into share awards under The Huntsworth 2016 Deferred Share Bonus Plan ('2016 DSBP'). The Committee's intention for 2016 is for bonus awards to be paid in cash for any payment up to 100% of salary but for half of any bonus payment exceeding 100% of salary to be deferred. Where any element of the annual bonus is deferred, it will be deferred into a conditional award of, or nil cost options over, Huntsworth shares for a period of normally not less than two years. These shares will not be subject to any further performance conditions but are conditional on the individual's continued employment with the Group, will remain subject to malus and clawback provisions, and will normally vest at the end of the deferral period. For further details on malus and clawback provisions, please refer to the section on malus and clawback on page 59.
Opportunity	Maximum bonus potential level: 150% of salary. Threshold bonus potential: 0% of salary. On-target bonus potential: 75% of salary.
Performance conditions and assessment	Each year the Committee determines the bonus measures and weightings. Measures will predominantly be based on financial performance but up to 20% may be based on individual or other strategic objectives. The precise nature and weighting of measures will depend on the strategic focus of the Company in any given year. Further details on the measures for 2016 are set out in the Statement of Implementation of Remuneration Policy on page 52.

Remuneration structure (Policy table) continued

The Huntsworth 2016 Long-Term Incentive Plan ('2016 LTIP')	
Objective and link to strategy	Rewards and retains executives, aligning them with shareholder interests over a longer time frame. Ensures an alignment between the operation of the Company's remuneration policy and the Company's objectives of achieving strong longer-term performance.
Operation	The 2016 LTIP is being submitted for approval by shareholders at the 2016 Annual General Meeting. Participants will be eligible to receive a conditional allocation of shares or nil cost options subject to performance conditions set by the Committee. The Committee reviews the quantum of awards annually. Awards normally vest following the end of the performance period, although may vest early on leaving employment or on a change of control (see page 67). The Committee may choose to impose an additional holding period after the end of the relevant performance period. If they choose to do so for any given award, the terms of the holding period will be detailed at the time of the relevant award. Awards under the 2016 LTIP will be subject to malus and clawback provisions. For further details, please refer to the section on malus and clawback on page 59.
Opportunity	Maximum awards under the 2016 LTIP in respect of any one year of 200% of salary. Normal awards will be 100% of salary in respect of any one year. Awards of 200% will be made in exceptional circumstances only, at the discretion of the Committee. Threshold vesting level: 25% of salary.
Performance conditions and assessment	Performance will be measured over at least a three-year period. Performance for awards will typically be based on share price based measures (such as TSR) and financial measures (such as EPS). Further details on the measures for the coming financial year are set out in the Statement of Implementation of Remuneration Policy on page 52.

Pension	
Objective and link to strategy	To provide a competitive retirement benefit and ensure that Executive Directors' total remuneration remains competitive.
Operation	Executive Directors may receive a contribution to their personal pension plan or receive a cash equivalent. Any cash equivalent would not be treated as salary for the purposes of determining bonus or incentive awards.
Opportunity	The maximum opportunity under this policy is to make annual pension contributions of up to 20% of salary for Executive Directors.
Performance conditions and assessment	N/A

Remuneration structure (Policy table) continued

Other benefits	
Objective and link to strategy	To provide competitive employment benefits and support individuals carry out their roles.
Operation	The level of benefits provided is reviewed regularly to ensure they remain market competitive. Benefits may include: • car or car-related allowance or benefits; • private health insurance for the Executive Director and his family; • life insurance; • permanent health insurance; and • assistance with administrative burden of tax compliance arising from the directorship. Additional benefits may be provided in line with local market practice. The Committee retains the discretion to provide further minor benefits or amendment to existing benefits where it is disproportionate to seek specific shareholder approval for these. Where an Executive Director has to be relocated, the Company may provide compensation to reflect this cost of relocation in line with the policy as set out for new recruits on pages 63 to 64. The level of relocation benefit will be assessed on a case-by-case basis. For further detail see pages 63 to 64.
Opportunity	Although no changes are expected to the current benefits provided to the Executive Directors as disclosed above, benefit values will vary year-on-year depending on the cost of insurance or method of providing the benefits. Accordingly, no maximum monetary value of benefits has been set.
Performance conditions and assessment	N/A

Payments from existing awards

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 29 June 2014 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Legacy arrangements

The table below sets out the key elements of the Company's legacy incentive schemes for the Executive Directors where awards under them are still outstanding. No further awards will be made under these plans after they expire on 3 July 2016.

2006 Executive Share Option Scheme ('ESOS')	
Objective and link to strategy	Designed to reward and retain executives, aligning them with shareholder interests over a longer time frame. This plan was not normally used for Executive Directors and was in practice used primarily for recruitment awards, where appropriate.
Operation	The ESOS was approved by shareholders at the 2006 Annual General Meeting. The ESOS allowed for the grant of market-priced or premium-priced options to participants, which normally became exercisable three years after grant, subject to the achievement of performance conditions, until the tenth anniversary of grant. There was no operation of clawback (of unexercised or exercised awards) in respect of these awards. However, the ESOS award to be made to Neil Jones on joining the Group will be made subject to the malus and clawback provisions described on page 59.
Opportunity	Maximum award opportunity of 100% of salary in respect of any financial year (200% of salary when the Committee determines exceptional circumstances exist). No more than 25% of the shares under option vest for threshold performance.
Performance conditions and assessment	Service and performance measures must normally be met over a three-year performance period.

2006 Performance Share Plan ('PSP')	
Objective and link to strategy	Designed to reward and retain executives, aligning them with shareholder interests over a longer time frame. Ensured an alignment between the operation of the Company's remuneration policy and the Company's objectives of achieving sustained EPS growth and superior shareholder returns.
Operation	The PSP was approved by shareholders at the 2006 Annual General Meeting. Participants were eligible to receive a conditional allocation of shares or nil cost options which normally vested three years after grant. There was no operation of clawback (of unexercised or exercised awards) in respect of these awards. However, the PSP award to be made to Neil Jones on joining the Group will be subject to the malus and clawback provisions described on page 59.
Opportunity	Maximum PSP award in respect of any one year (excluding any awards made under another plan) of 200% of salary. Threshold PSP vesting level: 25% of salary.
Performance conditions and assessment	Service and performance measures must normally be met over a three-year performance period. Performance measures for awards comprised two or three of the following: • Revenue • EPS • TSR Further details on the measures for outstanding awards are set out in the Statement of Implementation of Remuneration Policy.

Notes to the Future Policy table for Executive Directors

Dividend equivalents

Awards under the 2016 LTIP and 2016 DSBP may incorporate the right to receive (in cash or shares) the value of dividends which would have been paid on the shares that vest between the date of grant and the date of vesting (or in the case of awards under the 2016 LTIP that are subject to a holding period, the date of release). When calculating the relevant dividend amounts, the Committee may assume that the dividends were reinvested in the Company's shares on a cumulative basis.

Award adjustment

Awards granted under the Company's share plans may, at the discretion of the Committee, be settled in cash. They may also be adjusted in any manner considered appropriate by the Committee in the event of a variation of the Company's share capital or such other circumstances as the Committee considers appropriate.

Performance conditions applicable to 2016 LTIP, PSP and ESOS awards may be amended if an event or series of events occurs as a result of which the Committee considers it fair and reasonable to make the change to take account of legal changes or to get or keep favourable tax, exchange control or regulatory treatment for the award, provided that the amended conditions are not materially easier than the original conditions.

Malus and clawback

In respect of future awards granted under the annual bonus, 2016 DSBP and 2016 LTIP, in accordance with the 2014 UK Corporate Governance Code and in line with best practice the Committee will apply certain recovery provisions to reduce the risk of payment for failure.

Malus and clawback provisions will exist whereby in the event of gross misconduct by the participant, a material misstatement of the Company's published accounts between grant and release (in the case of awards under the 2016 LTIP) or in respect of the bonus year (for annual bonus and awards under the 2016 DSBP), or a material breach of a law or regulation which resulted in significant reputational damage or harm to the Company during the same period, the Committee may:

- in respect of a bonus, or an award under the 2016 DSBP or 2016 LTIP which has yet to be paid or to vest or to be exercised, in its absolute discretion, reduce or cancel the award;
- in respect of a bonus or an award under the 2016 DSBP or 2016 LTIP which has been paid or has vested, in its absolute discretion, claw back the award (either in part or in full). This provision may be invoked for up to two years following payment of a bonus, two years following the original vesting date of a deferred bonus, or two years following the original release date of an LTIP award.

In the event that the Committee decides that a clawback circumstance has arisen, the Committee may decide that, in its absolute discretion, rather than trying to claw back a paid bonus or vested share award, the Committee could instead make a reduction of an equivalent amount to (i) any unvested share awards the individual may have under any share scheme operated by Huntsworth; and/or (ii) any future bonus payment which would otherwise be payable; and/or (iii) any salary payments or other remuneration which are due or would otherwise have been payable.

Minor amendments and waiver

An Executive Director may at any time waive any element of remuneration. Minor and administrative amendments may be made to the policy where, in the opinion of the Committee, it would be disproportionate to seek prior shareholder approval, in which case full disclosure will be made in the subsequent Annual Report on Remuneration.

Comparison of Remuneration Policy for other employees and Executive Directors

All employees of Huntsworth are entitled to base salary and benefits at levels commensurate with their role and local market practice.

Certain employees are eligible to receive an annual bonus based on key performance indicators measured at Group, divisional or local business level, alongside performance against personal objectives. The maximum opportunity available is based on the seniority and responsibility of the role.

Long-term incentive awards will be available to senior executives and selected employees throughout the organisation through the 2016 LTIP, subject to shareholder approval at the 2016 AGM.

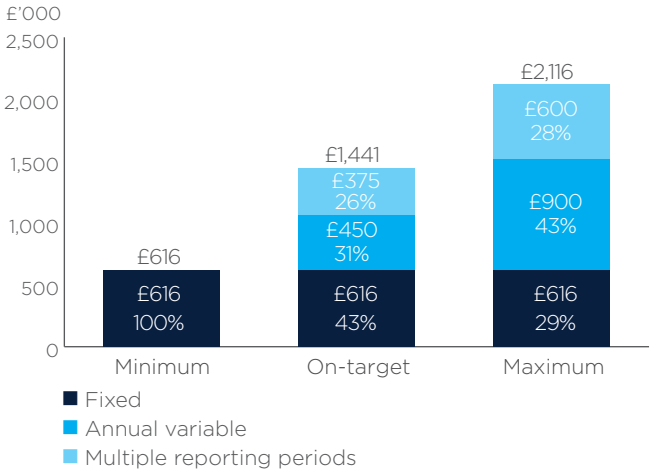
Typically the more senior the employee, the greater the proportion of their pay is based on performance. Executive Directors receive remuneration packages which reflect their role and responsibilities and consequently they are amongst the highest paid in the Group.

Remuneration scenario graphs for Executive Directors

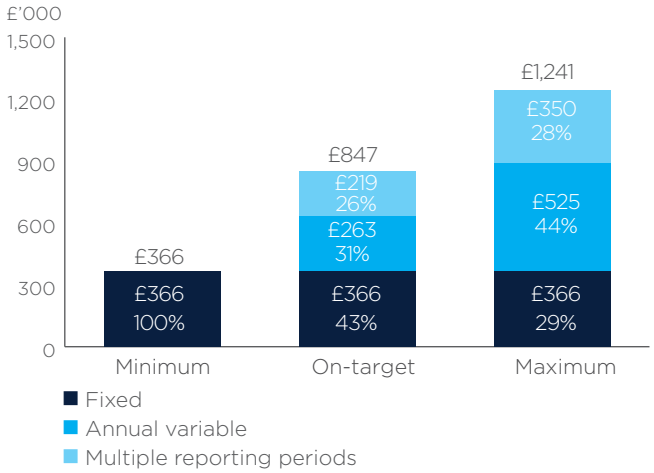
The chart below illustrates the remuneration that would be paid to each of the Executive Directors in 2016, based on the above policy, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum.

The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable; and (iii) Long-term variable, which are set out in the future policy table.

Paul Taaffe



Neil Jones



Fixed:
Fixed elements do not vary with performance and comprises:
- 2016 base salary; and
- benefits.

Annual variable:
This comprises the Annual bonus and is calculated as follows:

Minimum	On-target	Maximum
0%	75% salary	150% salary

Multiple reporting periods:
This comprises awards under the 2016 LTIP and is calculated as follows:

Minimum	On-target	Maximum
0%	62.5% salary[1,2]	100% salary[2]

1. 62.5% is the mid-point of the performance range, i.e. straight-line vesting between 25% threshold and 100% maximum vesting.
2. 100% of salary face value of 2016 LTIP awards is normal policy.

In accordance with the regulations, no allowance has been made for share price appreciation.

Policy for Non-Executive Directors

The table below sets out the Remuneration Policy for Non-Executive Directors ('NEDs'):

Fees	
Objective and link to strategy	To attract individuals of a suitable calibre for the Company and to pay fees which are reflective of responsibilities, competitive with peer companies.
Operation	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is determined by the Committee and recommended to the Board. NEDs are paid a base fee with one additional fee of the highest value for Committee representation. Fees may also be paid for additional time spent on the Company's business outside of the normal duties. In some circumstances no fees will be paid. Fee levels reflect market conditions and are sufficient to attract individuals with appropriate knowledge and experience. Fees are reviewed periodically. Any increases in fees will be determined based on workload and level of responsibility and current market rates. NEDs do not participate in any variable remuneration element.
Maximum potential value	Current fees are set out in the Statement of Implementation of Remuneration Policy. Fee increases are determined by reference to individual responsibilities, inflation and an appropriate comparator group. In accordance with the Company's Articles of Association, the total aggregate fees which can be paid to the Chairman and other NEDs in any given financial year may not exceed £500,000. In the event that this limit set out in the Articles of Association is amended by way of ordinary resolution of the Company's shareholders, this amended limit will supplant the current limit within this policy as well.
Performance conditions and assessment	N/A

Benefits	
Objective and link to strategy	To facilitate the NED's performance of his or her role.
Operation	The Company pays travel and accommodation expenses in respect of attendance at Board meetings by NEDs, which may in some circumstances be taxed as benefits in kind. Additionally, the Company may provide office facilities for NEDs which are not restricted to use in respect of the Company's business.
Maximum potential value	Expense benefit values, if any, will vary year-on-year depending on the frequency and location of meetings. The value of any other benefits is considered to be minimal. No maximum level of benefits has therefore been set.
Performance conditions and assessment	N/A

Notes to the Future policy tables for all Directors

Shareholding policy

To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon, 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 all after-tax vested share awards until their shareholding requirement is met.

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

Changes to Remuneration Policy from previous policy

As discussed in the Chair's letter, the following key changes from the Remuneration Policy approved by shareholders in 2014 are reflected in the new policy:

- new long-term incentive plan (the 2016 LTIP) to replace former plans (PSP and ESOS) due to expire in 2016;
- introduction of bonus deferral arrangements;
- introduction of malus and clawback provisions to all incentive schemes; and
- changes to the Directors' shareholding policy.

Shareholders will be asked to vote on this policy at the 2016 AGM.

Service agreements

Huntsworth's policy is to have Executive Directors' service contracts of no fixed term and with notice periods of no more than one year and for those contracts to contain contractual termination payments in certain circumstances as set out in the table below. The Non-Executive Directors have letters of appointment which provide for an initial period of three years following their first re-election at the Company's Annual General Meeting. Subject to re-election at Annual General Meetings, Non-Executive Directors would be expected to serve for a second three-year term. Non-Executive Directors may be requested to serve for a further (third) three-year term subject to rigorous review at the relevant time, and their agreement.

The following table sets out the dates of each Director's service agreements and their unexpired term:

Executive	Date of contract	Unexpired term
Paul Taaffe	19 December 2014	1 year
Neil Jones	15 October 2015	1 year

Non-Executive	Date of original letter	Date when next subject to appointment or re-election
Derek Mapp	20 November 2014	2018 AGM
Tim Ryan	19 December 2014	2018 AGM
Terence M. Graunke	9 May 2012	2016 AGM
Andy Boland	30 October 2014	2018 AGM
Nicky Dulieu	19 December 2014	2018 AGM
Pat Billingham	17 November 2015	2016 AGM

With specific approval of the Board, Executive Directors may accept external appointments as non-executive directors of other companies and retain any fees paid to them.

Service contracts and letters of appointments are available for inspection at the Company's registered office.

Recruitment arrangements

The table below summarises the Company's key policies with respect to recruitment remuneration:

Remuneration element	Policy
General	The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract appropriate candidates to the role. Our principle is that the pay of any new Director would be assessed on the basis of the same policy principles as for the Executive Directors and Non-Executive Directors, unless specific circumstances arise where the Committee deems it appropriate, to secure a desired candidate. The terms of any appointment should also be accompanied by a clear business case. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and is cognisant of guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance conditions associated with an award.
Notice periods	The policy of the Company is to have service contracts for Executive Directors with notice periods of one year. It is sometimes necessary when recruiting a new Executive Director to give a service contract with an initial term of longer than one year. In such circumstances it is the policy of the Company that the notice period should reduce to one year after the initial period of service.
Base salary or fee and benefits	The salary or fee level will be set taking into account the responsibilities and experience of the individual and the salaries paid to similar roles in comparable companies in line with the current process undertaken by the Committee when reviewing the salary/fee levels for its existing Directors. When an Executive Director is recruited on a below-market standard salary, larger than normal increases may be offered to transition him to a market standard salary in line with his experience in the role. The Director shall be eligible to receive benefits in line with Huntsworth's benefits policy as set out in the remuneration policy table above.
Pension	The Executive Director will be able to receive a pension contribution in line with the Company's pension policy as set out in the remuneration policy table.
Annual bonus and long-term incentives	The Executive Director will be eligible to participate in the annual bonus arrangements and long-term incentive plans as set out in the remuneration policy table. Therefore, the maximum level of variable remuneration (excluding share buy-outs/replacement awards described below) which can be awarded to a new Executive Director (in line with the policy set out above) in respect of his recruitment is 350% of salary.
Share buy-outs/ replacement awards	Awards may be granted to replace those forfeited by the Executive Director on taking up the appointment where considered by the Committee to be appropriate. Such awards may be made in addition to any annual bonus and long-term incentive awards described above. Such awards will normally be made in the form of an award under the 2016 LTIP. Executive Directors may receive one exceptional award under the 2016 LTIP, which may not be subject to performance conditions, where the terms of his recruitment provide for him to be granted any award in order to compensate (wholly or partly) for incentives lost at his previous employer. The maximum level of buy-out award that may be granted under the plan rules is not restricted. The Committee will seek to structure any replacement awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining quantum and structure of these commitments, the Committee will seek to replicate the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone. The Committee would seek to structure buy-out and variable pay awards on recruitment to be in line with the Company's remuneration framework so far as practical, but, if necessary, the Committee may also grant such awards outside of the framework as permitted under Listing Rule 9.4.2 subject to the limits on variable pay set out above. The exact terms of any such awards (e.g. the form of the awards, time frame, performance conditions, and leaver provisions) would vary depending on the specific commercial circumstances.

Recruitment arrangements continued

Remuneration element	Policy
Relocation policies	In instances where the Executive Director is non-UK based or needs to be relocated, the Company may provide one-off or ongoing compensation as part of the Director's relocation benefits to reflect the cost of relocation for the Executive Director in cases where they are expected to spend significant time away from their normal home country. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences, housing allowance, schooling and may include support with tax and other administrative obligations relating to the move.
Internal appointments	Where an internal candidate is appointed to the Board, the individual's existing contractual or award terms and conditions will continue to apply to any elements of remuneration (e.g. long-term incentive awards) made prior to his or her appointment. These will be disclosed to shareholders in the following year's Report of the Directors on Remuneration.

Payment for loss of office

When determining any loss of office payment for a departing individual, the Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time. The Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.

Remuneration element	Approach	Committee discretion
General	The Company's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. It is the Committee's policy not to reward poor performance. The Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time.	Subject to existing contractual commitments, the Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.
Base salary and benefits	Salary will be paid over the notice period. Benefits will normally be provided over the notice period. Non-Executive Directors' fees will be paid over the notice period. There is no entitlement to a payment in lieu of notice.	The Committee has discretion to make a payment in lieu of notice of up to 12 months' salary, benefits allowance, pension contribution or salary supplement in lieu of pension and accrued but untaken holiday. This may be made in the form of a lump sum payment or in instalments. Subject to contractual provisions, the Company will seek to mitigate any payments due. The Company may provide benefits related to the termination such as outplacement advice, or tax and legal advice. It may additionally pay amounts which, based on legal advice, are required or recommended to be paid in settlement of any actual or potential lost legal rights.
Pension	No additional payments will be made in respect of pension contributions for loss of office. Company pension contribution/salary supplements in lieu of pension contributions will normally be provided over the notice period. In all cases the Company will seek to mitigate any payments due.	The Committee has discretion to make lump sum payments in lieu of pension contributions payable over the notice period.

Payment for loss of office continued

Remuneration element	Approach	Committee discretion
Annual bonus	Where an Executive Director's employment is terminated after the end of a performance year but before the payment is made, the Executive Director may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct. Where an Executive Director's employment is terminated during a performance year, and if the individual is a good leaver, a pro-rata annual bonus payment for the period worked in that performance year may be payable subject to an assessment based on performance achieved over the period. Unvested awards under the 2016 DSBP Where an Executive Director's employment is terminated when he holds Deferred Share bonus awards under the 2016 DSBP, and he is determined to be a good leaver for any reason other than due to his death, the awards will normally vest in accordance with the original terms of deferral. Where the Executive Director's employment terminates by reason of death, or in such other circumstances as the Committee may determine, any shares so deferred will vest immediately. Where an Executive Director's employment terminates and he is determined by the Committee not to be a good leaver, his awards under the 2016 DSBP will lapse in full. Leaver status Good leavers are those leaving under the following specified conditions: • death; • ill-health, injury or disability; • redundancy, sale of the employing Company, or the sale of the business for which he or she works, outside of the Group; or • any reason, at the absolute discretion of the Committee. All other leavers are bad leavers.	The Committee has discretion to determine whether an Executive Director is a good leaver for the purposes of the annual bonus arrangements. It is not the Committee's intention to exercise this discretion unless there is a strong business case to do so. Where discretion is exercised, the Committee will provide a full explanation of the basis of the exercise of its discretion to shareholders. The Committee may at its discretion determine that any non-contractual amounts in respect of the current year are instead paid after the end of the relevant year once performance for the year can be assessed.
Long-term incentive	The treatment of unvested long-term incentive awards is governed by the rules of the LTIP, to be approved by shareholders at the 2016 AGM. Individuals are defined as either a good or bad leaver for the purposes of unvested incentive awards. Good leavers are those leaving under the following specified conditions: • death; • ill-health, injury or disability; • retirement (in the case of only the legacy PSP or ESOS awards); • redundancy; • sale of the individual's employing company, or business outside of the Group; or • any other reason, with the approval of the Committee. All other leavers are bad leavers.	

Payment for loss of office continued

If an individual is a bad leaver then share awards will lapse in full. The following table sets out for good leavers examples of the potential application of the Committee's policy in certain circumstances:

Reason for leaving	Timing of vesting	Calculation of Committee discretion
Resignation	Awards lapse.	N/A
Injury, ill-health, disability, redundancy, retirement (in the case of the PSP and ESOS only), sale of business or employing company, or other reason at the discretion of the Committee.	Vesting under the 2016 LTIP Awards will vest based on the performance achieved either up to the date of cessation or to the end of the performance period and pro-rated to reflect the proportion of the performance period served unless the Committee determines otherwise. Awards will normally vest at the usual time, unless the Committee determines that awards should vest following the individual's departure. Vesting under the PSP Awards will normally vest based on the performance achieved up to the date of cessation and pro-rated to reflect the amount of time elapsed since the award date, unless the Committee determines otherwise in exceptional circumstances. PSP awards must be exercised within 12 months of the termination date. Vesting under the ESOS Awards will normally vest based on the performance achieved up to the end of the performance period and pro-rated to reflect the amount of time elapsed since the award date. ESOS awards must be exercised within 12 months of the vesting date or later termination date.	Designation as good leaver Where the specified good leaver circumstances do not apply and there is no contractual obligation to do so (see below), the Committee has discretion to determine whether an Executive Director is a good leaver for the purposes of the 2016 LTIP, PSP or ESOS. It is not the Committee's intention to exercise this discretion unless there is a strong business case. Where discretion is exercised the Committee will provide a full explanation of the basis of the exercise of its discretion to shareholders. Vesting under the 2016 LTIP The Committee retains discretion to disregard time pro-rating when determining the level of vesting. This would only be considered in exceptional circumstances. Vesting under the PSP The Committee retains discretion to disregard performance and time pro-rating when determining the level of vesting. This would only be considered in exceptional circumstances. Vesting under the ESOS In respect of a vested ESOS award, an individual who is a discretionary good leaver may, at the discretion of the Committee, exercise the award, such discretion being exercised within 30 days of cessation. In respect of an unvested ESOS award, a specific or discretionary good leaver may, at the discretion of the Committee, exercise the award after the end of the performance period based on the performance achieved, pro-rated to reflect the time in the performance period elapsed at the date of cessation (provided, in the case of retirement, that the ESOS award was made more than 12 months prior to cessation – otherwise it will lapse). There is no discretion to ignore time pro-rating.
Death	Immediately (with time pro-rating applying to unvested ESOS options). Under the 2016 LTIP, the Committee may choose to apply the good leaver rules described above, or to deem any performance targets to be met in full at the date of death and/or to disapply any time pro-rating. Under the ESOS, any performance targets will be deemed to have been met in full at the date of death. Under the PSP, awards will be time pro-rated unless the Committee determines otherwise in exceptional circumstances. Performance conditions will be deemed to be satisfied.	The Committee retains discretion to disregard time pro-rating when determining the level of vesting under the PSP.

Payment for loss of office continued

Vested awards held by the Executive Directors which are outstanding under the ESOS and PSP will be exercised in accordance with the terms of the relevant plan rules under which the maximum post-termination exercise period is 12 months from the date of vesting of the relevant award (or cessation of employment, if later).

Change of control

Annual bonus

On a change of control of the Company, the Executive Directors will be entitled to receive a bonus payment based on performance level achieved during the performance period up to the change of control and the proportion of the performance period that has elapsed at the relevant date.

Where an Executive Director holds any awards under the 2016 DSBP, these will usually vest immediately on a change of control. However, the Committee retains absolute discretion to require deferred share awards to be rolled over into equivalent awards in the new entity.

Long-term incentive plans

In accordance with the rules of the 2016 LTIP, PSP and ESOS, vesting will occur immediately on a change of control or winding up of the Company. Performance against targets will be assessed by the Committee on a change of control. The number of shares vesting under an award will, unless the Committee determines otherwise, be reduced pro rata to reflect the amount of time elapsed at the time of the change of control as a proportion of the original performance period (or vesting period, where no performance condition applies). The Committee retains discretion to disregard performance and/or time when determining the level of vesting having regard to, amongst other things, the underlying performance of the Company. Whether, and the extent to which, any discretion is applied will depend on the circumstances of the change of control. Alternatively, the Committee may choose to convert awards into equivalent awards in the acquiring company.

Consideration of employment conditions elsewhere in the Company in developing policy

The Company's approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, salary levels in comparable companies and the Company's ability to pay. Remuneration surveys and meetings with sector specialists are used, where appropriate, to establish market rates.

In setting the remuneration policy for Directors, the pay and conditions of other employees of Huntsworth are taken into account, including any base salary increases awarded.

The Company did not consult with employees when drawing up the policy report.

Consideration of shareholder views

The Committee takes the views of shareholders very seriously. The views of major shareholders are considered when evaluating and setting ongoing remuneration strategy and the Committee commits to consulting with major shareholders prior to any significant changes to its remuneration policy.

DIRECTORS' REPORT

The Directors' Report for the year ended 31 December 2015 comprises the Corporate Governance Report on pages 36 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 31. These specifically include:

- An indication of likely future developments in the business of the Company, on page 9.
- Details of the Group's financial risk management strategy, policies and instruments held are set out in Note 18 to the consolidated financial statements.
- Details of the Group's branches are set out in the appendix to the consolidated financial statements.
- Details of the Group's going concern assessment.
- Employee matters and carbon emission disclosures are set out in the Responsible Business Report on pages 22 to 25.

Dividends

The Directors recommend a final dividend of 1.25 pence per share for the year ended 31 December 2015. An interim dividend of 0.5 pence per share was paid on 6 November 2015, making a total of ordinary dividends of 1.75 pence per share for the year (2014: 1.75 pence per share). The record date for the final dividend will be 27 May 2016 and it is payable on 7 July 2016. A scrip dividend alternative will be available.

From April 2016 dividend tax credits will be replaced by an annual £5,000 tax-free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of the dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability. This change was announced by the Chancellor, as part of the UK government Budget, in July 2015. If you have any tax queries, please contact a financial advisor.

Directors

The following directors served during the year ended 31 December 2015 and as at the date of this report:

Name	Appointment
Derek Mapp	Chairman and Chairman of Nomination Committee
Pat Billingham	Independent Non-Executive Director (appointed 1 December 2015)
Andy Boland	Independent Non-Executive Director and Chairman of the Audit Committee
Lord Chadlington	Executive Director (resigned 7 April 2015)
Nicky Dulieu	Independent Non-Executive Director and Chairman of the Remuneration Committee
Neil Jones	Executive Director (appointed 1 February 2016)
Farah Ramzan Golant CBE	Independent Non-Executive Director (appointed 1 January 2015 and resigned 5 October 2015)
Terence M. Graunke	Independent Non-Executive Director
Tim Ryan	Senior Independent Director (appointed 1 January 2015)
Paul Taaffe	Executive Director (appointed 7 April 2015)
Oscar Zhao	Non-Executive Director (resigned 30 June 2015)

Biographical details of the Directors in office at the date of this report are set out on pages 34 to 35.

The interests of the Directors in office at 31 December 2015 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 page 48.

Neil Jones and Pat Billingham will be standing for election at this year's AGM, having been appointed since the last AGM. Terence M. Graunke will also be standing for re-election at the AGM in accordance with the Company's Articles of Association ('the Articles').

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

Substantial shareholdings

In accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, as at 31 December 2015, the Company had been notified of the following interests in the Company's ordinary share capital:

Holder	% of share capital[1]	Number of shares	Nature of holding
BlueFocus International Limited	19.443%	63,199,369	Indirect
Aberforth Partners LLP	13.55%	44,010,493	Indirect
Terence M Graunke, Paul G Yovovich and Lake Capital Investment Partners LP	7.59%	24,234,963	Indirect
Aberdeen Asset Managers Limited	5.0%	16,144,060	Indirect
The Wellcome Trust Limited as Trustee of The Wellcome Trust	4.01%	13,036,182	Direct
Matthew Rupert Freud	3.00%	9,750,000	Indirect

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

The above table is based on notifications made to the Company under Chapter 5 of the Disclosure Rules 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 2015 to 14 March 2016 the following notifications were received:

Holder	% of share capital[1]	Number of shares	Nature of holding
Old Mutual plc	5.09%	16,705,220	Indirect
Milton Group plc	5.10%	16,666,665	Indirect

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

Directors' indemnities

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

Shares

As at 31 December 2015, the Company's issued share capital comprised 328,498,733 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 20 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 2015 the Directors were granted the authority to purchase up to 10% of the Company's ordinary shares (either for cancellation or for placing into treasury) to support the Group's capital management policies. Further details of the Group's capital management policies are included in Note 18 to the consolidated financial statements. The authority granted amounted to 32,504,294 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 after the AGM on 26 May 2016. No ordinary shares were purchased during the year or up to the date of this report.

During the year ended 31 December 2015, 585,707 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 2015 and at the date of this report was 1,686,681 ordinary shares.

Employment policies

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

Political donations

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

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

Political donations continued

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 £13,000 was paid attending conferences and to cover function expenses, the majority of which was paid by the relevant client. This was made up of £5,800 paid to the Conservative Party, £2,000 to the Labour Party, £1,000 to the Liberal Democrats Party, £4,000 to the Scottish National Party and £200 to Plaid Cymru.

Additional information for shareholders

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

Rights and obligations attaching to ordinary shares

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

As part of the subscription agreement the Company entered into with BlueFocus and BlueFocus's subsidiary BlueFocus International Limited ('BlueFocus International') (the 'Subscription Agreement'), BlueFocus International has the following rights to subscribe for ordinary shares in the capital of the Company:

a) to participate in any proposed issue of Company shares for cash consideration such that the level of shareholding BlueFocus International obtained at completion of the Subscription Agreement will not be diluted by the proposed issue; and
b) a right to subscribe for additional shares representing up to 5% of the Company's fully diluted share capital (as at completion of the Subscription Agreement) where the Company decides to issue shares for non-cash consideration (other than in relation to any employee share scheme).

The right granted in b) above expires on 7 October 2016 and is limited to the number of shares such that the level of the shareholding BlueFocus International obtained at completion of the Subscription Agreement is not diluted. The price to be paid pursuant to this right is based on the prevailing market price at the time the right is exercised. This right will lapse upon any offer to purchase the entire issued and to be issued share capital of the Company becoming unconditional in all respects.

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

Voting rights

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

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

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

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

Dividends and other payments

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

Additional information for shareholders continued

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 close periods);
(ii) pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's securities; and
(iii) in relation to shares issued pursuant to acquisitions made by the Company.

As at 31 December 2015 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 48. 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 69. There are no securities which carry special rights with regard to the control of the Company.

Additional information for shareholders continued

Employee share trust

The Huntsworth Employee Benefit Trust ('EBT') holds approximately 2.0% 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 2014 final dividend and the 2015 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, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting.

At Annual General Meetings of the Company, certain Directors shall retire by rotation in accordance with the UK Corporate Governance Code. The Directors to retire by rotation shall be:

(i) those who held office at the time of the two preceding Annual General Meetings and who did not retire at either of them;
(ii) those who have held office for a continuous period of nine years or more; and
(iii) those who have been appointed by the Board since the last Annual General Meeting.

The Company may by special resolution remove any Director before the expiration of his term of office. The office of Director shall be vacated if:

(i) he resigns or offers to resign and the Board resolves to accept such offer;
(ii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number;
(iii) he is or has been suffering from mental ill health;
(iv) he is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his office is vacated;
(v) he becomes bankrupt or compounds with his creditors generally;
(vi) he is prohibited by law from being a Director;
(vii) he ceases to be a Director by virtue of the Companies 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 32,504,294 ordinary shares during the period up to the next Annual General Meeting. The minimum price which must be paid for such shares is 1 pence and the maximum price payable is the higher of (i) 5% above the average of the middle market quotations for ordinary shares (as derived from the London Stock Exchange Daily List) for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out.

Significant agreements

The following significant agreement contains provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

- Under the £65 million credit facility agreement dated 23 May 2014 between, amongst others, the Company, Lloyds Bank plc (as facility agent) and the banks named therein as lenders and the £5 million committed overdraft facility dated 23 May 2014 between, amongst others, the Company and Lloyds Bank plc, upon a change of control, the agent may, if the lenders so require, cancel the facilities by giving not less than 30 business days' notice and declare all outstanding amounts under the facilities, together with accrued interest, immediately due and payable.

Additional information for shareholders continued

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

Auditors

Ernst & Young LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting, 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 Directors' Report are listed on pages 34 and 35. 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 9.30am on Thursday 26 May 2016 at the offices of Citigate Dewe Rogerson Limited, 3 London Wall Buildings, London Wall, London EC2M 5SY. The notice convening the AGM, together with the details of the business to be considered and explanatory notes for each resolution, is contained in a separate circular sent to shareholders. It is also available to be viewed on the Company's website.

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

Martin Morrow
Company Secretary
14 March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement

We confirm on behalf of the Board that to the best of our knowledge:

- 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;
- the Group financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and Accounts include a fair review of the development and performance of the business and the positions of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Neil Jones
Chief Financial Officer
14 March 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HUNTSWORTH PLC

Our opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements 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.

What we have audited

Huntsworth plc's financial statements comprise:

Group	Parent Company
Consolidated balance sheet as at 31 December 2015	Company balance sheet as at 31 December 2015
Consolidated income statement for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Company statement of comprehensive income for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 17 to the financial statements
Consolidated cash flow statement for the year then ended	
Related notes 1 to 25 to the financial statements	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Overview of our audit approach

Risks of material misstatement	• Recoverability of carrying value of goodwill and intangibles • Incorrect revenue recognition, particularly relating to cut-off • Presentation and disclosure of highlighted items
Audit scope	• We performed an audit of the complete financial information of six components and audit procedures on specific balances for a further 11 components • The components where we performed full or specific scope audit procedures accounted for 133% of the Group's profit before tax adjusted for the non-recurring highlighted items, 75% of revenue and 75% of total assets • We additionally performed review scope procedures on components which accounted for 11% of the Group's revenue
Materiality	• Overall Group materiality of £0.63 million represents 5% of profit before tax adjusted for the non-recurring highlighted items, which are detailed in 'Our assessment of materiality' section

Our assessment of risks of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Recoverability of carrying value of goodwill and intangibles *Refer to the Audit Committee Report (page 41); Accounting policies (Note 2 of the Consolidated Financial Statements)* The Group has goodwill and other intangible assets of £178.7 million (2014: £225.7 million), including goodwill of £172.7 million (2014: £218.7 million). At 31 December 2015, the Group recognised an impairment charge of £48.8 million against goodwill. • Management's assessment of the recoverable amount of these assets requires estimation and judgement around various assumptions used in the model, including future cash flows, growth rates and discount rates. • Any input inaccuracies to the model or unreasonable bases used in the judgements could lead to material changes in the estimated recoverable amount.	Our work on this area was performed centrally by the primary audit engagement team. In order to assess the appropriateness and adequacy of the impairment charge recognised during the year, we: • reviewed the indicators of impairment identified by management under accounting standards, including assessing the market capitalisation against the net assets of the Group and the historical performance of the businesses against budgets and forecasts; • assessed the methodology used by management to estimate the recoverable value of each cash-generating unit (CGU) to ensure that this is consistent with the accounting standards; • involved our valuation specialists to review the reasonableness of management's weighted average cost of capital (WACC) calculation; • discussed the assumptions underpinning the 2016 budgets for each CGU both with the CGU senior management and with the Group Finance team, with a particular focus on the Grayling and Citigate CGUs; • challenged the reasonableness of key assumptions used in management's value in use (VIU) computations, in particular the accuracy and preparation of future budgets, future forecast revenue growth rates, conversion of sales pipeline, operating profit margins; • performed sensitivity analysis in relation to the assumptions used by the management in their model to assess the level to which they would need to move for impairment to be triggered; and • evaluated the appropriateness of financial statement disclosures.	• We agreed with management's identification of indicators of impairment and considered the approach to determining the recoverable amount for each CGU to be appropriate. • We concluded that value in use (VIU) calculated by management for the CGUs was within an acceptable range and reasonably supports the carrying amount of goodwill and intangible assets as at 31 December 2015 after taking into account the impairment charge. • Our sensitivity analysis supports there being no further impairment arising with respect to any CGU in the current year.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incorrect revenue recognition, particularly relating to cut-off *Refer to the Audit Committee Report (page 41); Accounting policies (Note 2 of the Consolidated Financial Statements)* The Group has revenue of £168.4 million (2014: £165.7 million), arising from retainer based fees and project based fees. • As well as the divisional nature of the Group, the judgemental nature of assessing the stage of completion in respect of project-based revenues increases the risk around the timing of recognition of revenue. • There is also a risk that management may influence any judgements on recognition to meet performance targets.	With respect to revenue recognition for our full and specific scope components, our procedures included: • walkthroughs of the process and key controls surrounding the revenue cycle; • disaggregated analytical review of the full period by project and by month against prior year and budget, corroborating any unusual trends or patterns and lowering testing thresholds applied for sampling where unusual trends occurred; • performance of cut-off procedures including obtaining evidence that the IAS 18 criteria for revenue recognition have been met; • corroborating samples selected in a manner aligned to the risk profiles of individual components, by obtaining proof of customer acceptance and the stage of completion and reviewing post year end credit notes and invoices; • testing a representative sample of deferred and accrued revenue accounts as at the balance sheet dates; and • journal entry testing and review of consolidation adjustments for any unusual journals posted to revenue. The above procedures were performed by the primary and component teams and covered 75% of the Group's revenue, consisting of 45% covered by full scope components, 5% covered by specific scope components and 25% covered by specified procedures components. We also performed review procedures on components which covered 11% of the Group's revenue.	• We conclude that revenue recognition in the year is appropriate.
Presentation and disclosure of highlighted items *Refer to the Audit Committee Report (page 41); Accounting policies (Note 2 of the Consolidated Financial Statements)* The Group has highlighted items before tax of £53.0 million (2014: £75.6 million). • The presentation of highlighted items is judgemental and important given focus on pre-highlighted results. • There is a risk that certain items could be inappropriately classified as 'highlighted items' impacting adjusted reported measures. There is also the risk that one-off credit items could be omitted from the presentation. • It is possible that inappropriate prominence might be given to non-GAAP measures.	Our work on this area was performed centrally by the primary audit engagement team. Our procedures included: • obtaining an understanding of the categories of items included within highlighted; • assessing the classification of the highlighted items in light of the Group's accounting policy and the PN18 guidance issued by the Financial Reporting Council; • obtaining evidence to support the completeness and appropriateness of the charges, provisions, credits and any movements which have arisen during the year; and • assessing that sufficient prominence was provided to GAAP measures throughout the Annual Report and primary statements.	• We concluded that all of the items disclosed as highlighted in Note 5 of the Consolidated Financial Statements are in line with the Group's accounting policy. • We do not consider that undue prominence has been given to non-GAAP measures.

The scope of our audit

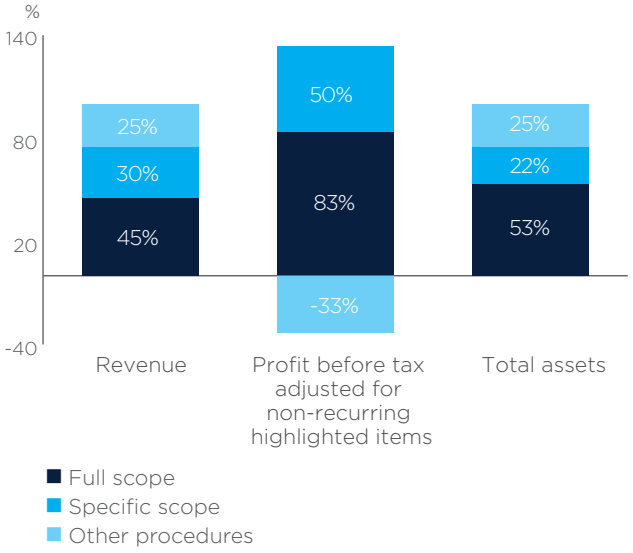
Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, and changes in the business environment when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure that we had adequate quantitative coverage of significant accounts (particularly revenue) in the financial statements, of the reporting components in the Group, we selected 17 components covering entities within the United States, United Kingdom, Western and Eastern Europe and the Middle East which represent the principal business units within the Group. Procedures in respect of all components except those in the United States were performed directly by the primary team.

Of the 17 components selected, we performed an audit of the complete financial information of six components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 11 components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The 17 reporting components where we performed audit procedures accounted for 75% (2014: 68%) of the Group's revenue and 133% (2014: 75%) of the Group's profit before tax adjusted for certain non-recurring items. In the current year, due to certain immaterial cost centres that were not in full or specific scope for the Group audit, the coverage of the Group profit before tax adjusted for certain non-recurring items achieved from the entities was greater than 100%.

The charts below illustrate the coverage obtained from the work performed by our audit teams for revenue and total assets.



For the current year, the six full scope components contributed:

- 45% of the Group's revenue;
- 83% of the Group's profit before tax adjusted for the non-recurring highlighted items, representing five components with a positive contribution of 114% offset by one component with a negative contribution of 31%; and
- 53% of the Group's total assets.

The specific scope components contributed 30% of the Group's revenue, 50% of the Group's profit before tax adjusted for non-recurring highlighted items, from 10 components with a positive contribution of 50% and one component with a small negative contribution. The specific scope components covered 22% of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. Of the 11 specific scope components, we instructed eight of these components to perform specified procedures over revenue recognition.

The remaining components that are not subject to full or specific Group scoping include small, low risk components. The balances within each remaining component represent an average negative contribution of 1% of the total Group profit before tax adjusted for the non-recurring highlighted items and 0.3% of total Group revenue. For these components, we performed other procedures, including testing of Group-wide controls management has in place, performing overall analytical review including disaggregated analytical review on revenue for seven 'review scope' components (including some of the cost centres negatively contributing to the profit before tax adjusted for non-recurring items), central testing of highlighted items and intangible assets, consolidation journals including intercompany eliminations and foreign currency translation recalculations in order to detect and respond to any potential risks of material misstatement to the Group financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 17 components in full or specific scope, audit procedures were performed on 11 of these directly by the primary audit team, including the audit of all non-US components. For the six full and specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, the Senior Statutory Auditor visited component teams performing work in respect of five full or specific scope components and two review scope components in the United States. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending status meetings, and reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This interaction included weekly conference calls with component teams during the execution stage of the audit. The Senior Statutory Auditor also attended all clearance meetings for these components. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

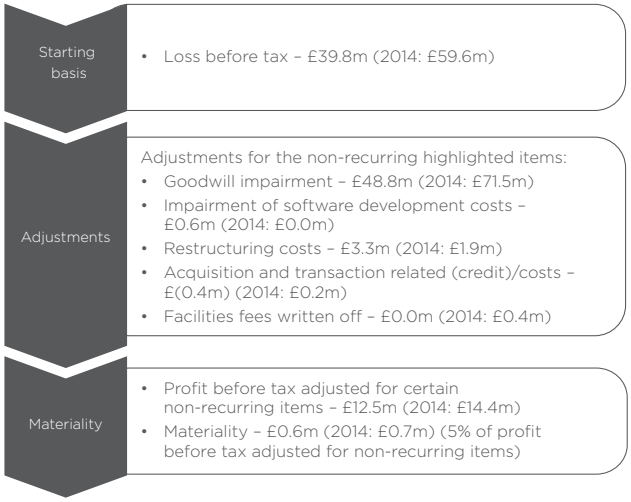
Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £0.6 million (2014: £0.7 million), which is 5% (2014: 5%) of profit before tax adjusted for the non-recurring highlighted items. We believe that profit before tax adjusted for the non-recurring highlighted items provides us with consistent year-on-year basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity.



During the course of our audit, we reassessed initial planning materiality to reflect the actual reported performance of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2014: 75%) of our planning materiality, namely £0.47 million (2014: £0.54 million). We have set performance materiality at this percentage due to the historically low number of audit adjustments found in prior years and to ensure that total detected and undetected audit differences do not exceed our materiality of £0.63 million (2014: £0.73 million) for the financial statements as whole.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.09 million to £0.34 million (2014: £0.07 million to £0.22 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.03 million (2014: £0.04 million), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 73, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the Directors' statement in relation to going concern, set out on page 31, and longer-term viability, set out on page 31; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that would threaten the solvency or liquidity of the entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, 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' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and • the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, 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 entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Julie Carlyle (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 March 2016

Notes:
1. The maintenance and integrity of the Huntsworth plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015			2014		
	Notes	**Before highlighted items £000**	**Highlighted items (Note 5) £000**	**Total £000**	Before highlighted items £000	Highlighted items (Note 5) £000	Total £000
Turnover		**208,802**	**–**	**208,802**	204,793	1,247	206,040
Revenue	3	**168,398**	**–**	**168,398**	164,719	1,013	165,732
Operating expenses	4	**(153,145)**	**(53,071)**	**(206,216)**	(146,491)	(76,161)	(222,652)
Operating profit/(loss)	3	**15,253**	**(53,071)**	**(37,818)**	18,228	(75,148)	(56,920)
Finance income	6	**7**	**–**	**7**	17	–	17
Finance costs	6	**(2,008)**	**–**	**(2,008)**	(2,222)	(427)	(2,649)
Profit/(loss) before tax		**13,252**	**(53,071)**	**(39,819)**	16,023	(75,575)	(59,552)
Taxation (expense)/credit	8	**(3,584)**	**3,964**	**380**	(4,002)	7,382	3,380
Profit/(loss) for the year attributable to Parent Company's equity shareholders		**9,668**	**(49,107)**	**(39,439)**	12,021	(68,193)	(56,172)

	Note	**2015**	2014
(Loss)/earnings per share			
Basic – pence	10	**(12.3)**	(17.6)
Diluted – pence	10	**(12.3)**	(17.6)
Adjusted basic – pence[1]	10	**3.0**	3.8
Adjusted diluted – pence[1]	10	**3.0**	3.7

1. Adjusted basic and adjusted diluted earnings per share are calculated based on profit/(loss) for the year adjusted for highlighted items and the related tax effects (Note 10).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Loss for the year		**(39,439)**	(56,172)
Other comprehensive income and expense			
Items that may be reclassified subsequently to the Income Statement			
Amounts recognised in the Income Statement on interest rate swaps		**157**	96
Movement in valuation of interest rate swaps		**(186)**	(66)
Tax credit/(expense) on interest rate swaps	8	**6**	(7)
Currency translation differences		**3,655**	2,750
Tax expense on currency translation differences	8	**(78)**	(118)
Total items that may be reclassified subsequently to profit or loss		**3,554**	2,655
Other comprehensive income and expense for the year		**3,554**	2,655
Total comprehensive income and expense for the year attributable to Parent Company's equity shareholders		**(35,885)**	(53,517)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Intangible assets	11	**178,737**	225,678
Property, plant and equipment	12	**8,083**	7,772
Other receivables		**199**	279
Deferred tax assets	17	**1,466**	116
		188,485	233,845
Current assets			
Work in progress		**3,537**	3,241
Trade and other receivables	13	**44,363**	41,338
Current tax receivable		**518**	481
Derivative financial assets	18	**–**	17
Cash and short-term deposits		**8,918**	8,826
		57,336	53,903
Current liabilities			
Obligations under finance leases	15, 19	**(4)**	(7)
Trade and other payables	14	**(44,226)**	(41,356)
Current tax payable		**(853)**	(1,060)
Provisions	16	**(2,164)**	(1,892)
		(47,247)	(44,315)
Non-current liabilities			
Bank loans and overdrafts	19	**(39,172)**	(44,327)
Obligations under finance leases	15, 19	**(21)**	(24)
Trade and other payables	14	**(1,320)**	(2,045)
Derivative financial liabilities	18	**(92)**	(63)
Deferred tax liabilities	17	**(202)**	(396)
Provisions	16	**(2,465)**	(2,704)
		(43,272)	(49,559)
Net assets		**155,302**	193,874
Equity			
Called up share capital	20	**107,170**	107,157
Share premium account	22	**62,811**	62,635
Merger reserve	22	**30,369**	43,422
Foreign currency translation reserve	22	**23,909**	20,254
Hedging reserve	22	**(92)**	(63)
Treasury shares	22	**(1,166)**	(1,568)
Investment in own shares	22	**(4,095)**	(4,775)
Retained earnings		**(63,604)**	(33,188)
Equity attributable to equity holders of the parent		**155,302**	193,874

The financial statements were approved by the Directors on 14 March 2016 and signed on their behalf by:

Neil Jones
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Cash inflow from operating activities			
Cash inflow from operations	24(a)	**15,154**	17,353
Interest paid		**(1,765)**	(2,089)
Interest received		**7**	17
Cash flows from hedging activities		**17**	68
Net tax paid		**(1,307)**	(1,317)
Net cash inflow from operating activities		**12,106**	14,032
Cash outflow from investing activities			
Acquisitions of subsidiaries, net of cash acquired		**–**	(514)
Deferred consideration payments		**(662)**	(609)
Cost of internally developed intangible assets		**(612)**	(592)
Purchases of property, plant and equipment		**(2,051)**	(4,113)
Proceeds from sale of property, plant and equipment		**104**	37
Net cash outflow from investing activities		**(3,221)**	(5,791)
Cash outflow from financing activities			
Net costs from issue of ordinary shares		**–**	(1,074)
Proceeds from sale of own shares to settle share options		**227**	9
Repayment of finance lease liabilities		**(7)**	(12)
Net (repayment)/drawdown of borrowings		**(5,420)**	3,170
Dividends paid to equity holders of the parent		**(3,827)**	(10,113)
Net cash outflow from financing activities		**(9,027)**	(8,020)
(Decrease)/increase in cash and cash equivalents		**(142)**	221
Movements in cash and cash equivalents			
(Decrease)/increase in cash and cash equivalents		**(142)**	221
Effects of exchange rate fluctuations on cash held		**234**	117
Cash and cash equivalents at 1 January		**8,826**	8,488
Cash and cash equivalents at 31 December	24(c)	**8,918**	8,826

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	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 2014	107,139	61,722	65,255	17,504	(93)	(1,577)	(4,775)	12,469	257,644
Loss for the year	–	–	–	–	–	–	–	(56,172)	(56,172)
Other comprehensive income/(expense)	–	–	–	2,750	30	–	–	(125)	2,655
Settlement of share options	–	–	–	–	–	9	–	–	9
Share issue costs	–	(12)	–	–	–	–	–	–	(12)
Charge for share-based payments	–	–	–	–	–	–	–	102	102
Credit for unclaimed dividends	–	–	–	–	–	–	–	8	8
Tax on share-based payments	–	–	–	–	–	–	–	(247)	(247)
Scrip dividends	18	925	–	–	–	–	–	–	943
Equity dividends	–	–	–	–	–	–	–	(11,056)	(11,056)
Transfer	–	–	(21,833)	–	–	–	–	21,833	–
At 31 December 2014	107,157	62,635	43,422	20,254	(63)	(1,568)	(4,775)	(33,188)	193,874
Loss for the year	–	–	–	–	–	–	–	(39,439)	(39,439)
Other comprehensive income/(expense)	–	–	–	3,655	(29)	–	–	(72)	3,554
Settlement of deferred consideration	8	–	338	–	–	–	–	–	346
Settlement of share options	1	41	–	–	–	402	680	(897)	227
Share issue costs	–	(18)	–	–	–	–	–	–	(18)
Charge for share-based payments	–	–	–	–	–	–	–	392	392
Credit for unclaimed dividends	–	–	–	–	–	–	–	230	230
Tax on share-based payments	–	–	–	–	–	–	–	(37)	(37)
Scrip dividends	4	153	–	–	–	–	–	–	157
Equity dividends	–	–	–	–	–	–	–	(3,984)	(3,984)
Transfer	–	–	(13,391)	–	–	–	–	13,391	–
At 31 December 2015	**107,170**	**62,811**	**30,369**	**23,909**	**(92)**	**(1,166)**	**(4,095)**	**(63,604)**	**155,302**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 14 March 2016 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 2015, but had no significant impact on the Group:
- IAS 19 (amendment) – Employee contributions;
- Annual Improvements (2010–2012 Cycle);
- Annual Improvements (2011–2013 Cycle); and
- IFRIC 21 – Levies.

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 9 – Financial Instruments (effective for accounting periods beginning on or after 1 January 2018);
- Annual Improvements (2012–2014 Cycle) (effective for accounting periods beginning on or after 1 January 2016);
- IFRS 10, IAS 28 (amendment) – Sale or Contribution of Assets (effective date postponed);
- IFRS 11 (amendment) – Accounting for Acquisition of Interests in Joint Operations (effective for accounting periods beginning on or after 1 January 2016);
- IAS 16 and IAS 38 (amendment) – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for accounting periods beginning on or after 1 January 2016);
- IAS 16 and IAS 41 (amendment) – Bearer Plants (effective for accounting periods beginning on or after 1 January 2016);
- IAS 27 (amendment) – Equity Method in Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2016);
- IAS 1 (amendment) – Disclosure Initiative (effective for accounting periods beginning on or after 1 January 2016);
- IFRS 10, IFRS 12, IAS 28 (amendment) Investment entities: applying the consolidation exception (effective for accounting periods beginning on or after 1 January 2016);
- IFRS 15 – Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018); and
- IFRS 16 – Leases (effective for accounting periods beginning on or after 1 January 2019).

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

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

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

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

2. Significant accounting policies continued

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

Business combinations

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

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

Goodwill and intangible assets

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

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

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

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

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.

2. Significant accounting policies continued

Trade and other receivables

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

Work in progress

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

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.

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 21. 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.

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 in the Balance Sheet and are depreciated over their useful lives. The capital elements of future obligations under finance leases and hire purchase contracts are included as liabilities in the Balance Sheet. The interest elements of the rental obligations are charged in the Income Statement over the periods of the finance leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the lease term. Sublet income on operating leases is recognised on a straight-line basis over the lease term.

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.

Borrowing costs and finance income

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

Taxation

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

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

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects 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.

2. Significant accounting policies continued

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

Derivative financial instruments

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

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

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

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

Significant accounting judgements and key sources of estimation uncertainty

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

(a) Highlighted items

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

(b) Carrying value of goodwill and other intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the procedures set out in Note 11. The recoverable amounts of cash-generating units have been determined based on value in use calculations. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from each cash-generating unit and a suitable discount rate in order to calculate present value. Central costs are not allocated to individual CGUs.

(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.

The Appendix on page 125 includes details of the Group's subsidiaries and forms part of these financial statements.

3. Segmental analysis

The following is an analysis of the Group's revenue and operating profit before highlighted items by reportable segment. The reportable segments are identified based on the Group's four operating divisions.

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

Year ended 31 December 2014	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Total revenue before highlighted items					
Total revenue	21,939	70,760	12,313	59,713	164,725
Intra-Group eliminations	–	(6)	–	–	(6)
Segment revenue before highlighted items	21,939	70,754	12,313	59,713	164,719
Segment operating profit before highlighted items	4,470	5,419	2,571	12,264	24,724

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

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

	2015 £000	2014 £000
Segment operating profit before highlighted items	**22,106**	24,724
Unallocated costs	**(6,853)**	(6,496)
Operating profit before highlighted items	**15,253**	18,228
Highlighted items	**(53,071)**	(75,148)
Operating loss	**(37,818)**	(56,920)
Net finance costs before highlighted items	**(2,001)**	(2,205)
Highlighted finance costs	**–**	(427)
Loss before tax	**(39,819)**	(59,552)

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:

	2015 £000	2014 £000
Revenue		
United Kingdom	**51,468**	57,281
Other European	**24,529**	28,557
USA	**80,034**	67,919
Rest of the world	**12,367**	10,968
Intra-Group eliminations	**–**	(6)
Total revenue	**168,398**	164,719

3. Segmental analysis continued

	2015 £000	2014 £000
Non-current assets		
United Kingdom	**77,855**	104,655
Other European	**34,197**	43,660
USA	**69,139**	77,003
Rest of the world	**5,828**	8,411
Total non-current assets	**187,019**	233,729

Non-current assets excludes deferred tax assets.

4. Operating profit

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

	Notes	2015 £000	2014 £000
Auditor's remuneration		**444**	496
Depreciation of owned property, plant and equipment	12	**2,453**	2,440
Depreciation of property, plant and equipment held under finance leases	12	**6**	1
(Profit)/loss on disposal of property, plant and equipment		**(39)**	17
Net foreign exchange loss		**296**	38
Operating lease rentals:			
Lease payments		**8,341**	8,452
Sublet income		**(380)**	(442)
Employee costs	7	**101,930**	99,676
Other administration costs		**40,094**	35,813
Operating expenses – excluding highlighted items		**153,145**	146,491
Highlighted items	5	**53,071**	76,161
Total operating expenses		**206,216**	222,652

	2015 £000	2014 £000
Auditor's remuneration		
Fees payable to the Company's auditor for the statutory audit of the Company and consolidated annual financial statements	**338**	327
Fees payable to the Company's auditor and its associates for other services:		
The audit of financial statements of the Company's subsidiaries pursuant to legislation	**39**	78
Audit-related assurance services	**62**	46
Other assurance services	**5**	45
Total other services	**106**	169
Total auditor's remuneration included in operating expenses	**444**	496

5. Highlighted items

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

The following highlighted items have been recognised in arriving at revenue and profit for the year:

	Notes	**2015 £000**	2014 £000
Credited to revenue:			
Start-up revenues		**–**	(1,013)
Charged/(credited) to operating expenses:			
Amortisation of intangible assets	11	**789**	985
Goodwill impairment	11	**48,764**	71,471
Impairment of software development costs	11	**579**	–
Restructuring costs		**3,292**	1,932
Start-up costs		**–**	1,543
Acquisition and transaction related (credit)/costs		**(353)**	230
Total charged to operating expenses		**53,071**	76,161
Charged to operating profit		**53,071**	75,148
Charged to finance costs			
Facility fees written off		**–**	427
Charged to profit before tax		**53,071**	75,575
Taxation credit		**(3,964)**	(7,382)
Charged to profit for the year		**49,107**	68,193

Start-up revenues and costs

Start-up revenues and costs in 2014 related to the operating results of new businesses started by the Group. The profile of revenue and costs in start-up businesses is different to that of more mature operations within the Group and hence the Directors consider that separate disclosure is helpful for investors. The results of start-up operations will cease being included within this category once they become consistently profitable or after two years of operation, whichever is earlier.

Amortisation of intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from 2 to 20 years depending on the nature of the asset. These are significant non-cash charges which arise as a result of acquisitions.

Goodwill impairment

Impairments totalling £48.8 million (2014: £71.5 million) were recognised in the year relating to goodwill in the Grayling and Citigate CGUs. Further disclosures are given in Note 11.

Impairment of software development costs

The impairment relates to significant adverse changes in the extent to which internally developed software is expected to be used. The recoverable amount is value in use which was determined to be £nil.

Restructuring costs

Restructuring costs comprise cost-saving and right-sizing initiatives including severance payments, compensation for loss of office, property and other contract termination costs.

Acquisition and transaction related costs/(credit)

Costs incurred in relation to acquisitions and any adjustments to the fair value of deferred contingent consideration liabilities.

Facility fees written off

Amounts capitalised in respect to the previous loan facility were written off when the Group refinanced in May 2014.

Taxation

Further details of the tax credits on highlighted items are disclosed in Note 8.

6. Finance costs and income

	2015 £000	2014 £000
Bank interest payable	**1,988**	2,174
Finance lease interest	**1**	7
Imputed interest on long-term payables and provisions	**19**	41
Finance costs	**2,008**	2,222
Bank interest receivable	**(3)**	(2)
Other interest receivable	**(4)**	(15)
Finance income	**(7)**	(17)
Net finance costs before highlighted items	**2,001**	2,205
Finance costs – highlighted items	**–**	427
Net finance costs	**2,001**	2,632

7. Employee information

The average number of employees during the year was:

	2015 Number	2014 Number
Citigate	**176**	178
Grayling	**762**	822
Red	**124**	121
Huntsworth Health	**478**	446
Centre	**30**	31
Total	**1,570**	1,598

Employee costs are as follows:

	2015 £000	2014 £000
Employee costs of all employees including Directors:		
Wages and salaries	**89,976**	87,894
Social security costs	**9,212**	9,257
Pension contributions	**2,350**	2,423
Share-based payment charge	**392**	102
Total employee costs	**101,930**	99,676

	2015 £000	2014 £000
Directors' emoluments	**975**	1,506
Number of Directors accruing benefits under:		
Defined contribution schemes	**0**	1

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

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

8. Taxation

	Before highlighted items 2015 £000	**Highlighted items 2015 £000**	**Total 2015 £000**	Before highlighted items 2014 £000	Highlighted items 2014 £000	Total 2014 £000
Consolidated Income Statement						
Current tax						
Current year	**2,174**	**(550)**	**1,624**	2,825	(900)	1,925
Adjustments in respect of prior years	**(581)**	**–**	**(581)**	(683)	–	(683)
Current tax expense/(credit)	**1,593**	**(550)**	**1,043**	2,142	(900)	1,242
Deferred tax						
Current year	**2,356**	**(3,737)**	**(1,381)**	2,843	(6,583)	(3,740)
Impact of changes in statutory tax rates	**(4)**	**323**	**319**	(193)	101	(92)
Adjustments in respect of prior years	**(361)**	**–**	**(361)**	(790)	–	(790)
Deferred tax expense/(credit)	**1,991**	**(3,414)**	**(1,423)**	1,860	(6,482)	(4,622)
Income tax expense/(credit)	**3,584**	**(3,964)**	**(380)**	4,002	(7,382)	(3,380)

The charge for the year can be reconciled to the profit/(loss) per the Income Statement as follows:

	Before highlighted items 2015 £000	**Highlighted items 2015 £000**	**Total 2015 £000**	Before highlighted items 2014 £000	Highlighted items 2014 £000	Total 2014 £000
Profit/(loss) before tax	**13,252**	**(53,071)**	**(39,819)**	16,023	(75,575)	(59,552)
Notional income tax expense/(credit) at the effective UK statutory rate of 20.25% (2014: 21.5%) on profit/(loss) before tax	**2,684**	**(10,747)**	**(8,063)**	3,445	(16,249)	(12,804)
Permanent differences	**(599)**	**8,503**	**7,904**	(7)	12,703	12,696
Impact of share-based payments	**150**	**–**	**150**	211	–	211
Different tax rates on overseas profits	**1,961**	**(2,384)**	**(423)**	1,930	(4,142)	(2,212)
Impact of changes in statutory tax rates	**(4)**	**323**	**319**	(193)	101	(92)
Adjustments in respect of prior years	**(942)**	**–**	**(942)**	(1,473)	–	(1,473)
Utilisation and recognition of tax losses	**21**	**(2)**	**19**	(436)	(38)	(474)
Unrelieved current year losses	**313**	**343**	**656**	525	243	768
Income tax expense/(credit)	**3,584**	**(3,964)**	**(380)**	4,002	(7,382)	(3,380)

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 20.25% (2014: 21.5%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

8. Taxation continued

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:

	Before highlighted items 2015 £000	Highlighted items 2015 £000	Total 2015 £000	Before highlighted items 2014 £000	Highlighted items 2014 £000	Total 2014 £000
Other comprehensive income and expense						
Current tax expense						
Currency translation differences	**78**	**–**	**78**	118	–	118
Deferred tax expense/(credit)						
Fair value movement on interest rate swaps (Note 17)	**(6)**	**–**	**(6)**	7	–	7
Tax expense recognised in other comprehensive income and expense	**72**	**–**	**72**	125	–	125
Equity						
Current tax credit						
Net revaluation of share-based payments	**(4)**	**–**	**(4)**	(1)	–	(1)
Deferred tax expense						
Net revaluation of share-based payments	**41**	**–**	**41**	248	–	248
Tax credit recognised in equity	**37**	**–**	**37**	247	–	247

9. Dividends

	2015 £000	2014 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2014: 0.75 pence (2013: 2.5 pence)	**2,385**	7,886
Interim dividend for the year ended 2015: 0.5 pence (2014: 1.0 pence)	**1,599**	3,170
Total dividend expense	**3,984**	11,056

Shareholdings under the Group's Employee Benefit Trust of 7,029,278 and 6,430,310 shares waived their rights to the 2014 final dividend and 2015 interim dividend respectively (2013 final dividend and 2014 interim dividend: 7,629,278 shares).

A 2015 final dividend of 1.25 pence per share has been proposed for approval at the Annual General Meeting in 2016.

10. Earnings per share

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

	2015 (Loss)/ earnings £000	2015 Weighted average number of shares 000s	2014 (Loss)/ earnings £000	2014 Weighted average number of shares 000s
Basic	**(39,439)**	**320,966**	(56,172)	318,848
Diluted	**(39,439)**	**320,966**[1]	(56,172)	318,848[1]
Adjusted basic	**9,668**	**320,966**	12,021	318,848
Adjusted diluted	**9,668**	**326,846**	12,021	329,241

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

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

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

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

10. Earnings per share continued

	2015 £000	2014 £000
Earnings:		
Loss for the year attributable to the Parent Company's shareholders	**(39,439)**	(56,172)
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**49,107**	68,193
Adjusted earnings	**9,668**	12,021

	2015 £000	2014 £000
Number of shares:		
Weighted average number of ordinary shares – basic	**320,966**	318,848
Effect of share options in issue	**4,380**	7,951
Effect of deferred contingent consideration	**1,500**	2,442
Weighted average number of ordinary shares – diluted	**326,846**	329,241

11. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software development costs £000	Total £000
Cost						
At 1 January 2014	24,821	29,079	303,130	1,774	2,283	361,087
Acquisitions	106	47	1,630	–	–	1,783
Capitalised development costs	–	–	–	–	592	592
Exchange differences	95	742	2,266	(210)	88	2,981
At 31 December 2014	25,022	29,868	307,026	1,564	2,963	366,443
Capitalised development costs	–	–	–	–	612	612
Exchange differences	335	857	4,401	(77)	96	5,612
At 31 December 2015	**25,357**	**30,725**	**311,427**	**1,487**	**3,671**	**372,667**
Amortisation and impairment charges						
At 1 January 2014	19,686	28,959	17,655	956	825	68,081
Charge for the year	526	132	–	327	285	1,270
Impairment	–	–	71,471	–	–	71,471
Exchange differences	97	738	(775)	(129)	12	(57)
At 31 December 2014	20,309	29,829	88,351	1,154	1,122	140,765
Charge for the year	479	17	–	293	235	1,024
Impairment	–	–	48,764	–	579	49,343
Exchange differences	339	852	1,640	(57)	24	2,798
At 31 December 2015	**21,127**	**30,698**	**138,755**	**1,390**	**1,960**	**193,930**
Net book value at 31 December 2015	**4,230**	**27**	**172,672**	**97**	**1,711**	**178,737**
Net book value at 31 December 2014	4,713	39	218,675	410	1,841	225,678

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:

	2015 £000	2014 £000
Citigate	**25,841**	36,850
Grayling	**54,309**	91,971
Red	**19,857**	19,826
Huntsworth Health	**72,665**	70,028
Total	**172,672**	218,675

11. Intangible assets continued

Citigate

At 30 June 2015, before impairment testing, goodwill of £36.5 million was allocated to the Citigate CGU. The Group revised its cash flow forecasts for this CGU, which resulted in a reduction in the value in use. Accordingly, goodwill was impaired by £10.8 million; this amount was recognised in highlighted items (Note 5) in the Income Statement. The Group has performed further impairment testing at 31 December 2015 based on the latest cash flow forecasts for this CGU and there has been no significant change in the value in use of this CGU.

Grayling

At 30 June 2015, before impairment testing, goodwill of £90.7 million was allocated to the Grayling CGU. The Group revised its cash flow forecasts for this CGU, which resulted in a reduction in the value in use. Accordingly, goodwill was impaired by £38.0 million; this amount was recognised in highlighted items (Note 5) in the Income Statement. The Group has performed further impairment testing at 31 December 2015 based on the latest cash flow forecasts for this CGU and there has been no significant change in the value in use of this CGU.

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:

Operating cash flow forecasts

Operating cash flow forecasts for the initial five-year period are calculated as operating profit before non-cash transactions including depreciation and amortisation. Forecasts are based on the 2016 budgeted revenue and operating margins 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 of between 1.1% and 2.5% (2014: 2.5%) has been applied to the cash flow forecasts into perpetuity. This growth rate is based on an estimate of the long-term average growth rate for the market that each CGU operates in.

Pre-tax risk adjusted discount rate

The pre-tax discount rate applied to all CGUs is 14.8% (2014: 13.6%). 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 estimated value in use of the Citigate and Grayling CGUs are not materially greater than their carrying values; consequently, any adverse change in the key assumptions would cause further impairment losses to be recognised. The changes in the following table would, in isolation, give rise to an (increase)/decrease in the value in use for the year ended 31 December 2015 as follows:

	Grayling		Citigate	
	Increase 1% £000	Decrease 1% £000	Increase 1% £000	Decrease 1% £000
Pre-tax discount rate	(4,442)	5,169	(2,397)	2,831
2016 budget operating profit	445	(445)	252	(252)
Medium-term growth rates	1,670	(1,632)	931	(908)
Perpetuity growth rate	4,986	(4,027)	2,841	(2,243)

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

12. Property, plant and equipment

	Leasehold improvements £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2014	5,446	14,061	293	19,800
Additions	3,493	1,634	75	5,202
Acquisitions	2	27	–	29
Disposals	(209)	(581)	(48)	(838)
Exchange differences	83	121	(16)	188
At 31 December 2014	8,815	15,262	304	24,381
Additions	739	1,916	117	2,772
Disposals	(279)	(535)	(50)	(864)
Exchange differences	188	299	(10)	477
At 31 December 2015	**9,463**	**16,942**	**361**	**26,766**
Depreciation				
At 1 January 2014	3,340	11,191	276	14,807
Charge for the period	844	1,578	19	2,441
Disposals	(203)	(538)	(43)	(784)
Exchange differences	57	103	(15)	145
At 31 December 2014	4,038	12,334	237	16,609
Charge for the period	970	1,460	29	2,459
Disposals	(215)	(504)	(2)	(721)
Exchange differences	85	260	(9)	336
At 31 December 2015	**4,878**	**13,550**	**255**	**18,683**
Net book value at 31 December 2015	**4,585**	**3,392**	**106**	**8,083**
Net book value at 31 December 2014	4,777	2,928	67	7,772

Motor vehicles held under finance leases had a net book value at 31 December 2015 of £34,000 (2014: £38,000). Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2015 of £2,000 (2014: £4,000).

13. Trade and other receivables

Current	**2015 £000**	2014 £000
Trade receivables	**32,034**	31,197
Less: provision for impairment of trade receivables	**(939)**	(971)
Trade receivables – net	**31,095**	30,226
Other receivables	**749**	1,012
Prepayments	**3,235**	3,590
Accrued income	**9,117**	6,402
VAT receivable	**167**	108
Trade and other receivables	**44,363**	41,338

In addition to the above, the Group also has non-current other receivables of £199,000 (2014: £279,000).

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

13. Trade and other receivables continued

As of 31 December 2015, trade receivables of £939,000 (2014: £971,000) were considered to be impaired. Movements in the provision are as follows:

	2015 £000	2014 £000
At 1 January	**971**	529
Acquisitions	**–**	12
Impairment charge for the year	**780**	494
Receivables written off during the year as uncollectable	**(543)**	(47)
Amounts reversed as debt collected	**(175)**	(23)
Foreign exchange movements	**(94)**	6
At 31 December	**939**	971

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

			Past due but not impaired			
At 31 December	Total £000	Neither past due nor impaired £000	<30 days £000	30–60 days £000	60–90 days £000	>90 days £000
2015	**31,095**	**22,476**	**4,235**	**1,837**	**1,880**	**667**
2014	30,226	20,260	6,159	2,137	1,079	591

As at 31 December 2015, the Group held receivables of £0.1 million (2014: £0.3 million) which would be overdue had they not been renegotiated.

14. Trade and other payables

Current	2015 £000	2014 £000
Trade payables	**9,713**	10,683
Other taxation and social security	**3,136**	3,508
Accruals and deferred income	**28,698**	24,714
Other payables	**1,999**	1,810
Deferred consideration	**680**	641
Current trade and other payables	**44,226**	41,356

Non-current	2015 £000	2014 £000
Leasehold property incentives	**1,292**	1,330
Deferred consideration	**–**	635
Other non-current payables	**28**	80
Non-current trade and other payables	**1,320**	2,045

15. Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2015 £000	2014 £000	2015 £000	2014 £000
Amounts payable:				
Within one year	**4**	7	**4**	7
In two to five years	**24**	31	**21**	24
	28	38	**25**	31
Less: finance charges allocated to future periods	**(3)**	(7)	**–**	–
Present value of lease obligations	**25**	31	**25**	31

16. Provisions

	Deferred contingent consideration £000	Property £000	Re-organisation and other £000	Total £000
At 1 January 2014	–	1,111	365	1,476
Provision on acquisition of subsidiary	1,372	–	21	1,393
Arising during the year	–	1,499	810	2,309
Released during the year	–	(123)	–	(123)
Utilised	–	(295)	(381)	(676)
Foreign exchange movements	115	76	(3)	188
Unwind of discount	20	9	–	29
At 31 December 2014	1,507	2,277	812	4,596
Arising during the year	–	844	3,083	3,927
Released during the year	(531)	(210)	(83)	(824)
Utilised	(346)	(326)	(2,570)	(3,242)
Foreign exchange movements	55	85	17	157
Unwind of discount	8	7	–	15
At 31 December 2015	**693**	**2,677**	**1,259**	**4,629**
Current	**–**	**935**	**1,229**	**2,164**
Non-current	**693**	**1,742**	**30**	**2,465**

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 Group anticipates settling the deferred contingent consideration provisions over the next two years. The amount utilised in the year represents the cash paid or shares issued under the earn-out arrangements. The amount arising or released in the year represents a change in the estimated future financial performance of the acquired company. Where deferred consideration is not contingent on the outcome of future events the amount is included in trade and other payables.

Property provisions

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

Reorganisation and other provisions

This provision relates principally to redundancy provisions. 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.

17. Deferred tax

	Tax depreciation £000	Share-based payments £000	Tax losses £000	Intangible assets £000	Other temporary differences £000	Total £000
At 1 January 2014	78	1,004	717	(8,111)	1,981	(4,331)
(Expense)/credit to income	(484)	(236)	847	4,663	(168)	4,622
Expense to other comprehensive income (Note 8)	–	–	–	–	(7)	(7)
Expense to equity	–	(247)	–	–	–	(247)
Foreign exchange and other movements	(40)	–	100	(536)	159	(317)
At 31 December 2014	(446)	521	1,664	(3,984)	1,965	(280)
Credit/(expense) to income	51	(141)	(1,089)	1,785	817	1,423
Credit to other comprehensive income (Note 8)	–	–	–	–	6	6
Expense to equity	–	(41)	–	–	–	(41)
Foreign exchange and other movements	(41)	–	47	(8)	158	156
At 31 December 2015	**(436)**	**339**	**622**	**(2,207)**	**2,946**	**1,264**

17. Deferred tax continued

After netting off balances within countries, the following are the deferred tax assets and liabilities recognised in the Consolidated Balance Sheet:

	2015 £000	2014 £000
Deferred tax balances:		
Deferred tax assets	**1,466**	116
Deferred tax liabilities	**(202)**	(396)
Net deferred tax asset/(liability)	**1,264**	(280)

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 £30.6 million (2014: £33.1 million) have not been recognised on the basis that their future economic benefit is uncertain. These comprise tax losses and other temporary differences of £18.3 million (2014: £20.8 million) and capital losses of £12.3 million (2014: £12.3 million). Of this total, tax losses of £9.1 million (2014: £17.3 million) will expire at various dates between 2016 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 £2.4 million (2014: £3.1 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.

Finance (No.2) Act 2015 was substantively enacted on 18 November 2015 and includes legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. The rate changes to 19% and 18% would reduce the Group's deferred tax assets recognised at 31 December 2015 by less than £0.1 million. The actual impact will be dependent on the deferred tax position at the time.

18. 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 20, and its total borrowings, comprising bank loans and overdrafts and obligations under finance leases, as disclosed in Note 19.

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.

18. Financial instruments continued

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 2015, after taking into account the effect of interest rate swaps, approximately 64% (2014: 34%) of the Group's gross borrowings was at a fixed rate of interest. The increase in the percentage of borrowing at fixed rates is primarily due to the purchase of an interest rate swap during 2015. The Group continually reviews and assesses the balance of debt held at fixed and variable rates and the need for additional instruments to meet both short-term and long-term requirements.

Interest rate swap contracts

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

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

	Average contract rate		Notional principal value		Fair value	
At 31 December	**2015**	2014	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Within one year	**–**	–	**–**	–	**–**	–
Within one to two years	**–**	–	**–**	–	**–**	–
Within two to three years	**–**	–	**–**	–	**–**	–
Within three to four years	**1.279%**	–	**25,000**	–	**(92)**	–
Within four to five years	**–**	1.285%	**–**	15,000	**–**	(63)
			25,000	15,000	**(92)**	(63)

18. Financial instruments continued

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

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

At 31 December 2014	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	Total £000
Fixed rate:						
Obligations under finance leases	(7)	(4)	(20)	–	–	(31)
Bank loans hedged by interest rate swap	–	–	–	–	(15,000)	(15,000)
Total fixed rate	(7)	(4)	(20)	–	(15,000)	(15,031)
Floating rate:						
Cash	8,826	–	–	–	–	8,826
Floating rate portion of bank loans	–	–	–	–	(44,327)	(44,327)
Bank loans hedged by interest rate swap	–	–	–	–	15,000	15,000
Total floating rate	8,826	–	–	–	(29,327)	(20,501)
Total	8,819	(4)	(20)	–	(44,327)	(35,532)

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 2015 would decrease/increase by £192,000 (2014: £400,000). If US interest rates had been 1% higher or lower, the Group's profit before tax would decrease/increase by £60,000 (2014: £85,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.
- If UK interest rates had been 1% higher or lower, the Group's other comprehensive income would decrease or increase by £824,000 or £853,000 respectively (2014: £149,000). 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.

18. 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 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	
		2015 £000	2014 £000
US Dollar	+10%	**(1,047)**	(847)
Euro	+10%	**(149)**	(152)
US Dollar	-10%	**1,279**	1,036
Euro	-10%	**182**	186

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	
		2015 £000	2014 £000
US Dollar	+10%	**(11,490)**	(13,235)
Euro	+10%	**(2,220)**	(3,744)
US Dollar	–10%	**14,073**	16,208
Euro	–10%	**2,723**	4,579

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.

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

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

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.

In October 2015, the Group voluntarily reduced the £90 million multi-currency facility agreement with Lloyds Bank plc, HSBC Bank plc and Barclays Bank plc by £25 million to £65 million. The £5 million committed overdraft facility with Lloyds Bank plc remained unchanged. Both facilities are due to expire in May 2019.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted payments.

At 31 December 2015	**Within 1 year £000**	**1–2 years £000**	**2–3 years £000**	**3–4 years £000**	**4–5 years £000**	**Total £000**
Interest-bearing loans and borrowings	**–**	**–**	**–**	**40,939**	**–**	**40,939**
Interest rate swap	**162**	**24**	**(57)**	**(37)**	**–**	**92**
Obligations under finance leases	**4**	**3**	**21**	**–**	**–**	**28**
Leasehold property provisions	**935**	**262**	**600**	**419**	**542**	**2,758**
Trade and other payables[1]	**41,090**	**352**	**326**	**328**	**329**	**42,425**
Deferred contingent consideration	**–**	**700**	**–**	**–**	**–**	**700**
	42,191	**1,341**	**890**	**41,649**	**871**	**86,942**

18. Financial instruments continued

At 31 December 2014	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	Total £000
Interest-bearing loans and borrowings	–	–	–	–	45,008	45,008
Interest rate swap	14	14	15	15	6	64
Obligations under finance leases	7	4	24	–	–	35
Leasehold property provisions	704	284	549	379	384	2,300
Trade and other payables[1]	37,848	2,570	–	–	–	40,418
Deferred contingent consideration	402	–	1,120	–	–	1,522
	38,975	2,872	1,708	394	45,398	89,347

1. Balance excludes tax and social security creditors.

Fair values of financial liabilities and assets

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

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 2015	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial liabilities				
Interest rate swap	**–**	**92**	**–**	**92**
Deferred contingent consideration	**–**	**–**	**693**	**693**
	–	**92**	**693**	**785**

At 31 December 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign exchange derivative	–	17	–	17
	–	17	–	17
Financial liabilities				
Interest rate swap	–	63	–	63
Deferred contingent consideration	–	–	1,507	1,507
	–	63	1,507	1,570

Valuation techniques used to derive Level 2 fair values

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

Valuation techniques used to derive Level 3 fair values

Deferred contingent consideration liabilities are valued using a discounted cash flow methodology. The liability is based on the acquired business' forecast average profits for the period from the date of acquisition to 31 December 2016. The significant unobservable inputs to this valuation include forecast average profits and the discount rate of 1%.

The sensitivity of this liability to changes in this discount rate is immaterial. A reconciliation of the movement in this balance in 2015 is included in Note 16.

19. Borrowings

Interest-bearing loans and borrowings	Effective interest rate	**2015 £000**	2014 £000
Current			
Obligations under finance leases	7%	**(4)**	(7)
Non-current			
Obligations under finance leases	7%	**(21)**	(24)
Bank loan under fixed rate swap[1]	1.279% + margin	**(25,000)**	(15,000)
Variable rate bank loan[1]	LIBOR + margin	**(14,172)**	(29,327)
		(39,193)	(44,351)
At 31 December		**(39,197)**	(44,358)

1. The underlying liability for the above marked items was the £65 million committed revolving credit facility. The margin is variable between 1.60% and 2.50% (2014: 1.60% and 2.50%) depending on the Group's net debt to EBITDA ratio.

20. Called up share capital

	Deferred shares		Ordinary shares		Total
Called up, fully allotted and fully paid	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
At 1 January 2014	212,012,343	103,886	325,346,439	3,253	107,139
Scrip dividends	–	–	1,833,183	18	18
At 31 December 2014	212,012,343	103,886	327,179,622	3,271	107,157
Scrip dividends	–	–	393,080	4	4
Settlement of share options	–	–	100,000	1	1
Deferred consideration for the acquisition of Audacity Inc.	–	–	826,031	8	8
At 31 December 2015	**212,012,343**	**103,886**	**328,498,733**	**3,284**	**107,170**

During the year, the following shares were issued:

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

During 2014, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2013 dividend and the interim 2014 dividend. On 7 July 2014, 1,580,790 ordinary shares of 1 pence each were issued at 51.9 pence with a resulting share premium of £804,622. On 31 October 2014, 252,393 ordinary shares of 1 pence each were issued at 48.6 pence with a resulting share premium of £120,139.

21. Share-based payments

The share-based payment schemes for employees of the Group in operation throughout 2015 are summarised in the following table:

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
Huntsworth schemes			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Jan 2012–Dec 2023	32.5–65.25
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Dec 2009–April 2025	32.5–108.25
1996 Huntsworth Approved Executive Share Option Scheme	10 years	May 2009–May 2016	88.0
1996 Huntsworth Unapproved Executive Share Option Scheme	10 years	Nov 2008–Aug 2016	88.0–89.25
Huntsworth Performance Share Plan	10 years	July 2009–May 2025	nil
Huntsworth Deferred Share Bonus Plan	10 years	Mar 2011–Mar 2019	nil
Huntsworth Deferred Share Bonus Plan	10 years	Mar 2012–Mar 2019	nil

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 2015 and 31 December 2014:

	2015		2014	
	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	**13,794,221**	**27.5**	17,367,697	28.8
Granted during the year	**5,057,324**	**16.7**	230,769	–
Forfeited during the year	**(2,840,924)**	**20.0**	(3,787,579)	28.2
Exercised during the year	**(1,768,943)**	**12.9**	(16,666)	49.3
Outstanding at the end of the year	**14,241,678**	**27.7**	13,794,221	27.5
Exercisable at the end of the year	**5,938,954**	**33.4**	7,138,789	29.3

The weighted average share price at the date of exercise for share options exercised during the year was 39.3 pence (2014: 56.5 pence). The options outstanding at the end of the year have a weighted average remaining life of 5.4 years (2014: 4.4 years). The estimated average fair value of the options granted during the year is 22.7 pence (2014: 55.0 pence).

Fair value of share options

The fair value of share options granted in 2015 and 2014 were calculated using a binomial option pricing model, the Monte Carlo model or the Black-Scholes model. The inputs to these models were:

	2015	2014
Weighted average share price	**39.4 pence**	65.0 pence
Weighted average exercise price	**16.7 pence**	nil
Expected volatility	**46%–47%**	45%
Expected life	**3 years**	3 years
Risk-free rate	**0.91%–1.2%**	1.21%
Expected dividend yield	**4.5%–5.7%**	5.38%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The Group recognised a total charge of £0.4 million (2014: £0.1 million) related to equity-settled share-based transactions during the year.

22. Reserves

Share premium account

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

Merger reserve

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

Following the impairment of certain investments held by Huntsworth plc, £13.4 million (2014: £21.8 million) relating to the acquisition of those subsidiaries has been 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

Pursuant to the settlement of share options, the Group transferred 585,707 shares to past employees (2014: transferred 16,666 shares) for proceeds of £146,250 (2014: proceeds of £9,000). As at 31 December 2015 the Group held 1,686,681 shares (2014: 2,272,388 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 Trust transferred 1,198,969 shares to past employees (2014: nil), including 115,733 accrued dividend shares, for proceeds of £48,750 (2014: nil).

During 2015 the Trusts did not purchase any shares (2014: nil). At 31 December 2015 the Trusts held 6.4 million shares (2014: 7.6 million shares) in the Company which had a market value at 31 December 2015 of £2.5 million (2014: £3.7 million).

23. 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 2015 and 31 December 2014, are as follows:

	2015 £000	2014 £000
Within one year	**6,945**	7,821
Within two to five years	**16,451**	14,925
Over five years	**7,056**	4,880[1]
	30,452	27,626

1. We have adjusted the greater than five year commitment in the 2014 comparative data to include the total liabilities beyond 2020.

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 2015 and 31 December 2014 are as follows:

	2015 £000	2014 £000
Within one year	**45**	52
Within two to five years	**–**	–
	45	52

23. Commitments and contingent liabilities continued

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.

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 (5894329)	Huntsworth Healthcare Group Limited (5143203)
Atomic Communications Holdings Limited (06927174)	Grayling Dormant 1 Limited (06964179)	Huntsworth Holdings Limited (5595445)
Grayling International Limited (5066506)	Huntsworth Investments Limited (1894682)	Grayling UK Limited (1593981)
IG Communications Limited (2005521)	Ballard Associates Limited (01636136)	Brand Health International Limited (2018312)
Hatch Group Limited (04091382)	Quiller Associates Limited (4472442)	HS Corporate Investments Limited (5794494)
Huntsworth (CB) Limited (1895906)	Citigate Public Affairs Limited (938798)	The Red Consultancy Group Limited (3528313)
Huntsworth Communications Limited (06025252)	Trimedia Communications UK Limited (04091732)	Dewe Rogerson Limited (960343)
Maclaurin Limited (2973057)	Hatch International Limited (4091288)	Huntsworth (I2) Limited (5135366)
Fred Communications Limited (6179972)	The Red Consultancy Ltd (2913684)	The Quiller Consultancy Limited (3609582)
Atomic PR UK Limited (6928056)	Apothecom Scope Medical Limited (3692001)	Tonic Life Communications Limited (5077475)
Citigate Dewe Rogerson Limited (2184041)	Hudson Sandler Limited (1951092)	Grayling Communications Ltd (3140273)
Shiny Red Limited (5893962)	Huntsworth Health Limited (3193979)	Holmes & Marchant Communications Limited (1766310)

24. Cash flow analysis

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

	2015 £000	2014 £000
Operating loss	**(37,818)**	(56,920)
Depreciation	**2,459**	2,441
Share option charge	**392**	102
Loss on disposal of property, plant and equipment	**39**	17
Amortisation of intangible assets	**1,024**	1,270
Impairment of intangible assets	**49,343**	71,471
(Increase)/decrease in work in progress	**(223)**	2,893
(Increase)/decrease in debtors	**(2,107)**	3,257
Increase/(decrease) in creditors	**1,831**	(9,406)
Increase in provisions	**214**	2,228
Net cash inflow from operations	**15,154**	17,353

24. Cash flow analysis continued

Net cash inflow from operations is analysed as follows:

	2015 £000	2014 £000
Before highlighted items	**18,157**	17,871
Highlighted items	**(3,003)**	(518)
Net cash inflow from operations	**15,154**	17,353

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

	2015 £000	2014 £000
(Decrease)/increase in cash and cash equivalents in the year	**(142)**	221
Cash inflow/(outflow) from movements in debt	**5,420**	(3,170)
Repayment of capital element of finance leases	**7**	12
Change in net debt resulting from cash flows	**5,285**	(2,937)
Write off and amortisation of loan fees	**(266)**	(756)
New finance lease	**–**	(32)
Movement in fair value of derivative financial instruments	**(46)**	43
Translation differences	**234**	117
Decrease/(increase) in net debt	**5,207**	(3,565)
Net debt at beginning of year	**(35,578)**	(32,013)
Net debt at end of year	**(30,371)**	(35,578)

(c) Analysis of net debt

	2015 £000	2014 £000
Net cash and cash equivalents	**8,918**	8,826
Bank loans	**(39,172)**	(44,327)
Derivative financial assets	**–**	17
Derivative financial liabilities	**(92)**	(63)
Obligations under finance leases	**(25)**	(31)
Net debt	**(30,371)**	(35,578)

At 31 December 2015 the Group had undrawn committed facilities of £24 million (2014: £47 million) available.

25. 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 (Appendix 1) 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:

	2015 £000	2014 £000
Short-term benefits	**975**	1,463
Post-employment benefits	**–**	43
Compensation for loss of office	**–**	600
Share-based payments	**329**	(105)
	1,304	2,001

FIVE-YEAR SUMMARY

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Revenue before highlighted items	**168,398**	164,719	171,668	173,030	176,257
Highlighted items – revenue	**–**	1,013	727	–	–
Operating profit before highlighted items	**15,253**	18,228	23,595	26,547	23,502
Highlighted items – operating expenses	**(53,071)**	(76,161)	(3,737)	(3,613)	(8,551)
Net finance costs	**(2,001)**	(2,205)	(3,531)	(4,089)	(4,376)
(Loss)/profit before tax	**(39,819)**	(59,552)	17,054	18,845	10,575
Non-current assets	**188,485**	233,845	299,144	299,429	307,771
Net current assets/(liabilities)	**10,089**	9,588	6,760	(10,549)	(7,795)
Net assets	**155,302**	193,874	257,644	214,157	210,095
Equity shareholders' funds	**155,302**	193,874	257,644	214,157	210,095
Basic (loss)/earnings per share (pence)	**(12.3)**	(17.6)	5.0	6.3	4.1
Diluted (loss)/earnings per share (pence)	**(12.3)**	(17.6)	4.9	6.1	3.9
Adjusted basic earnings per share (pence)	**3.0**	3.8	5.8	7.1	6.5
Adjusted diluted earnings per share (pence)	**3.0**	3.7	5.6	6.9	6.2
Share price – high (pence)	**49.3**	72.0	69.25	53.0	85.0
Share price – low (pence)	**35.0**	39.4	39.0	32.3	35.5

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**2015 £000**	2014 £000
Loss for the year	3	**(2,964)**	(16,516)
Other comprehensive income and expense			
Items that may be reclassified subsequently to the profit and loss account			
Amounts recognised in the profit and loss account on interest rate swaps		**157**	96
Movement in valuation of interest rate swaps		**(186)**	(66)
Tax credit/(expense) on interest rate swaps		**6**	(7)
Total items that may be reclassified subsequently to profit or loss		**(23)**	23
Other comprehensive (expense)/income for the year		**(23)**	23
Total comprehensive expense for the year		**(2,987)**	(16,493)

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible fixed assets	4	**42**	238
Intangible assets	5	**182**	–
Investments	6	**215,627**	261,795
		215,851	262,033
Current assets			
Debtors	7	**162,115**	113,836
Derivative financial assets	11	**–**	17
Cash at bank and in hand		**7,627**	6,311
		169,742	120,164
Creditors: amounts falling due within one year	8	**(106,323)**	(92,420)
Net current assets		**63,419**	27,744
Total assets less current liabilities		**279,270**	289,777
Creditors: amounts falling due after more than one year			
Bank loans and overdrafts		**(52,252)**	(56,389)
Derivative financial liabilities	11	**(92)**	(63)
Provisions for liabilities	9	**–**	(757)
Net assets		**226,926**	232,568
Capital and reserves			
Called up share capital	12	**107,170**	107,157
Share premium account	14	**62,811**	62,635
Merger reserve	14	**30,369**	43,422
Other reserves	14	**6,106**	6,038
Hedging reserve	14	**(92)**	(63)
Treasury shares	14	**(1,166)**	(1,568)
Investment in own shares	14	**(4,024)**	(4,704)
Profit and loss account		**25,752**	19,651
Total shareholders' funds		**226,926**	232,568

The Company number is 1729478.

The financial statements were approved by the Directors on 14 March 2016 and signed on their behalf by:

Neil Jones
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2015

	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 2014	107,139	61,722	65,255	5,881	(93)	(1,577)	(4,704)	25,438	259,061
Loss for the year	–	–	–	–	–	–	–	(16,516)	(16,516)
Other comprehensive income/ (expense)	–	–	–	–	30	–	–	(7)	23
Settlement of share options	–	–	–	–	–	9	–		9
Share issue costs	–	(12)	–	–	–	–	–		(12)
Share-based payments	–	–	–	157	–	–	–	(49)	108
Credit for unclaimed dividends	–	–	–	–	–	–	–	8	8
Scrip dividends	18	925	–	–	–	–	–	–	943
Equity dividends	–	–	–	–	–	–	–	(11,056)	(11,056)
Transfer	–	–	(21,833)	–	–	–	–	21,833	–
At 31 December 2014	107,157	62,635	43,422	6,038	(63)	(1,568)	(4,704)	19,651	232,568
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,964)**	**(2,964)**
Other comprehensive (expense)/income	**–**	**–**	**–**	**–**	**(29)**	**–**	**–**	**6**	**(23)**
Settlement of deferred consideration	**8**	**–**	**338**	**–**	**–**	**–**	**–**	**–**	**346**
Settlement of share options	**1**	**41**	**–**	**–**	**–**	**402**	**680**	**(897)**	**227**
Share issue costs	**–**	**(18)**	**–**	**–**	**–**	**–**	**–**	**–**	**(18)**
Share-based payments	**–**	**–**	**–**	**68**	**–**	**–**	**–**	**307**	**375**
Credit for unclaimed dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**230**	**230**
Tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**12**
Scrip dividends	**4**	**153**	**–**	**–**	**–**	**–**	**–**	**–**	**157**
Equity dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,984)**	**(3,984)**
Transfer	**–**	**–**	**(13,391)**	**–**	**–**	**–**	**–**	**13,391**	**–**
At 31 December 2015	**107,170**	**62,811**	**30,369**	**6,106**	**(92)**	**(1,166)**	**(4,024)**	**25,752**	**226,926**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. Basis of preparation

The Company has transitioned to United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101') from previously extant UK Generally Accepted Accounting Practice ('UK GAAP') for all periods presented. Note 17 sets out the Company's restatement of prior periods and exemptions applied. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 6 to 33 of IFRS 1 First-time adoption of International Financial Reporting Standards;
- the requirements of paragraphs 45(b) and 46–52 of IFRS 2 Share-based Payments;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91–99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134–136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)–134(f) and 135(c)–135(e) of IAS 36 Impairment of Assets.

Amendments to FRS 101 – 2014/2015 have been early adopted.

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

2. Significant accounting policies

Tangible fixed assets

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

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

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

Intangible assets

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

Trade and other debtors

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

Provisions for liabilities

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

Current tax

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

2. Significant accounting policies continued

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.

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.

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.

2. Significant accounting policies continued

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. Central costs are not allocated to individual investments.

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.

Share-based payments

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

Loans and borrowings

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

Derivative financial instruments

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

Employee share ownership plans

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

Borrowing costs and finance income

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

Significant accounting judgements and key sources of estimation uncertainty

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

Carrying value of investments and other intangible assets

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

3. 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 loss for the year amounted to £3 million (2014 loss: £16.5 million).

The auditor's remuneration for audit services to the Company was £98,000 (2014: £95,000).

4. Tangible fixed assets

	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2015	1,607	31	1,638
Additions	21	–	21
Disposals	(1,314)	–	(1,314)
At 31 December 2015	**314**	**31**	**345**
Depreciation			
At 1 January 2015	1,395	5	1,400
Charge for the period	207	10	217
On disposals	(1,314)	–	(1,314)
At 31 December 2015	**288**	**15**	**303**
Net book value at 31 December 2015	**26**	**16**	**42**
Net book value at 31 December 2014	212	26	238

5. Intangible assets

	Software development costs £000	Total £000
Cost		
At 1 January 2015	–	–
Additions	182	182
At 31 December 2015	**182**	**182**
Depreciation		
At 1 January 2015 and 31 December 2015	–	–
Net book value at 31 December 2015	**182**	**182**
Net book value at 31 December 2014	–	–

As the software was not available for use at 31 December 2015, no depreciation has been recognised.

6. Investments

	Shares at cost £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At 1 January 2014	293,237	42,083	335,320
Additions	157	–	157
Adjustments	–	(1,944)	(1,944)
At 1 January 2015	**293,394**	**40,139**	**333,533**
Additions	68	–	68
At 31 December 2015	**293,462**	**40,139**	**333,601**
Amounts provided			
At 1 January 2014	42,132	2,500	44,632
Impairment	27,106	–	27,106
At 1 January 2015	**69,238**	**2,500**	**71,738**
Impairment	34,249	11,987	46,236
At 31 December 2015	**103,487**	**14,487**	**117,974**
Net book value at 31 December 2015	**189,975**	**25,652**	**215,627**
Net book value at 31 December 2014	224,156	37,639	261,795

6. Investments continued

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

Impairment testing

The carrying values of all investments as at 31 December 2015 were tested for impairment and, as a result, certain investments were written down to their net realisable value. The events and circumstances that led to the recognition of the impairment loss are disclosed in Note 11 of the consolidated financial statements.

7. Debtors

	2015 £000	2014 £000
Amounts owed by subsidiary undertakings	**160,872**	111,258
Trade debtors	**38**	100
Corporation tax	**72**	692
Deferred tax	**432**	547
VAT receivable	**542**	678
Prepayments and accrued income	**159**	561
	162,115	113,836

Amounts included in the above to be due after more than one year:	**2015 £000**	2014 £000
Deferred tax	**432**	547

8. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	**373**	989
Amounts owed to subsidiary undertakings	**104,141**	89,225
Other taxation and social security	**487**	496
Accruals and deferred income	**812**	981
Other creditors	**510**	729
	106,323	92,420

9. Provisions for liabilities

	Reorganisation £000	Property £000	Total £000
At 1 January 2014	–	59	59
Arising during the year	668	30	698
At 31 December 2014	668	89	757
Released during the year	–	(64)	(64)
Utilised	(668)	(25)	(693)
At 31 December 2015	**–**	**–**	**–**
Current	**–**	**–**	**–**
Non-current	**–**	**–**	**–**

Reorganisation provision

The 2014 provision related to compensation for loss of office.

Property provisions

Provision for property represented amounts set aside to meet the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the lease term.

10. Deferred tax

	Tax depreciation £000	Share-based payments £000	Other temporary differences £000	Total £000
At 1 January 2014	100	606	25	731
Expense to income	(10)	(165)	(2)	(177)
Expense to other comprehensive income	–	–	(7)	(7)
At 31 December 2014	90	441	16	547
Credit/(expense) to income	8	(138)	(3)	(133)
Credit to other comprehensive income	–	–	6	6
Credit to equity	–	12	–	12
At 31 December 2015	**98**	**315**	**19**	**432**

Finance (No.2) Act 2015 was substantively enacted on 18 November 2015 and includes legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. The rate changes to 19% and 18% would reduce the Company's deferred tax assets recognised at 31 December 2015 by less than £0.1m. The actual impact will be dependent on the deferred tax position at the time.

11. Derivative financial instruments

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

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 18).

12. Called up share capital

	Deferred shares		Ordinary shares		Total
Called up, fully allotted and fully paid	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
At 1 January 2014	212,012,343	103,886	325,346,439	3,253	107,139
Scrip dividends	–	–	1,833,183	18	18
At 31 December 2014	212,012,343	103,886	327,179,622	3,271	107,157
Scrip dividends	–	–	393,080	4	4
Settlement of share options	–	–	100,000	1	1
Deferred consideration for the acquisition of Audacity, Inc.	–	–	826,031	8	8
At 31 December 2015	**212,012,343**	**103,886**	**328,498,733**	**3,284**	**107,170**

During the year, the following shares were issued:

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

During 2014, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2013 dividend and the interim 2014 dividend. On 7 July 2014, 1,580,790 ordinary shares of 1 pence each were issued at 51.9 pence with a resulting share premium of £804,622. On 31 October 2014, 252,393 ordinary shares of 1 pence each were issued at 48.6 pence with a resulting share premium of £120,139.

13. Share-based payments

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
Huntsworth share option schemes			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	Jan 2012–Jan 2019	32.5
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Dec 2009–April 2025	32.5–108.25
Huntsworth Performance Share Plan	10 years	Dec 2009–May 2025	nil
Huntsworth Deferred Share Bonus Plan	10 years	Mar 2011–Mar 2019	nil
Huntsworth Deferred Share Bonus Plan	10 years	Mar 2012–Mar 2019	nil

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

The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2015 and 31 December 2014:

	2015		2014	
	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	**11,425,220**	**20.6**	9,729,454	22.0
Exercised	**1,768,943**	**12.9**	–	–

The weighted average share price at the date of exercise for share options exercised during the year was 39.3 pence (2014: nil pence). The options outstanding at the end of the year have a weighted average remaining life of 5.1 years (2014: 5 years).

14. Reserves

Called up share capital

The balance classified as called up share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising £0.01 ordinary shares.

Merger reserve

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

Following the impairment of certain investments held by the Company, £13.4 million (2014: £21.8 million) relating to the acquisition of those subsidiaries has been transferred from the merger reserve to the profit and loss reserve.

Treasury shares

Pursuant to the settlement of share options, the Company transferred 585,707 shares to past employees (2014: transferred 16,666 shares) for proceeds of £146,250 (2014: proceeds of 9,000). As at 31 December 2015 the Company held 1,686,681 shares (2014: 2,272,388 shares) in Treasury.

Investment in own shares

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

Pursuant to the settlement of share options, the Trust transferred 1,198,969 shares to past employees (2014: nil), including 115,733 accrued dividend shares, for proceeds of £48,750 (2014: nil).

During 2015 the Trust did not purchase any shares (2014: nil). At 31 December 2015 the Trust held 6.4 million shares (2014: 7.6 million shares) in the Company which had a market value at 31 December 2015 of £2.5 million (2014: £3.7 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.

15. Related parties

Details of Executive and Non-Executive Directors' emoluments and their interests in shares and options of the Company are shown in the Report of the Directors on Remuneration in the sections 'Directors' emoluments', 'Directors' interests in shares' and 'Directors' interests in share options'. The key management personnel of the Company are considered to be the Executive and Non-Executive Directors.

16. Commitments and contingent liabilities

Operating lease commitments

	2015 £000	2014 £000
Annual net commitments in respect of non-cancellable operating leases expiring in:		
One year	**–**	188
Two to five years	**–**	707
	–	895

Contingent liabilities

(i) The Company is registered with HM Revenue and Customs as a member of a Group for VAT purposes and, as a result, is jointly and severally liable on a continuing basis for amounts owing by any other members of that Group in respect of unpaid VAT. At the balance sheet date, the outstanding VAT liability in the other Group companies amounted to approximately £1.6 million (2014: £2 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.

17. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant UK GAAP. These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6–33 of IFRS 1 'First time adoption of International Financial Reporting Standards'.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

IFRS 2 Share-based payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005. This treatment is consistent with the transitional provisions taken when the Company adopted FRS 20, the UK equivalent standard.

IAS 27 Separate and individual financial statements permits investments in subsidiaries measured at cost to be measured at deemed cost. The elected deemed cost is the previous GAAP carrying amount.

Restatement of equity from UK GAAP to IFRS

No remeasurements have occurred restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE COMPANY FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with FRS 101 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 Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Neil Jones
Director
14 March 2016

APPENDIX 1 – SUBSIDIARIES

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 2015, which are all 100% owned, are set out below.

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

Subsidiary undertaking	Country	Direct/indirect
Adamson Ussher Marketing Limited	United Kingdom	Direct
Apothecom ScopeMedical Limited	United Kingdom	Direct
Atomic Communications Holdings Limited	United Kingdom	Direct
Citigate Dewe Rogerson Limited[1]	United Kingdom	Direct
EHPR Limited	United Kingdom	Direct
Fred Communications Limited	United Kingdom	Direct
Grayling (CEE) Limited	United Kingdom	Direct
Haslimann Taylor Limited	United Kingdom	Direct
HS Corporate Investments Limited	United Kingdom	Direct
Huntsworth Holdings Limited	United Kingdom	Direct
Huntsworth Investments Limited	United Kingdom	Direct
IG Communications Limited	United Kingdom	Direct
Strategy Communications Limited	United Kingdom	Direct
The Red Consultancy Group Limited	United Kingdom	Direct
Tonic Life Communications Limited	United Kingdom	Direct
Trimedia Limited	United Kingdom	Direct
Grayling Momentum Limited[2]	British Virgin Islands[3]	Direct
Huntsworth Health Singapore Private Limited	Singapore	Direct
Grayling Holdings AG	Switzerland	Direct
Grayling Austria GmbH	Austria	Indirect (group interest)
Citigate Dewe Rogerson Belgium SA	Belgium	Indirect (group interest)
Grayling SA	Belgium	Indirect (group interest)
Grayling Bulgaria EOOD	Bulgaria	Indirect (group interest)
Citigate Dewe Rogerson (Beijing) Consulting Services Co., Limited	China	Indirect (group interest)
Grayling (Shanghai) Public Relations Consulting Co., Limited	China	Indirect (group interest)
Grayling d.o.o.	Croatia	Indirect (group interest)
Grayling Corporate, Public Affairs & Public Relations Consultants (Cyprus) Limited	Cyprus	Indirect (group interest)
Raxston Communications Limited	Cyprus	Indirect (group interest)
Grayling Czech Republic s.r.o.	Czech Republic	Indirect (group interest)
Grayling France SAS	France	Indirect (group interest)
Grayling Deutschland GmbH	Germany	Indirect (group interest)
Grayling München GmbH	Germany	Indirect (group interest)
Huntsworth Holdings GmbH	Germany	Indirect (group interest)
Citigate Asia Limited	Hong Kong	Indirect (group interest)
Grayling China Limited	Hong Kong	Indirect (group interest)
Huntsworth Dormant (IL) Limited	Hong Kong	Indirect (group interest)
Tonic Life Communications Asia Pacific Limited	Hong Kong	Indirect (group interest)
Grayling Hungary Kft	Hungary	Indirect (group interest)
Grayling Communications Limited	Ireland	Indirect (group interest)
Grayling Kazakhstan TOO	Kazakhstan	Indirect (group interest)
Grayling Kenya Limited	Kenya	Indirect (group interest)
Citigate First Financial B.V.	Netherlands	Indirect (group interest)
Grayling Nederland B.V.	Netherlands	Indirect (group interest)
Grayling Poland Sp.z.o.o.	Poland	Indirect (group interest)

APPENDIX 1 – SUBSIDIARIES CONTINUED

Subsidiary undertaking	Country	Direct/indirect
Grayling Romania S.R.L.	Romania	Indirect (group interest)
Grayling Eurasia LLC	Russian Federation	Indirect (group interest)
Grayling d.o.o.	Serbia	Indirect (group interest)
Citigate Dewe Rogerson, i.Mage Pte Limited	Singapore	Indirect (group interest)
Grayling Asia Pte Limited	Singapore	Indirect (group interest)
Grayling Slovakia s.r.o.	Slovakia	Indirect (group interest)
Grayling d.o.o.	Slovenia	Indirect (group interest)
Grayling Comunicacion, S.L.	Spain	Indirect (group interest)
Huntsworth Spain, S.L.	Spain	Indirect (group interest)
Sanchis y Asociados Imagen y Comunicacion, S.A.	Spain	Indirect (group interest)
Citigate & Trimedia Norden AB	Sweden	Indirect (group interest)
Grayling & Citigate Norden AB	Sweden	Indirect (group interest)
Grayling International AG	Switzerland	Indirect (group interest)
Grayling Suisse SA	Switzerland	Indirect (group interest)
pga communication SA	Switzerland	Indirect (group interest)
Zahner & Partner AG	Switzerland	Indirect (group interest)
Grayling (Thailand) Co., Limited	Thailand	Indirect (group interest)
Grayling Halkla Iliskiler Limited Sirketi	Turkey	Indirect (group interest)
Grayling Ukraine OOO	Ukraine	Indirect (group interest)
Alternate Resources Limited	United Kingdom	Indirect (group interest)
Atlantic Group Holdings Limited	United Kingdom	Indirect (group interest)
Atlantic Public Relations Limited	United Kingdom	Indirect (group interest)
Atomic PR UK Limited	United Kingdom	Indirect (group interest)
Avenue Healthcare Knowledge Management Limited	United Kingdom	Indirect (group interest)
Axis Healthcare Europe Limited	United Kingdom	Indirect (group interest)
Ballard Associates Limited	United Kingdom	Indirect (group interest)
Beaumark Limited	United Kingdom	Indirect (group interest)
Brand Health International Limited	United Kingdom	Indirect (group interest)
Brand Health International Validation Limited	United Kingdom	Indirect (group interest)
Catalyst Communications Group Limited	United Kingdom	Indirect (group interest)
Catalyst Publications Limited	United Kingdom	Indirect (group interest)
Chris Parry Promotions Limited	United Kingdom	Indirect (group interest)
Citigate Broad Street UK Limited	United Kingdom	Indirect (group interest)
Citigate Communications Group Limited	United Kingdom	Indirect (group interest)
Citigate Europe Limited	United Kingdom	Indirect (group interest)
Citigate Northern Ireland Public Affairs Limited	United Kingdom	Indirect (group interest)
Citigate Public Affairs Limited	United Kingdom	Indirect (group interest)
Citigate Sponsorship Limited	United Kingdom	Indirect (group interest)
Citigate Westminster Limited	United Kingdom	Indirect (group interest)
Conscientia Communications Limited	United Kingdom	Indirect (group interest)
David Baker Associates Limited	United Kingdom	Indirect (group interest)
Dewe Rogerson Group Limited	United Kingdom	Indirect (group interest)
Dewe Rogerson Limited	United Kingdom	Indirect (group interest)
Dewe Rogerson UK Limited	United Kingdom	Indirect (group interest)
Ergo Communications Services Limited	United Kingdom	Indirect (group interest)
Facet Group Holdings Limited	United Kingdom	Indirect (group interest)
Grayling Communications Limited	United Kingdom	Indirect (group interest)
Grayling Dormant 1 Limited	United Kingdom	Indirect (group interest)
Grayling International Limited	United Kingdom	Indirect (group interest)
Grayling UK Limited	United Kingdom	Indirect (group interest)
Harnett Milan Limited	United Kingdom	Indirect (group interest)

Subsidiary undertaking	Country	Direct/indirect
Harrison Cowley 222 Limited	United Kingdom	Indirect (group interest)
Hatch Group Limited	United Kingdom	Indirect (group interest)
Hatch International Limited	United Kingdom	Indirect (group interest)
Holmes & Marchant Central Limited	United Kingdom	Indirect (group interest)
Holmes & Marchant Communications Limited	United Kingdom	Indirect (group interest)
Holmes & Marchant Corporate Design Limited	United Kingdom	Indirect (group interest)
Holmes & Marchant Enskat Limited	United Kingdom	Indirect (group interest)
Holmes & Marchant Field-Force Limited	United Kingdom	Indirect (group interest)
Holmes & Marchant Healthcare Limited	United Kingdom	Indirect (group interest)
Holmes & Marchant Publishing Limited	United Kingdom	Indirect (group interest)
Hudson Sandler Limited	United Kingdom	Indirect (group interest)
Huntsworth (CB) Limited	United Kingdom	Indirect (group interest)
Huntsworth (I2) Limited	United Kingdom	Indirect (group interest)
Huntsworth Communications Limited	United Kingdom	Indirect (group interest)
Huntsworth Dormant (IH) Limited	United Kingdom	Indirect (group interest)
Huntsworth Dormant (IUK)	United Kingdom	Indirect (group interest)
Huntsworth Dormant 1 Limited	United Kingdom	Indirect (group interest)
Huntsworth Dormant 2 Limited	United Kingdom	Indirect (group interest)
Huntsworth Dormant 3 Limited	United Kingdom	Indirect (group interest)
Huntsworth Dormant 4 Limited	United Kingdom	Indirect (group interest)
Huntsworth Dormant 5 Limited	United Kingdom	Indirect (group interest)
Huntsworth Financial Group Limited	United Kingdom	Indirect (group interest)
Huntsworth Group Limited	United Kingdom	Indirect (group interest)
Huntsworth Health Limited	United Kingdom	Indirect (group interest)
Huntsworth Healthcare Group Limited	United Kingdom	Indirect (group interest)
IOL Limited	United Kingdom	Indirect (group interest)
MacLaurin Limited	United Kingdom	Indirect (group interest)
Masterguide Limited	United Kingdom	Indirect (group interest)
Park Avenue Productions Limited	United Kingdom	Indirect (group interest)
Pineblue Limited	United Kingdom	Indirect (group interest)
Quiller Associates Limited	United Kingdom	Indirect (group interest)
Shiny Red Limited	United Kingdom	Indirect (group interest)
Stephanie Churchill Public Relations Limited	United Kingdom	Indirect (group interest)
Superfresh Hygienics Limited	United Kingdom	Indirect (group interest)
Tactical Holdings Limited	United Kingdom	Indirect (group interest)
Tactical Marketing Limited	United Kingdom	Indirect (group interest)
TEAM LGM Limited	United Kingdom	Indirect (group interest)
The Counsel Group Limited	United Kingdom	Indirect (group interest)
The Development Counsel Limited	United Kingdom	Indirect (group interest)
The Quiller Consultancy Limited	United Kingdom	Indirect (group interest)
The Red Consultancy Limited	United Kingdom	Indirect (group interest)
TMG Group Holdings Limited	United Kingdom	Indirect (group interest)
Trimedia Communications UK Limited	United Kingdom	Indirect (group interest)
V B Communications Limited	United Kingdom	Indirect (group interest)
Woodside Communications Limited	United Kingdom	Indirect (group interest)
Apothecom ScopeMedical Inc.	United States	Indirect (group interest)
Atomic Communications, LLC	United States	Indirect (group interest)
Audacity Health LLC	United States	Indirect (group interest)
Axiom Professional Health Learning LLC	United States	Indirect (group interest)
C-B Interests Inc.	United States	Indirect (group interest)
Citigate Broad Street Inc.	United States	Indirect (group interest)

APPENDIX 1 – SUBSIDIARIES CONTINUED

Subsidiary undertaking	Country	Direct/indirect
Citigate Cunningham LLC	United States	Indirect (group interest)
Citigate Global Intelligence and Security Inc.	United States	Indirect (group interest)
Citigate Global Intelligence and Security LLC	United States	Indirect (group interest)
Evoke Group LLC	United States	Indirect (group interest)
Dunwoodie Communications Inc.	United States	Indirect (group interest)
Dutko Global LLC	United States	Indirect (group interest)
Dutko Government Markets, LLC	United States	Indirect (group interest)
Dutko Midco LLC	United States	Indirect (group interest)
Dutko Poole McKinley, LLC	United States	Indirect (group interest)
Dutko State & Local, LLC	United States	Indirect (group interest)
Dutko Washington, LLC	United States	Indirect (group interest)
Dutko Worldwide, LLC	United States	Indirect (group interest)
Evoke Health LLC	United States	Indirect (group interest)
Grayling Americas LLC	United States	Indirect (group interest)
Firsthand Group LLC	United States	Indirect (group interest)
Grayling Communications, Inc.	United States	Indirect (group interest)
Grayling Group LLC	United States	Indirect (group interest)
HHCG Acquisition LLC	United States	Indirect (group interest)
Huntsworth Financial Holdings LLC	United States	Indirect (group interest)
Huntsworth Financial LLC	United States	Indirect (group interest)
Huntsworth Group LLC	United States	Indirect (group interest)
Huntsworth Health Corporation	United States	Indirect (group interest)
Huntsworth Health North America LLC	United States	Indirect (group interest)
Huntsworth Healthcare Group LLC	United States	Indirect (group interest)
Huntsworth Holdings Inc.	United States	Indirect (group interest)
Huntsworth LLC	United States	Indirect (group interest)
Hypertonic LLC	United States	Indirect (group interest)
inRx LLC	United States	Indirect (group interest)
Random Animal LLC	United States	Indirect (group interest)
Rose & Kindel	United States	Indirect (group interest)
The Red Consultancy California LLC	United States	Indirect (group interest)
The Red Consultancy USA LLC	United States	Indirect (group interest)
Tonic Life Communications Dallas LLC	United States	Indirect (group interest)
Tonic Life Communications New York LLC	United States	Indirect (group interest)
Traverse Healthstrategy LLC	United States	Indirect (group interest)
Whiteboard Advisors LLC	United States	Indirect (group interest)

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.

GROUP INFORMATION

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

Investor relations
Should you have any queries, please contact either Paul Taaffe or Neil Jones on +44 (0)20 7224 8778.

Alternatively, you can email your query to paul.taaffe@huntsworth.com or neil.jones@huntsworth.com.

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

Alternatively, you can telephone the dedicated Huntsworth shareholder helpline on 0870 707 1048 or write to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

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FINANCIAL CALENDAR 2016

15 March 2016	Announcement of final results
26 May 2016	Annual General Meeting
26 May 2016	Ex-dividend date for final dividend
27 May 2016	Record date for final dividend
7 July 2016	Final dividend paid

NOTES

NOTES

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