

HUNTSWORTH

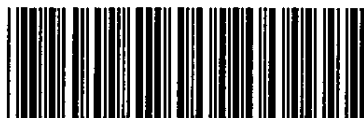
Huntsworth plc

Integrated Global Communications

Annual Report and Accounts 2014

COMPANIES HOUSE

TUESDAY



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22/09/2015

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Huntsworth plc is an international consultancy group focused on public relations and integrated healthcare communications.

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Highlights

Headline financial results¹

Revenue

- Revenue £164.7m (2013: £171.7m)
- Like-for-like² revenue decline of 0.9%

Profit

- Operating profit of £18.2m (2013: £23.6m)
- Operating profit margin before central costs 15.0% (2013: 18.0%)
- Operating profit margin post central costs 11.1% (2013: 13.7%)
- Profit before tax of £16.0m (2013: £20.1m)

Cash flow and net debt

- Cash flow from operations of £17.9m, representing a cash conversion of 98% (2013: 99%)
- Net debt at £35.6m, £3.2m better than expected (2013: £32.0m)

Reported financial results

Revenue

- Revenue after highlighted items £165.7m (2013: £172.4m)
- Like-for-like² revenue after highlighted items decline of 0.4%

Loss/profit

- Operating loss (after £71.5m impairment) of £56.9m (2013: operating profit of £20.6m)
- Loss before tax of £59.6m (2013: profit before tax of £17.1m)

Cash flow

- Cash flow from operations of £17.4m (2013: £18.6m)

Diluted earnings/(loss) per share

- Before highlighted items at 3.7p (2013: 5.6p)
- After highlighted items at (17.6)p (2013: 4.9p)

Dividend per share

- Proposed final dividend of 0.75p (2013: 2.50p), giving a total 2014 dividend of 1.75p (2013: 3.50p)

Board changes

- Derek Mapp appointed Chairman and Non-Executive Director on 1 December 2014
- Paul Taaffe appointed as new CEO with effect from 7 April 2015
- Andy Boland appointed as Non-Executive Director with effect from 11 August 2014
- Nicky Dulieu and Farah Ramzan Golant CBE appointed Non-Executive Directors with effect from 1 January 2015
- Tim Ryan appointed Senior Independent Director with effect from 1 January 2015
- Sally Withey, Group Chief Operating Officer and Finance Director, stepped down from the Board on 31 December 2014 and the search for a new CFO has commenced
- Brian Porritt, Interim CFO, will remain in place until a new CFO is appointed

¹ Headline financial results are adjusted to exclude highlighted items. Highlighted items comprise impairment losses £71.5m (2013: £nil), amortisation of intangible assets £1.0m (2013: £1.6m), restructuring costs £1.9m (2013: £3.7m), facility fees written off £0.4m (2013: £nil), acquisition/transaction related costs £0.2m (2013: credit of £2.2m) and highlighted revenues in respect of start-up operations of £1.0m that produced £0.5m of operating losses

² Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures

Our Brands and Markets

Huntsworth operates in 71 principal offices
in 28 countries around the world.

The Group is built around four
core consultancy brands.

13%
of Group revenue

Citigate: Global Financial & Corporate Communications
Citigate is a leading international consultancy specialising in financial and corporate communications. It offers a full range of communications services including global financial, investor relations, corporate, consumer, digital and public policy consultancy to companies, both domestically and internationally, from offices in the UK, Europe, Asia and the Middle East.

Citigate operates across all major industrial sectors including financial services, technology, professional services, consumer brands, oil and gas, retail, distribution and logistics, healthcare public sector, manufacturing and aerospace.

Citigate's approach is to help clients achieve their business objectives, whether that is seeking a stock exchange listing, completing merger or acquisition activities, promoting and protecting brands, managing crises, launching new products or companies, developing insightful collateral or running stakeholder engagement programmes. We are acknowledged as a leader in transaction advisory and have a long track record spanning the full spectrum of financial, corporate and investor communications. In other rapidly evolving areas such as consumer technology, reputation management and social media, Citigate operates at the leading-edge of integrated digital PR.

43%
of Group revenue

Grayling: Global Public Relations, Digital Marketing and Government Relations
Grayling is a leading global communications network founded in 1981 to deliver data-driven strategies for digital marketing, public relations, government affairs, and investor relations.

Grayling develops and manages reputations for a diverse range of organisations across multiple sectors including consumer brands, technology, energy, healthcare, financial services, transport and logistics and governments.

Grayling's offer is rooted in data-driven insights, breakthrough ideas and rapid activation across multiple channels and screens. The approach leads to tangible results for Grayling clients by enabling conversations, driving engagement and encouraging action.

Grayling operates from 54 offices in 28 countries worldwide across North America, Europe, the Middle East, and Asia.

Our markets

£164.7^m

Global revenue

1,603

Employees

71

Principal offices

36%

of Group revenue

Huntsworth Health: Global Healthcare Communications

Huntsworth Health is a unique client-centric healthcare communications company that creates compelling stories and builds emotional experiences that generate positive perceptions and behavioural change. We make healthcare communications 'human' in a patient-centric world.

Huntsworth Health is driven by strategy derived from actionable insights. We are serious about science and medicine, captivated by creativity, intrigued by innovation and committed to adding real value to our client relationships. We are a team of communications professionals that believe in making a difference in health and wellbeing by engaging audiences in emotional experiences that precipitate positive behavioural change. We can do this in a seamlessly integrated way across multiple channels and surfaces or we can focus specifically on a solution to a clearly defined communications challenge.

Huntsworth Health partners with all stakeholders in the health and wellbeing ecosystem – public and private healthcare systems, pharmaceutical, biotechnology, medical device and diagnostics companies, patient and consumer advocacy groups, associations and societies.

8%

of Group revenue

Red: Specialist Brands Agency

Red Consultancy is one of the UK's leading multi-specialist public relations agencies. From a creative consumer hot shop in the 90's, Red Consultancy has evolved to be a major multi-specialist agency with a strong emphasis on digital expertise. Red Consultancy is notable for the quality of its client list which was further enhanced in 2014 with the addition of leading international airline, Emirates.

Chairman's Statement

Focused on... **strong leadership**

In the last few months we have welcomed Paul Taaffe as Chief Executive and four Independent Non-Executive Directors who bring a wealth of experience.

I look forward to what will inevitably be a new era in the leadership of the Group.

Derek Mapp, Chairman

I took on the responsibility as Chair of Huntsworth in December 2014 in the knowledge that 2014 was a year of fundamental change for the Group

During the past year, there have been significant leadership changes at Board, Executive and Divisional levels that have inevitably been disruptive and distracting. It is a tribute to our teams across the whole Group that these changes did not deflect them, either from their good work on behalf of our clients, or from their abilities to service and win new business.

In the last few months, we have welcomed to the Board four Independent Non-Executive Directors who bring a wealth of experience. Andy Boland, Tim Ryan, Farah Ramzan Golant and Nicky Dulieu have already begun to transform the Board's oversight and stewardship of the Group, especially through their respective roles on the Board's committees.

09.00
LONDON

11.00

13.00

16.00
SHANGHAI

2014 saw the decision by Lord Chadlington to step down as Chief Executive of the Group which he has led since 2000. Since announcing that decision, Peter has continued to be fully committed in ensuring the Group maintains its momentum and competitive edge during the transition. Paul Taaffe joined this month as Chief Executive and Peter will continue to support those clients with whom he has worked most closely, now in his new capacity as Group Senior Advisor to the Board. I want to thank Peter for his leadership of Huntsworth and his contribution to our industry over the past forty years.

In welcoming Paul to the Group, I look forward to what will inevitably be a new era in the leadership of the Group and to sharing the outcome of the strategic and operational review that Paul has begun with investors and stakeholders at our 2015 Interim results.

Derek Mapp
Chairman

£16^m
Profit before tax and
highlighted items

Business Model and Strategy

CONTENTS

The new Board of Huntsworth, led by CEO Paul Taaffe, will undertake a review of the long-term strategic plans for all parts of the Group in 2015. We present here the strategy and business model that the Group operated in 2014.

Our International Group

Our Objectives

To deliver effective communication campaigns for our clients, with a rigorous focus on operational excellence

Our Strategy

To generate shareholder value through strong underlying revenue growth in digital, multi-office and growth markets

Our Strategic Priorities

Investment
in talent

Growth
Markets

Digital
Investment

Global and
multi-office

Initial signs of economic recovery in some key markets

Digital revolution

Strategic Progress

Growth markets

8.4%

like-for-like
revenue growth

Digital

29%

of Group revenues

Global and multi-office

52%

of Group revenues

Key performance indicators

Revenue

£164.7^m

Cash conversion

98%

PBT before highlighted items

£16.0^m

Underpinned by market factors

Competition for talent

Procurement pressure on
pricing and payment terms

Business Review

Focused on... **delivering new capabilities**

2013 & 2014 focused on the development of digital revenues, growth markets and multi-office accounts, which has seen the Group build and develop talented teams addressing these key growth areas.

The opportunity is to build a number of distinctive marketing and advisory companies that our clients and our talent want to work with.

Paul Taaffe, Chief Executive

Group performance overview

Revenues for 2014 were £164.7 million (2013 £171.7 million) representing a like-for-like decline of 0.9% and a decline due to exchange rate movements of over 3%. When we announced our 2014 Interim results in August, it was anticipated that there would be a return to growth in the second half of the year, which was not realised, with Group revenues flat on a like-for-like basis. Despite an acceleration of growth in Huntsworth Health, these gains were offset principally by continued revenue declines in Grayling's core markets of the UK, Europe and the USA.

Profit before tax and highlighted items for 2014 was £16.0 million (2013 £20.1 million). The profit before tax for the second half of the year was £8.3 million (2013 £9.5 million) compared with £7.7 million in the first half (2013 £10.6 million). The full year decline was driven by operating margins in Grayling falling from 14.3% in 2013 to 7.7% for 2014 as a result of revenue shortfalls.

18.00
NEW YORK

22.00

03.00

07.00
TOKYO

Cash flow from operations for 2014 was £17.9 million, representing a cash conversion of 98% (2013: 99%). This positive performance reflects a continued emphasis on working capital management across the Group. Net debt at 31 December 2014 was £35.6 million (2013: £32.0 million).

In May 2014, the Group signed a new £90 million revolving credit facility agreement and a £5 million committed overdraft facility. Both facilities run to May 2019.

The Board has conducted a review of the carrying values of the Group's intangible assets, principally goodwill, resulting in an impairment charge of £71.5 million being recognised. This non-cash charge is included in highlighted items and relates to Grayling and Citigate.

Diluted earnings per share before highlighted items for 2014 was 3.7p (2013: 5.6p). Diluted (loss)/earnings per share after highlighted items was (17.6)p (2013: 4.9p).

The Board has taken the decision to reduce the 2014 final dividend from 2.50p to 0.75p to better align the Group with the dividend payout ratio of its peer group.

Investment programme

The 2013/2014 investment programme, which focused on the development of digital revenues, growth markets and multi-office accounts, has seen the Group build and develop talented teams addressing these key growth areas over the last two years. This has led to the growth of digital revenues in Huntsworth Health and in terms of future potential it has positioned Grayling to win and develop larger and longer-term regional and global mandates. More work is required to leverage the investments which have been made in Grayling USA and Asia Pacific.

Divisional overview

Citigate
Citigate revenues for 2014 were £21.9 million with a revenue decline of 3.7% on a like-for-like basis. Margins were maintained at 20.4% from 20.3% in 2013.

Citigate's Asia Pacific division now represents almost 20% of the total Citigate revenues and achieved like-for-like growth of 6.4%. It completed a number of IPOs and M&A assignments including Pteris Global Limited, PACC Offshore Services Holdings and Accordia Golf Trust and added significant retainers including Bank of Montreal and Old

Mutual Global Investors Asia. It enters 2015 positioned to continue to develop its regional corporate communications portfolio and transactional business.

Citigate's London and European businesses have experienced like-for-like revenue declines of around 6% with margins being maintained at approximately 20%. The Board has determined that the carrying value of Citigate's goodwill should be written down by £6.5 million as the outlook for sustained growth in London in particular continues to be challenging.

In the UK, deal flow has reduced alongside an ongoing highly competitive IPO market. Despite this, Citigate has advised on a number of key deals during the year including Aspen Insurance Holdings, URS, GFI Group Management Consortium and BESI Grupo Novo Banco.

Citigate's financial public relations practice continued to reinforce its leading position in IPO communications, advising on some of the largest IPOs in the period. They included NN Group NV in the UK and the Netherlands, Coface SA in France and Poundland, GAME Digital, TBC Bank, Empiric Student Property, RM2 and FDM Group in the UK.

Business Review continued

Focused on... client relationships

During 2014, the Group delivered work for 1,960 clients across the globe.

In the Gulf, the London office advised on the region's biggest IPO, the privatisation of Mesaleed Petrochemical Holding Company on the Qatar Exchange

Grayling

Grayling revenues for 2014 were £70.8 million, which represents a like-for-like decline of 6.3% compared with 2013. Operating margin for 2014 fell to 7.7% from 14.3% in 2013.

The revenue declines were steepest in the UK, Europe and USA with the associated margin shortfalls being most acute in Western Europe. Additional investment in the Asia Pacific further diluted margins for the year.

European markets continue to be very challenging. Almost 60% of Grayling's revenues are still earned in the UK and Europe and we have recently reorganised Grayling's management structure under new leadership in Continental Europe. Additionally, Grayling USA has reorganised its government relations and direct government lobbying business to concentrate on the growth sectors of public affairs and digital advocacy.

At the start of 2015, Pete Pedersen resigned as Grayling Chief Executive and

for now the senior team of executives is leading Grayling. Whilst this is an interim structure, it has the potential to drive greater collaboration across the network.

Into the first quarter of 2015 a programme has begun to close or dispose of underperforming, non-core operations, reintegrate specialist teams and to redeploy resources from infrastructure to client-facing activity.

The geographic reach of the Grayling network has been maintained and has proven its importance with recent client wins. Grayling continues to deliver award-winning campaigns for clients. For example, it had four campaigns shortlisted for the European Excellence Awards 2014 and a further seven shortlisted for the EMEA and Americas SABRE Awards 2014.

We consider that improvement in Grayling will take longer than expected, requiring far stronger conversion rates globally in order to grow revenues. Against a background of further change being implemented during 2015, the Board has therefore determined that we should now recognise an impairment charge against the carrying value of Grayling goodwill of £65 million.

Huntsworth Health

Revenues grew 8.4% on a like-for-like basis to £59.7 million delivering a margin of 20.5% from 20.8% in 2013. Digital revenues grew at 22%, with strong growth from the USA.

Huntsworth Health has driven growth in 2014 both through expanding key client relationships and strong new business wins. Huntsworth Health's top client delivered £5.8 million of revenue in 2014, compared to the top client in 2013 which delivered £4.4 million.

Awards won in 2014 include a PMEA-ABPI Award for Excellence in Corporate Social Responsibility for work done for Elsal, Gold PM Digital Award for our work with influenza nasal spray, Gold PM Creative Award for an online patient education programme for cystic fibrosis and several Rx Club, DTC Perspectives and Web Awards for excellent digital work in the direct-to-consumer market in the USA. New business momentum is solid entering 2015 and the expectation is for continued organic revenue growth with sustained operating profit margins in 2015.

Huntsworth Health continues to establish new growth platforms and its new digital healthcare professional agency in the USA.

is expected to deliver rapid revenue growth over the next three years and begin to deliver solid margins as it reaches critical mass. Huntsworth Health is also growing revenues in the expansion markets of the Asia Pacific and the Middle East working closely with Grayling under a partnership called Grayling Health

Red

Revenues declined by 4.4% on a like-for-like basis to £12.3 million for 2014. Operating profit of £2.6 million represents a margin of 20.9% (2013: 24.2%).

The return to growth in 2014 was impacted by major project delays and new business wins coming on stream later than anticipated. However, the agency ended the year winning in excess of £1 million in new contracts including leading airline Emirates. As a result the agency is projecting a return to growth in 2015.

Cash flow and dividends

A new £90 million revolving credit facility agreement with Lloyds Bank plc, HSBC Bank plc and Barclays Bank plc and a £5 million committed overdraft facility with Lloyds Bank plc was signed in May 2014. Both facilities run five years to May 2019. The Group remains comfortably within the terms of its banking facilities.

Our continued focus on working capital management resulted in cash conversion of 98% and net debt £3.2 million better than expected. Operating cash flow was £17.9 million. Free cash flow of £9.3 million was generated before dividend payments of £10.1 million and acquisition and earn out payments of £1.1 million.

The Board has taken the decision to halve the 2014 total dividend, reducing the final dividend from 2.5p to 0.75p to better align the Group with the payout ratio of its peer group. It is the Board's intention to rebalance the 2015 interim and final dividend and look to increase the dividend following an improvement in profit and free cash flow.

Revenue and clients

Huntsworth plc is a global public relations and healthcare communications Group with 71 principal offices across 28 countries. In 2014 the Group worked for circa 1,960 clients.

At 31 December 2014 the Group employed approximately 1,580 staff with an average annual fee income per head of £106,800.

By industry sector the revenue profile is broadly 25% Pharmaceuticals, 14% Healthcare, 11% Technology, 10% Financial Services, 7% Retail and Leisure, 5% Government and Public Sector, 4% Food and Drink, 3% Professional Services, 3% Industrial and 18% other sectors.

Geographically, 35% of Group revenue in 2014 was from the UK, 17% from European countries, 41% from the USA, and 7% from the Asia Pacific, the Middle East and Africa.

47% of the Group's revenue is derived from companies in the FTSE 100, Fortune 500, FTSEurofirst 300 or Top 50 Pharma Companies. The ultimate controlling party of the Group is Huntsworth plc (incorporated in the United Kingdom).

The Group has a related party relationship with its Directors. There were no material related party transactions other than the remuneration of key management personnel of £2.0 million in the year ended 31 December 2014 (2013: £2.4 million).

Business Review continued

Focused on... meeting challenges, seizing opportunities

Huntsworth has been through an unusually turbulent year with the expectation of further reorganisation in 2015.

Results for the year

Group revenues declined by 4.0% to £164.7 million (2013: £171.7 million). Operating profits after central costs have decreased by 22.7% to £18.2 million (2013: £23.6 million).

Group operating profits before central costs decreased by 20.1% to £24.7 million (2013: £30.9 million). Margins before central costs are 15.0% (2013: 18.0%) and after central cost margins are 11.1% (2013: 13.7%).

Profits before tax and highlighted items were down 20.4% to £16.0 million (2013: £20.1 million).

Currency

Sterling strengthened during 2014, which resulted in a £0.6 million decline in the Group's operating profit due to changes in average exchange rates as compared to 2013. In addition, there has been a £2.8 million credit to Other Comprehensive Income and Expense from the retranslation of the Group's overseas assets.

Highlighted items

Operating highlighted items of £75.1 million include £71.5 million of non-cash impairment of goodwill, £1.0 million for non-cash amortisation of intangible assets, £1.9 million of restructuring costs, £0.5 million of start-up losses, and £0.2 million in respect of acquisition and transaction-related balances. A further £0.4 million has been charged to highlighted finance costs in respect of the write off of capitalised fees associated with the previous loan facility.

Goodwill has been impaired by a total of £71.5 million, being £65 million in respect of the Grayling cash generating unit and £6.5 million in respect of the Citigate cash generating unit. The impairment charges are driven by the outlook for sustained growth in Citigate continuing to be challenging, and the forecast revenue and margin improvements in Grayling are anticipated to be slower than previously expected.

Restructuring costs incurred during 2014 were in relation to compensation for loss of office payments for the former Chief Operating Officer and Finance Director and property termination costs.

Start-up losses are the net operating results of the investments in new operations, comprising of £1.0 million revenues and £1.5 million of operating expenses. The profile of revenue and costs in start-up businesses is different to that of more mature operations within the Group, and they are included within highlighted items until they become consistently profitable, or after two years of operation, whichever is earlier. As the current start-up operations no longer meet the aforementioned criteria their results will no longer be included in highlighted items in 2015.

Tax

The total tax credit of £3.4 million comprises an underlying tax expense of £4.0 million together with a credit of £7.4 million on highlighted items. The full year underlying tax rate is 25.0% (2013: 24.0%). Much of the goodwill impairment charge had no tax effect. Net corporation tax paid in the year was £1.3 million (2013: £2.4 million).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £12.0 million (2013: £15.2 million). Losses after highlighted items attributable to ordinary shareholders amounted to £56.2 million (2013: profit of £13.3 million).

Before highlighted items, basic earnings per share for 2014 is 3.8p (2013: 5.8p) and diluted earnings per share is 3.7p (2013: 5.6p). Basic loss per share after highlighted items is 17.6p (2013: earnings of 5.0p) and diluted loss per share after highlighted items is 17.6p (2013: earnings of 4.9p).

Dividends

The Board will propose at the forthcoming AGM a final dividend of 0.75p which will provide a total 2014 dividend of 1.75p, as compared to the total 2013 dividend of 3.50p. The record date for this dividend will be 29 May 2015 and it is payable on 6 July 2015. A scrip dividend alternative will be available.

The dividend payout ratio for 2014 is 47% (2013: 63%).

Balance sheet and cash flow

Cash conversion of operating profit into operating cash flows before highlighted items in 2014 was 98% (2013: 99%). Cash inflows from operations totalled £17.9 million (2013: £23.3 million) before highlighted cash outflows of £0.5 million (2013: £4.7 million). Free cash flow after net payments for interest and tax of £3.4 million (2013: £5.4 million) and fixed asset additions of £4.7 million (2013: £2.9 million) was £9.3 million (2013: £10.3 million). Other principal cash outflows were acquisition and earnout payments of £1.1 million (2013: £3.3 million) and dividend payments of £10.1 million (2013: £7.9 million).

Net debt at 31 December 2014 is £35.6 million (31 December 2013: £32.0 million) which is well within the Group's available facilities. Financial covenants based on the Group's facility agreements continue to be comfortably met.

Share buyback programme

No shares were bought back by the Company during the year. As at 31 December 2014, the Group holds 2.3 million shares in Treasury.

Group outlook

Huntsworth has been through an unusually turbulent year with the expectation of further reorganisation in 2015.

While we have been subject to significant change in the composition of the Group non-executive and executive team, some trading – notably Huntsworth Health – has been particularly strong. Grayling, however, has continued to find trading conditions challenging in Q1 2015 and, despite the early reorganisation of its North American business, has not won the mandates which were expected.

The proposed cut in dividend is reflective of the downturn in profit performance for the year and its continuation into 2015. As Paul Taaffe joins as Chief Executive he has begun a strategic and operational review of the Group and looks forward to sharing the outcome of this review with investors and other stakeholders, along with a more detailed outlook of the business, at our 2015 interim results.

Andy Boland
Director
9 April 2015



Sustainability

Focused on... **acting responsibly**

This report outlines the Group's approach to sustainability and details some of the activities that we have undertaken in 2014.

Our approach to ethical, social and environmental issues is important to our success as a business. We remain dedicated to growing our business and delivering shareholder value while maintaining an uncompromising stance on unethical practices, products or organisations.

Introduction

Our approach to managing sustainability reflects the diverse, independent operations of the Group and each business manages sustainability 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.

We prohibit any member of the Group from working with clients in particular sectors and detail the types of work or organisations which could give rise to ethical issues for the Group. 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 employees 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 that attract the widest possible sources of talent into our business and foster 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. Where existing employees become disabled it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training.

In terms of gender diversity, during 2014 women accounted for 34% (28) of executive management, 60% (75) of senior management and 65% (1,031) of total employees. There are currently two female

08.00
WASHINGTON

12.00

16.00

23.00
SINGAPORE

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

All employees within the Group have access to an online training facility, which has courses on a wide variety of subjects, available to either participate live in interactive tutorials or to reference recordings of the sessions through the library

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 and leadership development, client management and international client director training:

- Grayling continues to provide a range of blended learning, skills development and assessment opportunities for staff at all levels. All staff have access to their own personal learning portal with annual objectives and staff choose how they fulfil their annual quota through a mixture of formal and informal learning
- REducation, Red's internal training programme run by their board directors for employees of different levels, delivered courses on 24 different topics, such as presentation skills, time management and budget training. In addition, all staff are allocated a 'coach' who is a senior staff member responsible for running appraisals and reviews and providing guidance and advice for career progression
- Huntsworth Health has a strong focus on training and development for all its employees. Training, professional development, and mentoring opportunities are supported both internally through seminars and webinars, and externally through partnerships with leading vendors and universities. Huntsworth Health's

employees have access to a number of different learning resources and are continually encouraged to attend training opportunities throughout the year, including quarterly compliance training

Communication

The Group makes use of its Intranet as a communication tool to provide employees with information as well as regular updates on corporate performance and business developments through various formal and informal channels. Each division has its own intranet site and communication tools delivering 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 the Group's performance

Sustainability continued

We actively deploy recruitment policies and practices that attract the widest possible sources of talent into our business and foster an inclusive culture.

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 scheme, 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, nutritional advice, provision of fruit and healthy refreshment options

Our work

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

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 '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 2014, the Group donated over £30,000 to 50 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.

867 trees

By recycling, the Group's UK businesses together saved the equivalent of 867 trees and 91 tonnes of CO₂ in 2014

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

Greenhouse gas emissions

During 2014, 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 2014. The results are presented in the table below

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

	Tonnes of CO ₂ e 2014	Tonnes of CO ₂ e 2013
Scope 1	46	60
Scope 2	2,108	2,087
Total GHG emissions	2,154	2,148
Average number of employees	1,603	1,669
Emissions per employee	1.39	1.37

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 867 trees and 91 tonnes of CO₂ in 2014

An example of how our divisions undertake environmental actions is Huntsworth Health's 'Go Green' initiative which is a multi-faceted programme, including a 'Go Green' blog and regular newsletters which have updates, including green-themed news from across all the Huntsworth Health divisions, seasonal tips and tricks, and updates related to 'Go Green' initiatives. All employees participate in recycling programmes where available and find ways to reduce waste and reuse supplies

Key Risks and Uncertainties

The Group faces a range of economic, strategic, operational and compliance risks which are continually reviewed to identify any emerging risks and mitigate all risks as effectively as possible

How we manage risk

The Group performs a comprehensive annual exercise to identify, report and evaluate risks facing the business and ensure appropriate actions are undertaken to manage these risks. A record of all risks is maintained in a risk register. The process is designed to manage rather than to eliminate the risks inherent in achieving the Group's business objectives and can therefore provide only reasonable and not absolute assurance against material misstatement or loss

1. Identifying risks

Top-down and bottom-up risk assessment processes identify Group-wide and business specific risks

2. Analysing risks

Assessment of the probability of each risk and the potential operational and financial implications.

4. Reporting and monitoring

Risk monitoring and reporting processes take place throughout the year

3. Determining actions required

Risk management has oversight from the Board and is managed at operational level

Risk	Risk and Impact	Mitigating factors	Trend
Economic			
Economic downturn	<p>Any economic downturn may result in fewer new client mandates, longer procurement processes and a squeeze on pricing, or an outright reduction in business. This can impact both revenue growth and operating margins.</p> <p>Weak economic conditions can increase the length of time that clients take to pay for services, which can put pressure on the Group's working capital. There is also an increased risk of bad debts occurring as a result of clients' financial problems.</p> <p>Subdued financial markets can result in reductions to the level of transactional activity, reducing client mandates.</p>	<p>The Group has a wide spread of clients both across geography and industry sector, reducing reliance on any particular economic environment.</p> <p>Costs are managed in each business such that they can be flexed where needed in a downturn.</p> <p>However, where there are protracted economic difficulties in the Group's key markets, the ability of the Group to minimise the impact is constrained and performance may deteriorate.</p> <p>The Group has formal procedures and processes, including contractual assurance, to mitigate against legal and financial risks associated with both new and existing clients.</p> <p>The Group closely reports and monitors aged debts, and ensures local management have action plans in place to minimise the risk of any loss.</p>	<>

Risk	Risk and Impact	Mitigating factors	Trend
Economic			
Country and currency risk	<p>A substantial proportion of the Group operates outside of the UK, with significant operations in the USA and Europe. The Group may suffer restrictions on the ability to repatriate cash.</p> <p>Reported Group earnings are negatively impacted by any fluctuation of Sterling relative to other currencies, particularly the US Dollar and Euro.</p>	<p>Most of the Group's revenue is matched by costs arising in the same currency. Foreign exchange exposure is continually monitored, and the Group uses derivative financial instruments to mitigate this risk where deemed necessary.</p> <p>Borrowings are also available to be drawn down in US Dollars and Euros if required to hedge foreign currency exposure. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.</p>	<>
Strategic			
Increased industry competition	<p>The Group operates in a highly competitive environment where obtaining new client work can involve lengthy competitive tendering processes. There is aggressive price competition in the market which can impact on revenue and margins.</p>	<p>The Group endeavours to build long-term relationships with its clients and to obtain preferred supplier and agency of record status where possible.</p> <p>The Group's range of services and global 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. These relationships typically are held on longer-term contracts over two to three years.</p> <p>Reviews of all business won and lost across the Group are performed regularly. Appropriate actions are taken where new business conversion rates are below expectations.</p>	<>
Performance of acquired businesses	<p>The Group's strategy includes the acquisition and integration of new businesses which will broaden and enhance existing business operations. There is a risk that any acquisition is based on inaccurate information or assumptions, or that there are post acquisition employee or client losses, which may result in the acquisition being less financially beneficial than anticipated.</p>	<p>Rigorous internal and external due diligence procedures are performed prior to all acquisitions in order to identify and evaluate potential risks, to the extent possible.</p> <p>In addition to the receipt of legal warranties and indemnities, the total consideration paid for a business typically includes an element of deferred consideration contingent upon future performance which mitigates the risk of overpaying for a business.</p> <p>Acquisitions are integrated into one of the core trading divisions over the earn out period, to drive operating synergies.</p>	✓
Loan facility and covenant headroom risk	<p>Any liquidity issues could result in reputational damage and potentially impair the Group's ability to make future acquisitions or settle existing obligations.</p>	<p>The Group has £95 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.</p>	✓

Key Risks and Uncertainties continued

Risk	Risk and Impact	Mitigating factors	Trend
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	<p>The Group uses internal and external legal counsel throughout the world to advise on local legal and regulatory requirements and minimise the risk of loss</p> <p>In-house training is conducted on key legislative matters such as health and safety, and the UK Bribery Act</p> <p>Policies on gifts, entertainment, share trading and confidentiality are communicated to all employees using dedicated policy management software</p>	<>
Operational			
Dependence on key personnel	The Group views its employees as its most important resource. There is strong competition within the industry for experienced PR professionals. Recruitment and retention of key personnel is important both for maintaining client relationships and ensuring that our services are of the highest quality	<p>The Group's policy is to recruit both Directors and employees of the highest quality and to remunerate them accordingly. The Group carries out succession planning and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key personnel</p> <p>The Group recognises the importance of a stable leadership team and introduced interim measures to try to minimise the disruptive impact that the significant changes in 2014 have had across the Group</p>	<>
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 has a large portfolio of clients and seeks to expand and diversify its client base where possible. Our largest client represents 3.4% of revenue, and our top 10 clients account for 23.6%. The Group typically provides services to multiple brands for each of its large healthcare clients. The Group monitors revenue by client in order to identify and manage any overreliance. Client satisfaction reviews are also undertaken periodically to evaluate service quality	<>

Risk	Risk and Impact	Mitigating factors	Trend
Operational			
Information systems access and security	Any information systems failure could negatively impact the Group's business operations, including delays to client work	Extensive business and IT disaster recovery plans have been implemented and are tested frequently to minimise any disruption in the event of an IT failure	^
	Unauthorised access to confidential information held by the Group could compromise our client relationships and have a detrimental effect on our reputation	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	
Working capital risk	Larger client mandates can result in increased working capital and performance guarantee requirements, at an increased cash cost to the Group	<p>The Group has robust cash management processes including weekly cash reporting from our operations and cash pooling arrangements. Working capital implications are an integral component of contract negotiations. Funds are received in advance wherever possible to settle purchases made on behalf of its clients.</p> <p>The Group looks to agree billing in advance for retainer relationships.</p>	^
Unethical business practices	Both reputational and operational damage may arise if the Group engages in actual or perceived unethical client work. Ethical matters that are not identified or managed appropriately could cause reputational damage to the Group	<p>The Group strives to foster a culture of openness, responsibility and ethical behaviour and has an externally managed whistleblowing process for the reporting of any unethical conduct. The Group's Code of Ethics is provided to every employee and they are expected to read and formally acknowledge the content and act accordingly.</p> <p>Referral processes, including divisional committees, are in place to manage all perceived ethical and conflict issues.</p>	<>

Board of Directors

Derek Mapp
Chairman and
Independent
Non-Executive Director

Derek Mapp was appointed to the Huntsworth Board as Chairman and Independent Non-Executive Director on 1 December 2014. He has been Non-Executive Chairman of the FTSE 250 media company Informa plc since 2008. He is also 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 entrepreneurial career history as founder of Tom Cobligh pub chain and Leapfrog Day Nurseries. He also has a number of private business interests.

Paul Taaffe
Chief Executive

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 eight years as its Chairman and CEO. Throughout this time he advised many Blue Chip and international clients across all geographies and services. He oversaw numerous acquisitions, developed global talent engagement and undertook various strategic planning initiatives.

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 Financial Officer of Addison Lee Limited, a private equity owned private vehicle hire business. Prior to joining Addison Lee in 2015, Andy served as the Chief Financial Officer of AA plc for six years. Andy 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, Andy 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.

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 25 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.

Oscar Zhao
Non-Executive Director

Oscar Zhao has 20 years' experience in public relations and management. He founded BlueFocus in 1996, which is the largest local professional public relations firm in mainland China. He is currently Chairman and Chief Executive Officer of BlueFocus Communication Group, having previously acted as Chief Executive Officer of BlueFocus Public Relations Consulting from 1996 to 1999 and from 2002 to 2007. Prior to founding BlueFocus, he served as senior manager at Sida Advertising, general manager at Lucun (a local Chinese PR consulting firm) and as Chief Operating Officer at Yabao (an online auction company). He is currently an executive member of the China International Public Relations Association ('CIPRA') and serves as a trustee of the Communication University of China ('CUC').

Company Secretary

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 Eldos PLC, one of the UK's major entertainment publishers.

Nicky Dulleu
Independent
Non-Executive Director

Nicky Dulleu 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.

Farah Ramzan Golant CBE
Independent
Non-Executive Director

Farah Ramzan Golant was appointed to the Huntsworth Board as Independent Non-Executive Director on 1 January 2015, and is a member of the Remuneration Committee. Farah was Chief Executive of All3Media between 2012 and 2014 and successfully achieved the sale of the company from private equity ownership to a joint venture between Liberty Global and Discovery Communications. Previously she had a 22 year career at Abbott Mead Vickers BBDO, stepping up to Chief Executive in 2005. She is a Director of the National Theatre, is on the Advisory Board of the Cambridge Judge Business School and was previously Chair of the General Media Panel of the Advertising Standards Authority. She serves as a Member of the Prime Minister's Business Advisory Group and is a Business Ambassador for the Creative Industries of Britain. She was appointed CBE in 2011 for Services to Advertising.

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 50 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.

Corporate Governance

Chairman's Introduction

I am pleased to present my first Corporate Governance Statement as Chairman of Huntsworth. This statement is designed to outline our approach to corporate governance and how we have applied the principles of the UK Corporate Governance Code 2012 ('the Code')

Board changes

2014 has been a year of considerable change for the Huntsworth Board

We were delighted to announce Paul Taaffe's appointment as CEO, who joined the Group on 7 April 2015. Lord Chadlington stood down from the Huntsworth Board on the same day but continues in a client facing role as Group Senior Advisor.

During 2014, the Board was also pleased to welcome Andy Boland and, with effect from 1 January 2015, Tim Ryan, Nicky Dulieu and Farah Ramzan Golant CBE as Independent Non-Executive Directors. All are high calibre Directors who together bring knowledge and understanding of our sector and have significantly strengthened the Board.

After a period of leave for a back injury, Sally Withey, the Group's Chief Operating Officer and Finance Director, stepped down from the Board on 31 December 2014. Brian Porritt continues in the role of Interim Finance Director whilst the Board institutes a search for a new Finance Director.

It is unfortunate that the role of Chairman suffered a period of instability during the year. After six years service, Richard Sharp stepped down as Chairman at the 2014 AGM on 24 June and Lord Myners was appointed as his replacement. However, Lord Myners resigned as Chairman with immediate effect on 7 October 2014. A search and selection process commenced immediately upon his resignation, concluding with my appointment with effect from 1 December 2014.

John Farrell and Joe MacHale also both resigned their positions as Independent Non-Executive Directors during 2014.

To all departing Directors, I would like to express my appreciation for all their work whilst Directors of the Company.

Interim measures

With all of the above changes, the Board introduced a number of interim measures to lead the Board, to ensure the Board's effectiveness, to retain an appropriate balance of Independent Non-Executive Directors on its Committees and to lead the process in appointing new Directors. In particular, the Board is very grateful to Terence M. Graunke and Andy Boland for their support during the year. Both Directors assumed additional interim roles and I would like to thank both of them personally for their substantial contribution.

I am pleased to note that, on 1 January 2015, the Board was able to re-establish the full composition of its committees going into 2015.

The Code

As a Board, we recognise the importance of open and honest communication with all of our stakeholders and the value of providing transparent reporting. Whilst it is disappointing to report instances of non-compliance with the Code in 2014, I hope this report demonstrates how we, as a Board, have at all times tried to operate effectively and within the spirit of good corporate governance. I am pleased that we go into 2015 with a reinvigorated Board, which I feel is well positioned to lead the Group.

Derek Mapp
Chairman

Compliance statement

The Directors consider that during 2014 the Company has complied with all provisions of the 2012 UK Corporate Governance Code issued by the Financial Reporting Council (available at www.frc.org.uk) relevant to a company outside of the FTSE 350, with the following exceptions:

Code Provision A.3

During the period 7 October to 1 December 2014, which was the period between Lord Myners resigning as Chairman and Derek Mapp being appointed as his replacement, the Board did not have a Chairman. This meant that the Company was not in compliance with Code Provision A.3. Terence M. Graunke, the Senior Independent Director at that time, and Andy Boland, Independent Non-Executive Director and Audit Committee chair, took more prominent roles in the leadership of the Board to ensure its effectiveness.

Code Provisions A.4.2 and B.6.3

Given the changes in the composition of the Board during the last seven years, it has not been practical to appraise the performance of the Chairman and hence the Company has not been in compliance with A.4.2 and B.6.3 of the Code. With Derek Mapp having been appointed as the Company's Chairman on 1 December 2014, the Company fully expects to be compliant with these Code Provisions during 2015.

Code Provision B.2.1

The Company's Nomination Committee was without a Chairman between 24 June and 29 September, and also between 7 October and 17 December 2014, and therefore was not in compliance with Code Provision B.2.1. As noted elsewhere, during 2014 a number of Board appointments have been made. The process for leading all appointments was led by the members on the Nomination Committee. Derek Mapp, the Company's Chairman, has since 17 December 2014 taken on the role of Chair of the Nomination Committee.

Code Provision B.6.1

An internal board evaluation process was commenced in 2014, however, given the further changes in the composition of the Board during the year, the relevance of the evaluation findings was diminished and the process was not completed. It is planned to conduct a performance evaluation during 2015.

Code Provision E.2.3

Terence M. Graunke was unable to attend the AGM in 2014 due to personal commitments, and Sally Withey was unable to attend because at the time she was taking a leave of absence to recover from a back injury.

The Board

The Board is responsible to shareholders for the proper management of the affairs of the Group. The Board has a formal schedule of matters specifically reserved to it for decision making which includes:

- overall leadership and setting the Group's values and standards,
- setting and monitoring the Group's strategic aims and objectives,
- approving the Group's annual budgets and business plans and monitoring financial performance against them,
- monitoring and reviewing Key Performance Indicators ('KPIs');
- examining acquisition and transaction possibilities,
- approving changes to the Group's capital structure,
- ensuring adequate funding and monitoring against loan compliance,
- approving major Group policies,
- approving the Group's financial and other price-sensitive reports,
- approving the terms of appointment of the external auditor,

The Board continued

- monitoring the financial reporting process,
- ensuring a sound system of internal control and risk management,
- ensuring compliance with Corporate Governance requirements,
- designing and developing remuneration policies for Executive Directors and senior executives of the Group;
- reviewing the composition of the Board and approval of appointments to the Board,
- reviewing the effectiveness of the Company's corporate governance policies and procedures,
- ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives,
- approving of all written communications to shareholders, including resolutions and corresponding documentation to be put forward at the Annual General Meeting, and
- determining the nature and extent of the principal risks the Board is willing to take in achieving its strategic objectives

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 35 and a statement on going concern is given on page 31

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

Board composition and Independence

At the date of this Governance Report the Board currently comprises the Non-Executive Chairman, the Chief Executive, five Independent Non-Executive Directors and one further Non-Executive Director who, for the purposes of the Code, is not considered to be Independent

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 22 to 23. 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

Board changes

The following changes were made to the Board in 2014 and up to the date of this report

- Richard Sharp did not stand for re-election at the 2014 AGM on 24 June 2014. Joe MacHale resigned on the same date;
- on 29 April 2014 Lord Myners was appointed as a Non-Executive Director. He was appointed to the role of Chairman at the end of the AGM on 24 June 2014. Lord Myners resigned on 7 October 2014,
- on 11 August 2014, Lord Chadlington announced his intention to step down as CEO. Paul Taaffe succeeded Lord Chadlington on 7 April 2015, at which point Lord Chadlington stood down from the Board and took the role of Group Senior Advisor
- John Farrell resigned with effect from 11 August 2014. Andy Boland was appointed as a Non-Executive Director on the same date,
- on 1 December 2014, Derek Mapp was appointed as a Non-Executive Director and Chairman,
- Sally Withey, the Group Chief Operating Officer and Finance Director, took a leave of absence during the year to recover from a back injury and stood down from the Board with effect from 31 December. As noted above, Brian Porritt continues in the role of interim Finance Director whilst the Board institutes a search for a new Finance Director, and
- Tim Ryan, Nicky Dulleu and Farah Ramzan Golant CBE were appointed as Non-Executive Directors with effect from 1 January 2015

Changes to the composition of the Board Committees are laid out in the relevant sections below

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 Senior Independent Director are set out below

Chairman: Derek Mapp

Key responsibilities

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

The other significant commitments of the Chairman are set out in his biography on page 22

Chief Executive: Lord Chadlington to 7 April 2015, Paul Taaffe subsequently

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
- conducting a review of the performance of the Chairman

Independence

The Board considers that, notwithstanding their interests in the shares of the Company as set out in the Report of the Directors' Remuneration, five of the six current Non-Executive Directors (Andy Boland, Terence M. Graunke, Tim Ryan, Nicky Dulleu and Farah Ramzan Golant CBE) 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

Oscar Zhao is founder and CEO of BlueFocus Communication Group Co. Ltd ('BlueFocus') which, through its subsidiary BlueFocus International Limited ('BlueFocus International'), holds 19.7% of Huntsworth's issued share capital which arose via a Subscription Agreement dated 25 April 2013. Oscar Zhao's appointment to the Board was a condition of the Subscription Agreement

Corporate Governance continued

The Board continued

As a result of BlueFocus International's significant shareholding in the Company and the right of Board representation, the Huntsworth Directors have determined that, for the purposes of the Code, Mr Zhao will not be independent in character and judgement

Terence M Graunke manages and controls entities on behalf of Lake Capital Partners LP ('Lake Capital'), a private equity fund, which owns a 7.6% 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 remains independent in character and judgement and brings significant value to the business.

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 Non-Executive 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. 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 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.

Terence M Graunke's potential conflicts of interest were further considered by the Board on appointment of Mr Graunke as Executive Chairman of Engine, which was an acquisition completed by Lake Capital during 2014. Businesses within the Engine Group are competitors of the Company. Following careful consideration and in accordance with the Company's Articles of Association, the Board agreed to authorise this conflict situation.

Attendance at meetings

Thirteen Board meetings were held during the year. Details of attendance of Directors at the principal Board meetings, at which they were entitled to attend in 2014 were as follows:

Derek Mapp	1 of 1
Richard Sharp	5 of 5
Lord Myners	5 of 6
Lord Chadlington	13 of 13
Sally Withey	12 of 13
Andy Boland	4 of 4
John Farrell	7 of 9
Terence M Graunke	13 of 13
Joe MacHale	5 of 5
Oscar Zhao	8 of 13

If a Director is absent from a meeting, his or her views are sought in advance where possible and then put to the meeting.

Board effectiveness

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 various operating company boards and are involved in regular meetings to consider financial, operational and compliance matters arising throughout the year.

The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered, and to monitor the performance of Executive Directors against goals and objectives.

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 Independent Non-Executive Directors without the Executive Directors being present.

Directors' training and induction

Each new Director receives an induction pack and undertakes a bespoke induction programme, facilitated by the Company Secretary, to provide them with information on the Group, their responsibilities and obligations. This includes a series of meetings with the Board and senior executives, and may include meetings with the external auditor and/or other advisors. All Board members receive regular updates on regulatory and legal changes as well as regular operational briefings. Training and development needs are kept under review by the Chairman.

Board performance evaluation

An internal Board evaluation process commenced in 2014, however, given the further changes to the composition of the Board during the year, the relevance of the evaluation findings was diminished and the process was not completed. It is planned to conduct a performance evaluation during 2015.

Board Committees

The Board has an Audit Committee, a Nomination Committee and a Remuneration Committee, each of which deal with specific aspects of the Group's affairs. All Committees have specific terms of reference which can be obtained from the Company's website at www.huntsworth.com.

Audit Committee

Andy Boland
(Chair)

Members at the date of this Report.	Attendance at meetings in 2014
– Andy Boland (Chair) (appointed 11 August 2014)	1 of 1
– Nicky Dulieu (appointed 1 January 2015)	–
– Tim Ryan (appointed 1 January 2015)	–
Changes in Committee membership	
– Joe MacHale (former Chair, resigned 24 June 2014)	2 of 2
– John Farrell (resigned 11 August 2014)	3 of 3
– Terence M. Graunke (appointed 24 June 2014, Chair between 24 June and 11 August, stepped down 1 January 2015)	2 of 2
Key responsibilities.	
<ul style="list-style-type: none"> 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 financial 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 the year

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 22 to 23 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 Group Chief Operating Officer and Finance Director, the Interim Finance Director, 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.

Activities of the Committee during the year

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 main areas of focus for the Committee were:

Financial reporting

The Committee receives reports from management which provide additional information to facilitate their review. The Committee reviewed with management and the external auditor:

- changes to International Financial Reporting Standards ('IFRS') and their application by the Group;
- whether the 2014 Annual Report and Accounts, taken as a whole, is fair and balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- the significant issues and material judgements which were made in preparing the 2014 Interim Report, and the 2014 Annual Report and Accounts.

The primary issues and areas of judgement considered by the Committee in relation to the 2014 Interim Report and 2014 Annual Report and Accounts were:

Goodwill impairment testing

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. This was a key area of audit focus and Ernst & Young LLP also provided detailed reports on this area to the Committee. Further detail is included in Note 12.

Covenant compliance and going concern

The Group has to demonstrate that it can continue to meet the financial covenants of its banking facility for a period of at least 12 months from the date of approval of the financial statements in order for the Board to conclude that the Group is a going concern. Budgets, forecasts and assumptions underlying the model are approved by the Board and different scenarios are prepared by management for the Committee to consider.

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 and Ernst & Young LLP also report to the Committee on their procedures, findings and conclusions.

Corporate Governance continued

Audit Committee continued

Highlighted items

Certain acquisition and transaction related costs, results of start-up operations, restructuring costs, amortisation charges and the impairment of goodwill have been classified as highlighted items, in line with the Group's accounting policies. Particular consideration was given to the consistency of classification of highlighted items year-on-year. The Committee addressed this judgement by discussing with management the definition of highlighted items as per the Group's accounting policy and discussed with Ernst & Young LLP regarding the appropriateness of items classified and presented as 'highlighted'.

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 all 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 Group's website.

In 2014, non-audit services were provided for review, covenant compliance and transaction related services. Details of the non-audit fees paid to the external auditors are set out on page 66. 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.

Risk management and internal control

The Board has ultimate responsibility for the Group's systems of internal control and risk management and reviewing its effectiveness. The Board delegates the monitoring of internal control and risk management processes to the Audit Committee. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has established a number of measures in order 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, and comply with the Financial Reporting Council's guidance for directors on the internal control requirements of the Code and comply with the guidance 'Internal Control: Revised Guidance for Directors on the Combined Code' (The Turnbull Report).

The Group has a budgetary process in which the key risks and opportunities faced by the Group are identified and challenged. Performance is monitored and relevant action taken through reporting to the Board of variances from the budget, updated forecasts for the period, performance against other KPIs, together with information on key risks and opportunities.

Capital expenditures, as well as significant operating expenditures, are regulated by the budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted for approval to the Board. Responsibility levels are communicated throughout the Group including delegation of authority and authorisation levels, segregation of duties and other control procedures. Each operating company maintains a system of controls appropriate to its business.

Audit Committee continued

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 focus for the Audit Committee during the year were

- 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,
- reviewing the Group's IT and cyber security arrangements,
- reviewing and approving the scope of internal audit activities, and
- monitoring the effectiveness of internal audit activities, including reviewing the results of all internal audit procedures undertaken during the year

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

The 2014 Internal Audit Programme

The Group's internal audit function was strengthened by the recruitment of an internal audit specialist during the year. The internal audit approach was designed to leverage existing knowledge and encourage cross-sharing of best practice

The 2014 Internal Audit programme had a particular emphasis on subsidiary Balance Sheet reviews and project controls reviews. In addition to the continuing programme of detailed financial control audits, operating companies were visited using a risk-based approach taking into account the size, history, trading performance and management of each subsidiary. The scope of internal audit visits performed is agreed by the Audit Committee. The results of the internal audits are reported by the Head of Internal Audit to the Audit Committee

A risk review report, which identifies key operational risks, the impact should they occur, and actions being taken to manage those risks to an appropriate level, is reviewed and updated regularly, and formally submitted to the Board annually. Relevant actions are undertaken and new risks are evaluated by each business unit and by each Group departmental head. In addition, proposed improvements to the way that risks are managed are also reported

Detailed internal financial control procedures are set out for operating units. Self-certification control questionnaires are completed by the CEO and head of finance at each operating unit and are reviewed by Group Finance, with the results reported to the Audit Committee. A review of the self-certification control questionnaires also forms part of internal audit visits

Having reviewed the effectiveness of the Company's internal control and risk management systems, the Directors are satisfied that the procedures in place throughout the year ensured full compliance with the internal control requirements of the Code

Nomination Committee

Derek Mapp
(Chair)

Members at the date of this Report:

- Derek Mapp (Chair) (appointed 17 December 2014)
- Andy Boland (appointed 11 August 2014)
- Tim Ryan (appointed 1 January 2015)

Changes in Committee membership

- Lord Chadlington (stepped down 29 September 2014)
- Richard Sharp (former Chair, stepped down 24 June 2014)
- Joe MacHale (resigned 24 June 2014)
- John Farrell (resigned 11 August 2014)
- Lord Myners (appointed to Committee as Chair 29 September 2014, resigned 7 October 2014)
- Terence M. Graunke (resigned 1 January 2015)

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 (2 out of 8). 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

Corporate Governance continued

Nomination Committee continued

Under the Nomination Committee's terms of reference, it is required to meet at least once a year. Whilst the Committee did not formally meet during the year, its members did regularly exchange views, address CEO succession, identify and consider candidates and make recommendations to the Board throughout the year. The Nomination Committee members led the selection process for all Director appointments announced during the year and recommended the appointment of Lord Myners, Andy Boland, Derek Mapp, Tim Ryan, Nicky Dulleu, Farah Ramzan Golant CBE and Paul Taaffe to the Board. In making 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 Odgers Berndtson and Korn Ferry to perform executive search services to support the appointment of new Directors during the year and subsequently. Neither agency has any conflicting connection with the Company.

Remuneration Committee

Nicky Dulleu
(Chair)

Members at the date of this report:	Attendance at meetings in 2014
– Nicky Dulleu (Chair) (appointed 1 January 2015)	–
– Farah Ramzan Golant CBE (appointed 1 January 2015)	–
– Tim Ryan (appointed 1 January 2015)	–
Changes in Committee membership	
– John Farrell (former Chair, resigned 11 August 2014)	4 of 4
– Joe MacHale (resigned 24 June 2014)	4 of 4
– Andy Boland (appointed 11 August 2014, resigned 1 January 2015)	0 of 0
– Terence M. Graunke (appointed 24 June 2014, Chair from 11 August, resigned 1 January 2015)	0 of 0
Key responsibilities:	
• setting the remuneration policy for all Directors,	
• determining the total remuneration packages for each Executive Director and the Chairman,	
• approving the design of, and determining targets for, any performance-related pay schemes,	
• selection of remuneration consultants as required, and	
• approving the Report of the Directors on Remuneration	

The Remuneration Committee held four meetings during the year. In addition to the members of the Committee, meetings are attended, by invitation, by the Executive Directors and external advisors.

The Remuneration Committee recommends to the Board the contract terms, remuneration and other benefits for each of the Executive Directors and other senior executives of the Group, including performance-related bonus schemes, share-based incentive plans and pension rights. Such recommendations are determined after a review of the performance of the individual and by reference to the Group's financial results. The Committee sought the advice of the Chief Executive. In its review of the other Executive Director, the Board itself determines the remuneration of the Independent Non-Executive Directors.

Further details of the activities of the Committee during the year are given in the Report of the Directors on Remuneration.

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 has a dedicated online policy management system which all employees have access to. 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.

During 2014, an external firm provided 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.

Relations with shareholders

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

The Company holds presentations and conducts regular meetings with its Institutional shareholders and City analysts throughout the year. The Chairman and certain Independent Non-Executive Directors also meet with various Institutional shareholders from time to time. The outcomes of the meetings are reported to the Board to ensure that the Board keeps in touch with shareholder views.

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.

Report of the Directors

The Directors have pleasure in submitting their Report, together with the audited financial statements, for the year ended 31 December 2014. For the purposes of the Companies Act 2006, the Directors' Report of Huntsworth plc also comprises the Corporate Governance Report on pages 24 to 30 and the Sustainability Report on pages 14 to 17.

As it is entitled to do by the Companies Act 2006, the Board has chosen to set out an indication of likely future developments in the business of the Company, which is required to be disclosed in the Report of the Directors in the Business Review in the Strategic Report (pages 8 to 13), rather than here.

Details of the Group's financial risk management strategy, policies and instruments held are set out in Note 20 to the consolidated financial statements.

Details of the Group's branches are set out in Note 14 to the consolidated financial statements.

Dividends

The Directors recommend a final dividend of 0.75 pence per share for the year ended 31 December 2014. An interim dividend of 1.0 pence per share was paid on 31 October 2014, making a total of ordinary dividends of 1.75 pence per share for the year (2013: 3.50 pence per share). The record date for the final dividend will be 29 May 2015 and it is payable on 6 July 2015. A scrip dividend alternative will be available.

Going concern

The Group's activities, financial performance, position, cash flows and borrowing facilities, together with the factors likely to affect its future development and performance 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.

Directors

Biographical details of the Directors in office at 9 April 2015 are set out on pages 22 to 23.

The Directors who held office during the year were Richard Sharp, Lord Chadlington, Sally Withey, John Farrell, Terence M. Graunke, Joe MacHale, Oscar Zhao, Lord Myners, Andy Boland and Derek Mapp.

The interests of the Directors in office at 31 December 2014 in the shares of the Company and its subsidiary undertakings, together with their remuneration, are set out in the Report of the Directors' Remuneration.

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

Substantial shareholdings

As at 31 December 2014, the Company had been notified of the following holdings of 3% or more of voting rights in its shares under the Disclosure and Transparency Rules of the FCA. No further changes have been notified to the Company as at 9 April 2015.

	% of share capital	Number of shares	Nature of holding
BlueFocus International Limited	19.70%	63,000,000	Indirect
Aberforth Partners LLP	13.55%	44,010,493	Indirect
Aberdeen Asset Managers Limited	5.00%	16,144,160	Indirect
Matthew Rupert Freud	3.00%	9,750,000	Indirect
FIL Limited	4.84%	15,642,883	Indirect
Terence M Graunke, Paul G Yovovich and Lake Capital	7.59%	24,234,963	Indirect
Wellcome Trust	3.73%	11,917,382	Direct

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

Changes in the Company's share capital during the year are given in Note 22 to the consolidated financial statements.

As at 31 December 2014, the Company's issued share capital comprised 327,179,622 ordinary shares of 1p each, of which 2,272,388 were held in treasury, and 212,012,343 deferred shares of 49p each. 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 2014 the Directors were granted the authority to purchase up to 10% of the Company's ordinary shares (either for cancellation or for placing into treasury) to support the Group's capital management policies. Further details of the Group's capital management policies are included in Note 20 to the Consolidated Financial Statements. The authority granted amounted to 32,305,739 ordinary shares.

During the year ended 31 December 2014, 16,666 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 2014 was 2,272,388 ordinary shares. Up to the date of this report a further 135,707 shares were transferred out of treasury to satisfy obligations under employee share plans. The total number of shares held in treasury at the date of this report is 2,136,681 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 Sustainability Report on pages 14 to 17.

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

Report of the Directors continued

Political donations continued

incurred in a year exceeds £2,000 'Political parties', 'political organisations', 'political donation' and 'political expenditure' are all defined in the Companies Act

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

During the year, Group companies made the following payments that might be deemed to fall within the definition of 'political donation' or 'political expenditure' in the Companies Act

Political expenditure amounting to £10,500 was paid for attending conferences and to cover function expenses, the majority of which was paid for by the relevant client. This was made up of £3,800 paid to the Conservative Party £2,400 to the Labour Party £1,800 to the Liberal Democrats Party £2,000 to the Scottish National Party and £500 to Plaid Cymru. In the United States, political campaign contributions totalling £300 were paid to candidates seeking local office election.

Additional information for shareholders

The following information, which summarises certain provisions of the current Articles of Association of the Company (the 'Articles') 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 (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. Oscar Zhao was appointed pursuant to this right on 7 October 2013. 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

Additional information for shareholders continued
the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking *pari passu* with or after those shares.

Variation of rights

Subject to the Companies Act, all or any of the rights attached to any existing class of shares may from time to time be varied either with the consent in writing of the holders of not less than three fourths 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 2014 there were no shares of the Company subject to lock-in restrictions.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Rights and obligations attaching to the deferred shares

The holders of deferred shares are not entitled to receive dividends when declared nor the Company's report and accounts. The holders of deferred shares have no right as such to receive notice of or to attend or vote at any general meeting of the Company unless a resolution to wind up the Company or to vary or abrogate the rights attaching to the deferred shares is proposed.

The deferred shares are also subject to the following terms:

- (a) the deferred shares may not be transferred without the prior written consent of the Directors of the Company,
- (b) holders of deferred shares are not entitled to receive any share certificate in respect of their holdings,
- (c) any cancellation of the deferred shares for no consideration by way of reduction of capital shall not involve a variation or abrogation of the rights attaching thereto,
- (d) the Company has irrevocable authority at any time to appoint any person to execute on behalf of the holders of the deferred shares a transfer thereof and/or an agreement to transfer the same, in either case, to Numis Securities Limited or such other person as the Company may determine and to execute any other documents which such person may consider necessary or desirable to effect such transfer, in each case without obtaining the sanction of the holder(s) and without any payment being made in respect of such acquisition, and
- (e) the entitlement of a holder of a deferred share on a return of assets on a winding up of the Company is limited to the repayment of the amount paid up or credited as paid up on such share up to a maximum of 49 pence per share and shall be paid only after the holders of any and all ordinary shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those ordinary shares held by them at that time plus the payment in cash or specie of £10,000,000 for every 1 pence 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 39. 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 31. There are no securities which carry special rights with regard to the control of the Company.

Employee share trust

The Huntsworth Employee Benefit Trust ("EBT") holds approximately 2.3% 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 2013 final dividend and the 2014 interim dividend.

Report of the Directors continued

Additional information for shareholders continued

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 memorandum of association of the Company and 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 32,305,739 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 dealing days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent 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 £90 million credit facility agreement dated 23 May 2014 between, amongst others, the Company, Lloyds Bank plc (as facility agent) and the banks named therein as lenders and the £5 million committed overdraft facility dated 23 May 2014 between, amongst others, the Company and Lloyds Bank plc, upon a change of control, the agent may, if the lenders so require, cancel the facilities by giving not less than 30 business days' notice and declare all outstanding amounts under the facilities, together with accrued interest, immediately due and payable.

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

Auditors

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 Report of the Directors are listed on pages 22 to 23. 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 16 June 2015 at 29 Cloth Fair, London, EC1A 7NN.

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

Martin Morrow
Company Secretary
9 April 2015



Statement of Directors' Responsibilities

for the Group Financial Statements

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

Andy Boland
Director
9 April 2015

Report of the Directors on Remuneration

Annual Statement

Dear Shareholder,

I am pleased to present our report on the Directors' remuneration for the year ended 31 December 2014. I was appointed to the role of Chair of the Remuneration Committee on 1 January 2015 and I present here the activities of 2014 and our objectives for 2015.

2014

In 2014, the performance of the Group was weaker than anticipated. Profit before tax and highlighted items ('PBT') fell from £20.1 million to £16.0 million, revenue before highlighted items fell from £171.7 million to £164.7 million. Cash conversion was 98%. Bonuses for the Executive Directors were based entirely on meeting financial targets, none of which were met. Accordingly, no bonus payments will be made to the Executive Directors in respect of the 2014 financial year.

As noted elsewhere, a significant number of changes have been made to the membership of the Board in 2014 and subsequently. The key remuneration decisions made in 2014 included:

- concluding a Service Agreement with Paul Taaffe as new Group CEO, details of which are set out on page 43;
- agreeing Settlement Agreements with Lord Chadlington and Sally Withy. Further details are set out on pages 43 and 38 respectively;
- setting the terms of the Chairman appointments of Lord Myners and Derek Mapp;
- agreeing bonus targets for the Executive Directors for 2014, and
- concluding that no share awards would be made to the Executive Directors in 2014.

All decisions made were in line with the Company's remuneration principles and policies, which remained unchanged in the year.

The Board recognised that a significant proportion of votes were cast against both the Annual Report on Remuneration and the Directors' Remuneration Policy at the Company's AGM in June 2014. Discussions were held with a number of shareholders to understand their views and the Board acknowledged that these should be appropriately addressed in future remuneration decisions.

2015

The primary objective of our remuneration policy is to provide appropriate remuneration packages to promote the long-term success of the Group. The aim of the Group's remuneration policy is to ensure that key executives are appropriately rewarded for their individual contributions to the Group's performance, commensurate with their duties and responsibilities.

The Committee believes that shareholders' interests are best served by providing executives with remuneration packages which ensure elements of remuneration are directly linked to the Group's strategy and that individuals who contribute to creating long-term sustainable value are rewarded.

The remuneration packages for the Executive Directors are structured so that the variable elements of pay (in the form of annual bonus and awards under long-term incentive plans) have the potential, given strong performance, to significantly outweigh the fixed elements of pay (in the form of salary, benefits and pension).

The remainder of this Report of the Directors' 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 2014 financial year. The Annual Report on Remuneration together with this letter is subject to an advisory shareholder vote at the 2015 AGM.
- The Directors' Remuneration Policy section summarises the Company's remuneration policy for Directors. The full policy is available on the Company's website.

Resolutions to approve the Annual Report on Remuneration will be put forward at the 2015 Annual General Meeting.

Nicky Dulieu
Chair, Remuneration Committee
9 April 2015



Report of the Directors on Remuneration

Annual Report on Remuneration

In this section of the report, we provide details of the payments made to the Directors during the 2014 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 2014 financial year, together with comparative figures for 2013. Details of Non-Executive Directors' fees are set out on page 38

£'000	Lord Chadlington		Sally Withey ³	
	2014	2013	2014	2013
Salary and fees	668	648	506 ⁴	433
Benefits ^{1,2}	56	53	26	23
Annual bonus	–	332	–	222
LTIP awards	–	–	–	–
Pension	–	–	43	52
Total	724	1,033	575	730

1 Lord Chadlington received car-related benefits (£43,000, 2013: £42,000), life assurance (£5,000, 2013: £4,000) and other minor benefits including private medical insurance

2 Sally Withey received car-related benefits (£13,000, 2013: £13,000), and other minor benefits including permanent health insurance, private medical insurance and life assurance

3 Sally Withey also received additional payments for loss of office, which are disclosed below

4 Included within the salary and fees paid to Sally Withey is base salary of £447,000, £49,000 annual leave entitlements which she had accrued but not taken as of the termination date and £10,000 cash salary supplement in lieu of pension contributions, as disclosed below

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

Annual bonus (audited)

The Committee reviewed the Company's results in respect of the 2014 financial year and concluded that no bonus was payable. For 2014 the bonus consisted of PBT, revenue and cash conversion targets. Details of the targets used to determine 2014 bonuses are shown in the table below. Despite the cash conversion target being met, no bonus was payable if PBT was below £20.0 million

	Profit before tax and bonus ¹		Cash conversion ¹		Revenue ¹		Total ¹
	% salary	Target	% salary	Target	% salary	Target	
Weighting (% salary)	80%		20%		25%		125%
Threshold	30%	£21.0m	20%	92%	7.5%	£179m	
Target	60%	£22.5m	20%	92%	15.0%	£184m	
Maximum	80%	£24.5m	20%	92%	25%	£189m	
Actual	0%	£16.0m	0%	98%	0%	£164.7m	0%

1 All financial targets are stated before highlighted items

LTIP awards (audited)

No LTIP awards vested or were due to vest in 2014

Pension entitlements and cash allowances (audited)

Sally Withey was entitled to an annual pension contribution of 12% of her basic salary, which was partly replaced by the payment of a cash salary supplement. Lord Chadlington did not receive an annual pension contribution or allowance

Long-term incentives awarded in 2014 (audited)

No long-term incentives were awarded in 2014

Payments to past Directors (audited)

No payments to past Directors were made during the year

Report of the Directors on Remuneration

Annual Report on Remuneration continued

Payments for loss of office (audited)

Sally Withey, the Group Chief Operating Officer and Finance Director, stepped down from the Board on 31 December 2014. A Settlement Agreement was entered into, the main components of which are

Annual bonus ¹	Entitlement to the performance related bonus for 2014, to the extent that targets are met
Pension contribution	A one-off contribution of £10,000
Compensation for loss of office ²	A one-off payment of £590,000
Share awards ³	Subject to the rules of the performance share plan and the satisfaction of applicable performance targets, the award over 1.1 million shares granted in 2013 will vest on a time pro-rated basis. The awards granted in 2006 and 2008 over 135,707 shares and 67,850 shares respectively, have already vested and will remain exercisable. All share awards remain exercisable until 31 December 2015, being 12 months following the cessation of her employment.
Other options	The options over 415,692 shares at an exercise price of 98.25p and over 700,000 shares at an exercise price of 32.5p, granted under the Executive Share Option Plan 2006, remain exercisable for 12 months until 31 December 2015. The deferred bonus share awards over a total of 469,064 shares and 512,054 shares respectively, shall also remain exercisable until 31 December 2015.

1 Annual bonus

No performance bonus for 2014 was due because the targets were not met.

2 Compensation for loss of office

The compensation for loss of office was negotiated within the terms of the Company's remuneration policy and within the terms of Sally Withey's contractual arrangements, as put in place before 27 June 2012. Under the terms of Sally Withey's contract, in the event of the Company serving less than 12 months' notice to terminate her employment there was an entitlement for her to receive

- a pro-rated bonus based on time and performance,
- an on-target bonus in respect of the full year, equivalent to 75% of her annual salary; or
- a payment in lieu of notice in respect of her salary, pension and other benefits for a 12 month period

The total amount of such a payment would have been £850,000. The Company reached an agreement with Sally Withey that the amount of £590,000 would be paid together with a pension contribution of £10,000 and an entitlement to the 2014 bonus based on performance targets achieved, which was subsequently determined to be nil.

3 Share awards

Subsequent to the terms of the Settlement Agreement being agreed, the Remuneration Committee confirmed that the award of 1.1 million shares granted in 2013 has lapsed in full.

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 2014

£000	2014	2013
Derek Mapp	13	—
Terence M. Graunke	37	31
Oscar Zhao	—	—
Andy Boland	16	—
Richard Sharp	60	124
Lord Myners	40	—
John Farrell ¹	23	38
Joe MacHale	19	40

¹ John Farrell stepped down as a Non-Executive Director with effect from 11 August 2014. The Company agreed to provide him with the use of office facilities until the end of August 2014.

Statement of Directors' shareholdings (audited)

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

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 2014 are set out in the table below:

	Shareholding requirement (% of salary/fees)	Number of shares required to hold ¹	Shareholding guidelines met?	Interests in shares	Vested options ²		Unvested options	Total interests in shares
					Market priced options	Nil cost options	Nil cost options with performance conditions	
Executive Director								
Lord Chadlington	100%	1,363,039	Yes	3,614,438	2,266,166	2,528,966	1,650,000	10,059,570
Sally Withey	100%	912,245	Yes	23,778	1,115,692	1,184,675	1,100,000	3,424,145
Non-Executive Director								
Derek Mapp	100%	306,122	Yes	134,245	—	—	—	134,245
Andy Boland	100%	81,633	Yes	89,496	—	—	—	89,496
Terence M Graunke	100%	61,224	Yes	24,234,963	—	—	—	24,234,963
Oscar Zhao	N/A	N/A	N/A	63,000,000	—	—	—	63,000,000

1 The share price of 49p (as at 31 December 2014) has been taken for the purpose of calculating the current shareholding as a percentage of salary. 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.

2 Vested options count towards the shareholding requirement based on the intrinsic gain in the option as at 31 December 2014. For vested market-priced options, the number of shares 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 in the 2014 financial year

The Committee reviewed the relevant holdings as at 31 December 2014 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 current Directors' shareholdings between 31 December 2014 and the announcement date

Report of the Directors on Remuneration

Annual Report on Remuneration continued

Directors' interest in share options

The interests in share options of the Executive Directors at 31 December 2014 were as set out below

Scheme	At 1 January 2014	Granted during year	Exercised during year	Lapsed during year	At 31 December 2014	Share price at date of award (pence)	Exercise price (pence)	Option exercise period	Notes
Lord Chadlington									
Performance Share Plan	570,000	—	—	—	570,000	111.25	nil	Jan 2010— Jan 2017	
Performance Share Plan	897,000	—	—	(897,000)	—	49.25	nil	Apr 2015— Apr 2022	a
Performance Share Plan	1,650,000	—	—	—	1,650,000	61	nil	Apr 2016— Apr 2023	b
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— Jan 2019	
Deferred Share Bonus Plan	936,564	—	—	—	936,564	45/71.25	nil	Mar 2011— Mar 2019	
Deferred Share Bonus Plan	1,022,402	—	—	—	1,022,402	45/49.25	nil	Mar 2012— Mar 2019	
Total Lord Chadlington	7,342,132	—	—	(897,000)	6,445,132				
Sally Withey									
Enterprise Management Incentive Scheme	92,930	—	—	(92,930)	—		107.50	Oct 2007— Oct 2014	
Unapproved Executive Scheme	7,069	—	—	(7,069)	—		107.50	Oct 2007— Oct 2014	
Performance Share Plan	135,707	—	—	—	135,707	99	nil	Dec 2009— Dec 2016	
Performance Share Plan	67,850	—	—	—	67,850	77	nil	Mar 2011— Mar 2018	
Performance Share Plan	600,000	—	—	(600,000)	—	49.25	nil	Apr 2015— Apr 2022	a
Performance Share Plan	1,100,000	—	—	—	1,100,000	61	nil	Apr 2016— Apr 2023	b
2006 Executive Share Option Scheme	415,692	—	—	—	415,692		98.25	Dec 2009— Dec 2016	
2006 Executive Share Option Scheme	700,000	—	—	—	700,000		32.50	Jan 2012— Jan 2019	
Deferred Share Bonus Plan	469,064	—	—	—	469,064	45/71.25	nil	Mar 2011— Mar 2019	
Deferred Share Bonus Plan	512,054	—	—	—	512,054	45/49.25	nil	Mar 2012— Mar 2019	
Total Sally Withey	4,100,366	—	—	(699,999)	3,400,367				
Total Executive Directors' share options	11,442,498	—	—	(1,596,999)	9,845,499				

Directors' interest in share options continued
Performance conditions

(a) The 2012 PSP Award was not due to vest until April 2015. However as meeting threshold 2013 EPS was a pre-condition to any vesting and this has not been met, this award has now lapsed in full.

(b) Performance conditions for the 2013 PSP award 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 £181.2 million	No vesting
Revenue equals £181.2 million	25% vesting
Revenue more than £181.2 million but less than £200.3 million	Straight-line vesting between 25% and 100%
Revenue equals £200.3 million or more	100% vesting

One third is subject to a TSR Target over the period commencing on 26 April 2013 and ending on 25 April 2016 as follows

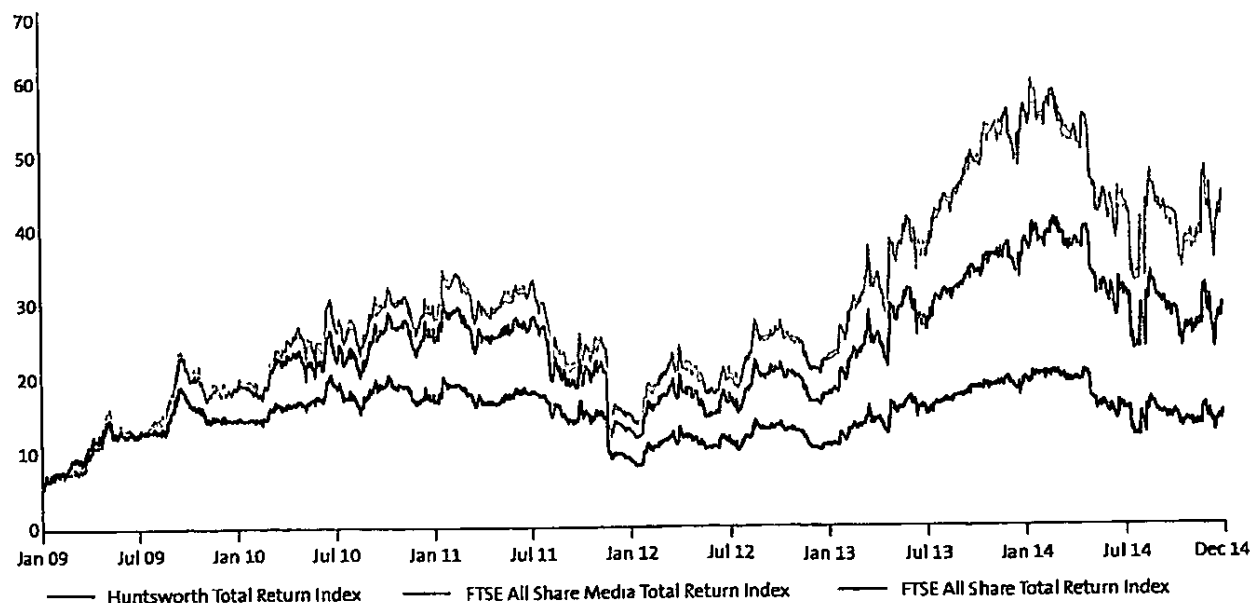
Median TSR	25% vesting
Between median and upper quartile TSR	Straight-line vesting between 25% and 100%
Upper quartile TSR	100% vesting

The TSR comparator group 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.

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 and the FTSE All Share Media Index also measured on a daily basis by TSR. The FTSE All Share Index and FTSE All Share Media Index were selected as they represent broad equity market indices.



The market price of Huntsworth shares at 31 December 2014 was 49 pence and the range during 2014 was 39.4 pence to 72.0 pence.

Report of the Directors on Remuneration

Annual Report on Remuneration continued

Comparison of overall performance and pay continued

Total CEO remuneration

The table below sets out the total remuneration delivered to the CEO over the last six 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
Total remuneration	673	1,036	729	1,224	1,033	724
Annual bonus payment level achieved (% maximum opportunity)	0%	0%	0%	40%	41%	0%
LTIP vesting level achieved (% maximum opportunity)	0%	100%	100%	58%	0%	N/A

Percentage change in CEO's remuneration

The following table sets out the percentage change in the salary, taxable benefits and bonus paid to the CEO from 2013 to 2014 compared with the average percentage change for Group employees

£000	2014	2013	Change %
CEO			
Salary	668	648	3.0%
Benefits	56	53	5.1%
Bonus	—	332	(100)%
Total	724	1,033	(29.5)%

Average Group employee

Salary	53	53	0.8%
Benefits	3	2	8%
Bonus	1	2	(27)%
Total	57	57	0%

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in 2014 and 2013 compared with other disbursements from profit

£000	2014	2013	Change %
Profit distributed by way of dividend	11,056	8,625	28.2%
Overall spend on pay (including Directors)	99,676	106,173	(6.1)%

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

Implementation of remuneration policy in 2015

Executive Directors

Paul Taaffe

Paul Taaffe joined the Group as CEO on 7 April 2015. 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	£600,000 per annum
Annual Bonus	The bonus shall be set so that achievement of less than 90% of the targets shall result in a bonus of £0, achievement of 100% of the targets shall result in a bonus of 75% of annual salary, achievement of 105% of target shall result in a bonus of 100% of salary and achievement of 120% or more of the targets shall result in a bonus of 150% of annual salary, with straight line bonus vesting between each point.
Long-term incentive plans	An award under the Company's Performance Share Plan over Company shares with a market value at the date of grant equal to £1.2 million. 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 previous employment, an option under the Company's Executive Share Option Scheme 2006 (the 'ESOP Scheme') over 2 million shares 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 ESOP Scheme.
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.

Lord Chadlington

In accordance with the announcement of the intended retirement of Lord Chadlington as CEO, a Settlement Agreement was entered into on 8 August 2014 which amended certain terms of his Service Agreement, as follows:

- there will be no increases to his salary or bonus payments in respect of the 2015 financial year,
 - all outstanding share awards will vest on termination of his employment, subject to the relevant scheme rules and performance targets being satisfied and, as necessary, reduced on a time pro-rated basis,
 - Lord Chadlington will retain the right to exercise all vested options and will receive all outstanding awards granted under the Company's Deferred Share Bonus Plan,
 - no further awards will be made under any share option scheme, and
 - all previous contractual provisions in respect of payments for loss of office shall no longer apply.
- On stepping down from the Board, Lord Chadlington will move into the role of Group Senior Advisor for a fixed term of 12 months on the same salary. No bonus, salary increases or share awards will be payable.

Annual Bonus performance targets

The 2015 Annual Bonus for Paul Taaffe will be based on achieving specific PBT and revenue targets. Details of the bonus potentials are set out below.

% targets achieved	% 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 pay-outs.

Long-term incentive plan targets

Awards will be made to Paul Taaffe in accordance with his service agreement as disclosed above. These awards will vest based on the achievement of specific EPS and TSR targets, details of which are currently being finalised.

Report of the Directors on Remuneration

Annual Report on Remuneration continued

Implementation of remuneration policy in 2015 continued

Non-Executive Directors

The following table sets out the annual fees for the Non-Executive Directors for 2015

£000	2015
Derek Mapp	150
Andy Boland	40
Terence M. Graunke	30
Nicky Dulieu	40
Farah Ramzan Golant	35
Tim Ryan	40
Oscar Zhao ¹	–

1 Oscar Zhao is on the Board as a representative of BlueFocus Communication Limited. He receives no fee.

A summary of the fees paid to Independent Non-Executive Directors are 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

The Remuneration Committee

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 other senior executives of the Group

The members of the Remuneration Committee in 2014 are disclosed on page 30 of the Corporate Governance Report. Other Directors attend meetings by invitation only. The Board as a whole reviews the policy and sets the remuneration for Non-Executive Directors.

The Committee formally met four times during the year. Its main activities were as follows:

- overseeing the terms of the Service Agreement with Paul Taaffe, the Settlement Agreements with Sally Withey and Lord Chadlington and the appointments of Lord Myners and Derek Mapp,
- agreeing bonus targets for the Executive Directors for 2014,
- concluding that no share awards would be made to the Executive Directors in 2014,
- review and approval of 2013 Report of the Directors on Remuneration,
- review of the 2013 Annual Bonus results,
- review of share plan performance and vesting, and
- grant of share plan awards to senior executives

No Director has a material interest in any contract with any Group company other than a service contract.

Advisors to the Remuneration Committee

During 2014, the Committee engaged the services of Slaughter & May LLP and PricewaterhouseCoopers LLP ('PwC') as independent Remuneration Committee advisors.

Slaughter & May LLP were specifically engaged to provide advice on the Settlement Agreements for Lord Chadlington and Sally Withey, and on Paul Taaffe's Service Agreement. During the year, Slaughter & May LLP provided other legal advice to the Group, which was not considered to conflict with their role as remuneration advisors. Fees payable to Slaughter & May LLP for these services totalled £57,000.

PwC provided advice to the Committee and provided associated advice on executive and long-term incentive remuneration. PwC also provided certain other tax, assurance and advisory services to the Group during the year. The nature of these services was not considered to conflict with their role as external advisor to the Committee. The retainer contract with PwC ended in September 2014. Total fees payable to PwC in 2014 were £124,000.

Shareholder context

At the June 2014 AGM, the following votes were cast in respect of the 2013 Directors' Remuneration Report and Directors' Remuneration Policy:

	Annual Report on Remuneration		Directors' Remuneration Policy	
	Number of Votes	%	Number of Votes	%
For	203,865,947	77%	179,377,663	67%
Against	62,225,244	23%	86,713,528	33%
Withheld	8,668	0%	8,668	0%

The Board recognised that a significant proportion of votes were cast against both the Annual Report on Remuneration and the Directors' Remuneration Policy at the 2014 AGM. Discussions were held with major shareholders to understand the rationale for their voting position. It was understood that their concerns included the level of remuneration. Their feedback was shared with Board members and the Board acknowledged that these should be appropriately addressed in future remuneration decisions.

Report of the Directors on Remuneration

Directors' Remuneration Policy

Introduction

In this section of the Report of the Directors on Remuneration, we provide a summary of the Company's remuneration policy for Directors. Full details of the remuneration policy can be found on the Company's website at <http://www.huntsworth.com/investors/corporate-governance/all.aspx>. This policy was approved by shareholders at the AGM held on 24 June 2014, to apply for three years from that date. The summary below includes the policy tables for Executive and Non-Executive Directors, edited to remove any obsolete information with regard to Lord Chadlington and Sally Withey's former contractual provisions.

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 both individual contribution and changes in responsibilities and attracts and retains talent in the labour market in which the Executive Director is employed
Operation	Base salary is set annually from 1 January. When determining the salary of the Executive Directors the Committee takes into consideration: <ul style="list-style-type: none"> the level of base salary for similar positions with comparable status, responsibility and skills, in 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	Base salary increases will be applied in line with the outcome of the annual review. Any increases other than any contractual amounts (see below) shall have due regard to those applied to the wider employee population of the Group.
Performance conditions and assessment	N/A

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 performance and operational strength such as revenue growth, PBT and cash conversion.
Operation	<p>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 linked to the Company's financial year.</p> <p>The bonus is normally paid in cash following the end of the financial year with no matching element or claw-back unless deferral occurs under the Deferred Share Bonus Plan.</p> <p>Discretion by the Committee to adjust targets may be made in exceptional circumstances, including e.g. Board-approved budget adjustments, acquisitions and disposals and business structure changes. However, where such targets are altered, the Committee will not revise the performance targets so that the revised target is materially less challenging than the original target was when set.</p>
Opportunity	<p>Bonus potential is as follows:</p> <ul style="list-style-type: none"> Threshold: 0% of salary On-target: 75% of salary Maximum: 150% of salary <p>The Committee's policy is that the annual maximum bonus opportunity will be set each year between 100% and 150% of salary.</p>
Performance conditions and assessment	<p>Each year the Remuneration 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 financial performance targets are expected normally to include:</p> <ul style="list-style-type: none"> PBT Revenue Cash conversion <p>The precise nature and weighting of measures will depend on the strategic focus of the Company in any given year. No amounts are payable to the extent that they would result in the PBT being below the threshold level.</p>

Remuneration structure (Policy Table) continued

Deferred Share Bonus Plan ('DSBP')

Objective and link to strategy	Aligns the interests of Executive Directors' rewards with those of shareholders and contributes to the retention of key individuals
Operation	<p>An Executive Director may waive all or a part, as determined by the Committee, of their right to a cash bonus in respect of a particular financial year, following which the Committee will consider granting the Executive Director an award of shares or nil cost options</p> <p>At the discretion of the Committee, participants are entitled to an award of shares equivalent to the value of dividends paid over the vesting period. No awards have been made to Executive Directors since 2009 under DBSP</p>
Opportunity	<p>Maximum award value of 125% of the bonus that would otherwise have been payable</p> <p>Threshold potential 100% of the amount deferred</p>
Performance conditions and assessment	<p>The shares cannot vest earlier than the first anniversary of the grant date and it is anticipated that vesting will normally be split such that one half will vest on the second anniversary of the grant date and the other half will vest on the third anniversary of the grant date</p> <p>If the Executive Director remains employed by the Company, their award of shares will normally vest in full up to the amount of the bonus that would otherwise have been payable. Where the award exceeds this level, such excess will be subject to financial performance targets which will be determined at that time</p>

Performance Share Plan ('PSP')

Objective and link to strategy	<p>Rewards and retains executives, aligning them with shareholder interests over a longer time frame</p> <p>Ensures 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</p>
Operation	<p>Participants are eligible to receive a conditional annual allocation of shares or nil cost options. The Committee reviews the quantum of awards annually. There is no operation of claw-back (of unexercised or exercised awards) in respect of these awards</p> <p>Exceptionally, if events happen which cause the Committee to consider that the performance targets are no longer a fair measure of the Company's performance, the Committee may alter the terms of the performance target as it considers appropriate but not so that the revised target is materially less challenging than the target as originally set</p>
Opportunity	Maximum PSP award in any one year (excluding any awards made under other plan) of 200% of salary. Normal policy award will not exceed 100% of salary. Threshold PSP vesting level 25% of salary
Performance conditions and assessment	<p>Service and performance measures must normally be met over a three-year performance period. Performance measures for awards will comprise two or three of the following</p> <ul style="list-style-type: none"> • Revenue • EPS • TSR

Report of the Directors on Remuneration

Directors' Remuneration Policy continued

Remuneration structure (Policy Table) continued

2006 Executive Share Option Scheme ('ESOS')

Objective and link to strategy	Rewards and retains executives, aligning them with shareholder interests over a longer time frame This plan will not normally be used for Executive Directors and is likely in practice to be used primarily for recruitment awards, where appropriate
Operation	The ESOS was approved by shareholders at the 2006 Annual General Meeting. The ESOS allows for the grant of market priced options to participants No awards have been made to Executive Directors since 2009 under the ESOS
Opportunity	Threshold potential 25% Maximum ESOS award in any one year (excluding awards made under the PSP or any other plan under which nil or nominal cost awards are made) of 200% of salary
Performance conditions and assessment	Service and performance measures must normally be met over a three-year performance period Performance measures (and potential amendments to these) will be assessed on the same basis as for the PSP above

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. The policy maximum is 20% of salary Any cash equivalent would not be treated as salary for the purposes of determining bonus or incentive awards
Opportunity	Paul Taaffe does not receive a pension contribution or allowance
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 to carry out their roles
Operation	<p>The level of benefits provided is reviewed regularly to ensure they remain market competitive. Benefits may include</p> <ul style="list-style-type: none"> • car or car-related allowance or benefits, • private health insurance, • life insurance, and • permanent health insurance <p>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.</p> <p>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. The level of relocation benefit will be assessed on a case-by-case basis.</p>
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.
Performance conditions and assessment	N/A
Payments from existing awards	<p>Subject to the achievement of the applicable performance conditions, Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Executive Director Remuneration Policy detailed in this report. The only existing unvested award, as at the date of this Report, is that granted under the PSP in 2013.</p> <p>Where an individual is promoted internally as an Executive Director, the individual will remain subject to the terms of any long-term incentive awards as granted and not to the terms of the Directors' Remuneration Policy.</p>

Report of the Directors on Remuneration

Directors' Remuneration Policy *continued*

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	<p>The Board as a whole is responsible for setting the remuneration of the NEDs, other than the Chairman whose remuneration is determined by the Committee and recommended to the Board</p> <p>Fee levels reflect market conditions and are sufficient to attract individuals with appropriate knowledge and experience</p> <p>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</p> <p>In some circumstances no fees will be paid</p> <p>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</p>
Opportunity	<p>Current fees are set out in the statement of implementation of remuneration policy on page 44</p> <p>Fee increases are determined by reference to individual responsibilities, inflation and an appropriate comparator group</p>
Performance conditions and assessment	N/A
Benefits	
Objective and link to strategy	To facilitate the NEDs performance of his or her role
Operation	<p>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</p> <p>Additionally, the Company may provide office facilities for NEDs which are not restricted to use in respect of the Company's business</p>
Opportunity	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
Performance conditions and assessment	N/A

Independent Auditor's Report

to the members of Huntsworth plc

Opinion on 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 2014 and of the Group's profit for the year ended 31 December 2014,
- 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,
- the Group and the Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and
- the Group financial statements have been prepared in accordance with Article 4 of the IAS Regulation

What we have audited

We have audited the financial statements of Huntsworth plc for the year ended 31 December 2014 which comprise

Group financial statements

The Consolidated Income Statement
The Consolidated Statement of Comprehensive Income and Expense
The Consolidated Balance Sheet
The Consolidated Cash Flow Statement
The Consolidated Statement of Changes in Equity
The related notes 1 to 27

Company financial statements

The Company Balance Sheet,
The related notes 1 to 14

As explained in Note 1 to the Consolidated Financial Statements and consistent with the prior period, the Group has applied IFRS as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is the provisions of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice

Overview

Materiality

- Overall Group materiality was £725,000 which represents 5% of profit before tax before adjusting for certain non-recurring items

Audit scope

- We performed an audit of the complete financial information of nine components, audit procedures on specific balances for a further nine components and review procedures on six components
- The 24 reporting component locations where we performed audit and review procedures accounted for 96% of the Group's total assets, 80% of the Group's revenue, and 86% of the Group's profit before tax

Areas of focus

- Impairment of intangible assets and goodwill,
- revenue recognition, with particular focus on cut off and the appropriate accounting treatment based on contract terms and conditions, and
- presentation and disclosure of highlighted items

Our application of materiality

We determined materiality for the Group to be £725,000 (2013: £921,000), which is calculated as 5% of profit before tax adjusted for certain non-recurring items. We believe that profit before tax, adjusted for the non-recurring items as described below, provides us with a consistent year-on-year basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity. Adjustments for non-recurring items are made to profit before tax for impairment charge of £71,471,000, facilities related fees of £427,000, acquisition costs of £230,000 and restructuring costs of £1,932,000 as highlighted in note 6 of the financial statements. This provided a basis for identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment and other qualitative considerations, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2013: 75%) of planning materiality, namely £544,000 (2013: £690,000). Our objective in adopting this approach was to reduce to an appropriately low level the probability that the aggregate of total undetected and uncorrected misstatements for the accounts as a whole did not exceed our planning materiality.

Audit work at individual components is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £62,000 to £210,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £36,000 (2013: £46,000), 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 the light of other relevant qualitative considerations.

Independent Auditor's Report continued

to the members of Huntsworth plc

Scope of our audit

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.

The Group operates globally through four reportable segments: Citigate, Grayling, Huntsworth Health and Red. Following our assessment of the risk of material misstatement to the Group financial statements, we selected 24 components which represent the principal business units within the Group's four reportable segments. Nine of these components were subject to a full scope audit in which we obtain audit coverage over all financial statement line items related to that location.

In addition, nine components were subject to specific scope audit where the extent of audit work was based on our assessment of the risks of material misstatement outlined below and the materiality of the location's business operations relative to the Group. The scope of these components may not have included testing of all significant accounts of the location but will have contributed to the coverage of significant accounts tested for the Group. Specific scope component testing of significant risks is primarily focused on the revenue recognition risk as impairment and presentation of highlighted items are audited centrally.

Limited scope review procedures were performed directly by the Primary Team for a further six locations, where the extent of further testing was determined based on the risk of material misstatement and the corroboration obtainable for the explanations received.

The components subject to full, specific and limited audit scope procedures make up 96% (89% full scope, 5% specific scope, 2% limited scope) of the Group's total assets, 80% (30% full scope, 38% specific scope, 12% limited scope) of the Group's revenue and 86% (27% full scope, 40% specific scope, 19% limited scope) of the Group's profit before tax.

For the remaining components in the Group, we performed other procedures including overall analytical review at the Group level and a review of the entity level control environment, in order to confirm our assessment that there is a low risk of material misstatement in these components in relation to the Group financial statements.

Detailed instructions were sent to all auditors in component locations. These instructions covered the significant areas that should be addressed by the component team auditors (which included the relative risks of material misstatement detailed above) and set out the information to be reported back to the Group audit team. For all full scope entities, in addition to the location visits described below, the Group audit team participated in the component team's planning and audit strategy, including the component team's discussion of fraud and error. We also required detailed reporting on audit results and audit procedures on higher risk areas and performed reviews of local audit work of high risk area working papers on revenue recognition, whilst all work on tax and acquisition accounting was performed at Group level. Telephone meetings were also held throughout the year with all in-scope locations performed by reporting teams to monitor audit progress, audit quality and to assess which items required direct involvement from the Group team.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor, or her designate, visits each of the locations where the Group audit scope was focused at least once every two years and the most significant of them at least once a year. The Group audit team visited three locations in the US in total over the course of the current year audit. In addition, the Group audit team directly audits six locations in the UK, as well as one location in the Middle East and one in Germany, all on site. The Group audit team, including the Senior Statutory Auditor or her appropriate delegate, attended all local close meetings.

Our assessment of risks of material misstatement

We consider that the following areas present the greatest risk of material misstatement in the financial statements and consequently have had the greatest impact on our audit strategy, the allocation of resources and the efforts of the engagement team, including the more senior members of the team

Principal risk area and rationale	Audit response
<p>Impairment of goodwill and intangible assets</p> <p>The current trading situation and forecast results raise the financial risk of impairment of both goodwill and investments. The Group's assessment of the carrying value of these assets involves significant judgement as to the future performance of the business across relevant divisions.</p> <p>On completion of an acquisition, the Group make judgements on the value of goodwill, the identified intangible assets and remaining consideration payable which are subject to underlying support and specific disclosure.</p>	<p>Our approach focused on the assessment of the basis of management's assumptions in their valuation and confirmation of whether an impairment charge is required, including:</p> <ul style="list-style-type: none"> • detailed discussions with senior management of each CGU and Group finance on the assumptions included in the 2015 budgets at each CGU, with a particular focus on the Grayling and Citigate 'CGUs'; • challenging the assumptions used by management, particularly in respect of the accuracy and preparation of future budgets, future forecast revenue growth rates post 2015, conversion of sales pipeline, operating profit margins, long-term growth rates and performing sensitivity analysis on the calculated headroom; • assessing the market capitalisation movement gap since prior year end; • assessment of the CGU value in use calculations to current trading conditions and forecasts; • involving EY valuation specialists to review management's discount rate calculation to check compliance with IAS 36 'Impairment of Assets' and reasonableness of discount rates used; • appropriateness of financial statement disclosure in accordance with IAS 36 Impairment of assets; and • assessment of the valuation, accounting and financial statement disclosures for acquisitions including audit of the intangibles valuation, the consideration agreed, the net assets acquired and the resulting goodwill capitalised.
<p>Revenue recognition, with particular focus on cut off and the appropriate accounting treatment based on contract terms and conditions</p> <p>The divisional nature of the Group plus the numerous project-based revenue streams increase the risk around the timing of recognition of revenue. In addition, Huntsworth employs a number of incentive programmes at different divisions to stimulate growth which has the potential to incentivise bias in the recognition of revenue.</p>	<p>Details of the Group's accounting policies are included in Note 2 and details of the Group's revenue by reportable segment are included in Note 4.</p> <p>Our approach included the following procedures:</p> <ul style="list-style-type: none"> • representative sampling of projects included in deferred and accrued income recognised on the balance sheet, tracing this sample back into the income statement for the period and performing cut off procedures including obtaining evidence that the IAS 18 criteria for revenue recognition in association with these projects has been met; • further revenue recognition sampling performed on revenue recognised throughout the period to analyse whether recognitions are consistent with the underlying terms of the contractual agreements, timesheets, purchase orders and/or invoicing as applicable, paying particular attention to significant new contracts and the timing of recognitions in our procedures performed; • performance of detailed analytical review by month (including January 2015) and by project against budget and prior year, both with finance and operational staff, to identify and analyse unusual revenue trends and comparison against budget; • review of credit notes raised post year end; and • checking that revenue recognition policies are communicated and applied consistently across the Group.
<p>Presentation and disclosure of highlighted items</p> <p>The presentation of highlighted items is judgemental and important given focus on pre-highlighted results.</p> <p>There is a risk here that certain items could be inappropriately classified as 'highlighted items' impacting adjusted reported measures. It is also possible that inappropriate prominence might be given to non-GAAP measures.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • reviewing the completeness and appropriateness of the charges, provisions and any movements which have arisen during the year; and • assessing the classification of the highlighted items in Note 6 to the financial statements in light of the Group's accounting policy and guidance issued to Boards by the Financial Reporting Council regarding what should be considered when such highlighted items are consistently presented year-on-year. • assessing that sufficient prominence was provided to GAAP measures throughout the Annual Report and primary statements.

Independent Auditor's Report continued

to the members of Huntsworth plc

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 35, 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 Group 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is

- materially inconsistent with the information in the audited financial statements, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit, or
- is otherwise misleading

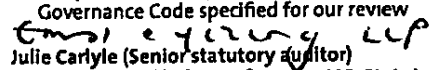
In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 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.

Under the Listing Rules we are required to review

- The Directors' Statement, set out on page 31, in relation to going concern
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review


Julie Carlyle (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
9 April 2015

Consolidated Income Statement

for the year ended 31 December 2014

	Notes	2014			2013		
		Before highlighted Items £000	Highlighted Items (Note 6) £000	Total £000	Before highlighted Items £000	Highlighted Items (Note 6) £000	Total £000
Turnover		204,793	1,247	206,040	208,162	819	208,981
Revenue	4	164,719	1,013	165,732	171,668	727	172,395
Operating expenses	5	(146,491)	(76,161)	(222,652)	(148,073)	(3,737)	(151,810)
Operating profit/(loss)	4	18,228	(75,148)	(56,920)	23,595	(3,010)	20,585
Finance income	7	17	–	17	6	–	6
Finance costs	7	(2,222)	(427)	(2,649)	(3,537)	–	(3,537)
Profit/(loss) before tax		16,023	(75,575)	(59,552)	20,064	(3,010)	17,054
Taxation (expense)/credit	9	(4,002)	7,382	3,380	(4,822)	1,088	(3,734)
Profit/(loss) for the year attributable to Parent Company's equity shareholders		12,021	(68,193)	(56,172)	15,242	(1,922)	13,320
					Note	2014	2013
(Loss)/earnings per share							
Basic – pence					11	(17.6)	5.0
Diluted – pence					11	(17.6)	4.9
Adjusted basic – pence ¹					11	3.8	5.8
Adjusted diluted – pence ¹					11	3.7	5.6

1 Adjusted basic and adjusted diluted earnings per share are calculated based on profit for the year adjusted for highlighted items and the related tax effects (Note 11)

Consolidated Statement of Comprehensive Income and Expense

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
(Loss)/profit for the year		(56,172)	13,320
Other comprehensive income and expense			
<i>Items that may be reclassified subsequently to the Income Statement</i>			
Amounts recognised in the Income Statement on interest rate swaps		96	277
Movement in valuation of interest rate swaps		(66)	(1)
Tax credit of interest rate swaps	9	(7)	(65)
Currency translation differences		2,750	(1,555)
Tax (expense)/credit of currency translation differences	9	(118)	35
Total items that may be reclassified subsequently to profit or loss		2,655	(1,309)
Other comprehensive income and expense for the year		2,655	(1,309)
Total comprehensive income and expense for the year attributable to Parent Company's equity shareholders		(53,517)	12,011

Consolidated Balance Sheet

as at 31 December 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Intangible assets	12	225,678	293,006
Property, plant and equipment	13	7,772	4,993
Other receivables		279	537
Deferred tax assets	19	116	608
		233,845	299,144
Current assets			
Work in progress		3,241	6,066
Trade and other receivables	15	41,338	44,115
Current tax receivable		481	344
Derivative financial assets	20	17	68
Cash and short-term deposits		8,826	8,580
		53,903	59,173
Current liabilities			
Bank loans and overdrafts	21	–	(92)
Obligations under finance leases	17, 21	(7)	(8)
Trade and other payables	16	(41,356)	(50,444)
Derivative financial liabilities	20	–	(157)
Current tax payable		(1,060)	(1,082)
Provisions	18	(1,892)	(630)
		(44,315)	(52,413)
Non-current liabilities			
Bank loans and overdrafts	21	(44,327)	(40,401)
Obligations under finance leases	17, 21	(24)	(3)
Trade and other payables	16	(2,045)	(2,071)
Derivative financial liabilities	20	(63)	–
Deferred tax liabilities	19	(396)	(4,939)
Provisions	18	(2,704)	(846)
		(49,559)	(48,260)
Net assets		193,874	257,644
Equity			
Called up share capital	22	107,157	107,139
Share premium account	24	62,635	61,722
Merger reserve	24	43,422	65,255
Foreign currency translation reserve	24	20,254	17,504
Hedging reserve	24	(63)	(93)
Treasury shares	24	(1,568)	(1,577)
Investment in own shares	24	(4,775)	(4,775)
Retained earnings		(33,188)	12,469
Equity attributable to equity holders of the parent		193,874	257,644

The financial statements were approved by the Directors on 9 April 2015 and signed on their behalf by

Andy Boland
Director



Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Cash inflow from operating activities			
Cash inflow from operations	26(a)	17,353	18,634
Interest paid		(2,089)	(2,978)
Interest received		17	6
Cash flows from hedging activities		68	72
Net tax paid		(1,317)	(2,448)
Net cash inflow from operating activities		14,032	13,286
Cash outflow from investing activities			
Acquisitions of subsidiaries, net of cash acquired		(514)	—
Deferred consideration payments		(609)	(3,251)
Cost of internally developed intangible assets		(592)	(945)
Purchases of property, plant and equipment		(4,113)	(1,954)
Proceeds from sale of property, plant and equipment		37	31
Net cash outflow from investing activities		(5,791)	(6,119)
Cash outflow from financing activities			
Net (costs)/proceeds from issue of ordinary shares		(1,074)	35,824
Proceeds from sale of own shares to settle share options		9	346
Repayment of finance lease liabilities		(12)	(2)
Net drawdown/(repayment) of borrowings		3,170	(31,300)
Dividends paid to equity holders of the parent		(10,113)	(7,937)
Net cash outflow from financing activities		(8,020)	(3,069)
Increase in cash and cash equivalents		221	4,098
Movements in cash and cash equivalents			
Increase in cash and cash equivalents		221	4,098
Effects of exchange rate fluctuations on cash held		117	(277)
Cash and cash equivalents at 1 January		8,488	4,667
Cash and cash equivalents at 31 December	26(d)	8,826	8,488

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	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 2013	106,444	26,942	61,966	19,059	(369)	(2,153)	(4,775)	7,043	214,157
Profit for the year	—	—	—	—	—	—	—	13,320	13,320
Other comprehensive income/(expense)	—	—	—	(1,555)	276	—	—	(30)	(1,309)
Acquisition of subsidiaries	54	—	3,295	—	—	—	—	—	3,349
BlueFocus subscription	630	35,910	—	—	—	—	—	—	36,540
Settlement of share options	—	—	—	—	—	576	—	(231)	345
Share issue costs	—	(1,807)	(6)	—	—	—	—	—	(1,813)
Charge for share-based payments	—	—	—	—	—	—	—	654	654
Credit for unclaimed dividends	—	—	—	—	—	—	—	20	20
Tax on share-based payments	—	—	—	—	—	—	—	318	318
Scrip dividends	11	677	—	—	—	—	—	—	688
Equity dividends	—	—	—	—	—	—	—	(8,625)	(8,625)
At 31 December 2013	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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

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 9 April 2015 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 2014, but had no significant impact on the Group:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IAS 27 (revised) – Separate Financial Statements
- IAS 28 (revised) – Investments in Associates and Joint Ventures
- IAS 32 (amendment) – Offsetting Financial Assets and Financial Liabilities
- IAS 36 (amendment) – Recoverable Amount Disclosures for Non-financial Assets
- IAS 39, IFRS 9 (amendment) – Novation of Derivatives
- IFRS 10, IFRS 12 and IAS 27 (amendment) – Investment Entities
- 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 2015),
- IFRS 14 – Regulatory Deferral Accounts (effective date not yet published),
- IAS 19 (amendment) – Employee contributions (effective for accounting periods beginning on or after 1 July 2014),
- Annual Improvements (2010–2012 Cycle) (effective for accounting periods beginning on or after 1 July 2014),
- Annual Improvements (2011–2013 Cycle) (effective for accounting periods beginning on or after 1 July 2014),
- 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 for accounting periods beginning on or after 1 January 2016),
- IFRS 11 (amendment) – Accounting for Acquisition of Interests in Joint Operations (effective for accounting periods beginning on or after 1 January 2016),
- IFRS 14 Regulatory Deferral Accounts (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),
- IFRS 15 – Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017)

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, although the detailed impact has not yet been quantified.

Basis of consolidation

Huntsworth plc ('the Company') is a Company incorporated and domiciled in the United Kingdom. These financial statements consolidate the financial statements of Huntsworth plc and all entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over the investee,
- Is exposed, or has rights, to variable return from its involvement with the investee, and
- Has the ability to use its power to affect its returns.

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

2. Significant accounting policies continued

Going concern

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.

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. However, for acquisitions completed prior to 1 January 2010, such adjustments are recorded in the Consolidated Balance Sheet within goodwill.

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 does 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 three 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.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

2. Significant accounting policies continued

Loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes 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 expected to complete the work or provision of services. Revenue in the form of commissions on media placements and fees for creative and production services provided is recognised as the services are performed.

Share-based payments

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

Employee share ownership plans

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

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.

2. Significant accounting policies continued

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 settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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

Derivative financial instruments

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

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

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

2. Significant accounting policies continued

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

The Group presents certain items as highlighted items in the Income Statement. The determination that an item should be presented as highlighted is a judgement of the Directors. The Directors consider whether providing separate disclosure is helpful in understanding the underlying performance of the business, based on the nature and size of the item.

(b) Carrying value of goodwill and other intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the procedures set out in Note 12. The recoverable amounts of cash generating units have been determined based on value in use calculations. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from each cash generating unit and a suitable discount rate in order to calculate present value.

(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 proportion of work and hence the appropriate value of revenue to be recognised in the year.

3. Acquisition of Audacity

On 2 May 2014, the Group acquired the entire issued share capital of Audacity, Inc ('Audacity'). Acquisition accounting has been performed in accordance with IFRS 3 (revised) Business Combinations.

Audacity has contributed £725,000 to revenue and £121,000 to profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisition of Audacity had been completed on the first day of the financial year, Group revenues post highlighted items for the period would have been £166.1 million and Group post highlighted operating loss would have been £56.9 million.

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

	Fair value recognised on acquisition £000
Customer relationships	47
Brand	106
Property, plant and equipment	29
Trade and other receivables	157
Cash and cash equivalents	230
Trade and other payables	(2)
Other creditors and provisions	(81)
Net assets acquired	486
Goodwill arising on acquisition	1,630
	2,116
Discharged by	
Cash consideration	650
Other initial consideration	94
Deferred contingent consideration	1,372
Total consideration	2,116
Net cash outflow arising on acquisition.	
Cash consideration	744
Cash and cash equivalents acquired	(230)
	514

The fair value of trade and other receivables includes trade receivables with a gross contractual and fair value of £165,000. The best estimate at the acquisition date of contractual cash flows not to be collected was £12,000.

Goodwill comprises the value of expected synergies arising from the acquisition and other intangible assets that do not qualify for separate recognition. The goodwill arising is expected to be tax deductible as part of the total tax deductible consideration paid on acquisition.

3 Acquisition of Audacity continued

The fair value of the contingent consideration payment is based on forecast average profits for the period from acquisition to 31 December 2016. The potential undiscounted range of future payments that Huntsworth plc could be required to make under the contingent consideration arrangement is between £nil and £7.2 million and will be paid in a combination of cash and shares. Other initial consideration relates to a working capital surplus payment.

Acquisition related costs of £25,000 were incurred and these are included within highlighted items in the Income Statement.

4. 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.

	Clrigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Year ended 31 December 2014					
Total revenue before highlighted items	21,939	70,760	12,313	59,713	164,725
Total revenue	—	(6)	—	—	(6)
Intra-Group eliminations	21,939	70,754	12,313	59,713	164,719
Segment revenue before highlighted items	4,470	5,419	2,571	12,264	24,724
Segment operating profit before highlighted items					
Year ended 31 December 2013					
Total revenue before highlighted items	23,324	78,450	12,880	57,070	171,724
Total revenue	—	(56)	—	—	(56)
Intra-Group eliminations	23,324	78,394	12,880	57,070	171,668
Segment revenue before highlighted items	4,742	11,203	3,119	11,883	30,947
Segment operating profit before highlighted items					

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

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

	2014 £000	2013 £000
Segment operating profit before highlighted items	24,724	30,947
Unallocated costs	(6,496)	(7,352)
Operating profit before highlighted items	18,228	23,595
Highlighted items	(75,148)	(3,010)
Operating (loss)/profit	(56,920)	20,585
Net finance costs before highlighted items	(2,205)	(3,531)
Highlighted finance costs	(427)	—
(Loss)/profit before tax	(59,552)	17,054

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

4. Segmental analysis continued

Geographical information

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

	2014 £000	2013 £000
Revenue		
United Kingdom	57,281	62,311
Other European	28,557	33,421
USA	67,919	65,784
Rest of the world	10,968	10,208
Intra-Group eliminations	(6)	(56)
Total revenue	164,719	171,668

	2014 £000	2013 £000
Non-current assets		
United Kingdom	104,655	137,418
Other European	43,660	61,040
USA	77,003	89,138
Rest of the world	8,411	10,940
Total non-current assets	233,729	298,536

Non-current assets excludes deferred tax assets

5. Operating profit

Operating profit is stated after charging/(crediting)

	Notes	2014 £000	2013 £000
Auditor's remuneration		496	437
Depreciation of owned property, plant and equipment	13	2,440	2,247
Depreciation of property, plant and equipment held under finance leases	13	1	10
Loss on disposal of property, plant and equipment		17	139
Net foreign exchange loss		38	111
Operating lease rentals			
Lease payments		8,452	8,063
Sublet income		(442)	(379)
Employee costs	8	99,676	106,173
Other administration costs		35,813	31,272
Operating expenses – excluding highlighted items		146,491	148,073
Highlighted items	6	76,161	3,737
Total operating expenses		222,652	151,810

	2014 £000	2013 £000
Auditor's remuneration		
Fees payable to the Company's auditor for the statutory audit of the Company and consolidated annual financial statements	148	144
Fees payable to the Company's auditor and its associates for other services	257	250
The audit of financial statements of the Company's subsidiaries pursuant to legislation	46	38
Audit-related assurance services	45	5
Other assurance services		
Total other services	348	293
Total remuneration included in operating expenses	496	437

6. Highlighted Items

Highlighted items charged to profit for the year comprise significant non-cash charges and non-recurring items which are highlighted in the Income Statement because, in the opinion of the Directors, separate disclosure is helpful in understanding the underlying performance of the business

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

	Notes	2014 £000	2013 £000
Credited to revenue.			
Start-up revenues		(1,013)	(727)
Charged to operating expenses			
Amortisation of intangible assets	12	985	1,635
Goodwill impairment	12	71,471	–
Restructuring costs		1,932	3,733
Start-up costs		1,543	1,211
Litigation credit		–	(585)
Acquisition and transaction related costs/(credit)		230	(2,257)
Total charged to operating expenses		76,161	3,737
Charged to operating profit		75,148	3,010
Charged to finance costs			
Facility fees written off		427	–
Charged to profit before tax		75,575	3,010
Taxation credit		(7,382)	(1,088)
Charged to profit for the year		68,193	1,922

Start-up revenues and costs

Start-up revenues and costs are 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 3 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 £71.5 million were recognised in the year relating to goodwill in the Grayling and Citigate CGUs. Further disclosures are given in Note 12.

Restructuring costs

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

Litigation credit

The litigation credit in 2013 related to an agreed final settlement received by the Group, net of costs incurred.

Acquisition and transaction related costs/(credit)

Costs incurred in relation to acquisitions and any adjustments to the fair value of deferred contingent consideration liabilities are taken to the Income Statement rather than being included as part of the cost of investment or as an adjustment to goodwill.

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 9.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

7. Finance costs and income

	2014 £000	2013 £000
Bank interest payable	2,174	3,497
Finance lease interest	7	9
Imputed interest on property and other provisions	9	9
Imputed interest on deferred consideration	20	6
Imputed interest on non-current trade and other payables	12	16
Finance costs	2,222	3,537
Bank interest receivable	(2)	(3)
Other interest receivable	(15)	(3)
Finance income	(17)	(6)
Net finance costs before highlighted items	2,205	3,531
Finance costs – highlighted items	427	–
Net finance costs	2,632	3,531

8. Employee information

The average number of employees during the year was

	2014 Number	2013 Number
Citigate	178	184
Grayling	822	865
Red	121	140
Huntsworth Health Centre	446	440
	36	40
Total	1,603	1,669

Employee costs are as follows

	2014 £000	2013 £000
Employee costs of all employees including Directors		
Wages and salaries	87,894	92,300
Social security costs	9,257	10,797
Pension contributions	2,423	2,422
Share-based payment charge	102	654
Total employee costs	99,676	106,173

	2014 £000	2013 £000
Directors' emoluments	1,506	1,443
Number of Directors accruing benefits under Defined contribution schemes	1	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'

9. Taxation

	Before highlighted items 2014 £000	Highlighted items 2014 £000	Total 2014 £000	Before highlighted items 2013 £000	Highlighted items 2013 £000	Total 2013 £000
Consolidated Income Statement						
Current tax						
Current year	2,825	(900)	1,925	3,117	(591)	2,526
Adjustments in respect of prior years	(683)	–	(683)	(1,087)	–	(1,087)
Current tax expense/(credit)	2,142	(900)	1,242	2,030	(591)	1,439
Deferred tax						
Current year	2,843	(6,583)	(3,740)	2,748	(413)	2,335
Impact of changes in statutory tax rates	(193)	101	(92)	114	(84)	30
Adjustments in respect of prior years	(790)	–	(790)	(70)	–	(70)
Deferred tax expense/(credit)	1,860	(6,482)	(4,622)	2,792	(497)	2,295
Income tax expense/(credit)	4,002	(7,382)	(3,380)	4,822	(1,088)	3,734

The charge for the year can be reconciled to the profit per the Income Statement as follows

	Before highlighted items 2014 £000	Highlighted items 2014 £000	Total 2014 £000	Before highlighted items 2013 £000	Highlighted items 2013 £000	Total 2013 £000
Profit/(loss) before tax	16,023	(75,575)	(59,552)	20,064	(3,010)	17,054
Notional income tax expense/(credit) at the effective UK statutory rate of 21.5% (2013 23.25%) on profit/(loss) before tax	3,445	(16,249)	(12,804)	4,665	(700)	3,965
Permanent differences	(7)	12,703	12,696	(278)	(754)	(1,032)
Impact of share-based payments	211	–	211	(84)	–	(84)
Different tax rates on overseas profits	1,930	(4,142)	(2,212)	1,603	200	1,803
Impact of changes in statutory tax rates	(193)	101	(92)	114	(84)	30
Adjustments in respect of prior years	(1,473)	–	(1,473)	(1,157)	–	(1,157)
Utilisation and recognition of tax losses	(436)	(38)	(474)	(122)	(47)	(169)
Unrelieved current year losses	525	243	768	81	297	378
Income tax expense/(credit)	4,002	(7,382)	(3,380)	4,822	(1,088)	3,734

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 21.5% (2013 23.25%)
Overseas tax is calculated at the rates prevailing in the respective jurisdictions

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

9. 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 2014 £000	Highlighted items 2014 £000	Total 2014 £000	Before highlighted items 2013 £000	Highlighted items 2013 £000	Total 2013 £000
Other comprehensive income and expense						
Current tax expense/(credit)						
Currency translation differences	118	—	118	(35)	—	(35)
Deferred tax expense	7	—	7	65	—	65
Financial instruments fair value movement						
Tax expense recognised in other comprehensive income and expense	125	—	125	30	—	30
Equity						
Current tax credit						
Net revaluation of share-based payments	(1)	—	(1)	(18)	—	(18)
Deferred tax expense/(credit)						
Net revaluation of share-based payments	248	—	248	(300)	—	(300)
Tax credit recognised in equity	247	—	247	(318)	—	(318)

10. Dividends

	2014 £000	2013 £000
Equity dividends on ordinary shares		
Final dividend for the year ended 2013 2.5 pence (2012 2.5 pence)	7,886	6,140
Interim dividend for the year ended 2014 1.0 pence (2013 1.0 pence)	3,170	2,485
Total dividend expense	11,056	8,625

Shareholdings under the Group's Employee Benefit Trust of 7,629,278 shares waived their rights to the 2013 final dividend and 2014 interim dividend (2012 final dividend and 2013 interim dividend 7,629,278 shares).

A 2014 final dividend of 0.75 pence per share has been proposed for approval at the Annual General Meeting in 2015

11. Earnings per share

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

	2014 (Loss)/ earnings £000	2014 Weighted average number of shares 000s	2013 Earnings £000	2013 Weighted average number of shares 000s
Basic	(56,172)	318,848	13,320	264,555
Diluted	(56,172)	318,848 ¹	13,320	271,339
Adjusted basic	12,021	318,848	15,242	264,555
Adjusted diluted	12,021	329,241	15,242	271,339

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 Parent Company 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 Parent Company shareholders excluding highlighted items

11. Earnings per share continued

	2014 £000	2013 £000
Earnings*		
(Loss)/profit for the year attributable to the Parent Company's shareholders	(56,172)	13,320
Highlighted items (net of tax) attributable to the Parent Company's shareholders	68,193	1,922
Adjusted earnings	12,021	15,242
	2014 £000	2013 £000
Number of shares*		
Weighted average number of ordinary shares – basic and adjusted	318,848	264,555
Effect of share options in issue	7,951	5,911
Effect of deferred contingent consideration	2,442	873
Weighted average number of ordinary shares – diluted	329,241	271,339

12. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Intellectual property £000	Software development costs £000	Total £000
Cost						
At 1 January 2013	24,874	29,298	303,070	1,699	951	359,892
Adjustment to prior year acquisitions ¹	–	–	871	–	–	871
Acquisitions	–	–	–	74	–	74
Capitalised development costs	–	–	–	–	1,373	1,373
Exchange differences	(53)	(219)	(811)	1	(41)	(1,123)
At 31 December 2013	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
Amortisation and impairment charges						
At 1 January 2013	19,118	28,539	17,379	595	633	66,264
Charge for the year	616	655	–	364	177	1,812
Exchange differences	(48)	(235)	276	(3)	15	5
At 31 December 2013	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
Net book value at 31 December 2014	4,713	39	218,675	410	1,841	225,678
Net book value at 31 December 2013	5,135	120	285,475	818	1,458	293,006

1 Adjustments to goodwill on prior year acquisitions represent changes to contingent deferred consideration payable for acquisitions completed prior to 1 January 2010

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

12 Intangible assets continued

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

	2014 £000	2013 £000
Citigate	36,850	43,460
Grayling	91,971	156,448
Red	19,826	19,790
Huntsworth Health	70,028	65,777
Total	218,675	285,475

Grayling

At 31 December 2014, before impairment testing, goodwill of £157.0 million was allocated to the Grayling CGU. The Group has revised its cash flow forecasts for this CGU, which has resulted in a reduction in the value in use. Goodwill has been impaired by £65 million. This amount has been recognised in highlighted items in the Income Statement. The impairment charges are driven by lower projected cash flows that are caused by forecast revenue and margin improvements being slower than expected.

Citigate

Before impairment testing, goodwill of £43.3 million was allocated to the Citigate CGU. The Group has revised its cash flow forecasts for this CGU, which has resulted in a reduction in the value in use. Goodwill has been impaired by £6.5 million. This amount has been recognised in highlighted items in the Income Statement. The impairment charges are driven by lower projected cash flows as the outlook for sustained growth in Citigate continues to be challenging.

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 and are based on the 2015 budgets approved by the Directors and past experience of historic trends. Growth rates in years two to five are based on management's medium-term forecasts for each of the businesses.

Long-term growth rate

After the initial five-year forecast period, a long-term growth rate of 2.5% (2013: 3%) 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 13.6% (2013: 13.9%). 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 Citigate and Grayling CGUs have been written down to their recoverable amounts, although the calculation of the recoverable amount is sensitive to changes to the underlying assumptions. 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.

13 Property, plant and equipment

	Leasehold improvements £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2013	5,246	13,878	289	19,413
Additions	706	1,248	–	1,954
Disposals	(506)	(1,017)	(2)	(1,525)
Exchange differences	–	(48)	6	(42)
At 31 December 2013	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
Depreciation				
At 1 January 2013	3,230	10,517	236	13,983
Charge for the period	518	1,702	37	2,257
Disposals	(398)	(955)	(2)	(1,355)
Exchange differences	(10)	(73)	5	(78)
At 31 December 2013	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
Net book value at 31 December 2014	4,777	2,928	67	7,772
Net book value at 31 December 2013	2,106	2,870	17	4,993

Motor vehicles held under finance leases had a net book value at 31 December 2014 of £38,000 (2013 £1,000) Equipment, fixtures and fittings held under finance leases had a net book value at 31 December 2014 of £4,000 (2013 £30,000)

Notes to the Consolidated Financial Statements continued

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14. Subsidiaries

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 principal operating subsidiary undertakings at 31 December 2014, which are all 100% owned, are set out below. There are no material non-wholly owned subsidiaries of the Group that have material non-controlling interests.

Subsidiary undertaking	Country of incorporation	Principal activity
Grayling Communications Limited	UK	Public Relations consultants
Atomic PR UK Limited	UK	Public Relations consultants
Holmes & Marchant Communications Limited	UK	Public Relations consultants
Hudson Sandler Limited	UK	Public Relations consultants
The Quiller Consultancy Limited	UK	Public Relations consultants
Grayling Austria GmbH	Austria	Public Relations consultants
Grayling SA	Belgium	Public Relations consultants
Grayling Momentum Limited ¹	British Virgin Islands ²	Public Relations consultants
Grayling d o o	Croatia	Public Relations consultants
Grayling Czech Republic S R O	Czech Republic	Public Relations consultants
Grayling France SAS	France	Public Relations consultants
Grayling Deutschland GmbH	Germany	Public Relations consultants
Grayling Hungary KFT	Hungary	Public Relations consultants
Grayling Nederland BV	The Netherlands	Public Relations consultants
Grayling Poland Sp z o o	Poland	Public Relations consultants
Grayling Romania SRL	Romania	Public Relations consultants
Grayling Eurasia LLC	Russia	Public Relations consultants
Grayling d o o	Serbia	Public Relations consultants
Grayling Asia Pte Ltd	Singapore	Public Relations consultants
Grayling Comunicación S L	Spain	Public Relations consultants
Citigate & Trimedia Norden AB	Sweden	Public Relations consultants
Grayling Suisse SA	Switzerland	Public Relations consultants
Grayling Halka Iliskiler Limited Sirketi	Turkey	Public Relations consultants
Atomic Communications LLC	USA	Public Relations consultants
Civilia Communications LLC	USA	Public Relations consultants
Dutko Global Inc	USA	Public Relations consultants
Whiteboard Advisors LLC	USA	Public Relations consultants
Grayling Connecting Point LLC	USA	Public Relations consultants
Citigate Dewe Rogerson Limited ³	UK	Public Relations consultants
Citigate Dewe Rogerson (Beijing) Consulting Services Co Ltd	China	Public Relations consultants
Citigate Asia Limited	Hong Kong	Public Relations consultants
Citigate First Financial BV	The Netherlands	Public Relations consultants
Citigate Dewe Rogerson IMAGE PTE Ltd	Singapore	Public Relations consultants
The Red Consultancy Limited	UK	Public Relations consultants
Shiny Red Limited	UK	Public Relations consultants
Grayling (Shanghai) Public Relations Consulting Co Ltd	China	Public Relations consultants
Citigate Asia Limited	Hong Kong	Public Relations consultants
Grayling Communications Inc	USA	Public Relations consultants
Grayling Corporate Affairs & Public Relations Consultants (Cyprus) Limited	Cyprus	Public Relations consultants
Grayling Slovakia s r o	Slovakia	Public Relations consultants
Grayling Bulgaria EOOD	Bulgaria	Public Relations consultants
Apothecom ScopeMedical Limited	UK	Healthcare communications and research
Huntsworth Health Limited	UK	Healthcare communications and research
Tonic Life Communications Limited	UK	Healthcare communications and research
Apothecom Associates LLC	USA	Healthcare communications and research
Apothecom ScopeMedical Inc	USA	Healthcare communications and research
Axiom Professional Health Learning LLC	USA	Healthcare communications and research
Audacity Inc	USA	Healthcare communications and research
Evoke Health LLC (formerly Evoke Interaction LLC)	USA	Healthcare communications and research
Huntsworth Health Corporation	USA	Healthcare communications and research
Huntsworth Health North America LLC	USA	Healthcare communications and research
Huntsworth Health Singapore Private Limited	Singapore	Healthcare communications and research

1 Grayling Momentum Limited also operates through a branch registered in Qatar

2 Operating in the UAE.

3 Citigate Dewe Rogerson Limited also operates through branches registered in France and Qatar

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

15 Trade and other receivables

	2014 £000	2013 £000
Trade receivables	31,197	33,041
Less provision for impairment of trade receivables	(971)	(529)
Trade receivables – net	30,226	32,512
Other debtors	1,012	1,872
Prepayments	3,590	3,441
Accrued income	6,402	6,104
VAT receivable	108	186
Trade and other receivables	41,338	44,115

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

As of 31 December 2014, trade receivables of £971,000 (2013 £529,000) were considered to be impaired. Movements in the provision are as follows

	2014 £000	2013 £000
At 1 January	529	508
Acquisitions	12	–
Impairment charge for the year	494	519
Receivables written off during the year as uncollectable	(47)	(392)
Amounts reversed as debt collected	(23)	(101)
Foreign exchange movements	6	(5)
At 31 December	971	529

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

	Total £000	Neither past due nor impaired £000	Past due but not impaired			
			<30 days £000	30–60 days £000	60–90 days £000	>90 days £000
At 31 December						
2014	30,226	20,260	6,159	2,137	1,079	591
2013	32,512	21,823	5,777	2,812	1,239	861

As at 31 December 2014, the Group held receivables of £0.3 million (2013 £0.1 million) which would be overdue had they not been renegotiated

16. Trade and other payables

	2014 £000	2013 £000
Current		
Trade creditors	10,683	12,912
Other taxation and social security	3,508	3,927
Accruals and deferred income	24,714	31,199
Other creditors	1,810	1,804
Deferred consideration	641	602
Current trade and other payables	41,356	50,444
Non-current		
Lease hold property incentives	1,330	509
Deferred consideration	635	1,187
Other non-current creditors	80	375
Non-current trade and other payables	2,045	2,071

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17. Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2014 £000	2013 £000	2014 £000	2013 £000
Amounts payable				
Within one year	7	8	7	8
In two to five years	31	3	24	3
	38	11	31	11
Less finance charges allocated to future periods	(7)	—	—	—
Present value of lease obligations	31	11	31	11

18. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2013	4,532	1,718	276	6,526
Arising during the year	—	198	1,271	1,469
Released during the year	—	(243)	—	(243)
Arising during the year – adjustment to Goodwill	871	—	—	871
Utilised	(5,409)	(573)	(1,176)	(7,158)
Foreign exchange movements	—	2	(6)	(4)
Unwind of discount	6	9	—	15
At 31 December 2013	—	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
Current	402	704	786	1,892
Non-current	1,105	1,573	26	2,704

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 arising in the year represents the change in the earn-out based on the latest financial performance of the acquired businesses. The amount utilised in the year represents the cash paid or shares issued under the earn-out arrangements. Where deferred consideration is not contingent on the outcome of future events the amount is included in trade and other payables, during 2014 we have adjusted the presentation of both current and prior year balances accordingly.

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 nine years.

Reorganisation and other provisions

This provision relates principally to compensation for loss of office. In addition, when acquiring businesses, provisions have been made to cover the best estimate of the Group's exposure to liabilities arising due to the acquisition.

19. Deferred tax

	Tax depreciation £000	Share-based payments £000	Tax losses £000	Intangible assets £000	Other temporary differences £000	Total £000
At 1 January 2013	403	485	891	(6,669)	2,467	(2,423)
(Expense)/credit to income	(342)	219	(157)	(1,638)	(377)	(2,295)
Expense to other comprehensive income	—	—	—	—	(65)	(65)
Credit to equity	—	300	—	—	—	300
Foreign exchange and other movements	17	—	(17)	196	(44)	152
At 31 December 2013	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	—	—	—	—	(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)

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

	2014 £000	2013 £000
Deferred tax balances		
Deferred tax assets	116	608
Deferred tax liabilities	(396)	(4,939)
Net deferred tax liability	(280)	(4,331)

Other temporary differences relate principally to provisions and other assets of overseas subsidiaries

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 £33.1 million (2013 £27.0 million), have not been recognised on the basis that their future economic benefit is uncertain. These comprise tax losses and other temporary differences of £20.8 million (2013 £14.7 million) and capital losses of £12.3 million (2013 £12.3 million). Of this total, tax losses of £17.3 million (2013 £12.1 million) will expire at various dates between 2015 and 2029 and the remaining losses can be carried forward without restriction.

Overseas dividends received on or after 1 July 2009 are largely exempt from UK tax but may be subject to foreign withholding taxes. The unremitted earnings of those overseas subsidiaries affected by such taxes is £3.1 million (2013 £2.7 million). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that they will not reverse in the foreseeable future.

The UK Government has enacted a reduction in the main rate of corporation tax to 20% with effect from 1 April 2015. The impact of this change is incorporated in the reported numbers.

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20. Financial instruments

Capital management policies and strategies

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

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

Financial risk management policies and strategies

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

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

Interest rate risk

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

The Board has endorsed principles and policies to manage the Group's interest cost using a mix of fixed and variable rate debts. To enable this, the Group enters into interest rate swaps. Where appropriate, these agreements are designated to hedge underlying debt obligations. As at 31 December 2014, after taking into account the effect of interest rate swaps, approximately 34% (2013: 25%) of the Group's gross borrowings were 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 2014. 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	
	2014	2013	2014 £000	2013 £000	2014 £000	2013 £000
At 31 December						
Within one year	—	3.25%	—	10,000	—	(157)
Within one to two years	—	—	—	—	—	—
Within two to three years	—	—	—	—	—	—
Within three to four years	—	—	—	—	—	—
Within four to five years	1.285%	—	15,000	—	(63)	—
			15,000	10,000	(63)	(157)

20. Financial Instruments continued

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

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	Total £000
At 31 December 2014						
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)
At 31 December 2013						
Fixed rate						
Obligations under finance leases	(8)	(3)	—	—	—	(11)
Bank loans hedged by interest rate swap	(10,000)	—	—	—	—	(10,000)
Total fixed rate	(10,008)	(3)	—	—	—	(10,011)
Floating rate						
Cash	8,580	—	—	—	—	8,580
Bank overdrafts	(92)	—	—	—	—	(92)
Floating rate portion of bank loans	—	(40,401)	—	—	—	(40,401)
Bank loans hedged by interest rate swap	10,000	—	—	—	—	10,000
Total floating rate	18,488	(40,401)	—	—	—	(21,913)
	8,480	(40,404)	—	—	—	(31,924)

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 analyses below are 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 2014 would decrease/increase by £400,000 (2013: £564,000). If US interest rates had been 1% higher or lower, the Group's profit before tax would decrease/increase by £85,000 (2013: £85,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.
- If interest rates had been 1% higher or lower, the Group's other comprehensive income would decrease/increase by £149,000 (2013: £50,000). 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 one foreign exchange contract to cover a proportion of the Group's Euro denominated operating profit. These contracts were not accounted for as a hedge.

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20. Financial Instruments continued

The following table demonstrates the sensitivity to reasonably possible changes in the US Dollar and Euro exchange rates, with all other variables held constant, of the Group's 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	
		2014 £000	2013 £000
US Dollar	+10%	(847)	(1,194)
Euro	+10%	(152)	(291)
US Dollar	-10%	1,036	1,459
Euro	-10%	186	356

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	
		2014 £000	2013 £000
US Dollar	+10%	(13,235)	(12,018)
Euro	+10%	(3,744)	(3,897)
US Dollar	-10%	16,208	14,714
Euro	-10%	4,579	4,764

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, 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 forecast and actual cash flows.

In May 2014, the Group signed a new £90 million multi-currency facility agreement with Lloyds Bank plc, HSBC Bank plc and Barclays Bank plc and a £5 million committed overdraft facility with Lloyds Bank plc. Both facilities are due to expire in May 2019.

The previous facility was repaid in full in May 2014. Remaining capitalised loan fees in respect of this facility were written off, with the incremental charge included within highlighted items (see Note 6).

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2014 and 2013 based on contractual undiscounted payments.

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	Total £000
At 31 December 2014						
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

20 Financial Instruments continued

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	Total £000
At 31 December 2013						
Interest-bearing loans and borrowings	—	40,959	—	—	—	40,959
Interest rate swap	157	—	—	—	—	157
Obligations under finance leases	8	3	—	—	—	11
Leasehold property provisions	278	469	3	2	380	1,132
Trade and other payables ¹	46,517	2,079	—	—	—	48,596
	46,960	43,510	3	2	380	90,855

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)

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 December 2014				
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
At 31 December 2013				
Financial assets				
Foreign exchange derivative	—	68	—	68
	—	68	—	68
Financial liabilities				
Interest rate swap	—	157	—	157
	—	157	—	157

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 2014 is included in Note 18.

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21. Borrowings

Interest-bearing loans and borrowings	Effective interest rate	2014 £000	2013 £000
Current			
Obligations under finance leases	7%	(7)	(8)
Bank overdrafts	UK base rate + 2%	—	(92)
		(7)	(100)
Non-current			
Obligations under finance leases	7%	(24)	(3)
Bank loan under fixed rate swap ¹	1.285% + margin	(15,000)	(10,000)
Variable rate bank loan ¹	LIBOR + margin	(29,327)	(30,401)
		(44,351)	(40,404)
At 31 December		(44,358)	(40,504)

¹ The underlying liability for the above marked items was the £90 million committed revolving credit facility. The margin is variable between 1.60% and 2.50% (2013: 1.75% and 2.90%) depending on the Group's net debt to EBITDA ratio.

22 Called up share capital

Called up, fully allotted and fully paid	Deferred shares		Ordinary shares		Total
	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
At 1 January 2013	212,012,343	103,886	255,845,477	2,558	106,444
Scrip dividends	—	—	1,099,231	11	11
Deferred consideration for the acquisition of Atomic Communications LLC	—	—	2,127,160	21	21
Deferred consideration for the acquisition of Tonic Life Communications Limited	—	—	3,274,571	33	33
Issue of shares to BlueFocus International Limited	—	—	63,000,000	630	630
At 31 December 2013	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

During the year, 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.

During 2013, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2012 dividend and the interim 2013 dividend. On 5 July 2013, 481,380 ordinary shares of 1 pence each were issued at 60.1 pence with a resulting share premium of £284,496. On 8 November 2013, 617,851 ordinary shares of 1 pence each were issued at 64.6 pence with a resulting share premium of £392,953.
- On 21 June 2013, 2,127,160 ordinary shares of 1 pence each, with an aggregate value of £1,191,210 were issued as deferred consideration for the acquisition of Atomic Communications LLC. The issue price per share was 56.0 pence resulting in a merger reserve of £1,169,938.
- On 7 October 2013, 63,000,000 ordinary shares of 1 pence each with an aggregate value of £36,540,000 were issued following the BlueFocus International Limited subscription in Huntsworth plc. The issue price per share was 58.0 pence with a share premium of £35,910,000.
- On 29 November 2013, 3,274,571 ordinary shares of 1 pence each with an aggregate value of £2,157,615 were issued as deferred consideration for the acquisition of Tonic Life Communications Limited. The issue price per share was 65.89 pence resulting in a merger reserve of £2,124,644.

23. Share-based payments

The share-based payment schemes for employees of the Group in operation throughout 2014 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–Jan 2019	32.5–65.25
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Dec 2009–Dec 2023	32.5–108.25
1996 Huntsworth Approved Executive Share Option Scheme	10 years	Jun 2005–May 2016	88.0–117.5
1996 Huntsworth Unapproved Executive Share Option Scheme	10 years	Jul 2006–Aug 2016	88.0–117.5
Huntsworth Enterprise Management Incentive Scheme	10 years	Jul 2006–Oct 2014	96.75–117.5
Huntsworth Non-Executive Directors Unapproved Scheme	10 years	Apr 2007–Apr 2014	117.5
Huntsworth Performance Share Plan	10 years	Jul 2009–Dec 2023	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
Incepta Group schemes			
Incepta Group plc Executive Long-term Incentive Plan	10 years	Nov 2007–Nov 2014	103.9

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 Company'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 2014 and 31 December 2013

	2014		2013	
	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	17,367,697	28.8	17,793,447	33.7
Granted during the year	230,769	–	6,420,853	15.5
Forfeited during the year	(3,787,579)	28.2	(6,007,209)	27.5
Exercised during the year	(16,666)	49.3	(839,394)	41.2
Outstanding at the end of the year	13,794,221	27.5	17,367,697	28.8
Exercisable at the end of the year	7,138,789	29.3	8,339,844	34.9

The weighted average share price at the date of exercise for share options exercised during the year was 56.5 pence (2013: 59.2 pence). The options outstanding at the end of the year have a weighted average remaining life of 4.4 years (2013: 6.9 years). The estimated average fair value of the options granted during the year is 55.0 pence (2013: 43.2 pence).

The fair value of share options under the Incepta share option schemes were pro-rated between pre and post-acquisition periods, in accordance with the vesting period, on acquisition of Incepta plc at 29 April 2005. The following share options were outstanding under the Incepta share option schemes at 31 December 2014 and 31 December 2013

	2014		2013	
	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	879,162	103.9	1,043,884	106.3
Forfeited during the year	(879,162)	103.9	(164,722)	119.5
Outstanding at the end of the year	–	–	879,162	103.9
Exercisable at the end of the year	–	–	879,162	103.9

The options outstanding at the end of the year have a weighted average remaining life of nil years (2013: 0.8 years).

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23. Share-based payments continued

Fair value of share options

The fair value of share options granted in 2014 and 2013 were calculated using a binomial option pricing model, the Monte Carlo model or the Black-Scholes model. The inputs to these models were

	2014	2013
Weighted average share price	65.0 pence	62.2 pence
Weighted average exercise price	nil	15.5 pence
Expected volatility	45%	45%
Expected life	3 years	3–3.3 years
Risk-free rate	1.21%	0.33–2.37%
Expected dividend yield	5.38%	5.6%

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 £0.1 million (2013: charge of £0.7 million) related to equity-settled share-based transactions during the year.

24. Reserves

Share premium account

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

Merger reserve

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

Following the impairment of certain investments held by Huntsworth plc, £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

During 2014, the Group transferred 16,666 shares to employees (2013: transferred 839,394 shares) for proceeds of £9,000 (2013: proceeds of £345,773). As at 31 December 2014 the Group held 2,272,388 shares (2013: 2,289,054 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.

During 2014 the Trusts did not purchase any shares (2013: nil). At 31 December 2014 the Trusts held 7.6 million shares (2013: 7.6 million shares) in the Company which had a market value at 31 December 2014 of £3.7 million (2013: £5.2 million).

25. Commitments and contingent liabilities

Operating leases – Group as a lessee

The Group has entered into commercial property leases and leases on certain items of office furniture and equipment.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2014 and 31 December 2013 are as follows.

	2014 £000	2013 £000
Within one year	7,821	6,974
Within two to five years	14,925	11,024
Over five years	1,078	918
	23,824	18,916

25 Commitments and contingent liabilities continued

Operating leases – Group as a lessor

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

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2014 and 31 December 2013 are as follows

	2014 £000	2013 £000
Within one year	52	194
Within two to five years	–	50
	52	244

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 give 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)

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26. Cash flow analysis

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

	2014 £000	2013 £000
Operating (loss)/profit	(56,920)	20,585
Depreciation	2,441	2,257
Share option charge	102	654
Loss on disposal of property, plant and equipment	17	139
Amortisation of intangible assets	1,270	1,812
Impairment of intangible assets	71,471	—
Unrealised foreign exchange gain	—	(68)
Decrease/(increase) in work in progress	2,893	(2,037)
Decrease in debtors	3,257	103
Decrease in creditors	(9,406)	(1,571)
Increase/(decrease) in provisions	2,228	(3,240)
Net cash inflow from operations	17,353	18,634

Net cash inflow from operations is analysed as follows

	2014 £000	2013 £000
Before highlighted items	17,871	23,327
Highlighted items	(518)	(4,693)
Net cash inflow from operations	17,353	18,634

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

	2014 £000	2013 £000
Increase in cash and cash equivalents in the year	221	4,098
Cash (inflow)/outflow from movements in debt	(3,170)	31,300
Repayment of capital element of finance leases	12	2
Change in net debt resulting from cash flows	(2,937)	35,400
Write off and amortisation of loan fees	(756)	(545)
New finance lease	(32)	—
Movement in fair value of derivative financial instruments	43	272
Translation differences	117	(277)
(Increase)/decrease in net debt	(3,565)	34,850
Net debt at beginning of year	(32,013)	(66,863)
Net debt at end of year	(35,578)	(32,013)

(c) Analysis of net debt

	2014 £000	2013 £000
Cash and short-term deposits	8,826	8,580
Overdrafts (current)	—	(92)
Net cash and cash equivalents	8,826	8,488
Bank loans (non-current)	(44,327)	(40,401)
Derivative financial assets	17	68
Derivative financial liabilities	(63)	(157)
Obligations under finance leases	(31)	(11)
Net debt	(35,578)	(32,013)

At 31 December 2014 the Group had undrawn committed facilities of £47 million (2013 £34 million) available

(d) Cash and cash equivalents

	2014 £000	2013 £000
Cash and short-term deposits	8,826	8,580
Overdrafts (current)	—	(92)
Cash and cash equivalents	8,826	8,488

27. Related party transactions

The ultimate controlling party of the Group is Huntsworth plc (incorporated in the United Kingdom). The Group has a related party relationship with its subsidiaries (Note 14) and with its Directors.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

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

	2014 £000	2013 £000
Short-term benefits	1,463	1,945
Post-employment benefits	43	52
Compensation for loss of office	600	—
Share-based payments	(105)	442
	2,001	2,439

Five-Year Summary

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Revenue before highlighted items	164,719	171,668	173,030	176,257	173,599
Highlighted items – revenue	1,013	727	–	–	–
Operating profit before highlighted items	18,228	23,595	26,547	23,502	29,649
Highlighted items – operating expenses	(76,161)	(3,737)	(3,613)	(8,551)	(4,879)
Net finance costs	(2,205)	(3,531)	(4,089)	(4,376)	(2,937)
Share of profit of associates	–	–	–	–	10
(Loss)/profit before tax	(59,552)	17,054	18,845	10,575	21,843
Non-current assets	233,845	299,144	299,429	307,771	298,201
Net current assets/(liabilities)	9,588	6,760	(10,549)	(7,795)	(21,241)
Net assets	193,874	257,644	214,157	210,095	206,426
Equity shareholders' funds	193,874	257,644	214,157	210,095	206,426
Basic (loss)/earnings per share (pence)	(17.6)	5.0	6.3	4.1	7.4
Diluted (loss)/earnings per share (pence)	(17.6)	4.9	6.1	3.9	7.1
Adjusted basic earnings per share (pence)	3.8	5.8	7.1	6.5	8.7
Adjusted diluted earnings per share (pence)	3.7	5.6	6.9	6.2	8.4
Share price – high (pence)	72.0	69.25	53.0	85.0	87.5
Share price – low (pence)	39.4	39.0	32.3	35.5	60.8

Company Balance Sheet

as at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible fixed assets	4	238	228
Investments	5	261,795	290,688
		262,033	290,916
Current assets			
Debtors	6	113,836	101,224
Derivative financial assets	9	17	68
Cash at bank and in hand		6,311	1,859
		120,164	103,151
Creditors, amounts falling due within one year	7	(92,420)	(83,638)
Net current assets		27,744	19,513
Total assets less current liabilities		289,777	310,429
Creditors, amounts falling due after more than one year		(56,389)	(51,309)
Bank loans and overdrafts			
Derivative financial liabilities	9	(63)	—
Provisions for liabilities	8	(757)	(59)
		232,568	259,061
Net assets			
Capital and reserves			
Called up share capital	10	107,157	107,139
Share premium account	12	62,635	61,722
Merger reserve	13	43,422	65,255
Investment in own shares	13	(4,704)	(4,704)
Treasury shares	13	(1,568)	(1,577)
Other reserves	13	6,038	5,881
Hedging reserve	13	(63)	(93)
Profit and loss account	13	19,651	25,438
Total shareholders' funds		232,568	259,061

The Company number is 1729478

The financial statements were approved by the Directors on 9 April 2015 and signed on their behalf by

Andy Boland
Director



Notes to the Company Financial Statements

for the year ended 31 December 2014

1. Basis of preparation

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value, and in accordance with applicable accounting standards in the United Kingdom ("UK GAAP"). The basis of preparation is consistent with the financial statements for the previous period. 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 purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made 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 periodically. If events or changes in circumstances indicate the carrying value may not be recoverable.

Corporation tax

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

Deferred tax

Deferred tax is provided at the anticipated rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Provisions

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 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 Company'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. Where the Company has an obligation to return a leasehold property to a specified condition at the end of the lease term, provision is made for the unavoidable costs associated with this obligation.

Operating lease commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

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.

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.

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 Company will not be able to recover balances in full. Balances are written off when the possibility of recovery is assessed as being remote.

Loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes 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.

Investments

Investments are recognised and carried at cost less any identified impairment losses at the end of each reported period. Investments are impaired where there is objective evidence that the estimated future cash flows of the investment have been affected.

2. Significant accounting policies continued

Employee share ownership plans

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

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. Details of how the fair value of awards made in the year has been calculated are set out in Note 11. The fair value of the equity-settled share-based payments is recognised in the Income Statement 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 Income Statement, with a corresponding adjustment to equity reserves.

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).

Dividends

Interim dividends are recognised as a deduction from equity in the period in which they are paid. Final dividends are recognised in the period in which they are approved by the Company in general meeting, as required by FRS 21. Dividends receivable from investments are recognised in the profit and loss account in the period in which they are paid.

Cash flow statement

The Company has applied the exemption available under FRS 1 (Revised) and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the Group financial statements.

Related party transactions

In accordance with FRS 8 Related Party Disclosures, the Company is exempt from disclosing transactions with entities that are part of the Huntsworth plc Group, or investees of the Group qualifying as related parties, as it is a Parent Company publishing consolidated financial statements.

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 £16.5 million (2013 profit: £7.0 million).

The auditor's remuneration for audit services to the Company was £95,000 (2013: £95,000).

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

4. Tangible fixed assets

	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2014	1,870	89	1,959
Additions	103	31	134
Disposals	(366)	(89)	(455)
At 31 December 2014	1,607	31	1,638
Depreciation			
At 1 January 2014	1,642	89	1,731
Charge for the period	119	5	124
On disposals	(366)	(89)	(455)
At 31 December 2014	1,395	5	1,400
Net book value at 31 December 2014	212	26	238
Net book value at 31 December 2013	228	-	228

Notes to the Company Financial Statements continued

for the year ended 31 December 2014

5. 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 31 December 2014	293,394	40,139	333,533
Amounts provided			
At 1 January 2014	42,132	2,500	44,632
Impairment	27,106	–	27,106
At 31 December 2014	69,238	2,500	71,738
Net book value at 31 December 2014	224,156	37,639	261,795
Net book value at 31 December 2013	251,105	39,583	290,688

The Company's principal trading subsidiaries and associated undertakings, which are all incorporated in Great Britain (except where noted) are listed in Note 14 of the consolidated financial statements. The carrying values of all investments as at 31 December 2014 were tested for impairment and as a result certain investments were written down to their net realisable value.

6. Debtors

	2014 £000	2013 £000
Amounts owed by subsidiary undertakings	111,258	98,267
Trade debtors	100	118
Corporation tax	692	811
Deferred tax	547	731
VAT receivable	678	689
Prepayments and accrued income	561	608
	113,836	101,224

The deferred tax asset is comprised of timing differences relating to share-based payments of £0.44 million (2013: £0.6 million), tax depreciation of £0.09 million (2013: £0.1 million) and other timing differences of £0.01 million (2013: £0.02 million).

7. Creditors, amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	989	1,767
Amounts owed to subsidiary undertakings	89,225	78,595
Other taxation and social security	496	479
Financial instruments	–	157
Accruals and deferred income	981	1,791
Other creditors	729	849
	92,420	83,638

8. Provisions for liabilities

The provisions movement in the year comprises

	Reorganisation £000	Property £000	Total £000
At 1 January 2014	—	59	59
Current	—	—	—
Non-current	—	59	59
Arising during the year	668	30	698
At 31 December 2014	668	89	757
Current	668	—	668
Non-current	—	89	89

Reorganisation provision

This provision relates to compensation for loss of office

Property provisions

Provision for property represents 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. The Group expects to utilise these provisions within five years, upon termination of the respective lease.

9. Derivative financial instruments

The Company's principal financial instruments comprise bank loans, bank overdraft, loan notes, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company and its subsidiaries. The Company has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations. 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 one interest rate swap to manage the interest rate profile and one foreign exchange cylinder contract to manage the Group's foreign exchange exposure. For full disclosures of the financial instruments refer to the consolidated financial statements (Note 20).

10. Called up share capital

	Deferred shares		Ordinary shares		Total
	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
Called up, fully allotted and fully paid					
At 1 January 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

During the year, 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.

Notes to the Company Financial Statements continued

for the year ended 31 December 2014

11 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–Oct 2019	32.5
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	Dec 2009–Jan 2019	32.5–108.25
1996 Huntsworth Approved Executive Share Option Scheme	10 years	Nov 2008–Nov 2015	89.25
1996 Huntsworth Unapproved Executive Share Option Scheme	10 years	Apr 2007–Oct 2014	107.5–117.5
Huntsworth Enterprise Management Incentive Scheme	10 years	Apr 2007–Oct 2014	107.5–117.5
Huntsworth Performance Share Plan	10 years	Dec 2009–Dec 2023	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 Company'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 2014 and 31 December 2013

	2014		2013	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	11,471,453	21.0	12,089,084	30.0
Granted during the year	—	—	2,980,769	0.0
Forfeited during the year	(1,741,999)	15.6	(3,598,400)	33.6
Outstanding at the end of the year	9,729,454	22.0	11,471,453	21.0
Exercisable at the end of the year	6,748,685	31.7	6,993,684	34.3

There were no share options exercised in 2014 or 2013. The options outstanding at the end of the year have a weighted average remaining life of 5 years (2013: 6.2 years). No options were granted in 2014. The estimated average fair value of the options granted during 2013 was 47.4 pence.

Fair value of share options

The fair value of share options granted in 2013 were calculated using the Monte Carlo option pricing model. The inputs to the model were

	2014	2013
Weighted average share price	—	60.8 pence
Weighted average exercise price	—	nil
Expected volatility	—	42.6%
Expected life	—	3–3.3 years
Risk-free rate	—	0.33%
Expected dividend yield	—	5.71%

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 Company recognised a credit of £0.1 million in 2014 (2013: expenses of £0.4 million) related to equity-settled share-based transactions during the year.

12. Share premium account

	2014 £000
At 1 January 2014	61,722
Share issue costs	(12)
Scrip dividends	925
At 31 December 2014	62,635

13. Other reserves

	Merger reserve £000	Investment in own shares £000	Treasury shares £000	Other reserves £000	Hedging reserve £000	Profit and loss account £000
At 1 January 2014	65,255	(4,704)	(1,577)	5,881	(93)	25,438
Acquisition of subsidiaries for shares (net of costs)	-	-	-	-	-	-
Settlement of share options	-	-	9	-	-	-
Share-based payments	-	-	-	157	-	(49)
Credit for unclaimed dividends	-	-	-	-	-	8
Loss for the year	-	-	-	-	-	(16,516)
Movement in financial instruments	-	-	-	-	30	-
Transfer	(21,833)	-	-	-	-	21,833
Tax recognised in equity	-	-	-	-	-	(7)
Dividends paid	-	-	-	-	-	(11,056)
At 31 December 2014	43,422	(4,704)	(1,568)	6,038	(63)	19,651

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, £21.8 million relating to the acquisition of those companies has been transferred from the merger reserve to the profit and loss reserve

Investment in own shares

Investment in own shares represents the cost of shares acquired in the Company by the Huntsworth Employee Benefit Trust ('the 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

At 31 December 2014 the Trust held 7.5 million shares (2013: 7.5 million shares) in the Company which had a market value at 31 December 2014 of £3.7 million (2013: £5.2 million)

Treasury shares

During 2014, the Group transferred 16,666 shares to employees (2013: transferred 839,394 shares) for proceeds of £9,000 (2013: proceeds of £345,773). As at 31 December 2014 the Group held 2,272,388 shares (2013: 2,289,054 shares) in Treasury

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.

Notes to the Company Financial Statements continued

for the year ended 31 December 2014

14. Commitments and contingent liabilities

Operating lease commitments

	2014 £000	2013 £000
Annual net commitments in respect of non-cancellable operating leases expiring in		
One year	–	82
Two to five years	188	–
	188	82

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 £2 million (2013 £1.7 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 give 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.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) 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.

Andy Boland
Director
9 April 2015

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 Brian Porritt on +44 (0)20 7224 8778

Alternatively you can email your query to paul.taaffe@huntsworth.com or brian.porritt@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 2015

10 April 2015	Announcement of final results
28 May 2015	Ex-dividend date for final dividend
29 May 2015	Record date for final dividend
16 June 2015	Annual General Meeting
06 July 2015	Final dividend paid
August 2015	Announcement of half year results to 30 June 2015

Notes

11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

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