

Registered number: 04091382

**HATCH GROUP LIMITED**

**UNAUDITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

FRIDAY



\*L7FEX235\*  
L45 28/09/2018 #155  
COMPANIES HOUSE

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## HATCH GROUP LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	M Morrow N Jones
<b>Registered number</b>	04091382
<b>Registered office</b>	8th Floor Holborn Gate 26 Southampton Buildings London WC2A 1AN

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## HATCH GROUP LIMITED

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**HATCH GROUP LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and the financial statements for the year ended 31 December 2017.

**Principal activity**

The Company has been dormant throughout the year ended 31 December 2017. It is anticipated that the Company will remain dormant for the foreseeable future.

**Directors**

The directors who served during the year were:

M Morrow  
N Jones

**Strategic report exemption**

These accounts and this Director's report have been prepared in accordance with the small companies' regime and are therefore entitled to rely on the exemption provided by S414A(2) of the Companies Act 2006 not to prepare a strategic report for the financial year under review.

**Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on ~~30 August~~ 2018 and signed on its behalf.

13 September



**M Morrow**  
Director

**HATCH GROUP LIMITED**  
**REGISTERED NUMBER: 04091382**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	4	1,352,259	1,352,259
		<u>1,352,259</u>	<u>1,352,259</u>
Creditors: amounts falling due within one year	5	(1,352,258)	(1,352,258)
<b>Net current assets</b>		<u>1</u>	<u>1</u>
<b>Total assets less current liabilities</b>		<u>1</u>	<u>1</u>
<b>Net assets</b>		<u><u>1</u></u>	<u><u>1</u></u>
<b>Capital and reserves</b>			
Called up share capital	6	34,734	34,734
Share premium account	7	287,672	287,672
Profit and loss account	7	(322,405)	(322,405)
		<u>1</u>	<u>1</u>
		<u><u>1</u></u>	<u><u>1</u></u>

For the year ended 31 December 2017 the Company was entitled to exemption from audit under section 480 of the Companies Act 2006.

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on ~~30 August 2018~~ 13 September 2018.



**M Morrow**  
Director

The notes on pages 5 to 7 form part of these financial statements.

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**HATCH GROUP LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The Company has not traded during the year or the preceding financial year. During these periods, the Company received no income and incurred no expenditure and therefore made neither profit or loss.

The notes on pages 5 to 7 form part of these financial statements.

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**HATCH GROUP LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2017	<b>34,734</b>	<b>287,672</b>	<b>(322,405)</b>	<b>1</b>
At 31 December 2017	<b>34,734</b>	<b>287,672</b>	<b>(322,405)</b>	<b>1</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2016	<b>34,734</b>	<b>287,672</b>	<b>(322,405)</b>	<b>1</b>
At 31 December 2016	<b>34,734</b>	<b>287,672</b>	<b>(322,405)</b>	<b>1</b>

The notes on pages 5 to 7 form part of these financial statements.

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## HATCH GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. General information

The Company is a limited liability company incorporated in the United Kingdom. The Company has been dormant throughout the year ended 31 December 2017. It is anticipated that the Company will remain dormant for the foreseeable future.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

##### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Huntsworth plc as at 31 December 2017 and these financial statements may be obtained from 8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN.

##### 2.3 New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017 have had a material impact on the Company.

##### 2.4 Going concern

On the basis of their assessment of the Company's financial position the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### 2.5 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.



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## HATCH GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.5 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

#### 3. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2016 - £NIL).

#### 4. Debtors

	2017 £	2016 £
Amounts owed by group undertakings	1,352,259	1,352,259
	<u>1,352,259</u>	<u>1,352,259</u>

#### 5. Creditors: Amounts falling due within one year

	2017 £	2016 £
Amounts owed to group undertakings	1,352,258	1,352,258
	<u>1,352,258</u>	<u>1,352,258</u>

#### 6. Share capital

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
3,473,408 (2015 - 3,473,408) Ordinary shares of £0.01 each	<u>34,734</u>	<u>34,734</u>

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## **HATCH GROUP LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **7. Reserves**

##### **Share premium account**

The share premium account is used to record the premium on shares issued. It is calculated as the amount paid over the par value of shares issued.

#### **8. Controlling party**

The Company's immediate parent undertaking is Huntsworth Investments Limited. The Company's ultimate parent undertaking and controlling party is Huntsworth PLC. Huntsworth PLC is the parent undertaking for the smallest and largest group to consolidate these financial statements. Copies of Huntsworth PLC's consolidated financial statements, which include the Company, are available from its registered office at 8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN.

# AA06

## Statement of guarantee by a parent undertaking of a subsidiary company



Companies House

✓ **What this form is for**  
You may use this form as a  
statement of guarantee for a  
subsidiary company.

✗ **What this form is NOT for**  
You cannot use this form as a  
statement of guarantee for a  
subsidiary which is an LLP. Use  
form LLAA06.

For further information, please  
refer to our guidance at  
[www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

### 1 Subsidiary company details

Please enter the registered name and number of the company delivering  
this statement.

Company number 0 4 0 9 1 3 8 2

Company name in full HATCH GROUP LIMITED

#### → Filling in this form

Please complete in typescript or in  
bold black capitals.

All fields are mandatory unless  
specified or indicated by \*

### 2 Relevant financial year

Please show the financial year end date to which the guarantee relates.

Date of financial year ending 3 1 1 2 2 0 1 7

### 3 Guarantee ①

Please show details of the guarantee.

Pursuant to section 479C of the Companies Act 2006 ("the Act"), Huntsworth plc (registered number 01729478) hereby guarantees any money, obligations, liabilities (actual or contingent, principal or surety) that Hatch Group Limited ("the Company") is subject to upon the conclusion of the financial year ended 31 December 2017 as a result of the exemption of the Company under section 479A of the Act from the other requirements under the Act relating to the audit of individual accounts for that financial year.

#### ① You must include:

Details of the section of the  
Companies Act 2006 under which  
the guarantee is being given:

- Section 394C—exemption  
from preparing accounts for a  
dormant subsidiary.
- Section 448C—exemption from  
filing accounts for a dormant  
subsidiary.
- Section 479C—audit exemption  
for a subsidiary company.

The name of the parent undertaking  
and:













- if the parent was incorporated  
in the UK its registered number  
(if any); or
- if the parent was incorporated  
and registered (in the same  
country) elsewhere in the EEA,  
its registration number and the  
identity of the register where it  
is registered.

#### Schedule

If necessary, please attach a  
schedule to this form.

AA06

Statement of guarantee by a parent undertaking of a subsidiary company

<b>4</b>	<b>Statement date</b>																	
	Please insert the date the statement was made.																	
Date	<table border="1"><tr><td>d</td><td>1</td><td>d</td><td>3</td><td>m</td><td>0</td><td>m</td><td>9</td><td>y</td><td>2</td><td>y</td><td>0</td><td>y</td><td>1</td><td>y</td><td>8</td></tr></table>	d	1	d	3	m	0	m	9	y	2	y	0	y	1	y	8	
d	1	d	3	m	0	m	9	y	2	y	0	y	1	y	8			
<b>5</b>	<b>Signature on behalf of the parent undertaking<sup>②</sup></b>																	
	I am signing this form on behalf of the parent undertaking.																	
Signature	<table border="1"><tr><td>Signature</td><td><table border="1"><tr><td>X</td><td></td><td>X</td></tr></table></td></tr></table>	Signature	<table border="1"><tr><td>X</td><td></td><td>X</td></tr></table>	X		X	<b>② This section must be signed on behalf of the parent undertaking.</b>											
Signature	<table border="1"><tr><td>X</td><td></td><td>X</td></tr></table>	X		X														
X		X																
<b>6</b>	<b>Signature of subsidiary<sup>③</sup></b>																	
	I am signing this form on behalf of the subsidiary company.																	
Signature	<table border="1"><tr><td>Signature</td><td><table border="1"><tr><td>X</td><td></td><td>X</td></tr></table></td></tr></table>	Signature	<table border="1"><tr><td>X</td><td></td><td>X</td></tr></table>	X		X	<b>③ This form must be signed by a director of the subsidiary company</b>											
Signature	<table border="1"><tr><td>X</td><td></td><td>X</td></tr></table>	X		X														
X		X																

**Presenter information**

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

Address

Post town

County/Region

Postcode

Country

DX

Telephone

**Checklist**

We may return forms completed incorrectly or with information missing.

**Please make sure you have remembered the following:**

- ☐ The company name and number match the information held on the public Register.
- ☐ You have entered the date of the financial year in Section 2.
- ☐ You have completed Section 3.
- ☐ You have entered the date of the statement in Section 4.
- ☐ A representative of the parent has signed their name in Section 5.
- ☐ A director of the subsidiary has signed the form.
- ☐ To benefit from one of these exemptions, the subsidiary must also submit the following documents to the registrar of companies on or before the date on which its accounts are due:
  - a written notice that all members of the subsidiary agree to the exemption in respect of the relevant financial year; and
  - a copy of the parent undertaking's consolidated accounts, including a copy of the auditor's report and the annual report on those accounts.

**Important information**

Please note that all information on this form will appear on the public record.

**Where to send**

You may return this form to any Companies House address, however for expediency we advise you to return it to the appropriate address below:

**For companies registered in England and Wales:**

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.

**For companies registered in Scotland:**

The Registrar of Companies, Companies House,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post).

**For companies registered in Northern Ireland:**

The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
Belfast, Northern Ireland, BT2 8BG.  
DX 481 N.R. Belfast 1.

**Further information**

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

**Company Number 04091382**  
**PRIVATE COMPANY LIMITED BY SHARES**  
**WRITTEN RESOLUTION**  
**OF**  
**Hatch Group Limited (the "Company")**  
**PROPOSED BY THE BOARD OF DIRECTORS OF THE COMPANY IN ACCORDANCE WITH**  
**SECTION 291 OF THE COMPANIES ACT 2006**

**ORDINARY RESOLUTION**

THAT the Directors had prepared and signed unaudited accounts for the financial year ending on 31 December 2017 taking advantage of the provisions of section 479A of the Companies Act 2006 (the Act), the Directors' decision to take advantage of the exemption conferred by the Act is hereby confirmed and authorised.

**AGREEMENT BY THE ELIGIBLE MEMBER TO WRITTEN RESOLUTION**

We, being the sole eligible member of the Company:

1. confirm that we have received a copy of the above written resolution in accordance with section 291 of the Companies Act 2006; and
2. hereby resolve and agree that the above resolution be passed as a written resolution pursuant to Section 288 of the Companies Act 2006 and that the resolution shall take effect as a special resolution.



.....  
For and on behalf of  
Huntsworth Investments Limited

Dated 13 September 2018

**INFORMATION REQUIRED TO COMPLY WITH SECTION 291(4)  
OF THE COMPANIES ACT 2006**

1. Eligible members are the members who would have been entitled to vote on the resolution on the circulation date of the written resolution.
2. The circulation date of the written resolution is 13 September 2018 (the "Circulation Date")
3. The procedure for signifying agreement by an eligible member to a written resolution is as follows:
  - (A) A member signifies its agreement to a proposed written resolution when the Company receives from it (or someone acting on its behalf) an authenticated document –
    - (i) identifying the resolution to which it relates, and
    - (ii) indicating its agreement to the resolution.
  - (B) The document must be sent to the Company in hard copy form or in electronic form.
  - (C) A member's agreement to a written resolution, once signified, may not be revoked.
  - (D) A written resolution is passed when the required majority of eligible members have signified their agreement to them.
4. The period for agreeing to the written resolution is the period of 28 days beginning with the Circulation Date (see Section 297 Companies Act 2006).

# HUNTSWORTH

Parent Company for 04091382 - Hatch Group Limited  
subsidiary company.

Statement is on page 102.

**Huntsworth plc** Annual Report and Accounts 2017

**Driving sustainable growth**



# Huntsworth plc is an international healthcare and communications group

## Strategic Report

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# Highlights

## Summary Financial Performance

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

## Financial Highlights

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

## Operational Highlights

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

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

Paul Taaffe Chief Executive Officer

- 1 Unless otherwise stated, results have been adjusted to exclude highlighted items. An explanation of how all non-IFRS measures have been calculated is included in Appendix 1.
- 2 Like-for-like revenues are stated at constant exchange rates and excluding the effect of acquisitions and disposals. A reconciliation of IFRS revenues and operating profit to like-for-like results is included in Appendix 1.

## Revenue

**£197.0m**

(2016: £180.1m)

## Dividend

**2.00p**

(2016: 1.75p)

## Headline Operating Profit

**£26.4m**

(2016: £18.0m)

## Headline Diluted EPS

**5.8p**

(2016: 4.0p)

## Group Overview

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

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

huntsworth health

### Principal brands

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

### Group revenue

**61%**

2017: £119.4m

For more information:  
Delivering our strategy  
Pgs 10-11

huntsworth communications

## Principal brands

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

Group revenue

**39%**

2017: £77.6m

For more information:  
Delivering our strategy  
Pgs 10-11

## Chairman's Statement

# A very strong year at Huntsworth

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

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

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

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

Revenue (m)

**£197.0m**

(2016: £180.1m)

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

Derek Mapp Chairman

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

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

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

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

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

Derek Mapp  
Chairman  
5 March 2018

## Governance highlights

### M&A procedures

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

### Internal audit appointment

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

### Shareholder dialogue

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

For more information:  
Corporate Governance  
**Pgs 36-64**

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

**£24.4m**

(2016: £16.0m)

**Headline Diluted EPS**

**5.8p**

(2016: 4.0p)

## Market Review

# The trends and drivers that influence our markets

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

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

### Macro developments

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

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

#### **Exchange rate fluctuations**

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

### Revenues by Geography

## huntsworth health

**The world is getting older**

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

**The world is getting sicker**

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

**Drugs are getting more complex**

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

**Healthcare is becoming more digital**

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

## huntsworth communications

**Increasing pressure on client budgets**

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

**Disruption of traditional marketing and consultancy**

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

**Integrated offering**

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

82%

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

90%

of HCPs used smartphones for professional purposes in 2014

70%

of Primary Care Physicians use Social Media for professional purposes



# Business Model

Huntsworth generates value through a network of specialist agencies.

## Resources and relationships

### Strong brands

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

huntsworth health

### Strong client base

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

### Global network

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

### Enabling growth

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

huntsworth communications

### Experienced talent

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

For more information:  
Delivering our strategy  
Pgs 10-11

For more information:  
Delivering our strategy  
Pgs 10-11

## Returns generated

### Revenue growth

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

# +4%

like-for-like revenue growth

### Profit growth

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

# +20%

like-for-like headline profit growth

### Cashflow

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

# 113%

cash conversion

For more information:  
Delivering our strategy  
Pgs 10-11

## Stakeholder outcomes

### Customers

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

### Employees

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

### Investors

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

# +45%

growth in headline diluted EPS

For more information:  
Delivering our strategy  
Pgs 10-11

## Delivering Our Strategy

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

### Initiatives

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

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

#### Extend and grow our capabilities and services

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

#### Improve profitability across the Group

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

### Progress and outlook

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

# 79%

#### Healthcare share of Group profits

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

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

#### Development of new capabilities and services

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

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

#### Improve profitability

# 13%

#### Headline operating margin

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

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

For more information:  
Principal risks  
Pgs 26-30

## KPIs

### Healthcare share of Group profits

79%

### New capabilities & services

+4%

#### Like-for-like revenue growth

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

£25m

#### Acquisition spend

Acquisition spend helps to grow our capabilities in new areas

### Improved profitability

13%

## Risk

### Healthcare

#### Over-reliance on Healthcare sector

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

#### Acquisitions or investments do not

#### deliver expected benefits

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

### New capabilities and services

#### Service offering does not meet market needs

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

#### Acquisitions or investments do not

#### deliver expected benefits

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

### Improved profitability

#### Underinvestment in future growth

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

## Chief Executive's Statement

# Our evolving business model and strategy

### Introduction

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

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

### huntsworth health

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

### Group revenue

# +9.0%

2017: £197.0m (2016: £180.1m)

### Headline profits

# +52.0%

2017: £24.4m (2016: £16.0m)

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

**Paul Taaffe** Chief Executive Officer

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

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

#### Group performance overview

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

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

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

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

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

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

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

#### Headline profit before tax

## Chief Executive's Statement continued

# Divisional performance overview

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

**Paul Taaffe** Chief Executive Officer

### Marketing

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

### Medical

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

### Investment case

#### Healthcare focus

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

### Leading brands

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

### Immersive

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

### huntsworth communications

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

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

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

### Dividend

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

### Group Outlook

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

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

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

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

### Customer partnerships

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

### Skilled employees

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

### Strong financial position

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

**1.1x EBITDA**  
pro-rata leverage

For more information:  
Business model  
Pgs 8-9



huntsworth health

# Marketing

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

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

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

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

Revenue

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

Profits

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

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

We make  
Health more  
Human

huntsworth health

# Medical

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

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

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

## Revenue

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

## Profits

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

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

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

We make  
science fit for  
the real world

huntsworth health

# Immersive

Revenue

£14.9m

(2016: £3.0m)

Profits

£1.9m

(2016: £0.0m)

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

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

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

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

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

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

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

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

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

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

We make  
the complex,  
simple

huntsworth communications

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

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

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

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

It provides seamless communication consultancy across the world's business centres, with a particular focus on major cross-border financial transactions and large multi-nationals looking to broaden their global footprint.

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

Red is a strategic communications consultancy offering public relations, digital and content expertise.

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

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

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

Revenue

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

2017: £77.6m (2016: £89.3m)

Profits

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

2017: £7.0m (2016: £5.5m)

We create  
measurable  
advantage for  
our clients



## Chief Financial Officer's Report

# Strong cash generation and financial position

### Revenue

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

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

### Currency

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

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

### Operating profit

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

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

### Headline diluted EPS

# +45.0%

2017: 5.8p (2016: 4.0p)

### Dividend

# +14.0%

2017: 2.0p (2016: 1.75p)

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

---

**Nell Jones** Chief Financial Officer

**Highlighted items**

Operating highlighted items of £1.5 million comprise the following:

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

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

**Cash Flow and Net debt**

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

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

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

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

**Dividends**

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

**Tax**

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

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

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

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

**Earnings per share**

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

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

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

Neil Jones  
Chief Financial Officer  
5 March 2018

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

**113%**

(2016: 87%)

## Principal Risks

# How we manage risk

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

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

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

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

Risk	Risk and impact	Mitigating factors	Trend
MACRO			
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. Subdued global financial markets can result in reductions to the level of transactional activity, reducing client mandates.</p> <p>Weak economic conditions can increase the length of time that clients take to pay for services, which can put pressure on the Group's working capital. There is also an increased risk of bad debts occurring as a result of clients' financial problems.</p>	<p>The Group has a wide spread of clients both across geography and industry sector, reducing reliance on any one particular economic environment.</p> <p>Costs are managed in each business such that they can be flexed where needed in a downturn. However, where there are protracted economic difficulties in the Group's key markets, the ability of the Group to minimise the impact is constrained and performance may deteriorate.</p> <p>The Group closely reports and monitors aged debts, and ensures local management have action plans in place to minimise the risk of any loss.</p>	
Political instability	<p>Political instability or change in our countries of operation may impact on our ability to operate, for example through licensing or regulatory changes.</p> <p>The political environment can also have an impact on the wider economic conditions, either through the direct impact of government policies in our countries of operation, or through the impact on business confidence.</p>	<p>The Group operates primarily within low-risk jurisdictions, with 91% of revenues coming from the US, UK and western Europe. Although the Health sector is regulated, our agencies have extensive experience in navigating the regulatory environment and in providing compliant solutions to clients. In addition, the underlying sector fundamentals are strong and give protection against the possibility of material adverse regulatory change.</p>	
Currency risk	<p>A substantial proportion of the Group operates outside of the UK, with significant operations in the US and Europe.</p> <p>As a result, the Group's reported profits and asset values are impacted by any fluctuation of Sterling relative to other currencies, particularly the US Dollar and Euro. The Group may also suffer restrictions on the ability to repatriate cash.</p> <p>The proportion of the Group's profits made in the US is increasing which increases the level of risk when exchange rates fluctuate. Exchange rates have also continued to prove volatile, particularly in light of the ongoing uncertainty over Brexit.</p>	<p>Most of the Group's revenue is matched by costs arising in the same currency. Foreign exchange exposure is continually monitored, and the Group uses derivative financial instruments to mitigate this risk where deemed necessary.</p> <p>Borrowings are also available to be drawn down in US Dollars and Euros if required to hedge foreign currency exposure. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.</p>	

## Principal Risks continued

Risk	Risk and impact	Mitigating factors	Trend
<b>STRATEGIC</b>			
<b>Over-reliance on Health sector</b>	<p>One of the Group's strategic aims is to strengthen its focus on the Healthcare sector. In doing so, the Group's exposure to a single sector increases. Given the strength of the Healthcare sector in the US, and the fact that consumer marketing of prescription drugs is largely confined to the US, an increased focus on Healthcare is also likely to lead to an increased exposure to the US economy.</p> <p>By increasing the Group's exposure to a single sector and single geography, there is a risk that the Group will be more materially affected by a downturn in these markets.</p>	<p>The fundamentals of the Healthcare sector are strong, as a result of ageing populations and increasing prevalence of chronic diseases, particularly in the US. This leads to growing end-user demand which is relatively unaffected by economic cycles, thereby mitigating against the risk of a downturn. In addition, the Healthcare marketing services sector is fragmented, which means there would be continued opportunity for growth even if the overall sector were to enter a downturn.</p> <p>The Group is also expanding its suite of services, both organically and through acquisition, which increases the diversity of its offering within the Healthcare sector.</p>	
<b>Service offering fails to evolve to meet changing market needs</b>	<p>The communications industry is always changing, driven by client changes, technological change or emergence of competitors. The Group needs to be pro-active in identifying and delivering solutions to changing client needs.</p> <p>Failure to evolve can result in loss of market share, client losses and pressures on pricing, which can impact on revenue and margins.</p>	<p>The Group's range of services and international footprint increasingly allows us to offer clients an integrated portfolio of services across geographical locations which are attractive to new clients and help to strengthen existing client relationships.</p> <p>The Group continues to diversify its service offering to provide a full spectrum of healthcare communications and public relations services.</p> <p>Reviews of all new business opportunities won and lost across the Group are performed regularly. Appropriate actions are taken where new business conversion rates are below expectations.</p>	
<b>Acquisitions or investments fail to deliver expected growth</b>	<p>The Group's strategy includes investing in new business opportunities, talent, start-ups and the acquisition of businesses which will broaden and enhance existing business operations.</p> <p>There is a risk that investments are based on inaccurate information or assumptions which fail to meet client needs and which may result in the investment being less financially beneficial than anticipated.</p>	<p>All significant investments are supported by a business case, which must be approved by Executive Management and the Board, where appropriate.</p> <p>Rigorous due diligence procedures are performed prior to all acquisitions in order to identify and evaluate potential risks to the extent possible.</p> <p>In addition to the receipt of legal warranties and indemnities, the total consideration paid for a business typically includes an element of deferred consideration contingent upon future performance which mitigates the risk of overpaying for a business.</p>	

Risk	Risk and Impact	Mitigating factors	Trend
OPERATIONAL			
Client dissatisfaction and loss of key clients	Any loss of a key client would result in reduced revenues and profits and potentially an inability to recover amounts due under the contract.	<p>The Group endeavours to build long-term relationships with its clients and to obtain preferred supplier and agency of record status where possible.</p> <p>The Group has a large portfolio of clients and seeks to expand and diversify its client base where possible. Within each of our large healthcare clients, the Group typically provides services to multiple brands within that client. Client satisfaction reviews are also undertaken periodically to evaluate service quality.</p>	
Loss of key talent	<p>The Group's talent base is its most important resource. There is strong competition within the industry for experienced healthcare communications and PR professionals.</p> <p>Recruitment and retention of key individuals is important both for maintaining client relationships and ensuring that our services are of the highest quality.</p>	<p>The Group's policy is to recruit both Directors and employees of the highest quality and to remunerate them accordingly. The Group carries out succession planning and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key individuals.</p> <p>Restrictive covenants are included in employee contracts where legally enforceable.</p>	
Poor profitability	Overservicing or underpricing may lead to poor profitability on client contracts, which could mean static or reduced returns to shareholders even if revenues are increasing.	The Group monitors the profitability of its operations, at both a business and a contract level. Poor profitability is quickly highlighted and remedial action – such as removing costs, or improving pricing discipline – is taken where appropriate.	
Information systems access and security	<p>Any information systems failure could negatively impact the Group's business operations, including delays to client work.</p> <p>Unauthorised access to confidential information held by the Group could compromise our client relationships and have a detrimental effect on our reputation.</p> <p>Cyber security risks are perceived to be increasing across the industry at the moment.</p>	<p>Business and IT disaster recovery plans have been implemented to minimise any disruption in the event of an IT failure.</p> <p>External access to data is protected by the Group's IT security, which is reviewed and tested frequently to ensure that the Group's network is as secure as possible. Internal access to data is restricted appropriately.</p>	

## Principal Risks continued

Risk	Risk and impact	Mitigating factors	Trend
OPERATIONAL continued			
Unethical business practices	Both reputational and operational damage may arise if the Group engages in actual or perceived unethical client work. Ethical matters that are not identified or managed appropriately could cause reputational damage to the Group.	<p>The Group strives to foster a culture of openness, responsibility and ethical behaviour and has an externally managed whistleblowing process for the reporting of any unethical conduct. The Group's Code of Ethics is provided to every employee and they are expected to read and formally acknowledge the content and act accordingly.</p> <p>Referral processes, including divisional committees, are in place to manage all perceived ethical and conflict issues.</p>	
Loan facility and covenant headroom risk	Any liquidity issues could result in reputational damage and potentially impair the Group's ability to make future acquisitions or settle existing obligations.	<p>The Group has £75 million of multi-currency loan facilities with a syndicate of banks maturing in 2021, with an accordion option for a further £40 million as well as a £5 million uncommitted overdraft. Management closely monitors all covenants on the Group's facilities and actively manages undrawn headroom.</p> <p>The Group has robust cash management processes including weekly cash reporting from our operations and cash pooling arrangements.</p>	
Legal and regulatory compliance	Any failure to adhere to legislative requirements, including imposed sanctions on the supply of services to certain individuals, businesses and countries, could lead to reputational as well as financial damage to the Group.	<p>The Group uses internal and external legal counsel throughout the world to advise on local legal and regulatory requirements and minimise the risk of loss.</p> <p>In-house training is conducted on key legislative matters such as health and safety, and the UK Bribery Act.</p> <p>Policies on gifts, entertainment, anti-bribery and corruption, electronic communications, share trading and confidentiality are communicated to all employees using dedicated Policy Management Software.</p>	

### Going concern

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

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

### Viability Statement

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

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

In reviewing the three-year plan in 2017, the Board assessed the principal risks associated with the business model and strategy as outlined on pages 8 to 11, including the likelihood and potential impact of these occurring. These risks formed the basis of the reverse stress testing undertaken to assess the longer term viability of the Group. This considered severe but plausible scenarios and the effectiveness of any mitigating actions.

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

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



## Sustainability

# Responsible business

The Group recognises the impact of its business operations on a diverse range of stakeholders, including our employees and the wider community. This report outlines the Group's approach to responsible business practices and details some of the activities that we have undertaken in 2017.

We remain dedicated to growing our business and delivering shareholder value while maintaining an uncompromising stance on unethical practices, products or organisations. Our approach reflects the diverse, independent operations of the Group and each business implements these practices in a way that is appropriate for them.

### Our ethics

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

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

Furthermore, senior management have to undertake Bribery Act training. Each employee is responsible for upholding the principles and practices set out within it. All employees have access to an independent whistleblowing hotline which enables them to voice any concerns without risk.

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

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

Huntsworth is committed to providing its workers with safe and legal employment in a stimulating and rewarding environment. We are

opposed to any form of slavery and human trafficking and the Group's policy is to ensure that it is eradicated from both our business and from our supply chains. Under the Modern Slavery Act 2015, Huntsworth plc is required to prepare an annual slavery and human trafficking statement. The Company's Modern Slavery Statement for the year ended 31 December 2017 was approved by the Board of Huntsworth plc on 25 January 2018 and is available on the Company's website at <http://www.huntsworth.com/investor-relations/corporate-governance/>.

#### Our people

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

#### Diversity

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

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

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

In terms of gender diversity, as at 31 December 2017 women accounted for 45% (13) of executive management, 39% (31) of senior management and 64% (996) of total employees. There are currently three female Non-Executive Directors on Huntsworth's Board. The Board understands the benefits of boardroom diversity and its aspiration and expectation is to maintain the proportion of women on the Board at least at the current level, while maintaining flexibility to ensure that all appointments are made on the individual's ability and competency to fulfil the requirements of the role.

#### Training and development

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

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

2017 gender diversity

**45%**

of executive management are women

**39%**

of senior management are women

## Sustainability continued

### Training and development (continued)

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

### Communication

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

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

### Health and wellbeing

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

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

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

### Our work

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

that public transport should be used where possible.

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

### Community

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

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

The Group also made formal contributions of over £22,000 to 38 different charities around the world.

### Environment

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

#### Greenhouse gas emissions

During 2017, we have measured our greenhouse gas ('GHG') emissions from our global operations. The Group measures GHG emissions based on financial control boundaries, so that all operations which are consolidated as subsidiaries in the Group's financial statements are included in the measurement exercise.

We have identified the following key activities as being within the GHG reporting requirements:

- Scope 1: Natural gas, company cars, on-site fuel consumption and refrigerants;
- Scope 2: Purchased electricity, heat and steam.

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

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

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

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

We are pleased to report a reduction in our carbon emissions this year, due to continued efficiencies in the use of our property portfolio.

#### Actions

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

Paper wastage is minimised through promoting reuse, use of electronic communications and using paper from sustainable forests. By recycling, the Group's UK businesses together saved the equivalent of 640 trees and 67 tonnes of CO<sub>2</sub> in 2017.

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

## Board of Directors

### Derek Mapp Chairman and Independent Non-Executive Director

Derek Mapp was appointed to the Huntsworth Board as Chairman and Independent Non-Executive Director on 1 December 2014. In March 2017 Derek won the Non-Executive Director of the year award 2017 for quoted companies for his work as Chairman of Huntsworth. He is Chairman of Informa plc, Chairman of Mitie Group plc, non-executive Chairman of Salmon Developments Limited, the Chairman of Imagesound Limited and the non-executive Chairman of 3aaa Limited. Derek has an historical career as founder of Tom Cobleigh pub chain and Leapfrog Day Nurseries. He also has a number of private business interests.

### Paul Taaffe Chief Executive Officer

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

### Neil Jones Chief Financial Officer

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

### Andy Boland Independent Non-Executive Director

Andy Boland was appointed to the Huntsworth Board as Independent Non-Executive Director on 11 August 2014, and was appointed as Huntsworth's Senior Independent Director with effect from 1 January 2018. Andy is a member of the Audit Committee and Nomination Committee. Andy previously served as Audit Committee Chair up until 22 March 2017. Andy is the Chief Executive Officer of Addison Lee Limited, where he was previously Chief Financial Officer. Prior to joining Addison Lee in 2015, Andy served as the Chief Financial Officer of AA plc for six years. He spent the earlier part of his career in the marketing services industry and was Group Finance Director at Taylor Nelson Sofres plc, a FTSE 250 market research company, from 2004 to 2008. During his time at Taylor Nelson Sofres, he helped integrate acquisitions, strengthened the financial control environment and was responsible for all external reporting and investor relations activities. Andy qualified as a Chartered Accountant in 1995 and as an Associate Corporate Treasurer in 1998.

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

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

**Nicky Dulieu**  
Independent Non-Executive Director

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

**Pat Billingham**  
Independent Non-Executive Director

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

**Martin Morrow**  
Company Secretary

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

# Corporate Governance

## Letter from the Chairman

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

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

### Board and Committee changes

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

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

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

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

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

### Shareholder Dialogue

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

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

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

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

**2017 Board Evaluation**

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

**Annual Re-election of Directors**

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

**Electronic General Meetings**

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

**Appointment of KPMG as internal auditors**

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

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

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

**Derek Mapp**  
Chairman



# Corporate Governance Report

## The role of the Board

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

The formal Schedule of Matters reserved for the Board includes various strategic, financial, operational and governance responsibilities. A summary of the key activities of the Board during the year, in accordance with the formal Schedule, can be found on page 40 to 41.

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

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

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

### Key roles and responsibilities

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

#### Chairman: Derek Mapp

##### Key responsibilities:

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

The other significant commitments of the Chairman are set out in his biography on page 36.

#### Chief Executive: Paul Taaffe

##### Key responsibilities:

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

#### Senior Independent Director: Andy Boland

##### Key responsibilities:

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

## Activities of the Board

Eight Board meetings were held during the year as well as an additional strategy meeting. If a Director is absent from a meeting, his or her views are sought in advance where possible and then put to the meeting. The table below sets out the number of meetings attended out of meetings eligible to attend. In addition to the Board meetings above there were two ad hoc sub-committee meetings which, amongst other things, approved the 2016 Annual Report and Accounts and the 2017 Interim Report respectively, with delegated authority from the Board.

#### Board meetings attendance

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

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

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

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

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

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

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

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

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

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

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

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

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

#### How the Board operates

##### Board information

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

##### Independent advice

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

##### Induction and personal development

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

The Chairman is responsible for ensuring that induction and training is provided for each Director. Each new Director receives an induction pack and undertakes a bespoke induction programme that provides them with information on the Group, their responsibilities, and obligations.

## Corporate Governance Report continued

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

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

### Board performance evaluation

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

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

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

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

Review the role and remit of the Nomination Committee.

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

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

### Composition of the Board

The Board aims to have a diversity of skills, experience, length of service, knowledge and gender. The biographies of the Directors are set out on pages 36 to 37. These demonstrate a broad range of experience, expertise, and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group.

### Independence

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

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

### Conflicts of interest

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

### Risk management and internal control

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

The Board has established a number of ongoing processes to identify, evaluate and manage the key financial, operating and compliance risks faced by the Group and for determining the appropriate course of action to manage and mitigate those risks. The Board delegates the monitoring of these internal control and risk management processes to the Audit Committee. These measures have been in place throughout the year and up to the date of this Report.

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

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

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

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

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

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

#### Company Ethics and Whistleblowing

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

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

During 2017, an external firm continued to provide access to confidential whistleblowing helplines across the Group. The Whistleblowing Policy encourages reporting of any instances of malpractice for investigation and action as required. During the year, one issue was raised, which was investigated by senior management and appropriate actions carried out to resolve the matter.

#### Investor relations

Relations with shareholders

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

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

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

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

Information on share capital and other matters

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

# Audit Committee Report

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

## Key responsibilities:

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

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

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

Members of the Audit Committee are provided with sufficient resources, and have broad business and financial experience which has been gained in a variety of disciplines, which the Board considers provides recent and relevant experience to enable the Committee to carry out its responsibilities. The Directors' biographies on pages 36 to 37 provide further detail.

## Committee meetings

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

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

## Activities of the Committee

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

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

## Financial reporting

The Committee reviewed with management and the external auditor:

- whether the 2017 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and
- the appropriateness of adopting the going concern basis of accounting and whether the Group can meet its liabilities as they fall due over a three-year period (the viability assessment); and
- the significant issues and material judgements which were made in preparing the 2017 Interim Report, and the 2017 Annual Report and Accounts.

The primary issues and areas of judgement considered by the Committee in relation to the 2017 Interim Report and 2017 Annual Report and Accounts were:

#### Goodwill impairment

The assumptions underlying the calculation of value in use require significant judgement to be exercised, primarily in respect of the achievability of budgets and medium-term forecasts.

The Committee has addressed these issues through review, and raising challenge where appropriate, of reports prepared by management outlining the basis of their assumptions and analysing the impact of a number of different scenarios. Individual business forecasts are reviewed and approved by the Board. Further detail is included in Note 12.

#### Covenant compliance, going concern and viability

The Group has to demonstrate that it can continue to meet the covenants of its banking facility for a period of at least 12 months from the date of approval of the financial statements in order for the Board to conclude that the Group is a going concern.

Budgets, forecasts and assumptions underlying the cash flow and covenant compliance model are approved by the Board and different scenarios are prepared by management for the Committee to consider.

The Board also has to make an assessment of the prospects of the Company over a longer period of three years and state whether they consider the Group to be viable over this period.

The Committee reviewed the processes undertaken by management in preparing the viability assessment, including the potential impact of principal risks and mitigating actions. Management and the Board considered a number of scenarios and performed stress testing before concluding they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Further detail on the viability assessment process can be found on page 31.

#### Revenue recognition

Revenue reflects the fair value of the proportion of the work carried out in the year and therefore judgement exists over revenue cut off at year end.

Management reports to the Committee on this matter, including details of any significant judgements made.

#### Highlighted items

Certain acquisition and transaction related costs and amortisation charges have been classified as highlighted items, in line with the Group's accounting policies.

Particular consideration was given to the consistency of classification of highlighted items and whether their presentation can be considered fair, balanced and understandable. The Committee addressed this judgement by reviewing with management the definition of highlighted items as per the Group's accounting policy and the items disclosed to satisfy themselves that they are in accordance with this policy. Refer to detailed disclosure in Note 6.

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

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

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

- reviewing reports provided by the Risk Committee on risk management activities in the year, including a proposal for the Company's risk appetites and how to monitor the Group's current status against the appetite;
- reviewing the Group's risk documentation and challenging the classification and completeness of the risks identified;
- reviewing the Group's risk register;
- reviewing the controls which are in force to ensure the integrity of the information reported to shareholders;
- monitoring the Group's litigation register;
- assessing the effectiveness of the Group's risk management systems, including fraud and bribery risk and controls;
- reviewing the Company's first statement under the Modern Slavery Act 2015 and recommending its adoption to the Board; and
- reviewing the Group's IT and cyber security arrangements.

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

#### Risk management and internal control

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

## Audit Committee Report continued

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

### Risk Committee

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

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

During 2017, the Risk Committee provided the Audit Committee and Board with proposals for the Company's risk appetite as well as key indicators to enable effective monitoring of risk. In addition, the Risk Committee reviewed the Company's first statement under the Modern Slavery Act and recommended its adoption to the Audit Committee.

### Internal audit

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

Internal Audit has a direct reporting line to the Chairman of the Audit Committee. The Committee considers any issues or risks arising from internal audit reviews and monitors the implementation of actions arising.

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

- appointing KPMG LLP as the Group's internal auditor;
- reviewing and approving the scope of internal audit activities for 2017 and KPMG LLP's proposed internal audit plan for 2017/18;
- monitoring the effectiveness of internal audit activities, including reviewing the results of all internal audit procedures undertaken during the year; and
- monitoring the status of any deficiencies in the control environment, ensuring active follow up and resolution.

### External audit

The remit of the Audit Committee includes:

- advising the Board on the appointment, reappointment and removal of the external auditor and on their remuneration both for audit and non-audit work;

- approving the nature and scope of the external audit with the external auditor;
- discussing the findings of the external audit with the external auditor and assessing the effectiveness of the audit; and
- reviewing the independence and objectivity of the external auditor, including the level of fees paid.

### Audit effectiveness

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

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

The Audit Committee has reviewed the cost effectiveness, independence, objectivity and expertise of the external auditors and following this review recommended to the Board that PwC be proposed for reappointment as the external auditors for 2018.

Auditor's independence and objectivity and non-audit services It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's objectivity and independence. PwC were initially appointed in December 2016, following a tender process and their reappointment was approved by shareholders at the 2017 AGM.

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

The Audit Committee has a policy governing the use of the external auditor for non-audit related services. The policy prohibits the external auditor from engaging in certain services that may give rise to actual or perceived audit independence issues. In addition, the Committee has to approve all services that are to be provided by the external auditor that exceed a prescribed monetary threshold. A copy of the policy is available on the Company's website ([www.huntsworth.com](http://www.huntsworth.com)). This policy was reviewed by the Committee during the year and it was agreed to amend the policy such that over any three-year period, the annual fees for non-audit services should not exceed 70% of the average of the audit fees for the preceding three-year period in addition to the existing financial cap of £75,000 for an individual service or specific project.

Since their initial appointment in December 2016, PwC have provided covenant compliance services. Details of the non-audit fees paid to the external auditors are set out on page 84. The provision of non-audit services, within the constraints of applicable UK rules, is assessed on a case-by-case basis so that the best-placed adviser is engaged.

# Nomination Committee Report

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

## Key responsibilities:

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

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

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

Appointments are made on merit alone, with due consideration of the benefits of diversity in its broadest sense, including gender. The Board currently has 42% female representation (3 out of 7). During 2017, the Board had 28% female representation (2 out of 7). The Board understands the benefits of boardroom diversity and its aspiration and expectation is to maintain the current proportion of women on the Board, while maintaining flexibility to ensure that all appointments are made on merit, regardless of gender.

During the year, the activities of the Nomination Committee included:

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



# Report of the Directors on Remuneration

## The Remuneration Committee

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

### Key responsibilities:

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

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

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

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

## Annual Statement

Dear Shareholder,

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

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

The Directors' Remuneration Policy as approved at the 2016 AGM is available on the Company's website at <http://www.huntsworth.com/media/1278/remuneration-policy-2015-huntsworth.pdf>. This Policy will remain in place until the 2019 AGM at the latest when a new policy will be submitted to shareholders for approval.

### Key decisions made by the Committee in 2017

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

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

### M&A activity

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

### Tax Disclosure Change

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

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

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

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

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

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

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

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

## Report of the Directors on Remuneration continued

Annual Statement continued

### 2018 Performance Targets

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

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

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

### Holding Periods

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

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

### 2018 Executive Salaries

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

### Senior management

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

### Dilution position

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

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

### Conclusion

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

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

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

Nicky Dulieu  
Chair, Remuneration Committee  
5 March 2018

## Annual Report on Remuneration

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

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

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in relation to the 2017 financial year, together with comparative figures for 2016. Details of Non-Executive Directors' fees are set out on page 53.

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

1 As described in the 2016 Annual Report and Accounts on pages 42 to 43, Paul Taaffe's salary was converted into USD from 1 October 2016 onwards. His salary in USD for 2017 was unchanged from 2016 at \$936,000 - this equates to £727,606 based on the prevailing conversion rate of circa 1.29 for 2017. However, for calculation of bonus and LTIP awards, Paul Taaffe's pre-1 October 2016 GBP denominated base salary of £600,000 will continue to be used.

2 From 1 February 2016.

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

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

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

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

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

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

## Annual Bonus (audited)

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

The amount of Annual Bonus payable was based on actual performance as a percentage of each target, as shown in the table below. In addition, the Remuneration Committee determined that for 2017, the Annual Bonus would only be payable to the extent that it did not reduce post-bonus HPBT below the budgeted target of £21.3 million. The payment of any Annual Bonus was contingent on the threshold level of HPBT being achieved.

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

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

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

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

## Report of the Directors on Remuneration continued

### Annual Report on Remuneration continued

The 2017 Annual Bonus is subject to the compulsory deferral of 50% of any bonus payment in excess of 100% of salary under the terms of the 2016 DSBP Scheme. However, whilst not included within the initial terms and conditions, the Executives have voluntarily agreed to increase this and will now defer 100% of the bonus payment in excess of 100% of salary. Therefore, for 2017, share awards equivalent to the cash figures below will be made to Paul Taaffe and Neil Jones under the 2016 DSBP Scheme, as the bonus payments were in excess of 100% of their salaries:

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

Malus and clawback provisions apply to the 2017 Annual Bonus.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LTIP awards (audited)

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

Pension entitlements and cash allowances (audited)

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

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

The table below sets out the details of the long-term incentive awards granted in the 2017 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

	Award type	Basis on which award made	Face value of award	Maximum percentage of face value that could vest	Performance period end date
Paul Taaffe	2016 LTIP Scheme <sup>1</sup>	2017 awards (100% salary)	£600,000 <sup>2</sup>	100%	31 December 2019
Neil Jones	2016 LTIP Scheme <sup>1</sup>	2017 awards (100% salary)	£350,000	100%	31 December 2019

<sup>1</sup> The incentive schemes are set out in the remuneration policy, which can be found on the Company's website at <http://www.huntsworth.com/media/1278/remuneration-policy-2015-huntsworth.pdf>

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

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

## Performance conditions for 2017 awards (audited)

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

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

67% based on cumulative HEPS as follows:

Less than 12.94p	0% vest
Equals 12.94p = threshold vesting	25% vests
More than 12.94p but less than 14.77p	Straight-line vesting between 25% and 100%
Greater than or equal to 14.77p	100% vest

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

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

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

The cumulative HEPS targets described above have been adjusted, by increasing the targets, to take into account the impact of M&A activity during 2017.

## Payments to past Directors (audited)

No payments to past Directors were made during the year.

## Payments for loss of office

No payments for loss of office were made to Directors during the year.

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

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director who served during 2017.

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

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

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

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

# Report of the Directors on Remuneration continued

## Annual Report on Remuneration continued

### Statement of Directors' shareholdings (audited)

The number of shares in the Company in which Directors had a beneficial interest and details of relevant long-term incentive interests as at 31 December 2017, or the date of leaving the Board, are set out in the table below.

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

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

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

- 1 Paul Taaffe has 2,000,000 unvested market priced awards (2006 ESOS Scheme) and 3,057,324 unvested Performance Share Plan (PSP) awards and 2,791,073 unvested awards under the 2016 LTIP Scheme. Further details on these awards can be found on page 55.
- 2 Neil Jones has 501,853 unvested market priced awards (2006 ESOS Scheme), 848,484 unvested PSP awards and 858,895 unvested awards under the 2016 LTIP Scheme. Further details on these awards can be found on page 55.
- 3 The share price of 81.25p (as at 31 December 2017) has been taken for the purpose of calculating the current shareholding as a percentage of salary/fees. Unvested share awards do not count towards satisfaction of the shareholding guidelines. Vested share awards and shares awarded under the 2016 DSBP Scheme are counted towards the shareholding requirement. Vested but unexercised awards count towards the shareholding requirement based on the intrinsic gain in the award as at 31 December 2017. For vested market-priced awards, the number of shares which count toward the shareholding guideline is calculated as the number of shares that could be purchased based on the intrinsic value of such awards, i.e. the value of shares less the exercise price. Where the exercise price is above the value of the shares, no value is attributed to these awards.

### Shareholding policy - Executive Directors

Under the Company's shareholding policy, all Executive Directors are expected to hold shares (including vested share awards where applicable) equivalent in value to a minimum of one times their salary. Executive Directors will be required to retain 50% of after-tax vested share awards until their shareholding requirement is met.

### Shareholding policy - Non-Executive Directors

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

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

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

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

## Directors' interests in share awards (audited)

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

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

- 1 Paul Taaffe was granted the award as a Performance Share Unit Award (i.e. a conditional share award), which will vest, subject to the performance conditions being met, on 10 May 2018, i.e. three years following the date of grant. It is expected that this award will vest at 82% of maximum (details on page 52). Paul Taaffe has voluntarily agreed during 2017 that a one-year holding period would apply to this award.
- 2 Paul Taaffe was granted the award as a Conditional Share Award, which will vest, subject to the performance conditions being met, on 9 June 2019, i.e. three years following the date of grant. Furthermore, Paul Taaffe has agreed during 2017 that a one-year holding period would apply to this award.
- 3 Paul Taaffe was granted the award as a Conditional Share Award, which will vest, subject to the performance conditions being met, on 20 March 2020, i.e. three years following the date of grant. Paul Taaffe has agreed during 2017 that a one-year holding period would apply to this award.

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

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

## Performance conditions

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

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

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



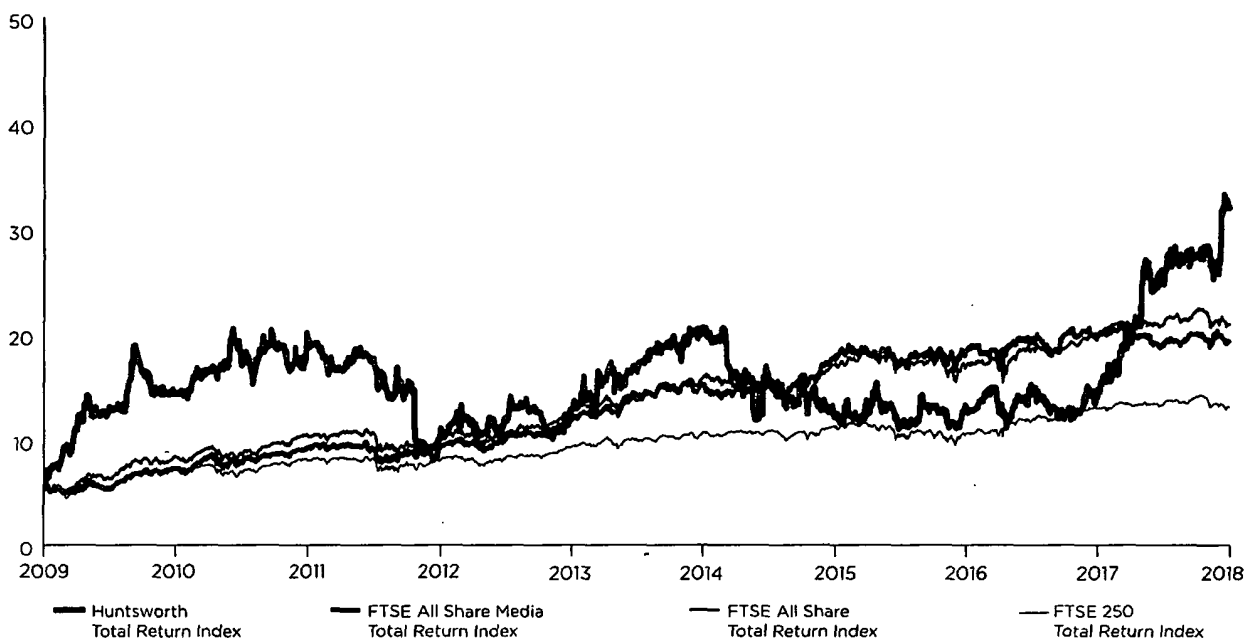
## Report of the Directors on Remuneration continued

### Annual Report on Remuneration continued

#### Comparison of overall performance and pay

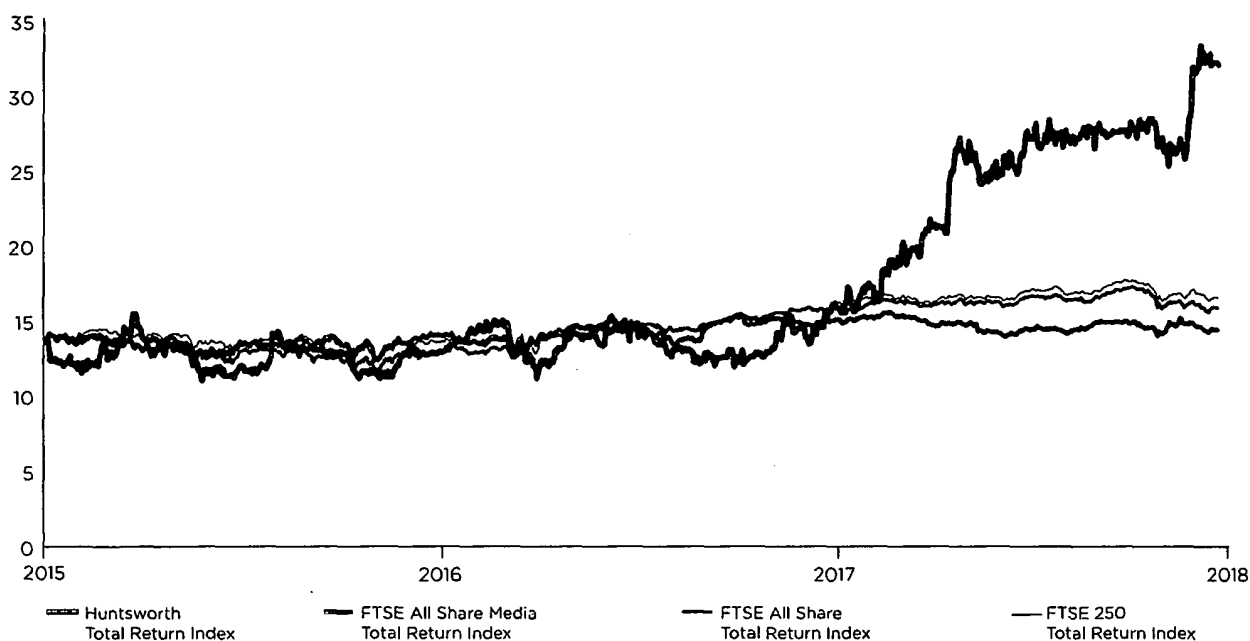
##### Total Shareholder Return

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



The market price of Huntsworth shares at 31 December 2017 was 81.25p and the range during 2017 was 36.00p to 83.75p.

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



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

#### Total CEO remuneration

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

£'000	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total remuneration	673	1,036	729	1,224	1,033	724	645	869	4,240 <sup>1, 2</sup>
Annual bonus payment level achieved (% maximum opportunity)	0%	0%	0%	40%	41%	0%	0%	24%	79%
LTIP vesting level achieved (% maximum opportunity)	0%	100%	100%	58%	0%	NA	NA	NA	89% <sup>1</sup>

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

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

#### Percentage change in CEO's remuneration

The following table sets out the percentage change in the salary, taxable benefits and bonus paid to the CEO from 2016 to 2017 compared with the average percentage change for the Group's employees.

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

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

#### Relative importance of the spend on pay

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

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

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

# Report of the Directors on Remuneration continued

## Annual Report on Remuneration continued

### Implementation of remuneration policy in 2018

#### Executive Directors

##### Salary

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

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

Executive Director	2018 USD000	2017 USD 000	Change
Paul Taaffe	936	936	0% <sup>1</sup>

1. Paul Taaffe's salary is denominated and paid in US Dollars. His US Dollar salary shown in the above table of \$936,000 has applied from 1 October 2016 onwards, as explained on page 50. Paul Taaffe's US Dollar denominated salary will remain unchanged in 2018. For all other payment arrangements, including any annual bonus payment or LTIP awards, Paul Taaffe's awards will continue to be determined based on his original GBP base salary figure of £600,000. In the single figure table on page 51, his salary is presented in GBP, giving a salary figure of £727,606 during the full year 2017 at an exchange rate of circa 1.29.

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

#### Annual Bonus performance targets

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

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

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

#### Long-term incentive plan targets

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

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

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

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

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

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

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

### Non-Executive Directors

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

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

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

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

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

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

### Advisers to the Remuneration Committee

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

Deloitte LLP were retained as advisors to the Remuneration Committee and provided advice to the Committee on executive and long-term incentive remuneration. Deloitte LLP also provided certain other tax advisory services to the Group during the year. The nature of these services was not considered to conflict with their role as external adviser to the Committee. Total fees payable to Deloitte in 2017 for Remuneration Committee matters were £38,535 and were based partially on a retainer and partially on a time and materials basis.

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

### Shareholder voting

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

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

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

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

# Directors' Report

The Directors' Report for the year ended 31 December 2017 comprises the Corporate Governance Report on pages 40 to 43 together with any sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have been included in the Strategic Report pages 1 to 35. These specifically include:

- an indication of likely future developments in the business of the Company, pages 10 to 11;
- details of the Group's financial risk management strategy, policies and instruments held are set out in Note 21 to the consolidated financial statements;
- details of the Group's branches are set out in Appendix 2 of the consolidated financial statements;
- details of the Group's going concern assessment; and
- employee matters and carbon emission disclosures are set out in the Responsible Business Report on pages 32 to 35.

## Dividends

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

## Directors

The following Directors served during the year ended 31 December 2017 and as at the date of this report:

Name	Appointment
Derek Mapp	Chairman and Chairman of the Nomination Committee
Pat Billingham	Independent Non-Executive Director and from 22 March 2017, Chair of the Audit Committee
Andy Boland	Independent Non-Executive Director, Chairman of the Audit Committee until 22 March 2017 and appointed as Senior Independent Director with effect from 1 January 2018
Nicky Dulieu	Independent Non-Executive Director and Chair of the Remuneration Committee
Neil Jones	Chief Financial Officer
Elizabeth McKee	Independent Non-Executive Director (appointed 1 January 2018)
Anderson	
Tim Ryan	Senior Independent Director (resigned 31 December 2017)
Paul Taaffe	Chief Executive Officer

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

The interests of the Directors in office at 31 December 2017 in the shares of the Company and its subsidiary undertakings, together with their remuneration, are set out in the Report of the Directors on Remuneration on pages 48 to 59.

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

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

## Substantial shareholdings

In accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, as at 31 December 2017, the Company had been notified of the interests in the Company's ordinary share capital as set out in the table below. The notifications of holdings relate to indirect and/or direct beneficial ownership by the relevant holder of the ordinary shares of the Company and exclude, for example, holdings managed on behalf of a third party (i.e. managed holdings).

Holder	% of share capital <sup>1</sup>	Number of shares	Nature of holding
Aberforth Partners LLP	16.07%	52,797,322	Indirect
Canaccord Genuity Group Inc <sup>2</sup>	10.1558%	33,479,512	Indirect
FIL Limited	10.14%	33,451,559	Indirect
J O Hambro Capital Management Limited	6.10%	20,030,402	Direct
The Wellcome Trust Limited as a Trustee of The Wellcome Trust	5.0815%	16,683,109	Direct
Kabouter Management LLC	5.39%	17,753,402	Direct
Michinoko Limited	5.0%	16,500,000	Direct
Miton Group plc	5.0%	16,490,492	Indirect

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

2 Previously Hargreave Hale.

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

During the period from 31 December 2017 to 5 March 2018 no further notifications were received.

## Directors' indemnities

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

## Shares

As at 31 December 2017, the Company's issued share capital comprised 331,858,168 ordinary shares of 1p each, of which 1,686,681 ordinary shares were held in treasury; and 212,012,343 deferred shares of 49p each.

Changes in the Company's share capital during the year are given in Note 23 to the consolidated financial statements. Details of the Company's employee share schemes are set out in the Remuneration Report.

#### Purchase of own shares

At the Annual General Meeting in 2017 the Directors were granted the authority to purchase up to approximately 10% of the Company's ordinary shares (either for cancellation or for placing into treasury) to support the Group's capital management policies. Further details of the Group's capital management policies are included in Note 21 to the Consolidated Financial Statements. The authority granted amounted to 32,862,392 ordinary shares. The Company may either retain shares purchased under this authority as treasury shares with a possible view to reissue such shares at a future date, or cancel them. This authority expires on the earlier of 24 August 2018 or the conclusion of the 2018 AGM on 24 May 2018. No ordinary shares were purchased during the year or up to the date of this report.

During the year ended 31 December 2017, no shares were transferred out of treasury to satisfy obligations under employee share plans. The total number of shares held in treasury as at 31 December 2017 and at the date of this report was 1,686,681 ordinary shares.

#### Employment policies

The Group operates internationally and therefore has developed employment policies that meet local conditions and requirements. Further details of these policies including policies in relation to diversity and applications for employment made by disabled persons and provisions for disabled employees and employee involvement can be found in the Responsible Business Report on pages 32 to 35.

#### Political donations

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

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

During the year, Group companies made the following payments that might be deemed to fall within the definition of 'political donation' or 'political expenditure' in the Companies Act: political expenditure amounting to £11,294 was paid

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

#### Additional information for shareholders

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

#### Rights and obligations attaching to ordinary shares

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

#### Voting rights

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

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

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

Directors' Report continued

Dividends and other payments Subject to the provisions of the Companies Act, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking pari passu with or after those shares.

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

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

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. The transferor of a share shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register in respect of it. The Board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer of any share which is not a fully paid share. The Board may also decline to register any transfer of a certificated share unless: (i) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require; (ii) the instrument of transfer is in respect of only one class of share; and (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

Other restrictions on the transfer of shares in the Company may from time to time be imposed: (i) by applicable laws and regulations (for example, insider trading laws and market requirements relating to closed periods); (ii) pursuant to the Company's Share Dealing Code whereby employees require the approval of the Company to deal in the Company's securities; and (iii) in relation to shares issued pursuant to acquisitions made by the Company. As at 31 December 2017 there were no shares of the Company subject to lock-in restrictions. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

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