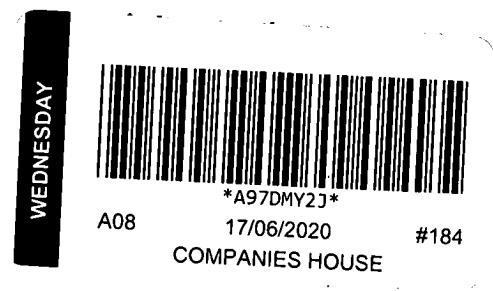


Huntsworth plc
Annual Report
and Accounts 2019

Investing in Health



HUNTSWORTH

Highlights

In this year's report

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Financial Highlights

- Revenue up 18% at £264.9 million (2018: £225.0 million)
- Headline¹ operating profit up 35% at £44.8 million (2018: £33.2 million), representing a margin of 16.9% (2018: 14.8%)
- Like-for-like² revenue growth of 4% and like-for-like operating profit growth of 4%
- Headline profit before tax up 27% at £39.1 million (2018: £30.9 million)
- Headline diluted earnings per share up 14% at 8.1p (2018: 7.1p)
- Strong operating cash flow at 119% of operating profit (2018: 71%)
- Net debt³ of £70.4 million, representing a leverage ratio of 1.5x EBITDA (2018: 1.9x)
- Proposed final dividend up 16% to 1.85p per share (2018: 1.6p per share) giving a total dividend for the year of 2.6p per share (2018: 2.3p per share)

£264.9m

Revenue
(2018: £225.0m)

£44.8m

Headline operating profit¹
(2018: £33.2m)

Operational Highlights

- Continued strong organic growth from the Medical and Immersive divisions, with 9% and 6% like-for-like revenue growth respectively
- Return to growth in the Marketing division with an acceleration over H2
- Return to like-for-like revenue growth in the Communications division, Constellation Communications, for the first time in several years, reflecting the benefits of our strategy to streamline and rationalise operations
- Acquisitions of Creativ-Ceutical and KYNE deepening our offering in market access and healthcare PR; both successfully integrated and performing in line with expectations
- Continued margin improvement reflecting operational efficiencies and focus on higher-quality work
- Investment of £5 million in the year to improve and expand the property portfolio and talent to manage a rapidly growing business

1.85p

Final dividend per share
(2018: 1.6p)

8.1p

Headline diluted EPS¹
(2018: 7.1p)

Notes:

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

3. Unless otherwise stated, net debt and leverage figures exclude the impact of IFRS 16.

About us

Huntsworth plc is an international healthcare and communications group

The Group's principal area of focus is health; Huntsworth Health 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 division, which provides a wide range of communications and advisory services including strategic communications, public affairs, investor relations and consumer marketing.

Huntsworth is listed on the London Stock Exchange (LSE: HNT)

Company overview

Huntsworth operates from 50 principal offices in 28 countries, with over 95% of revenues from the US, UK and Europe.

Investment case

Healthcare and US focused

With 83% of profits derived from Healthcare and 60% from the US, Huntsworth is weighted towards a higher growth, defensive sector in a stable political and economic environment.

Integrated offering

The Group continues to develop a full service, digitally driven offering to support its customers and accelerate growth. The recent acquisitions of Creativ-Ceutical and Kyne Communications LLC, plus the launch of Medistrava consulting in Medical and Fortyl employee engagement in Immersive demonstrate our commitment to adding additional capabilities. In addition, we are focused on integrating multiple capabilities by facilitating joint pitches within and increasingly across our healthcare divisions.

Strong balance sheet

Despite the acquisitions made during 2019, the Group ended the year with net debt 1.5x EBITDA, comfortably within our covenant limits of 3.0x. Cash generation was 119% in FY19 and with strong free cash generation we anticipate further deleveraging.

Good organic growth, supported by M&A

The Group's healthcare divisions grew 5% on a like-for-like basis, with a further £20 million of annualised revenues added through acquisition. This is in line with our medium-term guidance of 5%-7% revenue growth across our healthcare divisions over time.

Progressive dividend

The Group once again increased its full year dividend in line with profits, by 13%. The full year dividend continues to represent approximately one third of the Group's diluted headline earnings per share.

Huntsworth Health:

The Group's principal area of focus is Health. Huntsworth Health provides marketing and medical communications services to healthcare clients, which are primarily large and mid-size pharmaceutical and biotech companies.

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

Medical

View more online
www.huntsworth.com/divisions/medistrava-consulting/

Immersive

View more online
www.huntsworth.com/divisions/the-creative-engagement-group/

**Marketing: 41% of Group revenue,
£108.3m (2018: £82.0m)**

**Medical: 17% of Group revenue,
£45.1m (2018: £34.2m)**

**Immersive: 14% of Group revenue,
£37.9m (2018: £35.4m)**

Marketing

View more online
www.huntsworth.com/divisions/evoke/

Constellation Communications

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

28% of Group revenue, £73.6m (2018: £73.4m)

View more online

www.huntsworth.com/divisions/grayling/

www.huntsworth.com/divisions/citigate-dewe-rogerson/

www.huntsworth.com/divisions/quiller-consultants/

www.huntsworth.com/divisions/red-consultancy/

Chairman's statement

I am pleased to report another record financial performance at Huntsworth

Diluted EPS growth

14%
(8.1p)

2018: 7.1p

Dividend growth

13%
(2.6p)

2018: 2.3p

I'm pleased to report another record financial performance at Huntsworth. We have made further good progress in executing our strategy of transforming the Group into a healthcare marketing services-focused business, helped by the acquisitions of KYNE and Creativ-Ceutical in our Marketing and Medical divisions.

This year we have made a number of investments in staff and offices to allow us to build on the success of previous years and this has impacted the speed of our profit growth. However, those investments were essential to allow us to continue to scale and we have begun to see their benefits during the fourth quarter of 2019; we expect these to continue in 2020 and beyond.

There has been significant progress across the healthcare divisions. We have added new capabilities, agencies and staff and so continued to grow the collective offering. Like-for-like revenue growth of 5% was led by another very strong year in the Medical division, and although Marketing growth in H1 was held back by client-led issues, growth accelerated in H2 and we look forward to a stronger performance in 2020.

I'm delighted with the return to growth at our Communications division, Constellation Communications, after many hard years of restructuring and refocusing. The division is comprised of many smaller agencies across the globe all of which have contributed to the turnaround, although some standout performances were seen in Citigate Dewe Rogerson in Asia and Grayling in the UK and Brussels, all of which achieved double-digit revenue growth.

Given the strength of the Group's performance, the Company will be proposing to increase its final dividend to 1.85p, giving a total dividend for the year of 2.6p, an increase of 13% on 2018.

Since I became Chairman on 6 March 2019, I've found a fast-growing, dynamic and exciting business with dedicated and hard-working employees, bound by shared values. With a collective ambition of providing world-class services to support and drive our clients' growth, these employees are bound by shared values of collaboration, transparency and integrity, notwithstanding the unique strengths and characteristics of each of our agencies. Over the coming year I look forward to seeing the benefits of deepening collaboration within and between our agencies.

In my first year I've been well supported by a strong Board, including Liz McKee-Anderson, who brought a wealth of industry expertise to help guide us all, but who unfortunately had to step down due to other commitments at the end of last year.

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. The Group looks forward to more success during 2020 as we enter the year with good trading momentum and a strong financial position.

David Lowden
Chairman
3 March 2020



Since I became Chairman
on 6 March 2019, I've
found a fast-growing,
dynamic and exciting
business with dedicated
and hard-working
employees, bound by
shared values



David Lowden Chairman

Our market

The trends and drivers that influence our markets

Statistics

6%

Expected annual rate of growth in prescription drugs

12%

Expected annual rate of growth in orphan drugs

29%

Expected share of drug sales from biotech companies

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 over 90% of the Group's revenues generated from the US, UK and western Europe. Despite some political uncertainties over the past couple of years, particularly in the UK, the wider economic and regulatory environment in our countries of operation has remained relatively stable. Nevertheless, significant policy changes may have an impact, whether in respect of US tax reform, healthcare reform in the US, the outlook of the UK's future trading relationship with the EU and wider economic policy.

Exchange rate fluctuations

With a majority of profits earned in the US, and a c. £250k impact for each 1c movement in the exchange rate, fluctuations in exchange rates over the past 24 months have had 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.

Healthcare

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 30 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 needing more healthcare

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.

Drug sales (2020-2024)
WW prescription drug sales in \$bn

\$1,204bn

Pharma growth is resilient

With increasing FDA drug approvals, the drug market is expected to grow at +6% through to 2024, supporting the growth of the healthcare communications market. The orphan drugs market, which is an area of strength for the Group and which is expected to grow at 12% CAGR to 2024, will require more specialist and scientific medical communications together with digitally targeted marketing campaigns.

Growth in biotech

Alongside our key pharmaceutical organisations the biotech landscape is dominating where investment is being made.

There is a growing financial interest in biotech from the venture capital and private equity marketplace. We need to remind ourselves that 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. Whilst many market players see the value of working with Biotech there are very few partners who know how to build out the requirements of a Biotech in launching its first commercial asset medically or preparing the organisation for IPO. Huntsworth is enjoying competitive advantage within the biotech space by delivering against a large proportion of the new molecules hitting the global marketplace.

Healthcare is becoming more digital

Pharma is embracing digital transformation as healthcare providers and consumers are both becoming increasingly digital. The ownership of data has changed as healthcare systems are becoming more effective at collecting and analysing data. The rise of on-demand healthcare, big data and predictive healthcare means that there are increasing opportunities to provide services in new ways. The pharmaceutical industry will need to work more closely with healthcare systems as the balance of data ownership keeps shifting. The convergence of marketing and technology creates further focus on innovation.

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.

The healthcare ecosystem is expanding through continued positive disruption

The advent of personalised medicine and the rise of genomics increasingly form the basis of asset development and provide solutions for smaller populations of patients.

New technological advances in AI, machine learning, voice, robotic, 3D printers, for example, and finally the powerhouses of e-commerce- Amazon and drone drug delivery for example. Our clients are changing and need support of specialist agencies like ours more than ever.

Communications

Consolidation of agencies driving efficiencies

Clients increasingly demand an integrated offering, to avoid the friction and inefficiencies of working with multiple agencies. There is increasing focus on providing multiple offerings between agencies within the Group to foster cross-client workings and opportunities. 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. Increasingly, clients are looking for opportunities to work with fewer agency partners on larger remits – consolidating business to those with proven and differentiated credentials and expertise in all key brand areas.

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.

Business model

Huntsworth generates value through a network of specialist agencies. When these brands are optimised, the result is a faster-growing, higher-margin business, which generates a better return for shareholders.

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.

Experienced talent

The experience, knowledge and creativity of our people are 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.

Robust 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 a better quality service to their clients.

Unique culture

Freedom is our DNA enabling us to:

Create

Launch of Medistrava consulting in Medical + Forty1 employee engagement in Immersive

Transform

Acquisitions of KYNE and Creativ-Ceutical

Challenge

Our depth of experience across clients and therapeutic areas means we are not afraid to challenge our clients and ourselves to come up with new ideas and new approaches

Innovate

Innovation is at the heart of what our clients do, and we mirror this by offering novel solutions, for example by embedding digital and data into the work we do.

Unlocking the potential for our clients

Returns generated

Stakeholder outcomes

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. The Communications division has now returned with 3% like-for-like growth and our healthcare saw continued growth across all

divisions, with aggregate growth of 5% in line with our medium-term guidance.

+5%

like-for-like revenue growth in healthcare

Profit growth

Growth in profits is driven by revenue growth, a continued focus on operational and cost efficiencies, and a focus on higher-margin work. Our focus on right-sizing operations in the Communications division over the past two years has delivered strong profit conversion in 2019. We will focus on robust growth in the UK with new leadership in Europe expected to boost further growth

across agencies in 2020. While growth in healthcare profits has been impacted by investments in staff and property, we expect the returns on the investments made to materialise in 2020.

+210^{bps}

growth in operating margin

Cash flow

Strong operating cash flows 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 cash flows and ensures that we minimise our debt requirements. Short and long-term cash flow forecasting also ensures that we continue to operate well within our facility limits whilst delivering an optimum

capital structure. The Group delivered excellent cash conversion (119%) during the year which drove leverage down to 1.5x pro-forma EBITDA at December 2019.

1.5x

net debt to pro-forma EBITDA 119% cash conversion

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 or, affinity or improving reputation leading to increased sales, visits or sign-ups.

93%

customer retention over last five years

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.

First

annual employee engagement survey completed

Investors

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

+14%

growth in headline diluted EPS

Our strategy

Further good progress against our strategy

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.

Progress and outlook

Increased share of revenue from healthcare

Healthcare now accounts for 72% of Group revenue, up from 67% in 2018. The increase has been driven by a combination of strong organic growth and the acquisitions of KYNE and Creativ-Ceutical during the year. Further revenue growth in 2020, combined with the annualisation of the acquisitions, is likely to increase healthcare as a proportion of the Group.

KPIs

Healthcare share of Group profits revenues

72%

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 in the wider economy.

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, appropriate incentives for acquired management teams, and clear implementation plans and exit routes for organic investments.

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.

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. We are focused on broadening our offering into fast-growing areas. The acquisitions of KYNE and Creativ-Ceutical made during the year have strengthened our offering in a number of key areas, including PR and influence, evidence generation and regulatory marketing. Over the course of 2020 we expect to continue to add to our service offering, primarily through organic development, but we will consider targeted small-scale M&A to the extent it is consistent with the Group's leverage targets.

New capabilities and services

+5%

LFL revenue growth in Healthcare

+3%

LFL revenue growth in Communications

LFL revenue growth is an indicator of how well our service offerings address market needs.

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.

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.

Improve profitability

17%

Operating margin

Group headline operating margins have risen from 10% in 2016, through 13% and 15% in 2017 and 2018 respectively to 17% in 2019.

Acquisition spend

Acquisition spend helps to grow our capabilities in new areas with:

- £165 million enterprise value acquired in 2018 and 2019
- 2018: c. £100 million (Giant, Navience, Above Nation)
- 2019: c. £65 million (KYNE, Creativ-Ceutical)

Improve 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

Continued focus on healthcare

Revenue growth

18%
(£264.9m)

2018: £225.0m

Headline profit before tax growth

27%
(£39.1m)

2018: £30.9m

Introduction

Healthcare remains our focus for growth and investment, as it continues to be a fast-growing sector led by increasing global demand for new drugs to help ageing populations. This demand is driving a complex marketplace that requires a combination of higher-margin consultancy services, medical affairs and more effective marketing which is being seen in client demand patterns across all our healthcare-focused divisions. Increasingly, clients are looking for a full service and digitally driven offering to help launch, distribute and differentiate their products across their life cycles. Huntsworth is being shaped to deliver those requirements and services, and made good progress in 2019, with revenue growing by 18% to £264.9 million and headline profit before tax by 27% to £39.1 million. On a like-for-like basis, this represents growth of 4% in both revenue and profits.

Our growth in profits during the period was held back as we invested in key new hires and property in all our healthcare divisions to enable the growing Group to benefit from its larger scale. That larger scale was seen in an increase in the number of new business pitches and wins which have contributed to a stronger second half of the year and continue to provide good momentum into early 2020.

To further support our ability to meet our clients' needs, we added two agencies to the Group in May 2019, both bringing key new capabilities as we seek to create a full service offering for our clients. We acquired 70% of Creativ-Ceutical S.A.R.L. (CC) for an initial cash consideration of €15.5 million. CC is a fast-growing strategic market access,

health economics and outcomes research consultancy serving global pharma and biotech customers. The business closely aligns with our ApotheCom agency and forms an extension of the services within the Group's Medical division. In addition, we acquired 85% of Kyne Communications, LLC and Kyne Communications Limited (together, **KYNE**) for an initial cash consideration of \$17.4 million. KYNE is an award-winning global health communications agency providing public relations and patient advocacy services to a broad range of pharmaceutical and biotech clients, as well as working with a number of foundations to support their goals on disease awareness and eradication. The business sits within the Group's Marketing division, complementing its existing US-focused PR business and creating one of the world's leading health-focused public relations agencies. This greater scale is already allowing the Group to participate in bigger global assignments and win work that it would have been unable to access previously.

Whilst Huntsworth is firmly focused on developing and adding to its healthcare assets, Constellation Communications remains an important part of the Group, contributing 17% of operating profits before central costs. As previously outlined, our efforts to restructure and right-size the operations were reflected in a return to like-for-like revenue growth of 3.3% for the first time in several years.



Huntsworth is being shaped to deliver clients' requirements for a full-service and digitally driven offering to help launch, distribute and differentiate their products



Paul Taaffe Chief Executive Officer

Chief Executive's statement continued

The Group remains focused on its debt levels. As we outlined previously, the industry does produce short-term cyclical movements in cash generation and this year has seen a reversal of the prior year trend with very strong cash generation. The Group produced a net operating cash flow inflow before highlighted items and after lease payments of £50.6 million (2018: £23.4 million). Net debt at 31 December 2019 was £70.4 million (2018: £77.0 million) equivalent to 1.5x EBITDA (2018: 1.9x EBITDA), a level we remain committed to on a longer-term basis.

Group performance overview

The Group grew headline profits by 27% in 2019, largely as a result of the impact of acquisitions and positive exchange movements. Underlying profits were up £1.4 million, with strong profit growth from Constellation Communications and central bonus savings offset by investments in the healthcare divisions.

The following bridge shows the key movements in headline profits in 2019:

Healthcare revenue growth

5%
(£163.0m)

2018: £155.9m

Communications revenue growth

3%
(£72.1m)

2018: £69.8m

A stronger US Dollar in 2019 compared to 2018 has resulted in a translational gain of £1.2 million, with a further £1.0 million incremental gain on hedging instruments. Acquisitions – which include both the contribution from KYNE and Creativ-Ceutical, as well as the annualisation of the 2018 acquisitions – added £5.4 million to profits, net of interest. Adjusting for all these factors, like-for-like headline profits before tax were up 4% reflecting good organic growth.

Revenues were £264.9 million (2018: £225.0 million), after positive currency movements of £4.9 million and a £28.3 million contribution from acquisitions. On a like-for-like basis, revenues grew by 4.2%, with the healthcare divisions growing by 4.6% in aggregate and Constellation Communications growing by 3.3%.

Headline profit before tax was £39.1 million (2018: 30.9 million), an increase of 27% or 4% on a like-for-like basis. Operating profits were £36.3 million (2018: £31.4 million), an increase of 16%. The following table reconciles statutory to headline profits:

£m	2019	2018
Operating profit	36.3	31.4
Highlighted items	8.5	1.8
Operating profit before highlighted items	44.8	33.2
Margin	16.9%	14.8%
Interest	(5.7)	(2.3)
Headline profit before tax	39.1	30.9

The application of IFRS 16 has reduced profits by £0.9 million, with a £1.3 million increase in operating profits offset by a £2.2 million increase in finance costs.

The Group's effective tax rate was 18% (2018: 18%). Diluted earnings per share were 5.4p (2018: 6.1p). Adjusted diluted earnings per share were 8.1p (2018: 7.1p), an increase of 14%.

The past four years have seen the Group transformed from a PR business with declining revenues and margins into a healthcare-focused communications business. Over the period profits have increased three-fold with no increase in leverage, as shown in the table below:

	HPBT	Leverage
2015	13.3	1.8x
2016	16.0	1.5x
2017	24.4	1.1x
2018	30.9	1.9x
2019	39.1	1.5x

Divisional performance overview

Marketing

Marketing is led by US-based Evoke, the Group's largest agency, which primarily specialises in the marketing of prescription drugs directly to patients and healthcare professionals (HCPs). As previously highlighted, the division endured a difficult first six months, with the loss of a large client due to a procurement-led tendering exercise, clients suffering drug failures at stage 3 of their clinical trials and the loss of certain drug mandates due to regulation and competition. The second half of the year saw less of this type of attrition and despite delays in the start of new client work, the division returned to its long-term growth trajectory of 5% during the period. Overall, revenue grew by £26.3 million (32%) to £108.3 million, an increase of 2.4% on a like-for-like basis. Operating profit increased by £4.2 million to £24.2 million, although this represented a decline of 2% on a like-for-like basis, reflecting the investments in staff and property which helped drive H2 performance.

Headline profit before tax growth

193%

Since 2015

Marketing's longer-term outlook remains positive and we were pleased with the improved momentum in H2 this year. Putting the division into a wider context, the addition of the key capabilities of Giant Creative Strategy (the largest healthcare agency on the west coast and in the heart of the biotech hub), Navience Healthcare Solutions (market access) and AboveNation Media (adtech-enabled media planning and buying), all of which were purchased in 2018, and KYNE purchased this year has produced one of the top three independent specialist healthcare marketing groups in the industry: a group that is now capable of handling increasingly complex multi-audience, multi-geography client briefs and that is appearing on pitch rosters that were previously the preserve of the larger holding companies. The Group remains nimble and has expanded its talent pool to take advantage of these opportunities. We expect to see a further improvement in growth during 2020.

Medical

Medical is led by UK and US-based ApotheCom, which specialises in medical affairs and communications, underpinned by data and analytics. The division continued to grow strongly in 2019, posting its fourth successive year of double-digit revenue growth, with good organic growth and client wins, especially in the key therapeutic areas of oncology and CNS. This was supplemented by the contribution from Creativ-Ceutical from May 2019 and the move into consultancy with the creation of Medistrava. The division grew revenue by 32% (8.5% on a like-for-like basis) to £45.1 million. Operating profit increased to £13.3 million, representing growth of 36%, although only 1% on a like-for-like basis due to investment in staff and new property to cope with the expansion of the business.

The division continues to look for new capabilities to add to its offering and the successful integration of Creativ-Ceutical has provided the opportunity to access new clients and new territories. The division will look to build on these opportunities in 2020.

Immersive

The Immersive division is led by The Creative Engagement Group and is focused on providing deeply immersive experiences in exhibitions and events, scientific training and internal communications, with a particular strength in healthcare. 2019 was a year of investment in more senior staff and expanded office space in London to support the 25%+ growth we saw in 2018. This was accompanied by the development of our offering which saw the division launch a new agency, Fortyl,

which harnesses the needs of larger corporates to engage more meaningfully with their employees. We have already seen a significant level of demand across all sectors and won a number of significant assignments that start in 2020. Overall, revenues grew by £2.4 million, 6% on a like-for-like basis, to £37.9 million, although profits reduced by £0.8 million as result of the investments made.

Constellation Communications

Constellation Communications comprises the agencies Grayling, Red and Citigate Dewe Rogerson (CDR). This year saw a pleasing turnaround in performance, following three years of rationalisation, improved sales conversion, cost management and operational efficiencies. The division produced revenue of £73.6 million (2018: £73.4 million), which represents growth of 3.3% on a like-for-like basis. Operating profit improved by 38% to £8.3 million (2018: £6.0 million).

Dividend

Given the strength of the Group's performance, the Company will be proposing to increase its final dividend to 1.85p, giving a total dividend for the year of 2.6p, an increase of 13% on the previous year.

Group outlook

The Group remains focused on enhancing the services we provide to our healthcare clients by developing and adding capabilities. The enhanced capabilities added through acquisition and launch, combined with the investments made in all divisions during 2019, led to a stronger H2 and we are encouraged by the momentum into early 2020, positioning the Group for good growth in 2020.

The Group's balance sheet has strengthened over the year, helped by strong cash generation which has enabled the Group to meet its target debt level of 1.5x EBITDA. Overall, we are well positioned for future growth and look forward to reporting further progress in 2020.

Paul Taaffe

Chief Executive Officer
3 March 2020

Divisional summaries

Health: Marketing

Purpose-built to navigate the complexities of today's health and wellness landscape, Evoke leads the Marketing division as a global full-service marketing, media, and communications agency bound by the common purpose – to make Health More Human™.

Revenue

+2%

LFL

Profits

-2%

LFL

With roots in digital, Evoke has shaped its global offering to meet the ever-changing demands of the market and has evolved into one of the leading marketing, media, and communications agencies in the industry. With more than 650 professionals and 10 offices worldwide, Evoke has been named one of the Best Places to Work for five years running and continues to attract the industry's best and brightest talent. Core areas of expertise include: Professional Marketing, Consumer and Patient Marketing, Market Access, Digital & MCM, PR & Influence, and Media & Analytics.

The agency's creatively curious, data-driven mindset, digital DNA, and full-service offering puts it in a unique position in the market – partnering with many of the world's leading health and wellness clients to develop durable businesses, create indelible brands in highly competitive marketplaces, and build markets for sustainable growth.

In the last three years, Evoke has made impressive investments in its business, including the acquisition of one of the most advanced media and adtech companies in the space; the largest healthcare agency on the west coast; one of the fastest growing and full-service market access businesses; and one of the largest, most awarded global healthcare communications agencies. Evoke prides itself on finding new and innovative ways to keep its clients, and the patients and healthcare professionals they serve at the centre of its business. Its structure creates strategic connectivity across the entire offering, integrating services and enriching each business unit with best practices scaled across the Group, and allows speciality teams to be nimble when working across disciplines. The agency continues to innovate by investing in new technologies, partnerships and endeavours aimed at bringing new perspectives to its unifying vision to make Health more Human™.


**We make Health
more Human**


Health More Human in practice: Goodbye Malaria

Tchau tchau, hamba kahle, au revoir, adios, goodbye malaria.

One of our new businesses, Evoke KYNE, is currently working with Goodbye Malaria, an initiative launched by passionate and concerned African entrepreneurs, to eliminate the life-threatening disease transmitted by mosquitoes. Malaria is preventable and treatable, yet still affects millions of people globally, killing a child every two minutes in Southern Africa. Goodbye Malaria is helping protect lives in Mozambique, which shares 3% of the global malaria burden, by spraying insecticide on the interior walls of houses where mosquitoes are found. In 2017, in partnership with community members, they sprayed five districts in the Maputo province of Mozambique, protecting more than 700,000 lives from malaria.

The success of prevention methods like indoor spraying are dependent on communities being informed and engaged. The Goodbye Malaria team

enlisted Evoke KYNE to design a behaviour change communications campaign that will empower communities, inspiring them to participate in spraying.

The partnership between Evoke KYNE and Goodbye Malaria is long-standing and fuelled by a commitment to positive health outcomes. Goodbye Malaria leadership and Evoke KYNE were founding members of United Against Malaria, a global coalition of public and private organisations that leveraged the popularity of football to shine a spotlight on the disease. The diverse team of hundreds of partners hosted activities across the African continent, including airing television advertisements with celebrity footballers, implementing a workplace programme that provided guidance to employers on how to keep colleagues safe from malaria, and selling a colourful, handmade beaded bracelet which has raised \$1 million for The Global Fund to Fight AIDS, Tuberculosis and Malaria.

Divisional summaries

Health: Immersive

The Immersive division, led by The Creative Engagement Group, engages business and consumer audiences through the creation and delivery of live experiences, film, immersive, interactive learning, training and scientific content. The Creative Engagement Group works with an international blue-chip client base across business categories and has a particular strength in healthcare.

Revenue

+6%

LFL

Profits

-15%

LFL

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 which has recently seen 19 consecutive quarters of increased client marketing confidence and spend. Other types of 'experiences' are also on the rise, for example pop-up shops are growing in popularity as a way of building intimate relationships with customers and creating unique experiences.
- Film, which is of increasing importance with video streaming accounting for 58% of global online data traffic and 82% of 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, AR and Instructional Design - with the global immersive market predicted to reach \$215 billion by 2021, we develop immersive experiences that cover a range of client requirements, from training employees to explaining complex science.
- Interactive channels play a key role: internet marketing continues to grow year-on-year and so our capabilities in digital strategy and development are utilised for a range of clients and audiences.
- Employee Engagement is key - as there is a greater corporate requirement for employee engagement, and a sharp rise in employees working remotely, we design a range of strategic and creative programmes to engage

internal audiences for global businesses across a range of sectors.

- Given the growing requirement for employees to understand and learn increasingly complicated information in categories including healthcare, we provide our clients with training and learning solutions that change behaviour and improve performance.

**We create moments
that inspire
lasting change**

Health: Medical

We know what it takes to launch innovative medicines and that is why we have built an integrated spectrum of capability and services across medical affairs, health economics and market access operating under MEDiSTRAVA.

MEDiSTRAVA includes ApotheCom (medical communications agency); MEDiSTRAVA Consulting (strategic medical affairs consulting group) and Creativ-Ceutical (health economic, outcomes research and market access consulting). The division works with medical, clinical, health economics and market access stakeholders to accelerate the availability and understanding of scientific, clinical and economic evidence for new treatments and health technologies. Core services include medical affairs strategy, medical communications, publications, disease state education, key opinion leader mapping and engagement, medical affairs operations and effectiveness evaluation, pricing and market access, health economics and outcomes research.

The acquisition of Creativ-Ceutical in May 2019 further enhances the team's capability to provide global support pre-launch and meet the increasingly stringent evidence requirements for reimbursement and optimal patient access. As well as growing revenues by 10% following acquisition compared with prior year, Creativ-Ceutical also supported more than a dozen new integrated opportunities across the MEDiSTRAVA group demonstrating a client need for an enhanced solution combining medical affairs and health economics. New geographies including Japan and a diversified European footprint provide further opportunities for division growth through integrated solutions across new markets.

The division's client base includes large and specialised pharma and a broad spectrum of first commercialisation, emerging and established biotech companies spanning West Coast, US and Cambridge, Boston. Adding 21 new client organisations, the Medical division has a rapidly expanding and diverse client base including an increasing roster of organisations being served by the start-up consulting group operating as MEDiSTRAVA Consulting.

Revenue

+9%

LFL

Profits

+1%

LFL

**Integrating medical
strategy, value and
analytics**

Divisional summaries continued

Constellation Communications

2019 awards for Grayling:

EMEA and Global SABRE Awards

- PA Agency of the Year at the Global SABRE Awards
- PA Agency of the Year at the EMEA SABRE Awards

PRCA

- Public Affairs Awards Europe 2019 – consultancy of the year
- Best European parliament Campaign

CIPR PRide Awards in Scotland

- Corporate Communications - Silver award for Morton Fraser
- Integrated Campaign - Silver Award for M&S
- Best use of social media - Silver award for ESCP

2019 awards for Red:

The Drum PR Awards

- Influencer Marketing Campaign for My McDonald's App
- Best FMCG Campaign for McDonald's Big Mac Bacon

CPIR Excellence Awards

- Best Event for Huawei Unfinished Symphony
- Best Use of Content for McDonald's Big Mac Bacon

PRCA National Awards

- Digital and New Media Award for McDonald's Big Mac Bacon

UK Social Media Awards

- Best Social Influencer Campaign for My McDonald's App

SocialDay Social Media Marketing Awards

- Influencer Marketing Campaign of the Year for My McDonald's App

AMEC Awards

- Best use of measurement for a single event for Ecover Rubbish Café

Grayling

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 organisational objectives.

Citigate Dewe Rogerson

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

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

Red

Red is a strategic communications consultancy offering PR, corporate, 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.

Revenue

+3%

LFL

Profits

+23%

LFL

**We create measurable
advantage for
our clients**

Principal risks

The Risk Committee, on behalf of the Board, undertakes a comprehensive assessment of the principal risks facing the Group, including consideration of any emerging risks.

Our risk management approach is designed to identify risks to the Group using both a bottom-up and top-down approach. The Group considers risks arising from our macro environment and strategic and operational priorities.

The likelihood and impact of each risk are 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 every six months or more frequently as required, including a review of the risk indicators.

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

Read more
Pages 40-45



Principal risks continued

Macro

Economic downturn

Trend



Risk and impact

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.

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.

Mitigating factors

The Group has a wide spread of clients and products across both geography and industry sector, reducing reliance on any one particular economic environment. Geographical and sector diversification is monitored by the Risk Committee and the Board.

Our significant and growing exposure to the healthcare sector mitigates the impact of an economic downturn, because demand for pharmaceutical products is relatively inelastic and therefore is less affected by an economic downturn. This protects our clients, which in turn means their spend with us is less likely to be impacted.

Costs are managed in each business such that they can be flexed where needed in a downturn. However, where there are protracted economic difficulties in the Group's key markets, the ability of the Group to minimise the impact is constrained and performance may deteriorate.

The Group closely reports and monitors aged debts, and ensures local management has action plans in place to minimise the risk of any loss.

The impact of the coronavirus outbreak remains uncertain. Our Immersive division, which earns a significant proportion of its revenues from events and meetings, is likely to be most affected although current expectations are that the impact will not be material to the Group. The situation is being monitored on a real-time basis and government guidelines in each of our countries of operation are being followed and communicated to staff. Whilst a significant worsening in the outbreak is likely to have a more significant impact on the Group, the nature of our work, location of businesses, and capacity for remote working mean that we do not believe this will impact the Group's viability outlook.

Political instability

Trend



Risk and impact

Political or regulatory instability or change in our countries of operation may impact on our ability to operate, for example through licensing or regulatory changes.

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.

Mitigating factors

The Group operates primarily within low-risk jurisdictions, with 94% of revenues coming from the US, UK and western Europe. Although the healthcare 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.

Whilst there remains uncertainty about the nature of the UK's future trading relationship with the EU we do not anticipate a material impact on the Group's operations, on the basis that: the majority of our business is in the US; our businesses do not typically trade across borders; and we do not have complex supply chains. We anticipate that the main impact on the Group will be the financial impact of any movement in exchange rates.

Currency risk

Trend



Risk and impact

A substantial proportion of the Group operates outside of the UK, with significant operations in the US.

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. The Group may also suffer restrictions on the ability to repatriate cash.

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.

Mitigating factors

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 and intercompany positions to mitigate this risk where deemed necessary.

Borrowings are also available to be drawn down in US Dollars and Euros if required to hedge foreign currency exposure. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.

Strategic

Over-reliance on health sector

Trend



Risk and impact

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.

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.

Given the increased proportion of revenues from healthcare and the US, this risk is increased.

Mitigating factors

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.

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.

Service offering fails to evolve to meet changing market needs

Trend



Risk and impact

The communications industry is always changing, driven by client changes, technological change or emergence of competitors. The Group needs to be proactive in identifying and delivering solutions to changing client needs.

Failure to evolve can result in loss of market share, client losses and pressures on pricing, which can impact on revenue and margins.

Mitigating factors

The Group's range of services and international footprint increasingly allow us to offer clients an integrated portfolio of services across geographical locations which are attractive to new clients and help to strengthen existing client relationships.

The Group continues to diversify its service offering, both organically and through acquisition, to provide a full spectrum of healthcare communications and public relations services.

Reviews of all new business opportunities won and lost across the Group are performed regularly. Appropriate actions are taken where new business conversion rates are below expectations. 2019 saw record levels of new business wins which indicates the service offering continues to meet market needs.

Acquisitions or investments fail to deliver expected growth

Trend



Risk and impact

The Group's strategy includes investing in new business opportunities, talent and start-ups and the acquisition of businesses which will broaden and enhance existing business operations.

There is a risk that investments are based on inaccurate information or assumptions which fail to meet client needs and which may result in the investment being less financially beneficial than anticipated.

Given the Group's acquisition activity during the year, this risk is increased.

Mitigating factors

All significant investments are supported by a business case, which must be approved by executive management and the Board, where appropriate.

Rigorous due diligence procedures are performed prior to all acquisitions in order to identify and evaluate potential risks to the extent possible.

In addition to the receipt of legal warranties and indemnities, the total consideration paid for a business typically includes an element of deferred consideration contingent upon future performance which mitigates the risk of overpaying for a business

Principal risks continued

Operational

Client dissatisfaction and loss of key clients

Trend



Risk and impact

Any loss of a key client would result in reduced revenues and profits and potentially an inability to recover amounts due under the contract.

Mitigating factors

The Group endeavours to build long-term relationships with its clients and to obtain preferred supplier and agency of record status where possible.

The Group has a large portfolio of clients and seeks to expand and diversify its client base where possible. Within each of our large healthcare clients, the Group typically provides services to multiple brands within that client. Client satisfaction reviews are also undertaken periodically to evaluate service quality, and client retention plans are in place for all top-tier clients.

The Risk Committee monitors the extent of customer concentration to identify potential exposure.

Loss of key talent

Trend



Risk and impact

The Group's talent base is its most important resource. There is strong competition within the industry for experienced healthcare communications and PR professionals.

Recruitment and retention of key individuals are important both for maintaining client relationships and ensuring that our services are of the highest quality.

Mitigating factors

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.

An employee engagement survey was also conducted in the UK via an anonymous online platform, with a series of questions designed to gather quantitative data about employee experience and satisfaction. The results will be fully assessed in 2020.

The Risk Committee and Remuneration Committee review the nature and extent of incentive plans offered to key individuals to ensure that the risk of talent loss is minimised.

Restrictive covenants are included in employee contracts where legally enforceable.

Poor profitability

Trend



Risk and impact

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.

Mitigating factors

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, closing an office or improving pricing discipline – is taken where appropriate.

Information systems access and security

Trend ▲

Risk and impact

Any information systems failure could negatively impact the Group's business operations, including delays to client work.

Unauthorised access to confidential information held by the Group could compromise our client relationships and have a detrimental effect on our reputation.

Cyber security risks are perceived to be increasing across the industry at the moment, particularly with the implementation of GDPR and increased focus on data protection.

Mitigating factors

Business and IT disaster recovery plans have been implemented to minimise any disruption in the event of an IT failure.

External access to data is protected by the Group's IT security, which is reviewed and tested frequently to ensure that the Group's network is as secure as possible. Internal access to data is restricted appropriately.

The Risk Committee monitors the number and extent of IT incidents and will take mitigating actions where appropriate. During the year we also engaged external cyber consultants to help develop a cyber framework to improve security.

Unethical business practices

Trend ◀▶

Risk and impact

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.

Mitigating factors

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 has a Code of Ethics published on our website which outlines the key principles which govern the Company's behaviour, mirroring an already established internal Ethics Policy. This Code applies to all Group staff, workers, employees, contractors, freelancers and Directors, without exception, and is intended to promote a heightened awareness of ethical considerations and individual responsibilities relating to all the Group's activities.

During 2019 the Group issued its Modern Slavery Statement. As part of this process, the Company's supply chain was reviewed to ensure suppliers are able to demonstrate that they operate in accordance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing.

Referral processes, including divisional committees, are in place to manage all perceived ethical and conflict issues. During 2019, an external firm continued to provide access to a confidential multichannel 24/7 whistleblowing service across the Group, available in local languages. The Whistleblowing Policy encourages the reporting of any instances of malpractice for investigation, and action is taken as required.

The Group's weighting towards the heavily regulated healthcare sector adds further protection against the risk of unethical business practices.

Principal risks continued

Operational continued

Loan facility and covenant headroom risk

Trend



Risk and impact

Any liquidity issues could result in reputational damage and potentially impair the Group's ability to make future acquisitions or settle existing obligations.

Mitigating factors

The Group has £130 million of multi-currency revolving credit facilities with a syndicate of banks maturing in 2023, with an accordion option for a further £50 million as well as two uncommitted overdrafts of £5 million and \$10 million. Management closely monitors all covenants on the Group's facilities and actively manages undrawn headroom.

The Group has robust cash management processes including weekly cash reporting from our operations and cash pooling arrangements.

Legal and regulatory compliance

Trend



Risk and impact

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.

Mitigating factors

The Group uses internal and external legal counsel throughout the world to advise on local legal and regulatory requirements and minimise the risk of loss.

In-house training is conducted on key legislative matters such as GDPR, health and safety, and the UK Bribery Act.

Policies on gifts, entertainment, anti-bribery and corruption, electronic communications, share trading and confidentiality are communicated to all employees using dedicated Policy Management Software.

Going concern

The Group's activities, financial performance, position, cash flows and borrowing facilities, together with the factors likely to affect its future development, performance and position over the 12 months from the date of this report, 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 period longer than 12 months. The Board has conducted this review over a period of three years, which was selected because it is in line with the Group's long-term strategic planning period.

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

In reviewing the three-year plan in 2019, the Board assessed the principal risks associated with the business model and strategy, including the likelihood and potential impact of these occurring. These risks formed the basis of the reverse stress testing undertaken to assess the longer-term viability of the Group. This considered severe scenarios with the potential to impact on the viability of the Group, together with the effectiveness of any mitigating actions, and the conclusion was that there were no plausible scenarios which may impact upon the viability of the Group.

In making its 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.

Chief Financial Officer's statement



I am pleased to announce
strong cash conversion
and significant
deleveraging



Ben Jackson Chief Financial Officer

Margin

16.9%

2018: 14.8%

Cash conversion

119%

2018: 71%

Revenue

In 2019 the Group delivered revenues of £264.9 million, up from £225.0 million in 2018. This represents like-for-like growth of 4%, comprising 5% from our healthcare divisions and 3% from Communications. 2019 acquisitions contributed £13.8 million to revenues. On a divisional basis, 41% of revenue came from Marketing, 17% from Medical, 14% from Immersive and 28% from Communications.

Geographically, 53% of Group revenue in 2019 was from the US, 32% from the UK, 11% from Europe and 4% from the Rest of the World ('RoW').

Operating profit

Operating profit was £36.3 million (2018: £31.4 million). The increase primarily reflects the contribution of acquisitions (£5.4 million), favourable foreign exchange movements (£2.2 million) and strong profit conversion in the Constellation Communications division (£1.5 million). Central costs decreased by £1.0 million, with the majority of the decrease relating to variable executive remuneration, being lower annual bonuses and share option charges.

Before highlighted items, operating profit was £44.8 million (2018: £33.2 million), which represents an improved margin of 16.9% (2018: 14.8%). Margin improvements have been driven by organic growth, favourable foreign exchange movements, and the impact of acquisitions and disposals, all of which have offset the impact of investments made during the year.

Currency

Changes in exchange rates, primarily a stronger US Dollar (1.28 vs 1.38 in 2018), increased revenues by £4.9 million and operating profits by £2.2 million. The strengthening of Sterling against the Dollar between 31 December 2018 and 31 December 2019 has also resulted in a £9.4 million expense to Other Comprehensive Income and Expense due to the retranslation of the Group's overseas assets.

Highlighted items

Highlighted items of £9.3 million comprise the following:

	£m
Amortisation of acquired intangible assets	6.9
Property	5.7
Disposal-related expense	3.6
Acquisition and transaction-related costs	1.2
Restructuring	0.7
Remeasurement of deferred consideration and redemption liabilities	(9.6)
Imputed interest charges	0.8
	9.3

The highlighted property costs are associated with property consolidations across the Group and include double rent costs and provision for onerous leases. The disposal-related expense relates to the sale of our Grayling MEA division in July 2019. The remeasurement of deferred consideration and redemption liabilities reflects our latest estimates of these liabilities. These costs are excluded from adjusted results as they are one-off in nature.

Cash flow and net debt

Cash conversion of operating profit into operating cash flows before highlighted items and after lease payments and interest was 119% (2018: 71%).

Operating cash flow before highlighted items was £60.0 million (2018: £23.4 million). Free cash flow (after interest, tax, lease payments, capital expenditure and NCI dividends) was £31.9 million (2018: £13.5 million). Dividend payments, including £1.0 million paid to non-controlling interests, were £8.9 million (2018: £6.1 million). Net expenditure on acquisitions and disposals was £26.4 million, with £15.8 million raised through the issue of shares to partially fund these acquisitions. Earnout compensation paid in the year totalled £5.2 million.

The resulting net debt at year-end was £70.4 million, down from £77.0 million at 31 December 2018 as a result of better cash conversion in the year and lower levels of acquisition spending. This represents a gearing ratio of 1.5x EBITDA on a pro-forma basis (2018: 1.9x), comfortably within our covenant terms of 3.0x EBITDA.

Financial covenants based on the Group's facility agreements continue to be comfortably met.

Dividends

At the forthcoming AGM, the Board will propose a final dividend of 1.85 pence, up 16% on 2018, bringing the total dividend for 2019 to 2.6 pence and reflecting the growth in earnings. Subject to shareholder approval, the final dividend will be paid on 18 September 2020 to all shareholders on the register at 7 August 2020. The shares will trade ex-dividend on 6 August 2020. A scrip dividend alternative will be available. The dividend payout ratio for 2019 is 32% (2018: 32%).

Tax

The total tax charge of £7.3 million (2018: £6.9 million) comprises an underlying tax expense of £7.0 million (2018: £5.5 million) together with a charge of £0.3 million on highlighted items (2018: £1.3 million charge). The full year underlying tax rate is 18% (2018: 18%). The highlighted tax charge of £0.3 million relates to deferred tax on intangible assets.

Net corporation tax paid in the year was £4.7 million (2018: £4.1 million).

Earnings per share

Profits attributable to ordinary shareholders before highlighted items were £29.8 million (2018: £24.9 million). Profits after highlighted items attributable to ordinary shareholders are £20.3 million (2018: £21.3 million).

Before highlighted items, basic earnings per share for 2019 is 8.3 pence (2018: 7.5 pence) and diluted earnings per share is 8.1 pence (2018: 7.1 pence).

After highlighted items, basic earnings per share is 5.6 pence (2018: 6.4 pence) and diluted earnings per share is 5.4 pence (2018: 6.1 pence).

Ben Jackson

Chief Financial Officer
3 March 2020

Corporate Social Responsibility

Recognising our impact as a business

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

We are committed to monitoring all our environmental, social and governance aims and to driving a sustainable business that is both commercially successful and socially and environmentally responsible.

Huntsworth is committed to the highest standards of ethics, honesty and integrity. Our Anti-Corruption and Anti-Bribery Policies outline the expected standards of conduct that employees, contractors, suppliers, and any other third parties who act for and on behalf of Huntsworth, are obliged to follow.

As well as complying with all applicable laws and respecting internationally recognised human rights standards in every location in which we operate, we aim to make a positive contribution to human rights through our choice of business partners and our own HR policies and practices.

Environmental

The Group recognises its responsibilities to conserve resources and is committed to continuous monitoring of and 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

We annually measure and report on 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 with GHG emissions per employee being 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 GHG Conversion Factors for Company Reporting 2016. The results are presented in the table below (note that this data is unaudited).

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 per employee this year, due to continued efficiencies in the use of our property portfolio.

	Tonnes of CO ₂ e 2019	Tonnes of CO ₂ e 2018
Scope 1	40	58
Scope 2	1,409	1,503
Total GHG emissions	1,448	1,561
Average number of employees	1,991	1,902
Emissions per employee	0.73	0.82

We strive to achieve the most energy efficient use of our office space. We are pleased to report that our Evoke Giant office in San Francisco is LEED Gold certified. LEED, or Leadership in Energy and Environmental Design, is the most widely used green building rating system in the world, and LEED certification is a globally recognised symbol of sustainability achievement.

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.

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. In 2019 we have focused on promoting the following to employees:

- Making use of telephone conferencing that enables limited environmental impact
- Where travel is the only option – using public transport where possible

In 2019 we engaged a third party to conduct an audit of the electricity usage at our larger offices. The objective of the audit is to ensure the properties we rent are using the most efficient electricity sources possible. The conclusions of the audit will be fully assessed in 2020.

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 427 trees and 45 tonnes of CO₂ in 2019.

Social 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, participating in volunteer days and helping to raise money and awareness for good causes.

Over the last few years, our Dutch office, CFF Communications, along with Grayling in the US and Europe, provided pro bono support (250 staff hours valued at over £43,000) for 'The Ocean Clean Up', a Dutch non-profit foundation founded in 2014 by then 18-year-old inventor Boyan Slat, with the aim to clean up the tonnes of plastic waste that enter our oceans every year. We are proud to have been providing support to this foundation from its very first year and were delighted to see the launch of its first operational system from San Francisco into the Pacific Ocean this year.

Grayling UK continues to run the Grayling4Good initiative. Activities this year included food bank donations, lunchtime plogging (a combination of jogging with picking up litter) and tree planting.

At Huntsworth we feel our biggest contribution to our community is through the work we do, assisting with the development of drugs to make people better. We are committed to only working with drugs that have a positive impact and strive to find opportunities to help the most vulnerable in society.

The Group also made formal contributions of over £10,000 to 29 different charities around the world.

Future Frontiers

In 2019 Red Consultancy partnered with Future Frontiers, an award-winning education charity whose mission is to ensure young people from disadvantaged backgrounds fulfil their potential at school and beyond. In their words: *'Extensive research confirms that young people from low-income families do not lack aspirations. What they miss out on is the guidance and networks they need to understand the range of career opportunities on offer, develop their own aspirations and understand what it takes to turn them into reality.'* The programme we took part in aims to help address this problem.

Future Frontiers trained 17 volunteer coaches from across the agency to deliver a structured four-week career guidance programme. The coaches were matched to year 9 pupils and provided over six hours of face-to-face coaching. To enhance the structured weekly sessions, coaches also supported pupils to engage with professional role models – using their networks to arrange a phone call with someone working in the profession they are interested in, as well as helping them to prepare for a Skype call with the National Careers Service. By combining these elements, pupils build motivation and engagement and recognise the range of career opportunities available to them – inspiring career aspirations and what it takes to turn them into reality.

Supporting Future Frontiers not only enabled us to give back to the community and help guide and navigate young people, but it also provided an opportunity to develop our staff through the coaching element that sits at the core of the programme.

Dominic Baker, Founder and CEO, Future Frontier said: *'At Future Frontiers, we believe that all young people can be motivated by their aspirations if they discover a career that truly inspires them and make important connections to their opportunities at school.'*

Corporate Social Responsibility continued

People

People are at the heart of our business. We are committed to having a culture which stimulates and rewards our workforce.

Employee 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.
- Measures to support mental health awareness amongst the Group's employees. Our Mental Health awareness initiative focuses on prevention, intervention, treatment and education. Huntsworth continues to develop and implement health and wellness programmes in its continued support of its employees. Responding to the increasing awareness over mental health issues, Grayling UK, for example, encouraged its staff to partake in team activities at lunchtimes rather than work.

Employee training and development

We are committed to the development of our talent with a focus on offering opportunities for career development for all employees. Our operating companies foster career development through regular performance evaluations, career pathing and continual coaching feedback. The Group provides access to a number of training initiatives which enable our people to develop skills which will support our businesses' development and strategy.

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

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

Employee communication

As referred to in the Corporate Governance report on page 43, Pat Billingham continues to act as the designated Non-Executive Director for engagement with the workforce. During 2020 processes and procedures will be implemented to ensure that the Board continues to engage with the workforce to understand their views and communicate Board decisions. An employee engagement survey was conducted in the UK via an anonymous online platform, with a series of questions designed to gather quantitative data on employee experience and satisfaction. This also captured key demographics, performance of key areas including value and recognition, team culture and pride. We will be rolling out this engagement survey to the Company's US agencies in 2020, at which point we will be in a position to fully assess its conclusions.

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.

Succession planning

Succession planning continues to be an area of focus for the Board and Nomination Committee, both at the Board and senior management level. The Nomination Committee also reviewed succession planning at a senior management level, both on an emergency and long-term basis, identifying any retention risks.

We will continue to review succession planning processes across the Group, in order to identify the leaders of the future, cognisant of the importance of diversity within our senior management team and the requirements of the UK Corporate Governance Code.

Diversity

We recognise that the Board sets the tone for diversity across the Group and that it is important that we have a diverse leadership to support good decision-making. 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.

We promote inclusive working practices and support our companies' efforts to increase diversity of all kinds through best practice in recruitment, training, mentoring, parental leave and flexible working.

Huntsworth provides equal employment opportunities to all employees and applicants without regard to race, colour, religion, sex, sexual orientation, national origin, age, disability, military status, or status as a disabled veteran in accordance with applicable UK and US laws. In addition, Huntsworth strictly complies with all US applicable federal, state and local equal opportunity and anti-discrimination laws.

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.

We are committed to gender diversity across the Group. As at 31 December 2019 women accounted for 41% (13) of executive management, 39% (28) of senior management and 64% (1,341) of total employees.

Throughout 2019, the Board had 43% (three) female representation, which exceeds the Lord Davies target of 33% female representation on the Board by 2020 applying to FTSE 350 companies. 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.

Gender pay

We are committed to ensuring our people have the best opportunities to succeed and are fairly remunerated, regardless of gender. During 2019 the Board reviewed the gender pay gap position amongst the workforce both in the UK and across the Group, and work is ongoing in this regard. This is a particular area of focus for the CEO and we look forward to providing further details next year on how we have promoted diversity and inclusion within the Group.

Governance

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

As an organisation, we are committed to the highest standards of ethics and corporate governance and recognise the importance of operating within a strong corporate governance framework. Indeed, more and more of our clients expect this.

We acknowledge that there is always more that can be done, but our aim is to continually strengthen our position each year.

Refer to s172 Statement
Pages 43-44

Corporate Social Responsibility continued

Code of Ethics

We believe that the honesty, integrity and ethical behaviour of all our workforce are fundamental to the reputation and success of the Group as a whole.

Hence in the year we created and published on our website a new Code of Ethics which outlines the key principles which govern the Company's behaviour, mirroring an already established internal Ethics Policy.

This Code applies to all Group staff, workers, employees, contractors, freelancers and Directors, without exception, and is intended to promote a heightened awareness of ethical considerations and individual responsibilities relating to all of the Group's activities.

A copy of the policy is available on the Company's website.

View more online

[www.huntsworth.com/
wp-content/uploads/2019/08/
External-Code-of-Ethics-public.
pdf](http://www.huntsworth.com/wp-content/uploads/2019/08/External-Code-of-Ethics-public.pdf)

Whistleblowing Policy

The Company's 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 2019, an external firm continued to provide access to a confidential multichannel 24/7 whistleblowing service across the Group, available in local languages. The Whistleblowing Policy encourages the reporting of any instances of malpractice for investigation, and action is taken as required. During the year, we took the opportunity to remind our workforce of the availability of this confidential service. We did not have any disclosures made to the 24/7 whistleblowing service in 2019.

Modern Slavery Statement

We are opposed to any form of slavery or human trafficking (together, **Modern Slavery**), and the Group's policy is to ensure that it is eradicated from both our business and from our supply chains.

The Company publishes a Modern Slavery Statement, which is annually reviewed, detailing the steps that the Company has taken during the financial year to ensure that Modern Slavery is not taking place in any of its supply chains or in any part of our business. During 2019 we undertook, amongst other matters, the following steps aimed at ensuring that slavery and human trafficking is not taking place in any of our supply chains or in any part of our business:

- Implemented initiatives for onboarding suppliers so that where the Company or any of its subsidiaries enters into a contract with a new supplier, that the relevant supplier formally acknowledges their adherence to modern anti-slavery principles. This was extended to renewals of existing supplier contracts.
- We asked each agency to complete a Supplier Risk Matrix, in order to categorise each of their existing suppliers into a risk category being high, medium, low and very low (over 7,000 suppliers were categorised).
- We raised and reinforced awareness of modern slavery and human trafficking. Amongst other matters, all worldwide workers were asked to watch an awareness video on modern slavery as part of the annual acknowledgement to comply with all the Group's policies.
- The Company's Board of Directors was kept abreast of the work undertaken on modern slavery and human trafficking, and was requested to feed back comments into the process.

A copy of our Modern Slavery Statement is available on the Company's website.

View more online

[www.huntsworth.com/
wp-content/uploads/2019/07/
modern-slavery-statement-2018.
pdf](http://www.huntsworth.com/wp-content/uploads/2019/07/modern-slavery-statement-2018.pdf)

All Company policies

The Company has a number of policies, statements and notices, which are reviewed regularly, with new policies presented to the Board as appropriate. During the year the Board approved the Data Protection Policy which sets out the Company's policy for gathering, storing and processing the personal data of individuals.

In 2019 we tightened our procedures and requested all of our workforce to formally acknowledge their acceptance of and agreement to comply with all policies. Furthermore, for the first time this year, staff were obliged to watch a series of training and awareness videos. We also have statements which are available on our website, notably our Code of Ethics and Modern Slavery Statement.

All our policies and videos are available to our workforce via a 24/7 online policy management portal (known as PolicyHub). Further details of our policies, statements, notices and videos, are set out below.

Publicly available policies, statements and notices:

1. Code of Ethics - www.huntsworth.com/wp-content/uploads/2019/08/External-Code-of-Ethics-public.pdf
2. Modern Slavery Statement - www.huntsworth.com/wp-content/uploads/2019/07/modern-slavery-statement-2018.pdf
3. Privacy Notice - www.huntsworth.com/wp-content/uploads/2019/07/modern-slaverystatement-2018.pdf

Policies, statements and notices available to the workforce:

1. Anti-Bribery, Corruption and Tax Evasion Policy;
2. Data Protection Policy;
3. Dealing in Huntsworth plc shares;
4. Electronic Communications and Acceptable Usage Policy;
5. Ethical Trading Policy;
6. Ethics Policy;
7. Guidance on Gifts and Entertainment Policy;
8. Sanctions Policy;
9. Share Trading Policy (for dealing in securities of other companies); and
10. Whistleblowing Policy.

Training and awareness videos available to the workforce:

1. Bribery and Corruption Indicators
2. Data Protection Today (GDPR)
3. Information Security
4. Fraud and Social Engineering
5. Spotting Phishing Emails
6. Modern Slavery

Data protection

We are committed to:

- When required, seeking consent for the collection, use and sharing of personal data;
- Notifying data subjects in a timely manner in case of data breach (as required);
- Limiting the collection and retention of essential personal data;
- Implementing appropriate data security safeguards; and
- Having clear terms and conditions for the use of personal data.

The Company has a Privacy Notice which is available on the Company's website (www.huntsworth.com/privacy-policy/), and a Data Protection Policy which is available to the workforce.

Board of Directors

David Lowden Chairman

David Lowden was appointed to the Huntsworth Board on 1 January 2019 and became the Chairman of the Board and Nomination Committee on 6 March 2019. David has extensive executive experience in global marketing services businesses. From 1999 to 2008, he was a member of the board of Taylor Nelson Sofres Plc, the marketing services business, becoming its CEO in January 2006. Before this, he held several other senior executive positions, including at AC Nielsen Corporation and Federal Express Corporation. David is currently the Non-Executive Chairman of PageGroup Plc, the specialist FTSE 250 recruitment agency and is Senior Independent Director at Morgan Sindall Group Plc. David has previously held other non-executive roles, including at Cable & Wireless Worldwide Plc and Berendsen Plc.

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 in London and New York 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 Operating Officer

Neil Jones was appointed as Huntsworth's COO in October 2019, having held the position of CFO at Huntsworth since February 2016. He has held senior financial positions for over 20 years, the majority of which have been with public companies. Most recently he was CFO of ITE Group plc (now Hyve Group plc), a FTSE listed international organiser of exhibitions and conferences. 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 Tremor International, an AIM listed adtech company. Neil is a member of the Institute of Chartered Accountants in England and Wales, qualifying with PwC in 1990.

Ben Jackson Chief Financial Officer

Ben Jackson was appointed as Huntsworth's CFO in October 2019, having spent over three years as Head of Finance for the Group. Prior to joining Huntsworth, he was Group Financial Controller of ITE Group Plc (now Hyve Group plc), a FTSE listed international organiser of exhibitions and conferences, and before that he was a senior credit analyst at Royal Bank of Scotland. Ben is a member of the Institute of Chartered Accountants in England and Wales, qualifying with Deloitte in 2009.

Andy Boland
Senior Independent
Non-Executive Director

Andy 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, Nomination and Remuneration Committees. 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 marketing services company, from 2004 to 2008, having previously worked for WPP Group plc.

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 and Nomination Committees. 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. Nicky was also the Group Chair of Notcutts Group Limited from 2014 until February 2020. Currently, Nicky is a Non-Executive Director and member of the Audit, Remuneration and Nomination Committees for Redrow plc and a non-executive director of Adnams plc. Nicky is also a Commercial Board member of the Royal Horticultural Society and has recently been appointed as Non-executive director and Chair of the Remuneration Committee at Marshall Motor Holdings Plc.

Pat Billingham
Independent Non-
Executive Director

Pat Billingham 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. She is also a member of both the Remuneration and Nomination Committees. Pat was a tax partner at Ernst & Young, the multinational professional services firm from 1995 to 2012. Whilst at Ernst & Young, she obtained broad experience in various sectors and also performed a range of executive duties within the firm. Pat currently holds non-executive directorships with Catalyst Housing, where she is Vice-Chair and Chair of the Remuneration Committee, RenaissanceRe Syndicate Management Limited, where she is Chair of the Audit Committee, and B&CE Financial Services Limited, where she is Chair of the Audit and Risk Committee.

Martin Morrow
Company Secretary

Martin 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 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.

Chairman's Introduction

Letter from the Chairman

I am pleased to present Huntsworth plc's Corporate Governance Report for the financial year ended 31 December 2019, which is my first year as Chairman.

In this section of the 2019 Annual Report and Accounts (**Annual Report**) insight is provided into the activities which have supported the Company's corporate governance during 2019. I also highlight the changes that have taken place in response to the UK Corporate Governance Code 2018, applicable from 1 January 2019 (the **2018 Code**).

Board and Committee composition and changes

First of all I would like to take this opportunity to thank my predecessor, Derek Mapp, for his excellent leadership during his tenure which ended on 6 March 2019, when I succeeded him as Chairman of the Board and Nomination Committee.



The Board's preference is to actively promote the cultures that are specific to each agency provided they operate within a framework of overarching values set by the Board



During the year, other changes to the Huntsworth plc Board of Directors (the **Board**) included the appointment of Neil Jones as Chief Operating Officer and Ben Jackson's appointment to the Company's Board as Chief Financial Officer, both effective from 1 October 2019. As the Board continues to focus on the growth of the Group, particularly in healthcare services, we are confident that these appointments provide us with the capacity to achieve that objective.

Elizabeth McKee Anderson stepped down from the Board on 31 December 2019 and I would like to acknowledge and thank Liz for the extremely valuable contribution she made to the Company.

Governance framework and risk review

Given that this is my first year reporting to you as your Chairman, I was keen that the Board pushed forward with its review of the Company's corporate governance and risk framework, and this review also extended into how the Board operates and its processes. The underlying aim was to ensure that we have the necessary structure in place to address the various new aspects arising from the 2018 Code and thereby promoting the long-term sustainable success of the Company for the benefit of all our stakeholders. The areas covered in this review included the following:

Group Values Statement

The Board is cognisant that the Company operates a holding company structure which accommodates a number of diverse and individual

businesses and agencies, and that our governance structure has to be framed with this in mind. Given this, the Board's view and outcome are that having one consistent culture across all agencies is not possible or even desirable. Rather, the Board's preference is to actively promote the cultures that are specific to each agency provided they operate within a framework of overarching values set by the Board. Hence, during the year, the Board debated, with a view to formalising, its proposed framework of values to enable it to be a successful company for all its stakeholders. The Board will use this framework of values to assess and monitor its businesses going forward. The framework of values will also help to align the Company's values with strategy.

Modern Slavery Statement

During 2019, we undertook a number of steps aimed at ensuring that slavery and human trafficking are not taking place in any of our supply chains and in any part of our business. More information on the work that was undertaken in the year can be found on page 34 of the ESG Report.

Company policies

In 2019 we tightened our compliance procedures and requested all of our workforce to formally acknowledge their acceptance of and agreement to comply with all Company policies. Furthermore, for the first time this year, staff were obliged to watch a series of training and awareness videos.

Risk review

The Board debated the risks that the group faces and will be facing in the future. This exercise extended to linking the identified risks against the Company's strategic aims, to enable ongoing monitoring.

Delegation of authority and limits

The Board considered the delegation of a number of matters to both the Executive and/or the Chairman, with a view to allowing the Board to spend its time on material areas such as strategy and performance, to aid the smooth and efficient running of the Company on a day-to-day basis, and in order to formalise existing practices.

Workforce and stakeholder engagement

In order for a company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties. We welcome the emphasis that the 2018 Code places on promoting effective engagement with stakeholders and, in particular, workforce engagement and employee voice.

Furthermore, we appreciate the increased emphasis now placed on the Board to consider the views and needs of our customers, our colleagues and the communities in which we operate, as well as the shareholders to whom we are accountable. More information on how the Directors have discharged their duty under s172 of the Companies Act 2006 can be found on pages 43-44.

Employees

During 2019 the Board engaged with employees in a number of ways to understand their views. This included informal dinners and lunch sessions. An employee engagement survey was also conducted in the UK via an anonymous online platform, with a series of questions designed to gather quantitative data on employee experience and satisfaction. This also captured key demographics, performance of key areas including value and recognition, team culture and pride. We will be rolling out this engagement survey to the Company's US agencies in 2020, at which point we will be in a position to fully assess its conclusions.

Pat Billingham remains as the designated Non-Executive Director for engagement with the workforce and work is ongoing to further explore matters relating to workforce engagement and process.

Shareholder engagement

As Chairman, I ensure that the Board maintains an appropriate dialogue with shareholders. The Group CEO, Group COO and Group CFO regularly meet with institutional investors to discuss strategic issues and to make presentations on the Company's results. The relevant Committee Chairs also seek engagement with shareholders on significant matters relating to their area of responsibility. Notably, in advance of finalising the Company's Remuneration Policy, which I am pleased to report was overwhelmingly supported by shareholders at our 2019 AGM, we undertook an extensive consultation exercise with the Company's key shareholders and investor bodies, led by Nicky Dulieu, our Remuneration Committee Chair. Shareholders were also given the opportunity to raise wider business issues. Other notable shareholder engagement during 2019 included hosting a Capital Markets Day event for institutional investors in May, which focused on the Company's Marketing and Medical divisions and its strategic growth opportunities.

Other stakeholders

Further initiatives are also under way to improve existing processes which are in place for engaging with other stakeholder groups.

Diversity and Inclusion

Appointments to the Board are made on merit alone, with due consideration of the benefits of diversity in its broadest sense, including gender. We have an ambition to achieve an improved diversity balance at senior leadership levels as well. In order to deliver the best solutions for our clients, we need to hire, retain and grow the best people who reflect the diversity of our world. Improving the balance of our leadership requires close attention to succession planning so we can build a balanced pipeline of talent for the future. I look forward to providing further details next year on how we have promoted diversity and inclusion within the Group.

Board evaluation

It is a key and important requirement of good governance that an annual evaluation is carried out to ensure that the Board, its Committees and each Director operates and performs effectively. During the year a rigorous and thorough evaluation exercise was conducted through a series of questionnaires followed by individual interviews between the Chairman and each Director, and then a presentation and debate over its outcomes and conclusions. With this being my first year as Chairman, I particularly found this process informative and worthwhile. Please refer to page 42 for more details.

Compliance with the 2018 Code

Whilst acknowledging that there is further work to be done, the Company has taken significant strides and I am pleased to confirm that the Company has managed to ensure the requirements of the 2018 Code have all been met during the year ended 31 December 2019, to the extent relevant to a smaller company outside of the FTSE 350.

David Lowden
Chairman
3 March 2020

Corporate Governance Report

The role of the Board

The Board is responsible for delivering shareholder value over the long term, in line with the Group's culture, strategy, values and governance, while considering the interests of all our stakeholders and contributing to wider society. 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 matters reserved for the Board include 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 below and on page 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. 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 a collaborative approach and clarity of the various roles and responsibilities of the individual Board members. The details of Directors' roles are set out in more detail below.

Chairman: David Lowden (appointed on 6 March 2019)

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;
- maintaining contact with major shareholders and ensuring that their views are communicated to the Board and;
- ensuring that the Board considers the interests of key stakeholders.

Chief Executive Officer: Paul Taaffe

Key responsibilities:

- ensuring coherent leadership of the Company;
- recommending to the Board the strategic plan and related annual budget;
- ensuring effective communication with shareholders and key stakeholders and;
- ensuring the Chair and the Board are kept advised and updated regarding key matters.

Chief Operating Officer: Neil Jones

Key responsibilities:

- the Executive responsible for the Communications division;
- managing of the day-to-day operations of the Group;

- managing the Group's risk profile and ensuring appropriate internal controls are in place;
- in conjunction with the CEO and CFO, overseeing investor relations activities;
- identifying and executing new business opportunities and investments and;
- overseeing the information technology department.

Chief Financial Officer: Ben Jackson

Key responsibilities:

- overseeing the financial systems, controls, delivery and performance of the Company;
- managing the Company's treasury affairs;
- ensuring the Company remains appropriately funded to pursue its strategic objectives and;
- in conjunction with the CEO and COO, overseeing investor relations activities.

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;
- leading a performance evaluation of the Chairman and;
- responsibility for leading an orderly succession process for the Chairman.

Non-Executive Directors: Andy Boland, Nicky Dulieu and Pat Billingham

Key responsibilities:

- providing effective and constructive challenge to the Executive;
- assisting in the development and approval of strategy;
- serving on Board Committees;
- providing advice to the Executive and sharing their experience and;
- keeping abreast of shareholders' views.

Activities of the Board

Seven 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. There was full attendance by all Board Directors during the year.

Board meetings attendance

David Lowden ¹	7 of 7
Paul Taaffe	7 of 7
Neil Jones	7 of 7
Ben Jackson ²	1 of 1
Andy Boland	7 of 7
Nicky Dulieu	7 of 7
Pat Billingham	7 of 7
Derek Mapp ³	2 of 2
Elizabeth McKee Anderson ⁴	7 of 7

1 David Lowden was appointed as Chairman of the Board and its Nomination Committee on 6 March 2019.

2 Ben Jackson was appointed as Chief Financial Officer and Director with effect from 1 October 2019.

3 Derek Mapp stepped down as Chairman of the Board and its Nomination Committee and resigned as a Director of the Company on 6 March 2019.

4 Elizabeth McKee Anderson resigned as a Non-Executive Director on 31 December 2019.

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

Responsibilities	Activities	Responsibilities	Activities
Annual budget	→ approved the 2020 Budget	Governance	→ reviewed reports from Board Committees → received updates from external counsel on key governance changes, including the 2018 Code → approved key Group policies, including a new Data Protection Policy → reviewed and approved the Company's Modern Slavery Act Statement for the year ended 31 December 2018. As part of this process, the Company's supply chain was reviewed → reviewed the Company's governance framework → reviewed the Company's framework of values for agencies to operate within → reviewed the Board's processes and procedures, including delegation of authority and limits
Strategy	→ debated ongoing strategy including presentations from divisional management teams → review of portfolio and approval of closure or disposal of non-core businesses → monitored the Company's acquisition strategy and its implementation by the Executive Directors	Risk and internal control	→ robust assessment of principal risks, including debating the risks that the Group faces and will be facing → review of the Group's risk appetite and risk updates → reviewed reports from the Audit Committee on risk management → reviewed the effectiveness of the Group's risk management and internal control systems → reviewed the Company's payment practices and performance reporting
Performance and operational matters	→ monitored performance of the individual business divisions → presentations on performance from divisional management teams → updates in respect of IT, tax, property, insurance and treasury matters	Investor communications	→ discussed analyst and investor feedback on strategic and operational review → received feedback from the Chairman and Executive Directors from meetings with shareholders → at each Board meeting the Executive Directors presented a paper summarising investor activity
Financial statements	→ approved the 2018 Annual Report and Accounts → approved the 2019 Interim Report	Board evaluation	→ discussion of the results of the Board, Committee and Director evaluations
Finance and capital	→ recommended a final dividend for the year ended 31 December 2018 → approved an interim dividend for the year ending 31 December 2019 → reviewed the Group's capital structure → reviewed the options for funding the acquisitions of 85% of Kyne Communications LLC, Kyne Communications Limited (together referred to as KYNE) and 70% of Creativ-Ceutical S.A.R.L. (Creativ-Ceutical), and approved a placing with institutional investors of new ordinary shares to help fund these acquisitions → monitored going concern and long-term viability	The Board was particularly engaged with the acquisitions which were undertaken during the year, namely KYNE and Creativ-Ceutical. Dowgate Capital Stockbrokers act as joint broker with Numis Securities, and both continued to assist the Board in engaging with investors of all sizes.	
People	→ reviewed the composition of the Board → reviewed the Group's gender pay gap position → reviewed Board engagement mechanisms with the workforce to understand their views → reviewing, as necessary, whistleblowing arrangements and reports		
Acquisitions and disposals	→ at each Board meeting, reviewed potential acquisition and transaction opportunities → reviewed and approved the acquisition of KYNE and Creativ-Ceutical		

Corporate Governance Report continued

Strategy meeting

In the year the Board again held a strategy meeting in Philadelphia in the US, during which it discussed and considered a number of items, including, amongst other matters:

- the progress and delivery against the current strategy, focusing on Huntsworth Health;
- questioning and challenging whether the current strategy remained the correct strategy;
- detailed analysis of the wider healthcare competitive and competitor landscape and Huntsworth Health's opportunities and position;
- opportunities that digital is expected to have within the evolving healthcare marketplace;
- detailed analysis by division of service offering and ecosystem;
- analysis of what organic business can deliver;
- how growth can be accelerated through M&A investment, including the potential impact of geographic diversification;
- the various strategic options for the Communications division;
- financing considerations and structure (leverage and equity);
- the investor landscape and how the Company is viewed and;
- presentations from the senior management within the Marketing division, including client case studies.

The outcome of the strategy meeting was, amongst other things, for the Company:

- to continue with its strategic focus on its healthcare business
- to focus on organic growth opportunities within Huntsworth Health, and
- to consider strengthening its capabilities through bolt-on M&A opportunities that broaden the Huntsworth Health offering, provided they fall within acceptable debt ratios for the Company.

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 senior management are provided to the Board. All Directors have direct access to divisional senior management within the Group as required. Executive Directors are also involved in regular divisional 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 are 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, and their responsibilities and obligations.

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 management. Meetings are also held with the external auditor and/or other advisors as appropriate.

As noted in the 2018 Annual Report, David Lowden 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.

In October 2019, Ben Jackson received a bespoke Board induction. His induction recognised that he was previously a member of the central finance senior management team and therefore did not require the same level of commercial strategy and financial induction. Hence his induction had, amongst other things, a focus on the processes and procedures of the Board, meeting certain divisional senior management and external advisors and on the legal and regulatory aspects pertinent to the role, including a session with the Company's external legal counsel in this regard.

Board performance evaluation

In 2019 the Chairman conducted a rigorous and thorough evaluation exercise, covering the performance of the Board, its Committees and individual Directors. The evaluation was carried out through a series of questionnaires followed by individual interviews between the Chairman and each Director, and then a presentation and debate at both a Board dinner and meeting over its outcomes and conclusions. Progress has been monitored against all action points. The Senior Independent Director led a similarly robust evaluation of the Chairman. The Company last had an external evaluation in 2017 and a further external evaluation is planned in 2020.

In summary, it was noted that overall the Board, its Committees and individual Directors were functioning well and were all operating within a strong corporate governance framework, and the outcome of the evaluation process was aimed at looking to improve rather than change existing processes.

Set out below are some of the specific outcomes and actions taken:

Outcomes	Actions taken
Need to reset CEO, COO and CFO Reports to the Board, following the changes to the structure and composition of Executive Directors on 1 October 2019.	CEO, COO and CFO Reports have been reset. Ongoing comments to be fed to the Chairman.
Recognising that the Group's different divisions and agencies have their own individual cultures, need to monitor these to ensure that they are consistent with the Group's values. Also the Board needs to formally define the over-arching values of the Group.	The Board subsequently debated and formalised what its proposed framework of values should look like, against which the Board will assess and monitor its businesses going forward. The framework of values will also help to align the Company's values with strategy.
Enhance the succession planning exercise to provide development requirements for successors to key positions.	List of the Company's senior management has been reviewed and agreed. Ongoing review now required to look at the topic of talent development and diversity for the senior management pool.
Explore opportunities for further exposure of the Board to the Group's senior management and wider workforce.	Pat Billingham has already been appointed as Non-Executive Director for engagement with the workforce and workforce engagement is a periodic topic on Board meeting agendas. The results of that engagement also inform our discussions at all Board meetings. During 2019 the Board engaged with employees in a number of ways to understand their views. This included informal dinners and lunch sessions. An employee engagement survey was also conducted in the UK via an anonymous online platform, with a series of questions designed to gather quantitative data around employee experience and satisfaction. This also captured key demographics, performance of key areas including value and recognition, team culture and pride. We will be rolling out this engagement survey to the Company's US agencies in 2020.

s.172 Companies Act 2006 Statement (s172 Statement)

The Board recognises the significance of considering the Company's responsibilities and duties for the long term, with the aim of always upholding the highest standards of conduct. We understand that our business can only grow and prosper over the long term if we understand and respect the views and needs of our employees, clients and the communities in which we operate, including our suppliers, and the shareholders to whom we are accountable.

For the first time we now set out below our s172 Statement, in accordance with The Companies (Miscellaneous Reporting) Regulations 2018. On pages 30 to 35 you will find our Environmental, Social and Governance Report (**ESG Report**), which provides further details on how the Company engages with many of its stakeholders.

How the Board has considered their interest	Why we engage	Issues relevant to this group
Stakeholder Group: Employees		
Designated Non-Executive Director has Board responsibility for supporting the interests of colleagues.	To deliver the best solutions for our clients, we need to hire, retain and grow the best people who reflect the diversity of our world.	Fair employment.
Independent whistleblowing helpline.		Fair pay and benefits.
Employee engagement survey conducted amongst UK workforce, with US workforce to be surveyed in H1 2020.		Diversity and inclusion.
Informal dinners and lunch sessions.		Training, development and career opportunities.
When disposing of non-core interests.		Health and safety.
Reviewing gender pay gap and diversity issues.		Responsible use of personal data.
Reviewing whistleblowing procedures and reports, as necessary.		Environment and community.

Corporate Governance Report continued

How the Board has considered their interest	Why we engage	Issues relevant to this group
Stakeholder Group: Shareholders, potential shareholders and investor bodies		
Annual General Meeting (AGM).	Continued access to capital is important for our business, as we look to implement the Company's stated strategy. We look to ensure that our shareholders and their representatives have a good understanding of our strategy, business model and opportunity.	Long-term value creation.
Annual Report and Accounts.		Growth opportunity.
Corporate website.		Financial stability.
Results announcements and presentation.		Transparency.
Shareholder and analyst meetings with Executive Directors, followed up by feedback from brokers.		Ethics and corporate responsibility.
Capital Markets Day presentation.		Environment and sustainable sourcing.
Engagement via the Chairman, Remuneration Committee Chair and Company Secretary.		
Stakeholder group: Clients		
Executive Directors liaise with a number of high-level client contacts.	The needs of all our clients are complex and ever changing. We are committed to bringing the best solution to them by collaborating within and across divisions.	Client service.
The wish for a more comprehensive service offering to clients led to the acquisitions of KYNE and Creativ-Ceutical, and in accordance with the Company's strategy.		Responsible use of personal data.
	To remain successful and valued by our clients, we need to be very responsive and forward facing.	Environment and sustainable sourcing.
		Ethics and corporate responsibility.
		Integrity and honesty.
Stakeholder group: Suppliers		
Annual Board reporting on Modern Slavery by ensuring that there are effective responses to potential risks.	Suppliers must demonstrate that they operate in accordance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing.	Anti-bribery.
		Ethics and slavery.
		Environment and sustainable sourcing.
Stakeholder group: Environment		
Making use of telephone conferencing to enable limited environmental impact.	We are committed to minimising the impact of our business operations on the environment. It is also important to our colleagues, customers and shareholders.	Energy usage.
Where travel is the only option, use public transport where possible.		Recycling.
Board Packs moved onto an electronic platform from previous printed versions.		Waste management.
AGMs – offering shareholders the right to receive documentation electronically.		Minimising waste, packaging materials and single-use plastics.
Articles of Association allow for general meetings to be held electronically as well as physically.		
Stakeholder group: Community		
The Board approves an annual ESG Report.	We aspire to be responsible members of our community as it reflects our principle to do the right thing. It is also important to our colleagues, customers and shareholders.	Charitable donations.
An internal committee has been created to address ESG matters and this committee comprises all Executive Directors. This is the platform to assess and understand the community work being undertaken within our operating subsidiaries.		Employment opportunities.
		Volunteering.
		Environmental impact.

Composition of the Board

The Board aims to have a diversity of skills, experience, length of service, knowledge and gender, details of which are set out on pages 36 to 37. These demonstrate a broad range of experience relevant to our business, 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 all of the current Non-Executive Directors are independent of the management of the Group and are free from any business or other relationship which is likely to affect, or could appear to affect, the exercise of their independent judgement. The interests of the Non-Executive Directors in the shares of the Company are set out in the Report of the Directors on Remuneration.

In accordance with the Company's Articles of Association, all Directors are already 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 election at the AGM following appointment, and annual re-election at each AGM thereafter.

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

- ongoing review of strategy by the Board, which aims to identify potential strategic risks facing the Group;
- establishing a delegation 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 senior management of each division, which cover any emerging operational, financial, strategic or compliance issues and controls;
- at least annually, the Board reviews the principal risks identified and considers whether any changes are required;
- 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, with the assistance of 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 the Executive Directors 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.

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.

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 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 2019
Pat Billingham (Chair)	4 of 4
Nicky Dulieu	4 of 4
Andy Boland	4 of 4
Elizabeth McKee Anderson ¹	4 of 4

¹ Elizabeth McKee Anderson resigned as a Non-Executive Director and member of the Audit Committee on 31 December 2019.

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 and other announcements relating to the Company's financial performance, 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, and other financial and narrative statements are fair, balanced and understandable and provide 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;
- oversight of all aspects of the relationship with the external auditor, including appointment and reappointment, independence, objectivity and effectiveness of the audit process and the provision of additional services by the external auditor and;
- approving the remuneration and terms of engagement of the external auditor.

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. Further details on the members of the Committee can be found on pages 36 to 37.

Audit Committee meetings

The Audit Committee held four meetings during the year. The Audit Committee provides a forum for reporting by the Group's external auditors. Meetings were also attended, by invitation, by the Chairman, Chief Financial Officer, Chief Operating Officer, Chief Executive Officer, senior management and KPMG (which provides the Group's internal audit function). Provision is made for the external auditor and internal auditor to discuss any concerns they may have with the Committee in the absence of Executive Directors and senior management.

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 reviews, challenges and 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 auditor 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 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 position, performance, business model and strategy;
- the appropriateness of adopting the going concern basis of accounting and whether the Group can continue in operation and 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 Interim Report, and the Annual Report and Accounts.

The primary issues and areas of judgement considered by the Committee in relation to the Interim Report and 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 its assumptions and analysing the impact of a number of different scenarios. Individual business forecasts are reviewed by the Audit Committee 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 reviewed by the Audit Committee and 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 it considers 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 27.

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.

Acquisition accounting

The Group has to determine the value of separately identifiable intangible assets in a business combination, and the Group is required to make judgements when utilising valuation methodologies.

The Committee reviewed the methodologies used, including the use of discounted cash flows, revenue forecasts and the estimates for the useful economic lives of intangible assets.

There are significant judgements involved in assessing what amounts are recognised as the estimated fair value of assets and liabilities acquired through business combinations, particularly the amounts attributed to separate intangible assets such as brands and customer relationships. These judgements impact the amount of goodwill recognised on acquisitions.

Any provisional amounts are subsequently finalised within the 12-month measurement period, as permitted by IFRS 3.

Details of acquisitions in the year are set out in Note 3.

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

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

Notably, the Committee also reviewed the impact on the Company of the IFRS 16 'Leases' accounting standard.

Audit Committee Report continued

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.

In this area of risk and control, the main activities for the Audit Committee during the year were:

- reviewing reports provided by the Risk Committee on risk management activities in the year, including a proposal for the Company's risk appetites and how to monitor the Group's current status against the appetite;
- reviewing the Group's risk documentation and challenging the classification and completeness of the risks identified;
- reviewing the Group's risk register;
- reviewing the controls which are in force to ensure the integrity of the information reported to shareholders;
- monitoring the Group's litigation register;
- assessing the effectiveness of the Group's risk management systems, including fraud, bribery, IT breaches and legal and regulatory risk and controls and;
- reviewing the Group's ongoing IT and cyber security arrangements, including the creation of a cyber security framework.

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

Role of the Risk Committee

The Risk Committee reports to the Audit Committee on risk management activities undertaken by the Group. The Committee currently comprises the Executive Directors, divisional senior management and the Chair of the Audit Committee, Pat Billingham. 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 Group'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 Group'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 the work of the internal auditor.

During 2019, 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.

Internal audit

Internal audit performs reviews as part of a programme approved by the Audit Committee. KPMG LLP was engaged to provide internal audit services.

The internal auditor has a direct reporting line to the Chair 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:

- reviewing and approving the scope of internal audit activities for 2019 and KPMG LLP's proposed internal audit plan for 2020;
- monitoring the effectiveness of internal audit activities, including reviewing the results of all internal audit procedures and reports undertaken during the year and;
- monitoring the status of any deficiencies in the control environment, ensuring active follow-up and resolution.

External audit

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 met with PwC without management being present, reviewed the reports it received from PwC in its capacity as external 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 auditor and following this review recommended to the Board that PwC be proposed for reappointment as the external auditor for 2020.

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 was initially appointed in December 2016, following a tender process, and their reappointment was approved by shareholders at the 2019 AGM. The audit partner for PwC changed during the year and, following a due selection process that included interviewing a number of candidates to assess, amongst other matters, their experience, Richard Porter was chosen. This is therefore the first year for the new audit partner.

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. A copy of the policy is available on the Company's website (www.huntsworth.com/corporate-governance/). This policy was reviewed by the Audit Committee during the year and it was agreed to make relatively minor changes to the policy.

Details of the non-audit fees paid to the external auditor are set out on page 96. The provision of non-audit services, within the constraints of applicable UK rules, is assessed on a case-by-case basis so that the best-placed advisor is engaged.

Terms of Reference

Following the introduction of the 2018 Code, during the year the Committee also reviewed and updated its terms of reference. The Committee's terms of reference are available on the Company's website at www.huntsworth.com/wp-content/uploads/2020/01/Huntsworth-AuditCo-ToR-November-2019.pdf.

Nomination Committee Report

Members:	Attendance at meetings during 2019
David Lowden ¹ (Chair)	4 of 4
Andy Boland	4 of 4
Pat Billingham	4 of 4
Nicky Dulieu	4 of 4

¹ David Lowden was appointed as Chair of the Nomination Committee on 6 March 2019, replacing Derek Mapp who stepped down and resigned as a Director of the Company on the same date.

Key responsibilities

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

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

Appointments to the Board are made on merit alone, with due consideration of the benefits of diversity in its broadest sense, including gender. Throughout 2019, the Board had 43% female representation (three out of seven). The Committee understands the benefits of boardroom diversity and its aspiration 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. Similarly, the Committee recognises the importance of having a diverse leadership to support good decision-making, amongst its senior management.

During the year, the activities of the Nomination Committee included, amongst other things:

- assessing the skill set and composition of the existing Board and its Committees;
- assessing the composition of the Executive Directors, to ensure the Executive Director team has the capacity to deliver the Company's strategy. On 1 October 2019, Neil Jones was appointed as Chief Operating Officer and Ben Jackson was appointed as Chief Financial Officer;
- in view of the announcement on 10 July 2019 that Elizabeth McKee Anderson had decided to resign from the Board, the Nomination Committee assessed the composition of the Board and its Committees and agreed to engage Korn Ferry, an external search consultancy, to assist with the process of appointing a new Non-Executive Director. Korn Ferry has no connection with the Company or with individual Directors that would affect its independence;
- discussing succession planning both in respect of Board members and senior management within the business, both on an emergency and long-term basis, identifying any retention risks;
- initial review on the topic of talent development and diversity for the senior management pool;
- assessing the output of the 2019 evaluation exercise of the Board, its Committees and individual Directors. Please refer to page 42 for further details and;
- following the introduction of the 2018 Code, discussing its remit and future role, including reviewing and updating its terms of reference. The Committee's terms of reference are available on the Company's website at www.huntsworth.com/wp-content/uploads/2020/01/Huntsworth-NomCo-ToR-November-2019-1.pdf.

Report of the Directors on Remuneration The Remuneration Committee

Members:	Attendance at meetings during 2019
Nicky Dulieu (Chair)	5 of 5
Pat Billingham	5 of 5
Andy Boland	5 of 5

Other Directors attend Remuneration Committee meetings by invitation only.

The Committee endeavours to ensure that the Group's remuneration strikes an appropriate balance between the long-term interests of the Company's shareholders and rewarding and motivating the Executive Directors and senior management of the Group. The Committee is responsible for the design and development of remuneration policies for the Executive Directors of the Company, senior management of the Group (including the Company Secretary) and the Chair of the Board.

The Board as a whole reviews the policy and sets the remuneration for Non-Executive Directors.

Key responsibilities

The Committee's key responsibilities during 2019 included:

- approving the Remuneration Policy and the Report of the Directors on Remuneration;
- determining the total remuneration packages for the Executive Directors, adopting the principles as set out in the table on page 52; and
- responsibility for setting remuneration for senior management, including the Company Secretary.

Report of the Directors on Remuneration continued

The Remuneration Committee continued

The Committee aims to set Remuneration Policy and practices for Executive Directors that are designed to support strategy and promote the long-term success of Huntsworth, whilst following the principles of the UK Corporate Governance Code 2018 (the **2018 Code**). The principles, together with how the Committee has addressed each of them, are set out in the below table:

Principles	Application of these principles during 2019
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Approval of the measures and targets for the 2019 variable pay awards for the Executive Directors following engagement with shareholders and other applicable stakeholders, ensuring the performance conditions are transparent, stretching and strictly applied. Per the Company's Remuneration Policy, in setting the Remuneration Policy for Executive Directors, the pay and conditions of other employees of Huntsworth were taken into account. For example: → in setting Paul Taaffe's 2020 salary increase, the Committee reviewed data to ensure that his salary increase was no greater than the average increase (in percentage terms) awarded to the wider workforce. → Ben Jackson's pension contributions and/or cash equivalents were reduced to ensure that, upon becoming an Executive Director on 1 October 2019, they were at a level which is no greater (in percentage terms) than average contributions for the wider workforce, which resulted in a decrease in percentage terms in pension contributions on appointment to the Board.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Remuneration arrangements for Executive Directors are simple in nature, aligned with normal market practice and well understood by participants and shareholders. Initial steps taken in the year to create a structure whereby agencies stay in compliance and work within an agreed remuneration framework, including in respect to diversity and the gender pay gap.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans are identified and mitigated.	The remuneration framework includes the following features which seek to align the interests of Executive Directors and shareholders, and promote long-term sustainable growth: → 30% of any annual bonus payable was subject to compulsory deferral under the terms of The Huntsworth 2016 Deferred Share Bonus Plan, for a period of two years. → a two-year holding period after the end of three-year performance period, applies to the awards granted in 2019 under The Huntsworth 2016 Long-Term Incentive Plan ('LTIP'). → executive Directors are expected to hold shares equivalent to two times salary and will typically be required to hold interests in shares equal to 100% of salary for one-year post-cessation of employment. All variable pay arrangements are subject to malus and clawback provisions.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	All variable pay arrangements have clear maximum limits set out in the Remuneration Policy. The Remuneration Policy also includes illustrations of remuneration payable in certain performance scenarios. All variable pay awards in 2019 were subject to the Committee determining, at its sole discretion, whether and to what extent performance targets have been satisfied.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company is clear. Outcomes should not reward poor performance.	Performance targets on variable pay are subject to meeting the Company's strategic targets. Maximum variable pay will only be delivered in circumstances where the Company has significantly exceeded expectations. Under the Annual Bonus framework, payments will only be made provided a Headline PBT threshold has been met and to the extent that they do not reduce Headline PBT below this level. All variable pay awards in 2019 are subject to the Committee determining, at its sole discretion, whether and to what extent performance targets have been satisfied.
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	Performance targets on variable pay are subject to meeting the Company's strategic targets. When undertaking the recent Remuneration Policy review, the Committee considered the choice of performance measures used for both the Annual Bonus and LTIP. Following this review, organic revenue growth, cash conversion and ROIC were introduced into the variable pay framework to further strengthen the link between pay and the Company's overall strategy. In alignment with the acquisitive nature of Huntsworth, both the Annual Bonus and LTIP framework have in-built mechanisms to accommodate M&A activity.

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 2019. This report has been split into two parts:

- This Annual Statement, setting out the key remuneration decisions during the year and;
- The Annual Remuneration Report, detailing the implementation of the Company's Remuneration Policy during the 2019 financial year and the 2020 financial year.

Remuneration Policy

Last year our Remuneration Policy was subject to shareholder approval, and the decisions and steps taken by the Committee in arriving at the new Remuneration Policy were set out in detail in the 2018 Directors' Remuneration Report. I am delighted to report that it was overwhelmingly approved by 98.7% of shareholders at the 2019 AGM on 9 May. This policy has been in operation throughout 2019, and the Committee is of the view that during the year it operated as intended. The policy continues to support the Company's ongoing strategy and it is the Committee's current intention that the policy will remain in place until the 2022 AGM.

The approved Directors' Remuneration Policy is available on the Company's website at www.huntsworth.com/wp-content/uploads/2019/08/2019-Directors-Remuneration-Policy.pdf.

Key decisions made by the Committee in 2019

2019 saw further significant progress by the Company. The two acquisitions of KYNE and Creativ-Ceutical brought new capabilities to the Group and were in line with the strategy of transforming the Group into a healthcare marketing services-focused business. The lack of growth in the Marketing division in the first six months of the year did, however, have a negative impact on the 2019 Annual Bonus outcome (no Annual Bonus is payable), although the stronger performance over the longer term was reflected in the full vesting of LTIP award over the 2017–2019 period.

All Remuneration Committee (**Committee**) decisions continued to be made with a view to ensuring that Executive remuneration arrangements remain aligned to the long-term performance of the Company and targets continued to be as stretching as originally envisaged.

Executive Director board changes

On 1 October 2019 we announced the appointments of, firstly, Neil Jones to the newly created Executive Director position of Chief Operating Officer and, secondly, Ben Jackson to the position of Chief Financial Officer. As part of this process, the Committee determined the remuneration packages that would apply for Neil and Ben in their new roles. These packages were determined in line with our Remuneration Policy and took account of the provisions of the UK Corporate Governance Code.

Neil's salary increased to £400,000 per annum fixed until the end of 2021, with all other arrangements remaining as before. Ben's new remuneration arrangements were similarly fixed until the end of 2021 but his changes were more extensive to reflect that this was his first executive appointment. Furthermore, the Committee was keen to structure the quantum of Ben's arrangements in a manner that will allow room for his remuneration opportunities to increase commensurate with his experience yet maintaining stretching targets throughout. The Committee was also keen to ensure that the Executive continue to act in unison. Hence Ben's variable pay arrangements are based upon the same performance targets as Paul's and Neil's, albeit on a reduced level of maximum opportunity. The Committee also ensured

that Ben's pension contributions and/or cash equivalents were set at a level which is no greater (in percentage terms) than average contributions for the wider workforce (4% of salary). This resulted in a decrease in percentage terms in his pension contributions on appointment to the Board.

Further details on the remuneration arrangements for Neil and Ben can be found starting from page 56.

Reflecting on this, the Committee believes that our Remuneration Policy was able to provide the appropriate flexibility to ensure that the remuneration arrangements were structured in the best interests of both the Company and our shareholders, whilst being fair to the individual.

2019 performance targets and Annual Bonus outcome

In respect of their 2019 Annual Bonus, the Remuneration Committee set the performance targets for Paul Taaffe, Neil Jones and, from 1 October 2019 onwards, Ben Jackson (together the **Executive or Executive Directors**).

The 2019 Annual Bonus Scheme was based upon achieving pre-bonus headline profit before tax (**PBHPBT**) of £37.6 million and revenue targets of £252.8 million, being the threshold targets, with PBHPBT having an 85% weighting and revenue a 15% 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 £37.6 million. Furthermore, the revenue portion of the bonus would only become payable upon achieving a HPBT figure of £37.6 million.

In setting the 2019 bonus performance targets, again the Committee determined that the 2019 Annual Bonus Scheme should include a built-in mechanism for dealing with M&A activity and hence a contribution towards the achievement of targets from 'in period' unbudgeted acquisitions was allowed, but only after achieving certain organic profit growth targets. As the organic growth performance targets were not met by the Executive, there was no inclusion of any profits or revenue arising from the M&A activity during 2019.

After removing the impact of M&A activity, the Company achieved PBHPBT of £35.5 million and revenues of £250.7 million. Therefore, neither the PBHPBT or revenue performance targets were achieved and hence no 2019 Annual Bonus was payable.

Further details on the performance targets for the 2019 Annual Bonus and outcomes against these can be found on pages 56 to 57.

Long-term incentive outcomes in respect of performance over the three-year period 2017 to 2019

An award granted to Paul Taaffe, Neil Jones and Ben Jackson in 2017 under the 2016 LTIP Scheme (together the **2017 LTIP Award**) is due to vest in 2020 following the completion of the performance period ended on 31 December 2019. In the case of Ben Jackson, his award was granted whilst he was a Senior Manager. Vesting of the 2017 LTIP Award was subject to the achievement of stretching headline earnings per share (**HEPS**) and total shareholder return (**TSR**) performance targets. Given the Company's strong financial performance over the three-year performance period, the 2017 LTIP Award is expected to vest in full.

Further details on the performance targets and the performance outcomes can be found on page 57.

Read more
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Report of the Directors on Remuneration continued

Annual Statement continued

LTIP awards made in 2019

As referred to in the Company's 2018 Annual Report and Accounts, awards were made in 2019 to Paul Taaffe and Neil Jones under the 2016 LTIP Scheme rules with award sizes of 150% of salary (the **2019 LTIP Award**). Ben Jackson was also made an award as a Senior Manager.

In order to align with shareholder returns on their investments, especially in the scenario where we use Company profits or seek support from shareholders to grow the business, the vesting of awards is based upon stretching targets relating to HEPS (50% weighting), cash conversion (30% weighting) and ROIC (20% weighting), and includes conditions to accommodate M&A activity within acceptable gearing levels. Similar to the LTIP awards granted in 2018, performance targets for the 2019 LTIP Award were set on the basis of a 2.0x EBITDA gearing level. Please also refer to the comments made below within the 2020 variable pay section of this Annual Statement regarding the LTIP awards made in 2018 and 2019.

Further details on the performance targets can be found on page 58.

Read more
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Impact of IFRS 16

In setting performance targets for all variable pay in 2019, the Committee determined that the impact of the new IFRS 16 lease accounting standard, which took effect from 1 January 2019, should be adjusted for (i.e. its impact removed) once known.

The Committee also reviewed the impact of IFRS 16 on previous awards made under The Huntsworth Long-Term Incentive Plan 2016 (the **2016 LTIP Scheme**), and determined that targets would be adjusted to remove the impact of IFRS 16. Full details of the adjustments will be disclosed in the relevant remuneration report.

For all variable pay awards applying from 2020 onwards, no further adjustments will be made for the impact of IFRS 16.

Implementation in 2020

2020 Executive salaries

As noted above, as part of the Executive Director Board changes, Neil Jones's and Ben Jackson's salaries were fixed until 2021 at £400,000, and £250,000, respectively.

With regard to Paul Taaffe, he received a 2% increase to \$983,360 with effect from 1 January 2020. Paul's variable pay arrangements will still be determined against a GBPE denominated salary figure, which likewise increases by 2% from £618,000 to £630,360. In setting Paul's salary increase, the Committee reviewed data to ensure that his salary increase was no greater than the average increase (in percentage terms) awarded to the wider workforce.

2020 variable pay

The Remuneration Committee has also agreed the 2020 Executive Annual Bonus and LTIP targets.

The 2020 Annual Bonus is to be based on the same principles as in 2019, with a requirement to achieve stretching PBHPBT and revenue targets. Maximum award levels are unchanged from 2019, at 120% of salary for Paul Taaffe and Neil Jones and 80% of salary for Ben Jackson.

Similar to 2019, the performance targets for the 2020 LTIP Award are to be based on a combination of stretching targets relating to HEPS, cash conversion and ROIC, with the same weighting allocations of 50%, 30% and 20%, respectively.

As in previous years, the LTIP targets are set to accommodate M&A activity within acceptable gearing levels. However, the Committee was conscious of current investor expectations concerning leverage limits, and took these into account when setting targets. As noted above, in both 2018 and 2019, performance targets under the LTIP were set based on a gearing level of 2.0x EBITDA. During 2019, to reflect investor sentiment, the Executive Directors have been targeted with reducing and maintaining leverage at a level of 1.5x EBITDA. This reduction in acceptable gearing level will impact the scale and/or financing of future acquisitions, such that alternative funding will potentially need to be sourced. HEPS targets for the 2020 LTIP Award have therefore been set in this context.

This reduction in acceptable gearing level will also impact upon the achievement of HEPS targets for in-flight LTIP Awards (namely, the LTIP awards made in 2018 and 2019), which were set assuming a leverage limit of 2.0x EBITDA. The achievement of these HEPS targets will now be more challenging in comparison to when they were originally set, and the Committee will take this into account along with its review of wider Company and individual performance when determining outcomes. We will provide full disclosure in the relevant remuneration report.

When determining the level of the 2020 LTIP Award to grant, the Committee was mindful of the Company's recent share price performance, and considered whether a reduction in award sizes was appropriate. It is the Committee's current intention that no adjustments to the value of awards will be made, reflecting the continued strong performance of the Executive in delivering the Group's strategy. Award levels will remain unchanged at 150% of salary for Paul Taaffe and Neil Jones and 100% for Ben Jackson. The Committee, however, will continue to monitor share price performance.

Further detail on the 2020 LTIP Award can be found on page 64.

Read more
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Corporate governance developments

The Committee has reviewed the legislative and best practice developments in respect of Director remuneration and welcomes change to raise the bar in this area. In particular, the introduction of the 2018 Code, which seeks to broaden the role of the Committee, as well as to introduce measures concerning Director pay, has been carefully considered by the Committee during the year. Acknowledging that there is still work to do in order to have the necessary processes in place, the new initiatives include:

Consideration of colleague and stakeholder views

The Committee has worked with the Executive and now regularly monitors and reviews the effectiveness of senior management remuneration and the compatibility of the Executive's remuneration with the wider workforce.

During 2019, the Board engaged with employees in a number of ways to understand their views, including both informal dinners and lunch sessions. An employee engagement survey was also conducted in the UK during the year which covered, amongst other matters, remuneration. Further details of the employee engagement survey conducted can be found on page 43. A US employee engagement survey is to follow in 2020.

Framework of remuneration values

As mentioned on page 39, given the Company's holding company structure, having one consistent culture across all agencies is not possible or even desirable. Rather, the Board's preference is to actively promote the cultures that are specific to each agency provided they operate within a framework of overarching values set down by the Board. This equally applies to remuneration, and in the year the Committee has been involved in taking initial steps to create a structure whereby agencies stay in compliance and work within an agreed remuneration framework, including in respect to diversity and the gender pay gap.

CEO to employee pay ratio

As you will see on page 63, we have for the first time published our CEO to employee pay ratio, with supporting commentary and background.

Terms of reference

Following the introduction of the 2018 Code, we have changed the Committee's terms of reference to ensure compliance, in particular to give the Committee formal approval over senior management remuneration.

Conclusion

In a period of continuing change for Remuneration Committees, I am pleased that we have been able to take the steps to ensure that the Company's remuneration arrangements and structure continue to reflect the needs of our business and expectations of our shareholders.

At the AGM on 22 June 2020, shareholders will be invited to vote on the Annual Remuneration Report for 2019. I look forward to welcoming you and receiving your support once more.

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

Nicky Dulieu

Chair, Remuneration Committee
3 March 2020

Report of the Directors on Remuneration continued

Annual Remuneration Report

In this section of the report, we provide details of the payments made to the Directors relating to the 2019 financial year and the implementation of our Remuneration Policy in 2020.

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 2019 financial year, together with comparative figures for 2018.

Ben Jackson joined the Board as Chief Financial Officer on 1 October 2019. In line with the reporting regulations, the single figure for Ben reflects remuneration received in respect of the period served as an Executive Director (i.e. from 1 October 2019 to 31 December 2019), with the exception of the value of his 2017 LTIP award which is included in full. This award was granted to him prior to his appointment to the Board and vests based on Company performance over the three-year period to 31 December 2019. Details of Non-Executive Directors' fees are set out on page 59.

	Paul Taaffe		Neil Jones		Ben Jackson
£'000	2019	2018	2019	2018	2019
Salary ^{1,2}	756	699	378	360	63
Benefits ^{3,4}	34	28	12	11	1
Short-term incentives (i.e. Annual Bonus)	0	542	0	325	0
Long-term incentives (LTIP)	1,266	1,345	738	901	39
Pension ⁵	-	-	-	-	2
Total	2,056	2,614	1,128	1,597	105

1. Paul Taaffe's 2019 salary of \$964,080 continued to be denominated in US Dollars. This gives a salary figure of £756,000 during the full year 2019 at an average exchange rate of 1.28. However, for calculation of his 2019 bonus and 2019 LTIP Award, Paul's pre-1 October 2016 GBPE denominated base salary of £618,000 has been used.
2. Ben Jackson was appointed as an Executive Director from 1 October 2019 and his salary of £250,000 per annum has been pro-rated from this date.
3. Benefits received by Paul Taaffe are private medical insurance, life assurance and UK tax return preparation services.
4. Benefits received by Neil Jones and Ben Jackson are private medical insurance, private health insurance and life assurance.
5. Under the terms of their service agreements, Paul Taaffe and Neil Jones do not receive a pension benefit or payment in lieu of a pension. Ben Jackson receives pension contributions and/or cash equivalents at 4% of his salary, in line with the average contributions for the wider workforce.

In the above table, the LTIP figures for 2019 relate to the vesting of the 2017 LTIP Award. These figures are calculated based on the three-month average share price to 31 December 2019. Of these figures, £666,000, £388,000 and £11,000 relate to share price growth over the vesting period for Paul Taaffe, Neil Jones and Ben Jackson, respectively.

In line with the reporting regulations, the LTIP figures for 2018 have been restated to reflect the actual share price on the third anniversary of the relevant date of grant. For Paul, the LTIP figure for 2018 of £1,345,055 relates to the vesting of his 2016 LTIP Award on 9 June 2019, of which £745,055 relates to share price growth over the vesting period. For Neil, the LTIP figure for 2018 of £900,767 relates to the vesting of both his 2016 PSP Award and 2016 ESOS Award on 14 March 2019. Of this figure £550,768 relates to share price growth over the vesting period.

Neil Jones is a non-executive director, Senior Independent Director and Chair of the Remuneration Committee of Tremor International (formally known as Taptica International), an AIM listed adtech business, for which he receives an annual fee of £53,000 per annum.

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

Salary (audited)

Neil Jones was appointed as Chief Operating Officer from 1 October 2019, on an increased salary of £400,000 per annum, in recognition of the change in his role. His 2019 salary figure has been calculated based on his nine-month service as Chief Financial Officer (£371,000) and three-month tenure as Chief Operating Officer (£400,000).

Ben Jackson was appointed as Chief Financial Officer with a salary of £250,000 per annum from 1 October 2019. His 2019 salary figure reflects the three-month period that he served as a Board Director.

Annual Bonus (audited)

The Annual Bonus targets for 2019 were based upon achieving a stretching adjusted profit before tax target (pre-bonus headline PBT (PBHPBT) targets), based on normalised earnings, and a stretching revenue target (revenue performance target).

As described on page 53, in setting the 2019 bonus performance targets, the Committee determined that the 2019 Annual Bonus Scheme may include a contribution towards the achievement of targets from 'in period' unbudgeted acquisitions, but only after achieving an organic profit growth target of £40.2 million. As the organic growth performance targets were not met by the Executive, there was no inclusion of any profits or revenue arising from the M&A activity during 2019 when assessing performance.

In addition, the Committee determined that the Annual Bonus would only be payable to the extent that it did not reduce post-bonus HPBT below the threshold target of £37.6 million (i.e. the payment of any Annual Bonus is contingent on HPBT of £37.6 million being achieved).

The amount of Annual Bonus payable was based on actual performance as a percentage of each target, as shown in the tables below.

	Weighting	Threshold 0% of element	62.5% of element	83.3% of element	Maximum 100% of element	Actual performance	Total Actual Bonus payable % of maximum
Pre-bonus HPBT performance target	85%	37.6	38.4	40.2	41.9	35.5	0%
	Weighting	Threshold 50% of element	62.5% of element	83.3% of element	Maximum 100% of element	Actual performance	Total Actual Bonus payable % of maximum
Revenue performance target	15%	252.8	255.3	257.9	262.9	250.7	0%
Total							0%

Note: Straight-line vesting between points shown.

	Maximum opportunity % of salary	Total Actual Bonus payable % of maximum	Total Actual Bonus payable % of salary	Total Actual Bonus payable £'000
Paul Taaffe	120%	0%	0%	0
Neil Jones	120%	0%	0%	0
Ben Jackson	80%	0%	0%	0

In line with the Remuneration Policy, 30% of any bonus payable is subject to compulsory deferral under the 2016 DSBP Scheme, for a period of two years. Malus and clawback provisions also applied to the 2019 Annual Bonus.

Paul Taaffe, Neil Jones and Ben Jackson 2017 LTIP Award:

In 2017, Paul Taaffe, Neil Jones and Ben Jackson were granted an award under the 2016 LTIP Scheme. In the case of Ben Jackson his award was granted whilst he was a Senior Manager. The 2017 LTIP Award was subject to EPS and TSR performance over the three-year period ended 31 December 2019. As previously disclosed, the HEPS performance targets attaching to the 2017 LTIP Award were adjusted (i.e. by increasing the targets) to take into account the impact of the Company's M&A activity in both 2017 and 2018. The HEPS performance target attaching to the 2017 LTIP Award was also adjusted (i.e. by increasing the targets) for the 2019 acquisitions of KYNE and Creativ-Ceutical. Furthermore, as disclosed on page 49 of the 2017 Directors' Remuneration Report, it was agreed that the impact of the Tax Disclosure Change should be removed from HEPS in the performance outcome, amongst other awards, the 2017 LTIP Award. The Committee is of the opinion that the adjusted performance targets remain as stretching as originally intended.

The table below sets out details of the revised performance targets as well as actual performance out turns.

	Weighting	Performance targets		Actual	Total LTIP vesting as a percentage of maximum
		Threshold vesting ¹ (25% of maximum)	Maximum vesting ¹ (100% of maximum)		
Cumulative EPS	67%	14.76p	17.80p	19.33p ²	100%
Relative TSR ³	33%	Median	Upper quartile	Above upper quartile	100%
Total:					100%

1. Straight-line vesting between threshold and maximum, with no vesting for performance below threshold.

2. Adjusted EPS performance for the years ended 31 December 2017, 2018 and 2019 was 5.03 pence, 6.6 pence and 7.7 pence, respectively.

3. TSR is measured relative to the FTSE 250 excluding financial services and extraction companies.

Hence the 2017 LTIP Award is expected to vest in full.

	Number of shares granted	Proportion of award vesting	Number of shares to vest	Value of award vesting ¹	Vesting date
Paul Taaffe	1,472,392	100%	1,472,392	£1,266k	20 March 2020
Neil Jones	858,895	100%	858,895	£738k	20 March 2020
Ben Jackson	45,344	100%	45,344	£39k	25 July 2020

1. The values of awards vesting are calculated using the three-month average share price to 31 December 2019, in accordance with the values reported in the single figure total of remuneration table.

Awards to Paul Taaffe and Neil Jones are subject to a one-year holding period, following a voluntary agreement that they entered into in 2018, and as previously disclosed on page 50 of the 2017 Annual Report and Accounts.

Report of the Directors on Remuneration continued

Annual Remuneration Report continued

Pension entitlements and cash allowances (audited)

Paul Taaffe and Neil Jones do not receive an annual pension contribution or allowance. Ben Jackson receives pension contributions and/or cash equivalents at a rate of 4% of his salary, which is in accordance with the 2019 Policy. In arriving at this figure, the Committee ensured that Ben's pension contributions and/or cash equivalents were set at a level that, upon becoming an Executive Director on 1 October 2019, is no greater (in percentage terms) than average contributions for the wider workforce. This resulted in a decrease in percentage terms in his pension contributions on appointment to the Board.

Long-term incentives awarded in 2019 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2019 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods. Ben Jackson's share award was granted to him when he was a Senior Manager. The conditions attaching to the share awards made to Paul Taaffe, Neil Jones and Ben Jackson were identical, with the exception that the awards to Paul and Neil are subject to a two-year holding period and Ben a one-year holding period.

	Award type	Basis on which award made	Face value of award	Percentage of face value that could vest for minimum performance (% of maximum)	Performance period end date
Paul Taaffe	2016 LTIP Scheme	2019 awards (150% salary)	£927,000 ¹	25%	31 December 2021
Neil Jones	2016 LTIP Scheme	2019 awards (150% salary)	£556,200	25%	31 December 2021
Ben Jackson	2016 LTIP Scheme	2019 awards	£61,250	25%	31 December 2021

1. Paul Taaffe's awards under the 2016 LTIP Scheme are based on the GBPE denominated salary of £618,000.

Performance conditions for 2019 awards (audited)

The 2019 LTIP Awards to Paul Taaffe, Neil Jones and Ben Jackson were based on the following measures:

	Weighting	Threshold vesting ¹ (25% of maximum)	Maximum vesting ¹ (100% of maximum)
Cumulative HEPS – for the three years ending 31 December 2021	50%	26.3p	30.0p
Cash conversion – average across the three-year performance period ending 31 December 2021	30%	88%	98%
ROIC – average across the three-year performance period ending 31 December 2021	20%	13.5%	14.0%

1. Straight-line vesting between threshold and maximum, with no vesting for performance below threshold.

In addition to the above conditions, the awards also include conditions to accommodate M&A activity within acceptable gearing levels. Similar to the LTIP awards granted in 2018, performance targets for the 2019 LTIP Award were set on the basis of a 2.0x EBITDA gearing level.

As noted in the Remuneration Committee Chair's Annual Statement, to reflect current investor expectations concerning leverage limits, the Executive has been targeted with reducing and maintaining leverage at a reduced level of 1.5x EBITDA. This makes the achievement of the HEPS targets more challenging in comparison to when they were originally set, and the Committee will take this into account along with its review of wider Company and individual performance when determining outcomes. Full disclosure of targets and performance against these will be provided in the relevant remuneration report.

Awards will be subject to malus and clawback provisions.

Ben Jackson's remuneration arrangements

Ben Jackson was appointed as Chief Financial Officer on 1 October 2019. His remuneration package was determined in line with the Remuneration Policy and takes account of provisions of the 2018 Code. Details of his remuneration package are set out below:

Base salary	£250,000 per annum (fixed until 2021).
Annual Bonus	The bonus shall be set so that the maximum achievement of the targets shall result in a bonus of 80% of salary and the corporate performance targets shall be similar to those which apply for both the Chief Executive Officer and Chief Operating Officer.
Long-Term Incentive Plans	An award under the Company's 2016 LTIP Scheme over Company shares with a market value at the date of grant equal to 100% of salary. The award will vest three years after the date of grant subject to the extent to which the relevant performance targets are met. A two-year holding period will apply after the end of the performance period.
Benefits	Family private medical and health insurance, and life assurance.
Pension	Pension contributions and/or cash equivalents at 4% of his salary, which are at a level which is no greater (in percentage terms) than average contributions for the wider workforce.
Contractual term	Either party may terminate the contract with not less than 12 months' notice in writing.

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 2019.

£'000	2019	2018
David Lowden	175	-
Andy Boland	48	48
Nicky Dulieu	50	50
Pat Billingham	50	50
Derek Mapp ¹	25	140
Elizabeth McKee Anderson ^{2,3}	45	43

¹ Derek Mapp resigned as a Director with effect from 6 March 2019.

² Elizabeth McKee Anderson resigned as a Director with effect from 31 December 2019.

³ With effect from 1 January 2019, the fees payable to Elizabeth McKee Anderson were denominated and paid in USDollars, at the exchange rate prevailing on 18 December 2017 (i.e. the same date that Elizabeth McKee Anderson signed her Letter of Appointment), being \$1.339699 for each GBPE, which resulted in annual fees payable of \$57,607.

Shareholding policy - Executive Directors

Executive Directors will be expected to hold shares (including vested share awards where applicable) equivalent in value to a minimum of two times their salary and will be required to retain 50% of after-tax vested share awards until their shareholding requirement is met.

Executive Directors will typically be required to hold interests in shares equal to 100% of salary for one-year post-cessation of employment.

Statement of Directors' shareholdings (audited)

The number of shares in the Company in which Directors had a beneficial interest, including those shares held by connected persons, and details of relevant long-term incentive interests as at 31 December 2019 are set out in the table below.

No awards were exercised by Neil Jones or Ben Jackson in the 2019 financial year.

Paul Taaffe received 1,318,681 shares pursuant to his 2016 LTIP Award on 9 June 2019. After selling sufficient shares to cover his tax and social security liabilities, dealing costs and related charges, he retained 785,681 shares in accordance with the one-year holding period in place. The figure for Paul of 2,509,010 for his interest in shares in the below table is inclusive of the 785,681 shares that he retained.

There were no changes in the shareholdings of Directors in office as at 31 December 2019 between the year-end and the announcement date.

Report of the Directors on Remuneration continued

Annual Remuneration Report continued

Executive Director	Share-holding requirement (% of salary/fees) ⁴	Target number of shares to hold	Current shareholding guidelines met?	Interests in shares	Vested but unexercised awards		Unvested awards		Total interests in shares
					Market priced awards	Nil cost awards ³	Awards with performance conditions ¹	Awards not subject to performance conditions ²	
Paul Taaffe	200%	1,548,796	Yes	2,509,010	2,000,000 ⁵	-	3,163,408	144,845	4,653,855
Neil Jones	200%	982,801	Yes	460,000	501,853 ⁶	848,484	1,873,505	84,407	1,894,744
Ben Jackson	200%	614,251	In progress	38,434	-	125,843	167,842	-	164,277

1 Relate to unvested awards made under the 2016 LTIP Scheme.

2 Relate to unvested awards made under the 2016 DSBP Scheme.

3 Relate to vested but unexercised awards made under The Huntsworth Performance Share Plan to Neil Jones and to Ben Jackson under the 2016 LTIP Scheme. They both have 10 years from the date of grant in which to exercise awards.

4 The share price of 81.4p (as at 31 December 2019) has been taken for the purpose of calculating the current shareholding as a percentage of salary/fees. Unvested LTIP 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 2019. For vested market-priced awards, the number of shares which count towards the shareholding guideline is calculated as the number of shares that could be purchased based on the intrinsic value of such 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.

5 Paul Taaffe has 2,000,000 unexercised options under the 2006 Executive Share Option Scheme. This award was made by way of compensation for awards forfeited at his previous employment. Paul has until April 2025 to exercise this award and options have an exercise price of 42.14 pence.

6 Neil Jones has 501,853 unexercised options under the 2006 Executive Share Option Scheme. This award was made by way of compensation for awards forfeited at his previous employment. Neil Jones has until March 2026 to exercise this award and options have an exercise price of 43.84 pence.

Shareholding policy – Non-Executive Directors

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

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

	Total interests in shares
Non-Executive Director	
David Lowden	100,000
Andy Boland	89,496
Nicky Dulieu	-
Pat Billingham	-

Directors' interests in unvested share awards (audited)

Unvested interests in share awards of the Executive Directors at 31 December 2019 are as set out below.

Scheme	At 1 January 2019	Granted during year	Vested during year	Lapsed during year	At 31 December 2019	Share price at date of award (pence)	Exercise price (pence)	Vesting date
Paul Taaffe								
The Huntsworth Long-Term Incentive Plan 2016:								
- award granted in 2016 ¹	1,318,681		(1,318,681)	-	-	45.50	nil	-
- award granted in 2017 ¹	1,472,392			-	1,472,392	40.75	nil	20 March 2020
- award granted in 2018 ²	773,195			-	773,195	77.6	nil	6 March 2021
- award granted in 2019 ²	-	917,821		-	917,821	101.0	nil	22 March 2022
The Huntsworth 2016 Deferred Share Bonus Plan (2016 DSBP Scheme):								
- award granted in 2018 ³	144,845			-	144,845	77.6	nil	6 March 2020
Total Paul Taaffe	3,709,113	917,821	(1,318,681)		(0) 3,308,253			

1 Paul Taaffe was granted these awards as Conditional Share Awards. Paul has voluntarily agreed that a one-year holding period would apply to these awards.

2 Paul Taaffe was granted the award as a Conditional Share Award. A two-year holding period applies to this award.

3 Under the terms of the 2017 Annual Bonus, half of any amount payable in excess of Paul Taaffe's GBPE denominated salary of £600,000 from 2018, is subject to deferral under the 2016 DSBP Scheme. However, whilst not included within the initial terms and conditions, Paul voluntarily agreed to increase this and has deferred 100% of the bonus payment in excess of 100% of salary. Accordingly, an award was made under the 2016 DSBP Scheme equivalent in value to £112,400, in respect of 144,845 shares (£112,400 at a share price of 77.6p). The Remuneration Committee determined that this award would also attract dividend shares with a market value equal to the dividends which would have been received on the award as if they had been owned before vesting (i.e. additional shares will be given to Paul based on the market value of dividends paid during the period from 6 March 2018 and 5 March 2020).

Scheme	At 1 January 2019	Granted during year	Vested during year	Lapsed during year	At 31 December 2019	Share price at date of award (pence)	Exercise price (pence)	Vesting date
Neil Jones								
Performance Share Plan (PSP) ^{1,4}	848,484		(848,484)	-	-	41.25	nil	14 March 2019
2006 Executive Share Option Scheme ⁴	501,853		(501,853)	-	-	41.75	43.84	14 March 2019
The Huntsworth Long-Term Incentive Plan 2016 ⁴								
- award granted in 2017 ¹	858,895	-	-	-	858,895	40.75	nil	20 March 2020
- award granted in 2018 ²	463,917		-	-	463,917	77.6	nil	6 March 2021
- award granted in 2019 ²	-	550,693	-	-	550,693	101.0	nil	22 March 2022
The Huntsworth 2016 Deferred Share Bonus Plan (2016 DSBP Scheme):								
- award granted in 2018 ³	84,407		-	-	84,407	77.6	nil	6 March 2020
Total Neil Jones	2,757,556	550,693	(1,350,337)	-	1,957,912			

1 Neil Jones has voluntarily agreed that a one-year holding period would apply to these awards.

2 A two-year holding period applies to these awards.

3 Under the terms of the 2017 Annual Bonus, half of any amount payable in excess of Neil Jones's salary of £360,000 from 2018, is subject to deferral under the 2016 DSBP Scheme. However, whilst not included within the initial terms and conditions, Neil voluntarily agreed to increase this and has deferred 100% of the bonus payment in excess of 100% of salary. Accordingly, an award was made under the 2016 DSBP Scheme equivalent in value to £65,500, in respect of 84,407 shares (£65,500 at a share price of 77.6p). The Remuneration Committee determined that this award would also attract dividend shares with a market value equal to the dividends which would have been received on the award as if they had been owned before vesting (i.e. additional shares will be given to Neil based on the market value of dividends paid during the period from 6 March 2018 and 5 March 2020).

4 Neil Jones will have seven years from the vesting date (being 10 years from the date of grant) in which to exercise the awards made under these share schemes.

The below table shows Ben Jackson's unvested interests in share awards. All of these share awards were granted to him prior to him being appointed an Executive Director.

Scheme	At 1 January 2019	Granted during year	Vested during year	Lapsed during year	At 31 December 2019	Share price at date of award (pence)	Exercise price (pence)	Vesting date
Ben Jackson								
The Huntsworth Long-Term Incentive Plan 2016 ³								
- award granted in 2017	45,344	-	-	-	45,344	61.75	nil	25 July 2020
- award granted in 2018 ¹	61,855	-	-	-	61,855	77.6	nil	6 March 2021
- award granted in 2019 ²	-	60,643	-	-	60,643	101.0	nil	22 May 2022
Total Ben Jackson	107,199	60,643	-	-	167,842			

1 A two-year holding period applies to this award.

2 A one-year holding period applies to this award.

3 Ben Jackson will have seven years from the vesting date (being 10 years from the date of grant) in which to exercise the awards made under these share schemes.

Performance conditions

2019

Performance conditions for the awards under the 2016 LTIP Scheme made to Paul Taaffe, Neil Jones and Ben Jackson in 2019 are disclosed on page 58.

2018

Performance conditions for the awards under the 2016 LTIP Scheme made to Paul Taaffe and Neil Jones in 2018 are described in the Company's 2018 Annual Report and Accounts on page 53. These equally apply to the awards made in 2018 to Ben Jackson whilst he was a Senior Manager.

2017

Performance conditions for the awards under the 2016 LTIP Scheme made to Paul Taaffe, Neil Jones and Ben Jackson in 2017 are disclosed on page 53. As disclosed, these awards are due to vest in full in 2020.

Report of the Directors on Remuneration continued

Annual Remuneration Report 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 2019 was 81.4p and the range during 2019 was 69.0p to 109.0p.

Total CEO remuneration

The table below sets out the total remuneration delivered to the CEO over the last 10 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total remuneration	1,036	729	1,224	1,033	724	645	869	5,053 ¹	2,614	2,055
Annual bonus payment level achieved (% maximum opportunity)	0%	0%	40%	41%	0%	0%	24%	79%	60%	0%
LTIP vesting level achieved (% maximum opportunity)	100%	100%	58%	0%	NA	NA	NA	89% ¹	100%	100%

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.

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 2018 to 2019 compared with the average percentage change for the Group's employees.

£000	2019	2018	Change %
CEO			
Salary	756	699	8% ¹
Benefits	34	28	21%
Bonus	0	542	(100)%
Total	790	1,269	(38)%
Average Group employee			
Salary	67	59	14%
Benefits	5	5	-
Bonus	2	2	-
Total	74	66	12%

¹ Paul Taaffe's salary is denominated and paid in US Dollars. His US Dollar salary for 2019 was \$964,080 and for 2018 was \$936,000, being a 3% difference. The balance of 5% to arrive at 8% change, as shown in the above table, represents the exchange rate difference when converting Paul's salary from USD\$ to GBPE.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in 2019 and 2018 compared with other disbursements from profit.

£000	2019	2018	Change %
Profit distributed by way of dividend	8,634	7,069	22%
Overall spend on pay (including Directors)	156,556	132,211	18%

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

CEO and employee pay ratios

The table below sets out the ratios of the CEO single total figure of remuneration to the equivalent pay for lower-quartile, median and upper-quartile UK employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Requirements 2018 (the **Regulations**), which applied to Huntsworth for the first time in 2019. These pay ratios now form part of the information that is provided to the Committee on broader employee pay policies and practices to inform remuneration decisions for the Executive Directors.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	B	66	49	30
Pay data (£'000)		Base salary	Total pay	
CEO remuneration		756	2,056	
UK employees 25th percentile		29	31	
UK employees 50th percentile		40	42	
UK employees 75th percentile		62	68	

The comparison with UK employees is specified by the Regulations. This group represents approximately 39% of our total employee population. The Regulations provide flexibility to adopt one of three methods of calculation; we have chosen Option B, which uses the gender pay data as at 5 April 2019. We have used the latest gender pay data to identify the three employees at the 25th, 50th and 75th percentile as at 31 December 2019. We consider these employees reasonably representative of the quartile points given that their remuneration structures are similar to what would be expected of someone at that level. We have calculated total pay for these individuals on the same basis as for the CEO, which includes base salary, benefits, bonus and long-term incentives. The CEO pay is per the single total figure of remuneration table, as shown on page 56.

As explained earlier in this report, the majority of the CEO's total pay for the year is driven by performance-driven elements, notably the long-term incentive element and share price growth during the period. The ratios may therefore vary significantly year-on-year depending on bonus and LTIP outcomes and share price movements. The ratio of CEO pay excluding LTIP versus median UK employee pay is 19.

Report of the Directors on Remuneration continued

Annual Remuneration Report continued

Implementation of remuneration policy in 2020

Executive Directors

Salary

As part of the Executive Director Board changes, Neil Jones's salary was increased to £400,000 with effect from 1 October 2019, and is intended to be fixed until 2021. Ben Jackson was appointed as Chief Financial Officer on the same date with a salary of £250,000, which is also intended to be fixed until 2021. Therefore, no salary increases are proposed for Neil Jones or Ben Jackson for 2020.

With regard to Paul Taaffe, he received a 2% increase to \$983,360 with effect from 1 January 2020. Paul Taaffe's variable pay arrangements will still be determined against a GBPE denominated salary figure, which likewise increases by 2% from £618,000 to £630,360. In setting Paul Taaffe's salary increase, the Committee reviewed data to ensure that his salary increase was no greater than the average increase (in percentage terms) awarded to the wider workforce.

Paul Taaffe's annualised salary for 2020 and 2019 is set out below:

Executive Director	2020 USD\$000	2019 USD\$000	Change
Paul Taaffe	983	964	2% ¹

1. Paul Taaffe's salary is denominated and paid in US Dollars. For all other payment arrangements, including any Annual Bonus payment or LTIP awards, Paul Taaffe's awards will be determined based on his GBPE base salary figure of £630,360, an increase of 2% from £618,000.

Annual Bonus performance targets

No change in maximum annual bonus opportunity levels compared to 2019. The maximum annual bonus opportunity for 2020 is 120% of salary for both Paul Taaffe and Neil Jones. The maximum annual bonus opportunity for Ben Jackson is 80% of salary. For Paul Taaffe the bonus is based on his 2020 GBPE denominated base salary of £630,360, for Neil Jones a salary of £400,000 and Ben Jackson a salary of £250,000.

Awards will be based on achieving specific PBHPBT and organic revenue performance targets.

The Committee is of the opinion that given commercial sensitivity, disclosing precise PBHPBT and organic 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 disclosed after the end of the performance period so shareholders can fully assess the basis for any pay-outs.

30% of any Annual Bonus payable will be deferred for a period of two years under the 2016 DSBP Scheme.

Awards will be subject to malus and clawback provisions.

Long-term incentive plan targets

No change in normal awards levels compared to 2019. For Paul Taaffe and Neil Jones the normal award level is up to 150% of salary. For Ben Jackson the normal award level is up to 100% of salary.

The awards to be made under the 2016 LTIP Scheme to Paul Taaffe, Neil Jones and Ben Jackson in 2020 will be based on the following measures:

	Weighting	Threshold vesting ¹ (25% of maximum)	Maximum vesting ¹ (100% of maximum)
Cumulative HEPS – for the three years ending 31 December 2022	50%	26.3p	30.0p
Cash conversion – average across the three-year performance period ending 31 December 2022	30%	88%	98%
ROIC – average across the three-year performance period ending 31 December 2022	20%	14.5%	15.5%

1. Straight-line vesting between threshold and maximum, with no vesting for performance below threshold.

In addition to the above conditions, there are conditions to accommodate M&A activity within acceptable gearing levels. As noted elsewhere in this report, in line with current investor expectations, performance targets for 2020 have been set based on a gearing level of 1.5x EBITDA (a reduction on the previous gearing level of 2.0x EBITDA). This reduction in acceptable gearing level will impact the scale and/or financing of future acquisitions, such that alternative funding will potentially need to be sourced. HEPS targets for the 2020 LTIP Award have therefore been set in this context. The Committee considers HEPS targets for 2020 to be as stretching as in previous years.

The 2020 share awards will include a two-year holding period after the end of the three-year performance period.

Awards will be subject to malus and clawback provisions.

Non-Executive Directors

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.

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 April 2020, as shown below. The intention is to move to an annual increase in Non-Executive Director fees, starting on 1 January each year, in line with the general workforce and only formally review every two to three years to ensure that Non-Executive Director fees remain in line with the wider marketplace.

£000	Fee from 1 April 2020	Fee from 1 January to 31 March 2020
Chairman fee	175	175
Independent NED base fee	47.5	43
Audit Committee Chairman	8	7
Remuneration Committee Chairman	8	7
Nomination Committee Chairman	-	-
Senior Independent Director	6	5

The following table sets out the expected annual fees payable to the Company's Non-Executive Directors for 2020:

£000	2020
David Lowden	175
Andy Boland	52
Nicky Dulieu	54
Pat Billingham	54

Advisors to the Remuneration Committee

During 2019, the Committee engaged the services of Deloitte LLP as independent Remuneration Committee advisors.

Deloitte LLP was 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 its role as external advisor to the Committee. Total fees payable to Deloitte in 2019 for Remuneration Committee matters were £44,900 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 2019 AGM, the following votes were cast in respect of the 2018 Annual Remuneration Report (advisory vote) and the 2019 Remuneration Policy (binding vote):

	2018 Annual Remuneration Report	
	Number of votes	% of votes cast
For and discretionary	312,035,014	98.82
Against	3,710,136	1.18
Withheld	1,099	0.0

	2019 Remuneration Policy	
	Number of votes	% of votes cast
For and discretionary	280,990,444	98.70
Against	3,710,505	1.30
Withheld	31,045,300	0.0

Directors' Report

The Directors' Report for the year ended 31 December 2019 comprises this report and the Corporate Governance Report on pages 40 to 45, together with any other sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters to be included in the Directors' Report have been included in the Strategic Report pages 2 to 35. Specifically:

- an indication of likely future developments in the business of the Company can be found on pages 10 and 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 are contained in the Strategic Report;
- employee matters and carbon emission disclosures are set out in the ESG Report on pages 30 to 35; and
- details of the Group's engagement with suppliers, customers and others can be found in the Company's s.172 Statement on pages 43 to 44.

Dividends

The Directors recommend a final dividend of 1.85 pence per share for the year ended 31 December 2019. An interim dividend of 0.75p per share was paid on 6 November 2019, making a total for ordinary dividends of 2.6p per share for the year (2018: 2.3p per share). The record date for the final dividend is proposed to be 7 August 2020 and it will be payable on 18 September 2020. A scrip dividend alternative will be available.

Directors

The Directors who served during the year ended 31 December 2019 and as at the date of this report, are set out below:

Name	Appointment
David Lowden	Chairman of the Board and Nomination Committee with effect from 6 March 2019; previously an Independent Non-Executive Director
Paul Taaffe	Chief Executive Officer
Neil Jones	Chief Operating Officer with effect from 1 October 2019; previously Chief Financial Officer
Ben Jackson	Appointed as a Director and Chief Financial Officer on 1 October 2019
Andy Boland	Independent Non-Executive Director and Senior Independent Director
Nicky Dulieu	Independent Non-Executive Director and Chair of the Remuneration Committee
Pat Billingham	Independent Non-Executive Director and Chair of the Audit Committee
Derek Mapp	Chairman of the Board and Nomination Committee until resigning as a Director on 6 March 2019
Elizabeth McKee Anderson	Independent Non-Executive Director (resigned 31 December 2019)

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

Read more
pages 36 – 37

The interests of the Directors in office at 31 December 2019 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 (**Remuneration Report**) on pages 51 to 65.

Read more
pages 51 – 65

In accordance with the Company's Articles of Association and the UK Corporate Governance Code, all Directors are subject to reappointment by shareholders at the first Annual General Meeting (**AGM**) after their appointment and annually thereafter. Hence at each AGM every Director shall retire from office and each Director wishing to serve again shall submit himself or herself for reappointment.

Except as disclosed in the 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 2019, the Company had been notified of the following interests in the Company's ordinary share capital:

Holder	% of share capital ¹	Number of shares	Nature of holding
Aberforth Partners LLP	12.40%	45,905,428	Indirect
Aviva plc & its subsidiaries	8.75%	32,377,124	8.02% Direct 0.73% Indirect
Canaccord Genuity Group Inc.	9.515%	33,260,275	Indirect
FIL Limited	9.13%	30,242,555	Indirect
Kabouter Management LLC	4.96%	18,340,963	Indirect
Kames Capital Plc	4.82%	17,855,064	2.52% Direct 2.30% Indirect
Merian Global Investors (UK) Limited ²	9.04%	29,703,036	8.96% Indirect 0.08% Financial Instruments
Premier Miton Investors ³	3.57%	11,813,720	Indirect

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

2 Formerly known as Old Mutual Global Investors (UK) Limited.

3 Formerly known as Miton Group plc

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 2019 to 2 March 2020 the following notifications were received:

Holder	% of share capital ¹	Number of shares	Nature of holding
Merian Global Investors (UK) Limited	4.68%	17,321,793	4.64% Indirect 0.4% Financial Instruments
M&G Plc	5.21%	19,283,163	Indirect
Aviva plc & its subsidiaries	9.08%	33,616,745	7.94% Direct 1.14% Indirect

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

Directors' indemnities

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

Shares

As at 31 December 2019, the Company's issued share capital comprised 370,102,999 ordinary shares of 1p each; 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 2019 the Directors were granted the authority to purchase up to 10% of the Company's ordinary shares (either for cancellation or for placing into treasury) to support the Group's capital management policies. Further details of the Group's capital management policies are included in Note 21 to the consolidated financial statements. The authority granted amounted to 34,955,707 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 conclusion of the next AGM (or, if earlier, at the close of business on 8 August 2020). No ordinary shares were purchased during the year or up to the date of this report.

At the date of this report there are nil ordinary shares held in treasury. There were nil ordinary shares held in treasury as at 31 December 2019 or at any time during 2019.

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, disabled persons and employee involvement, can be found in the ESG Report on pages 30 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 donations and political expenditure are all defined in the Companies Act.

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

During the year, Group companies made the following payments that might be deemed to fall within the definition of 'political donation' or 'political expenditure' in the Companies Act: political expenditure amounting to £6,057 was paid attending conferences and to cover function expenses. This was made up of £2,794 paid to the Conservative Party and £3,262 to the Labour Party.

Additional information for shareholders

The following information, which summarises certain provisions of the current Articles of Association (the **Articles**) 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.

Directors' Report continued

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. All resolutions put to members at electronic general meetings shall be voted on by a poll. A member who participates in a general meeting held by electronic means shall have the right to vote on a poll.

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 may be exercised in person or by proxy. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for holding the meeting, except in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, for which proxy forms must be received not less than 24 hours before the time appointed for the taking of the poll.

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

Dividends and other payments

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

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 rules (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 2019 there were no shares of the Company subject to lock-in restrictions. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Rights and obligations attaching to the deferred shares

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

The deferred shares are also subject to the following terms:

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

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

Significant direct or indirect holdings of securities and special rights

Directors' interests in the share capital of the Company are shown in the table on page 60. Major interests in the share capital of the Company of which the Company has been notified are shown in the table on page 66. There are no securities which carry special rights with regard to the control of the Company.

Employee share trust

The Huntsworth Employee Benefit Trust (EBT) currently holds less than 0.1% of the issued share capital of the Company on trust for the benefit of employees of the Huntsworth Group and their dependants. The voting rights in relation to these shares are exercised by the Trustees. The Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants. The EBT waived its rights to both the 2018 final dividend and the 2019 interim dividend.

Appointment and replacement of Directors

Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate Directors) shall be not less than two nor more than 12 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. Any Director appointed by the Board shall retire at the next AGM of the Company and shall then be eligible for election. At every AGM all Directors shall retire from office and may offer themselves for reappointment by the members.

In addition to the power to remove a Director under the Companies Act, the Company may by special resolution remove any Director before the expiration of his term of office.

The office of Director shall be vacated if:

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

Amendment to the Articles

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

Directors' Report continued

Powers of the Directors

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

Repurchase of shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The Company has the power to buy back up to 34,955,707 ordinary shares. This authority expires at the conclusion of the next AGM of the Company or, if earlier, 8 August 2020. The minimum price which must be paid for such shares is 1 pence and the maximum price payable is the higher of: (i) 5% above the average of the closing middle market quotations for ordinary shares (as derived from the London Stock Exchange Daily Official List) for the five dealing days immediately preceding the date of purchase; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange Daily Official List at the time the purchase is carried out.

Significant agreements

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

Under the £130 million revolving credit and up to £50 million accordion facilities agreement dated 26 February 2019 between, amongst others, the Company, Lloyds Bank plc (as facility agent) and the banks named therein as lenders, upon a change of control, the agent may, if the lenders so require, cancel the facilities by giving not less than 30 business days' notice and declare all outstanding amounts under the facilities, together with accrued interest, immediately due and payable.

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

Auditor

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and a resolution for its reappointment will be proposed at the 2020 Annual General Meeting on 22 June, together with a resolution to authorise the Directors to determine the auditor's remuneration.

Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Report of the Directors are listed on pages 36 and 37. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- so far as each Director is aware, there is no information relevant to the preparation of the Company auditor's report of which the Company's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Disclosures required under UK Listing Rule 9.8.4

There are no disclosures required to be made under UK Listing Rule 9.8.4 which have not already been disclosed elsewhere in the Annual Report. Details of Long Term Incentive Plans can be found in the Directors' Remuneration Report on pages 58 to 61 and details of dividends waived by shareholders can be found on page 99.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Monday 22 June 2020 at the registered offices of Huntsworth plc, 8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN. The notice convening the AGM, together with the details of the business to be considered and explanatory notes for each resolution, will be contained in a separate circular sent to shareholders and it will also be available to be viewed on the Company's website.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

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

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

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

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

Each of the Directors, whose names and functions are listed on pages 36 and 37 confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

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

Martin Morrow
Company Secretary
3 March 2020

Independent Auditors' Report

to the members of Huntsworth plc

Report on the audit of the Group financial statements

Opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the **Annual Report**), which comprise: the Consolidated Balance Sheet as at 31 December 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the Notes to the Consolidated Financial Statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 5 to the financial statements, we have provided no non-audit services to the Group in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall Group materiality: £1.95 million (2018: £1.54 million), based on 5% of profit before tax adjusted for highlighted items as defined in Note 6 to the financial statements.
- We carried out procedures on components of the business which accounted for 73% (2018: 73%) of Group revenues and 69% (2018: 71%) of Group profit before tax and highlighted items.
- Audits of the complete financial information were performed on the Company, The Creative Engagement Group in the Immersive division, Evoke and Giant within the Marketing division and Apothecom within the Medical division in the US, which accounted for 55% (2018: 47%) of Group revenue.
- Audit procedures were performed over revenue in six further components, which accounted for a further 18% (2018: 26%) of Group revenue.
- Risk of fraud in revenue recognition in relation to occurrence, accuracy and cut-off – with a particular focus on stage of completion of project-based revenues.
- Impairment of goodwill and other intangible assets.
- Measurement and presentation of highlighted items.
- Acquisition accounting for Creativ-Ceutical and KYNE.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and the industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, Listing Rules and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- discussions with management, internal audit and the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluation of management's controls designed to prevent and detect irregularities;
- assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of goodwill and other intangible fixed assets and acquisition accounting (see related key audit matter below);
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<i>Risk of fraud in revenue recognition in relation to occurrence, accuracy and cut-off – with a particular focus on stage of completion of project-based revenues.</i> <i>Refer to page 46 (Audit Committee Report) and Note 2 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates.</i> Our specific audit focus was on the risks that revenue may be recorded in the incorrect period in respect of stage of completion of project-based revenues for fixed fee contracts. Assessment of the stage of completion can be judgemental in nature and increases the risk in relation to the timing of revenue recognition. Risks relating to time and materials contracts exist in relation to occurrence of such transactions in the year. Risks relating to retainership contracts relate to occurrence of such transactions in the year and that the revenue related to such projects is recognised in the correct year.	We evaluated the revenue recognition policy of the Group and, on a sample basis, we determined that the revenue had been recognised in conformity with the Group's policy and applicable IFRSs. For a sample of transactions through the year, we examined supporting documentation, such as underlying contracts, approved purchase orders and statements of work, to determine that these services had taken place and the amount of revenue recognised in the year was appropriate. We have verified that the performance obligation has been satisfied by obtaining evidence for the completion of such obligation and/or through final reconciliations of such projects with the customers. Where amounts recorded were based on the percentage of the project's completion, we further verified that the revenue was correctly calculated through agreement to timesheet records and expected completion costs and/or corroborated amounts recorded through discussion and documented evidence with the responsible project managers. We also agreed a portion of the amount of revenue recognised on these contracts to cash received by agreeing the amounts to bank statements to confirm the occurrence of revenue during the year. There were no material issues identified by our testing of revenue recognition in the year. There was no evidence management bias or override of controls in respect of recorded revenues.

Independent Auditors' Report continued

to the members of Huntsworth plc

Key audit matter

Impairment of goodwill and other intangible assets

Refer to page 47 (Audit Committee Report), page 86 (Significant Accounting Policies) and page 100 (notes).

The carrying value of goodwill and other intangible assets is £324.5 million as at 31 December 2019 (2018: £287.3 million).

In order to support the carrying value of goodwill and intangible assets, the Directors forecast future cash flows of each underlying cash generating unit (CGU). Where the forecast cash flows do not meet the expectations of the Directors, there is risk that the assets will be impaired.

Determining if an impairment charge is required involves significant judgements about the future results and cash flows of the business, including forecast growth in future revenues and operating profit margins, as well as determining an appropriate discount rate and long-term growth rate.

The Directors used a value in use model to compute the present value of forecast future cash flows for each CGU which was then compared to the carrying value of the net assets of each CGU (including goodwill and intangible assets) to determine if there was an impairment.

The Directors' impairment assessment showed that all CGUs had headroom above the carrying value of the net assets including goodwill. This assessment also considered sensitivities on key assumptions that when applied, did not give rise to impairment.

How our audit addressed the key audit matter

We evaluated and sensitised the Directors' future cash flow projections and evaluated the process by which they were formulated and tested the underlying value in use calculations.

We challenged:

- the key assumptions for short and long-term growth rates in the projections by comparing them with historical results, as well as economic and industry forecasts and comparable companies; and
- the discount rate used in the calculations by assessing the cost of capital for the CGU to comparable organisations.

We performed our own sensitivity analysis on key assumptions, to understand the impact of reasonable changes in the key assumptions on the available headroom.

This included sensitising the discount rate applied to the future cash flows, and the short and longer-term growth rates and profit margins. In performing these sensitivities, we considered the historical budgeting accuracy and how the assumptions compared with the actual values achieved in prior years.

With regard to the above procedures, including the reflection of historical levels of variance from budget into the future forecasts, we determined that the inputs to the value in use model were appropriate. This provided sufficient evidence to support management assessments that no impairment charge is required.

For all CGUs, we found that this assessment was supported by reasonable assumptions that would require significant downside changes before any impairment charge would be necessary. We deem the disclosures in respect of goodwill in Note 12 to be appropriate.

Measurement and presentation of highlighted items

Refer to page 47 (Audit Committee Report), page 90 (Significant Accounting Policies) and page 96 (notes).

The Group presents profit before taxation adjusted for highlighted items to enable users of the financial statements to gain a better understanding of the underlying results.

The classification of items as highlighted is an area of judgement, and we therefore focused on whether each item was properly classified as a highlighted item. This included assessing the completeness of items, in that it includes items that both increase and decrease the adjusted profit measure and ensuring that the items are accounted for in accordance with the Group's policy.

Current year highlighted items include £6.9 million amortisation of acquired intangible assets, £1.2 million acquisition-related costs, £5.7 million of property costs, £0.7 million restructuring costs, £3.6 million disposal-related expenses, £0.8 million imputed interest on deferred consideration and redemption liability and £9.6 million credit in respect of a reassessment of deferred consideration on acquisitions.

We considered the appropriateness of the adjustments made to statutory profit before taxation to derive profit before tax and highlighted items.

We understood the rationale for classifying items as highlighted and considered whether this is appropriate and consistent, in that it includes items that both increase and decrease the adjusted profit measure, and are in accordance with the Group's accounting policy.

Our work in relation to each type of highlighted item is summarised below.

- Amortisation of acquired intangible assets – the cost of amortising acquired intangible assets including trademarks, brands and customer relationships has been treated as highlighted, consistent with prior years. We obtained the amortisation schedules and performed analytical procedures to gain comfort over the amortisation charge in the Consolidated Income Statement and determined this to be accurate.
- Acquisition-related costs – costs associated with the acquisition of Creativ-Ceutical and KYNE. We tested the accuracy and completeness of the costs incurred.
- Imputed interest – interest recognised in relation to the unwinding of the financing component associated with deferred consideration and redemption liabilities recognised on acquisition. We obtained and tested the supporting calculations and agreed the inputs to our acquisition accounting audit work. We determined these to be accurate.
- Reassessment of deferred consideration payable – conditions post acquisition date during the year resulted in a revision to deferred consideration. We obtained and tested the underlying assumptions in the revised calculation of deferred consideration.

Key audit matter

How our audit addressed the key audit matter

- Property costs – costs associated with property moves. We have obtained the underlying calculations and agreed them to lease agreements and other third-party evidence. We have reviewed the calculations supporting the impairment charge related to leasehold improvements. We have found the property costs are appropriately recognised in the income statement.
- Disposal-related costs – costs associated with the disposal of the Meta business in the Grayling division. We have reviewed the sale and purchase agreement to verify the consideration received. We have reviewed management's calculation of loss on disposal based on consideration received and the carrying amount of net assets being disposed of. We have reviewed the impairment of goodwill associated with the Meta business. We have found the disposal-related costs recognised in the income statement are appropriate.
- Restructuring – costs associated with restructuring at Giant. We have agreed these costs to the compensation paid. We have found these costs are appropriately recognised in the income statement.

We concluded that treatment of the above items as highlighted was appropriate and consistent with prior years and in line with the Group's stated accounting policy in respect of these items.

We also tested the reconciliation of adjusted profit to statutory profit in Note 6 to the consolidated financial statements and agreed material adjustments to underlying accounting records and our audit work performed over other balances.

We determined that the rationale for including or excluding items from adjusted profit has been consistently applied.

We reviewed the disclosures explaining the rationale for providing alternative profit measures in the accounting policy note, as well as the clarity of reconciliations of these measures to their statutory equivalent.

Independent Auditors' Report continued

to the members of Huntsworth plc

Key audit matter

Acquisition accounting for Creativ-Ceutical and KYNE

Refer to page 47 (Audit Committee Report), page 85 (Significant Accounting Policies) and pages 92 - 93 (notes).

During the year, the Group made two acquisitions: Creativ-Ceutical and KYNE for a cash consideration of £17.4 million and £13.4 million, respectively. The Group also recorded deferred consideration of £8.0 million and £9.1 million for Creativ-Ceutical and KYNE respectively.

The Directors' provisional purchase price allocation of the identifiable assets acquired and the liabilities assumed has resulted in the recognition of intangible assets of brands (£4.1 million) and customer relationships (£14.3 million). The remaining amount in excess of the net asset value resulted in the recognition of provisional goodwill balance of £39.0 million.

How our audit addressed the key audit matter

We evaluated the Directors' provisional purchase price allocation for the fair value of the acquired assets and liabilities including the acquired intangibles assets. We evaluated the process by which the assets were valued, and tested the underlying discounted cash flow valuation models used in the calculations.

We considered the Directors' assumptions by challenging the following:

- auditing the opening balances and provisional fair value adjustments which input into the allocation model, including the completeness of the liabilities assumed based on known and potential liabilities;
- the discount rate used in the calculations by assessing the cost of capital for the business and comparing this with comparable companies;
- the royalty rate and contributory asset charges by reviewing the underlying workings and comparing them with industry practice and benchmarking against companies in similar industries;
- the forecast cash flows from customers including customer retention rates and operating margin assumptions used in the valuation of customer relationships.

We have confirmed the consideration to underlying records and the sale and purchase agreement.

We determined that the provisional fair values agree to the underlying accounting records and the valuation models used and key assumptions made were appropriate based on the information available.

We have also reviewed the disclosures within the financial statements and consider these to be appropriate.

How we tailored the audit scope

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

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Taken together, our audit procedures accounted for 73% (2018: 73%) of Group revenues and 69% (2018: 71%) of Group profit before tax adjusted for highlighted items.

The Group consists of the Company and four divisions: Communications, Medical, Marketing and Immersive. The divisions are further comprised of components.

The Group's accounting process is structured around a local finance function for each component who maintain their own accounting records and controls and report to the plc finance team in the UK through submission of management reporting packs. The plc finance team consolidates the reporting packs of Communications, Medical, Marketing and Immersive and the central functions.

In our view, due to their significance and/or risk characteristics, as defined in our areas of focus, The Creative Engagement Group in the Immersive division, Evoke and Giant within the Marketing division and Apothecon within the Medical division in the US, required an audit of their complete financial information. These procedures accounted for 55% of the Group's revenues.

Specific risk-based audit procedures were performed over revenue in the Grayling UK, the Citigate Dewe Rogerson Financial and Corporate businesses, Red Consultancy, Tonic and Nitrogen businesses based on the audit risks we had identified in these areas. These procedures accounted for 18% of the Group's revenues.

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

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

Materiality

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

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

Overall Group materiality	£1.95 million (2018: £1.54 million).
How we determined it	5% of profit before tax adjusted for highlighted items as defined in Note 2 to the financial statements.
Rationale for benchmark applied	Based on our professional judgement, we determined materiality by applying a benchmark of 5% of profit before tax and highlighted items. We believe that profit before tax and highlighted items is the most appropriate measure as it eliminates any disproportionate effect of one-off changes and provides a consistent year-on-year basis of our work.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £135,000 and £1.2 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £97,000 (2018: £73,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

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

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

Independent Auditors' Report continued

to the members of Huntsworth plc

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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

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

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

- The Directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 27 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and its environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

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

- The statement given by the Directors, on page 71, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group obtained in the course of performing our audit.
- The section of the Annual Report on page 46 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 71, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 6 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2016 to 31 December 2019.

Other matter

We have reported separately on the Company financial statements of Huntsworth plc for the year ended 31 December 2019 and on the information in the Directors' Remuneration Report that is described as having been audited.

Richard Porter

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

3 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	4	264,854	224,956
Operating expenses	5	(228,849)	(193,860)
Share of profit from associate	15	300	267
Operating profit	5	36,305	31,363
Finance income	7	32	15
Finance costs	7	(6,513)	(2,774)
Profit before tax	4	29,824	28,604
Comprising:			
Profit before tax and highlighted items	6	39,088	30,857
Highlighted items	6	(9,264)	(2,253)
	4	29,824	28,604
Taxation expense	9	(7,284)	(6,883)
Profit for the year		22,540	21,721
Attributable to:			
Parent Company's equity shareholders		20,296	21,291
Non-controlling interests		2,244	430
Profit for the year		22,540	21,721
	Note	2019 pence	2018 pence
Earnings per share			
Basic	11	5.6	6.4
Diluted	11	5.4	6.1

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Profit for the year		22,540	21,721
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to the income statement</i>			
Amounts recognised in the income statement on interest rate swaps		(173)	176
Movement in valuation of interest rate swaps		(262)	(170)
Tax credit/(expense) on interest rate swaps	9	83	(1)
Tax credit on share-based payments	9	301	400
Currency translation differences		(9,363)	7,264
Tax credit on currency translation differences	9	194	54
Total items that may be reclassified subsequently to the income statement		(9,220)	7,723
Total other comprehensive (expense)/income for the year		(9,220)	7,723
Total comprehensive income for the year attributable to Parent Company's equity shareholders		13,320	29,444

Strategic Report

Corporate Governance

Financial Statements

Other Information

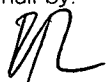
Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	12	324,509	287,288
Property, plant and equipment	13	10,932	9,751
Right-of-use asset	14	38,573	-
Investment accounted for using the equity method	15	679	479
Other receivables	16	4,227	2,594
Deferred tax assets	20	207	205
		379,127	300,317
Current assets			
Work in progress	18	7,008	8,440
Trade and other receivables	16	93,233	81,997
Current tax receivable		1,593	1,077
Cash and short-term deposits	21	22,598	22,787
		124,432	114,301
Current liabilities			
Lease liabilities	14	(9,752)	(2)
Bank overdraft	21	(229)	(357)
Trade and other payables	17	(83,588)	(69,423)
Current tax payable		(3,912)	(2,258)
Derivative financial liabilities	21	(212)	(122)
Provisions	19	(7,266)	(6,396)
		(104,959)	(78,558)
Non-current liabilities			
Bank loans	21	(92,100)	(99,214)
Lease liabilities	14	(35,289)	(1)
Trade and other payables	17	-	(4,105)
Derivative financial liabilities	21	(438)	(93)
Deferred tax liabilities	20	(9,293)	(8,705)
Provisions	19	(47,029)	(27,975)
		(184,149)	(140,093)
Net assets		214,451	195,967
Equity			
Called up share capital	23	107,585	107,380
Share premium account	25	98,784	82,423
Merger reserve	25	29,468	29,468
Foreign currency translation reserve	25	33,663	43,026
Hedging reserve	25	(650)	(215)
Put option reserve	25	(35,917)	(18,825)
Investment in own shares held in Employee Benefit Trusts	25	(302)	(516)
Accumulated losses		(48,496)	(61,306)
Equity attributable to equity holders of the parent		184,135	181,435
Non-controlling interest	25	30,316	14,532
Total equity		214,451	195,967

The Company number for Huntsworth plc (**the Company**) is 1729478.

These financial statements, as set out on pages 85 to 116, were approved by the Directors on 3 March 2020 and signed on their behalf by:



Ben Jackson
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash inflow from operating activities			
Cash inflow from operations	27(a)	55,213	22,100
Interest paid		(3,051)	(1,910)
Interest received		33	15
Cash flows on derivative financial instruments		(532)	(943)
Net tax paid		(4,716)	(4,127)
Net cash inflow from operating activities		46,947	15,135
Cash (outflow) from investing activities			
Acquisition of subsidiary – cash paid	3	(30,796)	(72,118)
Cash acquired through acquisition	3	8,043	5,474
Deferred consideration payments		(8,480)	-
Acquisition of minority interest		(380)	-
Additional consideration on prior year acquisitions		(1,264)	-
Proceeds from sale of businesses, net of cash disposed		1,283	1,183
Cost of internally developed intangible assets		-	(234)
Purchases of property, plant and equipment		(5,206)	(2,227)
Proceeds from sale of property, plant and equipment		75	53
Dividends received from associates		100	-
Net cash outflow from investing activities		(36,625)	(67,869)
Cash (outflow) from financing activities			
Proceeds from issue of ordinary shares		15,763	17,608
Purchase of treasury shares		-	(172)
Proceeds from sale of own shares to settle share options		-	474
Repayment of lease liabilities		(9,409)	(1)
Net repayment/drawdown of borrowings		(7,607)	53,247
Dividends paid to equity holders of the parent		(7,853)	(5,920)
Dividends paid to non-controlling interests		(1,006)	(182)
Net cash (outflow)/inflow from financing activities		(10,112)	65,054
Total increase in cash and cash equivalents		210	12,320
Movements in cash and cash equivalents			
Increase in cash and cash equivalents		210	12,320
Effects of exchange rate fluctuations on cash held		(271)	455
Cash and cash equivalents at 1 January		22,430	9,655
Cash and cash equivalents at 31 December	27(c)	22,369	22,430
Cash and short-term deposits		22,598	22,787
Bank overdraft		(229)	(357)
Cash and cash equivalents at 31 December	27(c)	22,369	22,430

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Put option reserve £000	Investment in own shares £000	Accumulated losses £000	Total £000	Non- controlling interest £000	Total Equity £000
At 1 January 2018	107,203	63,843	29,468	35,762	(221)	(1,166)	-	(1,658)	(75,830)	157,401	-	157,401
Profit for the year	-	-	-	-	-	-	-	-	21,291	21,291	430	21,721
Total other comprehensive income	-	-	-	7,264	6	-	-	-	453	7,723	-	7,723
Acquisitions of subsidiaries	-	-	-	-	-	-	(18,825)	-	-	(18,825)	14,284	(4,541)
Exercise of put options	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurements	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	(172)	-	(172)	-	(172)
Settlement of share options	-	-	-	-	-	-	-	2,480	(2,006)	474	-	474
Issue of shares	166	17,968	-	-	-	-	-	-	-	18,134	-	18,134
Share issue costs	-	(526)	-	-	-	-	-	-	-	(526)	-	(526)
Charge for share-based payments	-	-	-	-	-	-	-	-	1,418	1,418	-	1,418
Tax on share-based payments	-	-	-	-	-	-	-	-	437	437	-	437
Transfers	-	-	-	-	-	1,166	-	(1,166)	-	-	-	-
Scrip dividends	11	1,138	-	-	-	-	-	-	-	1,149	-	1,149
Equity dividends	-	-	-	-	-	-	-	-	(7,069)	(7,069)	(182)	(7,251)
At 31 December 2018	107,380	82,423	29,468	43,026	(215)	-	(18,825)	(516)	(61,306)	181,435	14,532	195,967
Profit for the year	-	-	-	-	-	-	-	-	20,296	20,296	2,244	22,540
Total other comprehensive income	-	-	-	(9,363)	(435)	-	-	-	578	(9,220)	-	(9,220)
Acquisitions of subsidiaries	-	-	-	-	-	-	(17,621)	-	-	(17,621)	14,863	(2,758)
Exercise of put option	-	-	-	-	-	-	529	-	48	577	(577)	-
Remeasurements	-	-	-	-	-	-	-	-	-	-	260	260
Settlement of share options	22	-	-	-	-	-	-	214	(236)	-	-	-
Issue of shares	175	16,080	-	-	-	-	-	-	-	16,255	-	16,255
Share issue costs	-	(492)	-	-	-	-	-	-	-	(492)	-	(492)
Charge for share-based payments	-	-	-	-	-	-	-	-	1,282	1,282	-	1,282
Tax on share-based payments	-	-	-	-	-	-	-	-	(524)	(524)	-	(524)
Scrip dividends	8	773	-	-	-	-	-	-	-	781	-	781
Equity dividends	-	-	-	-	-	-	-	-	(8,634)	(8,634)	(1,006)	(9,640)
At 31 December 2019	107,585	98,784	29,468	33,663	(650)	-	(35,917)	(302)	(48,496)	184,135	30,316	214,451

Note 25 includes more detail on each of these Group reserves.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements of the Group have been prepared on the going concern basis. On 3 March 2020 the consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Directors. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds ('£000') except where otherwise indicated. The general information is included under Note 1 of the Company financial statements.

2. Significant accounting policies

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

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

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

Except for the adoption of IFRS 16, the adoption of these standards and interpretations has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- IFRS 17 Insurance Contracts
- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

Basis of consolidation

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

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

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

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

Business combinations

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

2. Significant accounting policies continued

Where the consideration for the acquisition includes a deferred contingent consideration arrangement, this is measured at fair value at the acquisition date. Any subsequent changes to the fair value of the contingent consideration are adjusted against the cost of the acquisition if they occur within the measurement period of 12 months following the date of acquisition and relate to events and circumstances existing at acquisition. Any subsequent changes to the fair value of the contingent consideration for events and circumstances that did not exist at acquisition or after the measurement period are recognised in the income statement within highlighted items.

Goodwill and intangible assets

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

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

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

Costs associated with the development of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs are recognised as intangible assets. Costs are capitalised from the point that the asset first meets the recognition criteria. These are reviewed for impairment until the asset is completed, after which point costs are amortised over their estimated useful lives of two to 10 years.

Property, plant and equipment

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

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

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

Investments in associates

An associate is an investment over which the Group has significant influence through the power to participate in the financial and operating policy decisions of the investee. The Group accounts for its interests in associates using the equity method. Under the equity method, the investment in the associate is initially measured at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of the profits and losses of the associate since the acquisition date. The Group's share of profits of associates, net of tax, interest and non-controlling interests is included in the income statement and the Group's share of net assets is shown within interests in associates in the balance sheet. The Group assesses the carrying value of its associates to determine if any impairment has occurred.

Work in progress

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

Financial assets

Financial assets are recognised in the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following categories: trade and other receivables, and cash at bank and on hand.

Trade and other receivables

Trade receivables and other receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks and similar institutions. Cash equivalents comprise bank deposits which are readily convertible to known amounts of cash and with a maturity of three months or less and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes primarily the Group's past experience of collecting payments.

A specific provision will also be raised for trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The ECL on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision are recognised in the income statement.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs and stated at amortised cost using the effective interest rate method. The amortised cost calculation is revised when necessary to reflect changes in the expected cash flows and the expected life of the borrowings including the effects of the exercise of any prepayment, call or similar options. Any resulting adjustment to the carrying amount of the borrowings is recognised as interest expense in the income statement.

Trade and other payables

Trade payables and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as set out above, with interest expense recognised on an effective yield basis.

Derivative financial instruments

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

2. Significant accounting policies continued

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

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

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Provisions

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

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

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

Certain acquisitions made by the Group include a put/call option to purchase the non-controlling interests' equity share at a future date, payable in either cash or a combination of cash and shares at the Company's option, which is contingent on the future financial performance of the acquired entity. The provision is recorded at fair value, which is the present value of the amount expected to be paid in cash or shares. The provision represents the Directors' best estimate of future business performance based on internal business plans.

Turnover and revenue

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

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

Revenue excludes amounts payable on behalf of clients to external suppliers where the Group does not take control of either the good or the service prior to transfer to the customer and therefore is acting as an agent.

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

Revenue derived from retainership contracts is recognised over time as the performance obligations are satisfied over the term of the retainer contract.

Revenue for time-charge based work is recognised at the amount for which the Group has the right to invoice; therefore revenue is recognised based on number of hours worked at the agreed rate, subject to any fee cap, where applicable.

For fixed fee projects, revenue is only recognised once the final outcome can be assessed with reasonable certainty. The stage of completion is determined relative to the total number of hours or significant milestones expected to complete the work or provision of services as this reflects the satisfaction of the performance obligations within the contract.

Revenue in the form of commissions on media placements and fees for creative and production services provided is recognised as the services are performed.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Share-based payments

The Group awards equity-settled share-based payments to certain employees. These are measured at fair value at the date of grant. Details of how the fair value of awards made in the year has been calculated are set out in Note 24. The fair value of the equity-settled share-based payment is recognised in the income statement as an expense spread straight-line over the relevant vesting period, based on the Group's estimate of the number of awards that will eventually vest. At each balance sheet date, the

Group revises its estimate of the number of awards expected to vest, with the impact of any revision recognised in the income statement, with a corresponding adjustment to reserves.

Employee share ownership plans

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

Dividends

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

Pensions

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

Leasing and hire purchase commitments (before 1 January 2019)

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

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

Leasing (applicable from 1 January 2019)

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the relevant incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets and lease liabilities have been disclosed separately.

The Group as a lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

2. Significant accounting policies continued

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Foreign currencies

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

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

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

Highlighted items

The Group presents highlighted items charged to profit before tax by making adjustments for costs and credits which management believe to be significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings. Refer to Appendix 1 Non-IFRS Measures. The Group uses these adjusted measures to evaluate performance.

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

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

Finance costs and income

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

Taxation

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

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

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

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

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

Significant accounting judgements and key sources of estimation uncertainty

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

(a) Highlighted items

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

(b) Carrying value of goodwill and other intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the procedures set out in Note 12. The recoverable amounts of cash-generating units have been determined based on value in use calculations. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from each cash-generating unit. For each CGU, the forecast cash flows for the first five years are based on the 2020 financial budget approved by the Directors, adjusted based on past experience and historic trends. Growth rates in years two to five are based on management's medium-term forecasted revenue and operating margins for each of the businesses. After the initial five-year forecast period a long-term growth rate has been applied to the cash flow forecasts into perpetuity. This growth rate is based on an estimate of the long-term average growth rate for the market that each CGU operates in.

(c) Revenue recognition

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

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

(c) Revenue recognition continued

For fixed fee projects, revenue is only recognised once the final outcome can be assessed with reasonable certainty. The stage of completion is determined relative to the total number of hours or significant milestones expected to complete the work or provision of services as this reflects the satisfaction of the performance obligations within the contract.

(d) Going concern

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

(e) Valuation of separately identifiable intangible assets

To determine the value of separately identifiable intangible assets in a business combination, the Group is required to make judgements when utilising valuation methodologies.

These methodologies include the use of discounted cash flows, revenue forecasts and the estimates for the useful economic lives of intangible assets. There are significant judgements involved in assessing what amounts are recognised as the estimated fair value of assets and liabilities acquired through business combinations, particularly the amounts attributed to separate intangible assets such as brands and customer relationships. These judgements impact the amount of goodwill recognised on acquisitions.

Any provisional amounts are subsequently finalised within the 12-month measurement period, as permitted by IFRS 3. Details of acquisitions in the year are set out in Note 3.

(f) Application of IFRS 16

Lease term

Judgement is required in determining the lease term. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The financial effect of revising lease terms to reflect the effect of exercising extension and termination options is described above.

Incremental borrowing rate

Where a lessee is unable to obtain third party financing, estimation is required to establish an incremental borrowing rate. Incremental borrowing rates have been determined using a build-up approach that starts with a risk-free interest rate adjusted for credit risk of leases and making adjustments specific to the lease, e.g. term, country, currency and security.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

3. Acquisitions

KYNE

On 21 May 2019, the Group acquired 85% of Kyne Communications, LLC and Kyne Communications Limited through direct and indirect interests (together, **KYNE**). Acquisition accounting has been performed in accordance with IFRS 3 (revised) Business Combinations.

KYNE has contributed £6.9 million to revenue and £1.9 million to profit before tax for the period between the date of acquisition and 31 December 2019. If the acquisition of KYNE had been completed on the first day of the financial year, Group revenues for the period would have been £268.3 million and Group operating profit would have been £37.0 million.

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

	Provisional fair value recognised on acquisition £000
Customer relationships	6,659
Brands	1,703
Property, plant and equipment	78
Trade and other receivables	2,642
Cash and cash equivalents	1,390
Trade and other payables	(594)
Deferred tax liability	(314)
Non-controlling interest	(3,965)
Net identifiable assets acquired	7,599
Provisional goodwill arising on acquisition	14,868
Net assets acquired	22,467
Discharged by:	
Cash consideration	13,385
Deferred contingent consideration	9,082
Total consideration	22,467
Net cash inflow arising on acquisition:	
Cash consideration	13,385
Cash and cash equivalents acquired	(1,390)
	11,995

Cash consideration comprised \$17.4 million for the trade of KYNE.

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

The fair value of the contingent consideration payment is based on forecast average profits for the period from acquisition to 31 December 2020. The potential undiscounted range of future payments that the Group could be required to make under the contingent consideration arrangement is between nil and \$32.6 million and will be paid in cash or shares at Huntsworth's discretion.

The fair value of the non-controlling interest in KYNE, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

- an assumed terminal value based on a range of terminal EBITDA multiples between seven and nine times;
- long-term sustainable growth rate of 2%;
- assumed financial multiples of companies deemed to be similar to KYNE; and
- an assumed discount rate of 1.76%.

Acquisition-related costs of £0.4 million were incurred and these are included within highlighted items in the consolidated income statement. KYNE forms part of the Marketing operating segment.

Simultaneous put/call options exist over the remaining 15% equity interest, allowing the Group to call or the seller to put their shares in the subsidiary back to the Group at fair value in 2023. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within provisions with a corresponding charge directly to equity amounting to £4.2 million. The redemption amount has been estimated on the same basis as the non-controlling interest above.

Creativ-Ceutical

On 21 May 2019, the Group acquired 70% of Creativ-Ceutical S.A.R.L. (CC). Acquisition accounting has been performed in accordance with IFRS 3 (revised) Business Combinations.

CC has contributed £6.9 million to revenue and £2.9 million to profit before tax for the period between the date of acquisition and 31 December 2019. If the acquisition of CC had been completed on the first day of the financial year, Group revenues for the period would have been £268.4 million and Group operating profit would have been £36.5 million.

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

	Provisional fair value recognised on acquisition £000
Customer relationships	7,588
Brands	2,393
Property, plant and equipment	64
Right-of-use asset	19
Trade and other receivables	4,187
Cash and cash equivalents	6,653
Trade and other payables	(4,447)
Deferred tax liability	(2,495)
Provisions	(1,786)
Non-controlling interest	(10,898)
Net identifiable assets acquired	1,278
Provisional goodwill arising on acquisition	24,150
Net assets acquired	25,428
Discharged by:	
Cash consideration	17,411
Deferred contingent consideration	8,017
Total consideration	25,428
Net cash inflow arising on acquisition:	
Cash consideration	17,411
Cash and cash equivalents acquired	(6,653)
	10,758

Cash consideration comprised €15.5 million for the trade of CC plus €4.0 million as an instalment in respect of assets acquired.

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

The fair value of the contingent consideration payment is based on forecast average profits for the period from acquisition to 31 December 2020. The potential undiscounted range of future payments that the Group could be required to make under the contingent consideration arrangement is between nil and €59.5 million and will be paid in cash or shares at Huntsworth's discretion.

The fair value of the non-controlling interest in CC, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

- an assumed terminal value based on a range of terminal EBITDA multiples between seven and nine times
- long-term sustainable growth rate of 2%; and
- assumed financial multiples of companies deemed to be similar to CC.
- The effect of discounting has been assumed to be immaterial.

Acquisition-related costs of £0.4 million were incurred and these are included within highlighted items in the consolidated income statement. CC forms part of the Medical operating segment.

Simultaneous put/call options exist over the remaining 30% equity interest, allowing the Group to call or the seller to put their shares in the subsidiary back to the Group at fair value in 2023. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within provisions with a corresponding charge directly to equity amounting to £13.3 million. The redemption amount has been estimated on the same basis as the non-controlling interest above.

CC's accounting policies were aligned to that of the Group with respect to the treatment of accrued and deferred income.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

4. Segmental analysis

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

The Group's business activities are split into four operating divisions: Marketing, Medical, Immersive and Communications. These divisions are the basis on which information is reported to the Group's Chief Operating Decision Maker, which has been determined to be the Group's Board of Directors. The segment result is the measure used for the purposes of performance assessment and represents profit earned by each segment, but before highlighted operating expenses, net finance costs and taxation.

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

Year ended 31 December 2019	Marketing £000	Medical £000	Immersive £000	Communications £000	Total £000
USA	93,834	27,292	14,349	3,773	139,248
UK	14,224	11,134	23,497	36,500	85,355
Europe	-	6,025	-	24,133	30,158
Rest of the World	266	677	-	9,150	10,093
Segment revenue	108,324	45,128	37,846	73,556	264,854
Segment operating profit before highlighted items	24,209	13,298	4,298	8,286	50,091

Year ended 31 December 2018	Marketing £000	Medical £000	Immersive £000	Communications £000	Total £000
USA	73,785	24,236	9,380	4,695	112,096
UK	7,805	9,926	26,043	35,083	78,857
Europe	-	-	-	23,545	23,545
Rest of the World	410	-	-	10,048	10,458
Segment revenue	82,000	34,162	35,423	73,371	224,956
Segment operating profit before highlighted items	20,012	9,774	5,117	5,989	40,892

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

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

	2019 £000	2018 £000
Segment operating profit before highlighted items	50,091	40,892
Central costs	(5,592)	(7,965)
Share of profit from associate	300	267
Operating profit before highlighted items	44,799	33,194
Highlighted items in operating profit	(8,494)	(1,831)
Operating profit	36,305	31,363
Net finance costs	(6,481)	(2,759)
Profit before tax	29,824	28,604

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

Geographical information

The table below presents segmental non-current assets by geographical origin. Non-current assets exclude deferred tax assets:

	2019 £000	2018 £000
Non-current assets		
United Kingdom	107,928	92,224
Europe	64,259	30,129
USA	203,640	172,286
Rest of the World	3,093	5,473
Total non-current assets	378,920	300,112

Segment assets and liabilities are measured in the same way as in the financial statements. These balances are allocated based on the operations of the segment and the physical location of the asset.

Year ended 31 December 2019	Marketing £000	Medical £000	Immersive £000	Communications £000	Centre £000	Total £000
Non current assets	195,391	63,288	35,640	83,863	59	378,241
Current assets	43,038	29,127	12,210	28,808	11,249	124,432
Current liabilities	(34,034)	(20,028)	(25,195)	(21,073)	(4,417)	(104,747)
Non current liabilities	(48,968)	(18,402)	(3,700)	(10,913)	(335)	(82,318)
	155,427	53,985	18,955	80,685	6,556	315,608
Investment accounted for using the equity method						679
Deferred tax asset						207
Non-current borrowings						(92,100)
Derivative financial instruments						(650)
Deferred tax liabilities						(9,293)
TOTAL Assets/(Liabilities)						214,451
Year ended 31 December 2018	Marketing £000	Medical £000	Immersive £000	Communications £000	Centre £000	Total £000
Non Current Assets	163,826	24,819	31,792	79,120	76	299,633
Current Assets	28,542	14,904	31,512	34,133	5,210	114,301
Current Liabilities	(21,604)	(9,235)	(20,055)	(21,731)	(5,811)	(78,436)
Non Current Liabilities	(28,882)	(377)	(436)	(2,248)	(138)	(32,081)
	141,882	30,111	42,813	89,274	(663)	303,417
Investment accounted for using the equity method						479
Deferred tax assets						205
Non-current borrowings						(99,214)
Derivative financial instruments						(215)
Deferred tax liabilities						(8,705)
						195,967

5. Operating profit

Operating profit is stated after charging/(crediting):

	Note	2019 £000	2018 £000
Auditors' remuneration		349	393
Depreciation of owned property, plant and equipment	13	3,279	3,232
Depreciation of property, plant and equipment held under finance leases (IAS 17)		-	2
Depreciation for right-of-use assets under IFRS 16	14	8,039	-
Amortisation of intangible assets	12	355	325
(Profit)/loss on disposal of property, plant and equipment		(10)	3
Net foreign exchange loss		124	1,425
Operating lease rentals arising under IAS 17		-	10,021
Sub-let income		-	(893)
Lease rentals on short-term and low-value leases arising under IFRS 16		2,571	-
Sub-let income		(383)	-
Employee costs	8	156,556	132,211
Other administration costs		49,475	45,310
Operating expenses - excluding highlighted items		220,355	192,029
Highlighted items	6	8,494	1,831
Total operating expenses		228,849	193,860

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

5. Operating profit continued

	2019 £000	2018 £000
Auditors' remuneration		
Fees payable to the Company's auditors for the statutory audit of the Company and consolidated annual financial statements	314	295
Fees payable to the Company's auditors and their associates for other services:		
Audit-related assurance services	32	30
Other assurance services	3	62
Tax compliance services	-	6
Total other services	35	98
Total auditors' remuneration included in operating expenses	349	393

6. Highlighted items

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

	Note	2019 £000	2018 £000
Reported profit before tax		29,824	28,604
Adjustments charged/(credited) to operating expenses:			
Amortisation of acquired intangible assets	12	6,934	3,529
Acquisition and transaction-related costs		1,200	976
Remeasurement of deferred consideration and redemption liabilities		(9,565)	(1,753)
Property		5,667	-
Restructuring		676	-
Disposal-related expense/(credit)		3,582	(921)
Total adjustments charged to operating expenses		8,494	1,831
Adjustments charged to finance costs:			
Imputed interest on deferred consideration and redemption liability	7	770	422
Total adjustments charged to profit before tax		9,264	2,253
Adjusted profit before tax and highlighted items		39,088	30,857

	Note	2019 £000	2018 £000
Charged to profit before tax		9,264	2,253
Taxation expense on highlighted items	9	263	1,341
Charged to profit for the year		9,527	3,594

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

Amortisation of acquired intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from two to 20 years depending on the nature of the asset. The amortisation charge in respect of intangible assets is excluded from adjusted results as they relate to historic business combinations rather than normal ongoing operations.

Acquisition and transaction-related costs

In 2019 and 2018, costs were incurred relating to the acquisition of subsidiaries. These costs are excluded from adjusted results as they are one-off in nature.

Remeasurement of deferred consideration and redemption liability

The credit relates to subsequent remeasurement of the fair value of deferred contingent consideration and redemption liabilities. This credit is excluded from adjusted results as it relates to historic business combinations rather than ongoing operations.

Property

These are costs associated with property consolidations across the Group and include double rent costs and provision for onerous leases. These costs are excluded from adjusted results as they are one-off in nature.

Restructure

Restructuring costs include severance payments and compensation for loss of office which have occurred on Group integration activities.

Disposal-related expense

This represents an expense on disposals of subsidiaries, including adjustments for recycled foreign currency translation reserves. The net outcome has been excluded from adjusted results as it does not relate to ongoing operations.

Imputed interest on deferred consideration and redemption liability

Amounts payable as deferred consideration and the redemption liability contain a significant financing component. This represents the unwinding of the financing component.

Taxation

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

7. Finance costs and (income)

	2019 £000	2018 £000
Bank interest payable	3,542	2,352
Interest on lease liabilities under IFRS 16	2,201	-
<i>Finance costs recognised in highlighted items</i>		
Imputed interest on deferred consideration and redemption liability	770	422
Finance costs	6,513	2,774
Bank interest receivable	(8)	(10)
Other interest receivable	(24)	(5)
Finance income	(32)	(15)
Net finance costs	6,481	2,759

8. Employee information

The monthly average number of employees during the year was:

	2019 Number	2018 Number
Marketing	551	530
Medical	271	192
Immersive	367	361
Communications	778	794
Centre	24	26
Total	1,991	1,903

Employee costs are as follows:

	2019 £000	2018 £000
Employee costs of all employees including Directors:		
Wages and salaries	138,683	116,169
Social security costs	13,199	11,768
Other pension costs	3,392	2,856
Share-based payment charge	1,282	1,418
Total employee costs	156,556	132,211

	2019 £000	2018 £000
Directors' emoluments	2,514	3,213
Number of Directors accruing benefits under:		
Defined contribution schemes	1	-

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

Details of Executive and Non-Executive Directors' emoluments and their interests in shares and options of the Company are shown within the Report of the Directors on Remuneration in the sections 'Single total figure of remuneration', 'Statement of Directors' shareholdings' and 'Directors' interests in share awards'.

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For the year ended 31 December 2019

9. Taxation expense

	2019 £000	2018 £000
Consolidated income statement		
Current tax		
Current year	7,055	6,084
Adjustments in respect of prior years	(790)	(1,149)
Current tax expense	6,265	4,935
Deferred tax		
Current year	1,391	1,096
Impact of changes in statutory tax rates	(318)	228
Adjustments in respect of prior years	(54)	624
Deferred tax expense	1,019	1,948
Income tax expense	7,284	6,883

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

	2019 £000	2018 £000
Profit before tax	29,824	28,604
Notional income tax expense at the effective UK statutory rate of 19% (2018: 19%) on profit before tax	5,661	5,435
Permanent differences	817	426
Impact of share-based payments	92	(125)
Different tax rates on overseas profits	1,761	1,008
Impact of changes in statutory tax rates	(316)	228
Adjustments in respect of prior years	(843)	(525)
Utilisation and recognition of tax losses	(228)	(51)
Unrelieved current year losses	420	487
Amortisation of intangibles	(80)	-
Income tax expense	7,284	6,883
Comprising:		
Income tax charge on profit before tax and highlighted items	7,021	5,542
Income tax expense on highlighted items	263	1,341
	7,284	6,883

The income tax expense for the year is based on the United Kingdom effective statutory rate of corporation tax of 19.0% (2018: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

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

	2019 £000	2018 £000
Other comprehensive (income)/expense		
Current tax credit		
Currency translation differences	(194)	(54)
Net revaluation of share-based payments	(301)	(400)
Deferred tax (credit)/expense		
Fair value movement on interest rate swaps (Note 21)	(83)	1
Tax credit recognised in other comprehensive income and expense	(578)	(453)
Equity		
Deferred tax credit		
Net revaluation of share-based payments	524	(437)
Tax charge/(credit) recognised in equity	524	(437)

10. Dividends

	2019 £000	2018 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2018: 1.60p (2017: 1.45p)	5,867	4,761
Interim dividend for the year ended 2019: 0.75p (2018: 0.70p)	2,767	2,308
Total dividend expense	8,634	7,069

The total dividend includes a cash element of £7.9 million (2018: £5.9 million) and a scrip element of £0.8 million (2018: £1.1 million). Shareholdings under the Group's Employee Benefit Trust of 360,841 and 317,672 shares waived their rights to the 2018 final and 2019 interim dividends respectively (2018: 1,568,788 and 1,818,788 shares waived their rights to the 2017 final and 2018 interim dividend).

A 2019 final dividend of 1.85p per share has been proposed for approval at the Annual General Meeting in 2020.

11. Earnings per share

	2019 pence	2018 pence
Basic earnings per share	5.6	6.4
Diluted earnings per share	5.4	6.1
Adjusted basic earnings per share	8.3	7.5
Adjusted diluted earnings per share	8.1	7.1

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

	2019 Earnings £000	2019 Weighted average number of shares 000s	2018 Earnings £000	2018 Weighted average number of shares 000s
Basic	20,296	361,044	21,291	333,638
Diluted	20,296	376,864	21,291	350,010
Adjusted basic	29,823	361,044	24,885	333,638
Adjusted diluted	29,823	369,026	24,885	350,010

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

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

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

	2019 £000	2018 £000
Earnings:		
Profit for the year attributable to the Parent Company's shareholders	20,296	21,291
Highlighted items (net of tax) attributable to the Parent Company's shareholders	9,527	3,594
Adjusted earnings	29,823	24,885

	2019 £000	2018 £000
Number of shares:		
Weighted average number of ordinary shares - basic	361,044	333,638
Effect of share options in issue	7,982	12,238
Effect of deferred contingent consideration	7,838	4,134
Weighted average number of ordinary shares - diluted	376,864	350,010

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

12. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Software development costs £000	Total £000
Cost					
At January 2018	28,386	41,813	345,568	4,762	420,529
Acquisitions	9,575	21,342	71,596	-	102,513
Capitalised development costs	-	-	-	234	234
Exchange differences	962	1,965	9,404	107	12,438
At 31 December 2018	38,923	65,120	426,568	5,103	535,714
Acquisitions	4,096	14,247	39,018	-	57,361
Adjustment to prior year acquisitions	-	-	(1,893)	-	(1,893)
Disposals	(258)	(365)	(5,710)	-	(6,333)
Exchange differences	(1,036)	(2,018)	(10,037)	(63)	(13,154)
At 31 December 2019	41,725	76,984	447,946	5,040	571,695
Amortisation and impairment charges					
At January 2018	23,758	33,703	179,060	2,780	239,301
Charge for the year	1,213	2,316	-	325	3,854
Exchange differences	591	1,113	3,513	54	5,271
At 31 December 2018	25,562	37,132	182,573	3,159	248,426
Charge for the year	2,063	4,871	-	355	7,289
Disposals	(258)	(365)	(2,838)	-	(3,461)
Impairment of capitalised development costs	-	-	-	484	484
Exchange differences	(627)	(1,007)	(3,879)	(39)	(5,552)
At 31 December 2019	26,740	40,631	175,856	3,959	247,186
Net book value at 31 December 2019	14,985	36,353	272,090	1,081	324,509
Net book value at 31 December 2018	13,361	27,988	243,995	1,944	287,288

Adjustment to prior year acquisitions

The adjustment to prior year acquisitions relates to the finalisation of provisional acquisition accounting on the purchase of Navience Systems LLC including net working capital and deferred tax adjustments.

Impairment testing for cash-generating units containing goodwill

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

	2019 £000	2018 £000
Marketing	136,812	128,290
Medical	46,790	23,454
Immersive	20,429	20,489
Citigate Dewe Rogerson	22,474	26,948
Grayling	20,761	24,870
Red	24,824	19,944
Total	272,090	243,995

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

Cash flow forecasts

For each CGU, the forecast cash flows for the first five years are based on the 2020 financial budget approved by the Directors, adjusted based on past experience and historic trends. Growth rates in years two to five are based on management's medium-term forecasted revenue and operating margins for each of the businesses.

Long-term growth rate

After the initial five-year forecast period, a long-term growth rate between 1.5% and 2.5% (2018: 1.5% and 2.5%) has been applied to the cash flow forecasts into perpetuity. This growth rate is based on an estimate of the long-term average growth rate for the market that each CGU operates in.

Pre-tax risk adjusted discount rate

The pre-tax discount rate applied to all CGUs is 11% (2018: 12.1%). The discount rates applied to the cash flows of the Group's operations are based on the risk-free rate for 20-year UK government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the Group's individual CGUs. In making this adjustment, inputs required are the equity market risk premium (that is the increased return required over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment ('beta') applied to reflect the risk of the CGU relative to the market as a whole.

Sensitivity to changes in assumptions

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

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

13. Property, plant and equipment

	Leasehold improvements £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At January 2018	12,343	20,082	366	32,791
Acquisitions	1,989	3,901	22	5,912
Additions	771	1,444	12	2,227
Disposals	(423)	(834)	(68)	(1,325)
Exchange differences	390	661	9	1,060
At 31 December 2018	15,070	25,254	341	40,665
Acquisitions	-	120	22	142
Additions	3,411	2,602	4	6,017
Disposals	(2,412)	(755)	(131)	(3,298)
Reclassification of finance leases as right-of-use asset	-	(9)	-	(9)
Reclassification of dilapidations provision to right-of-use asset	(310)	-	-	(310)
Exchange differences	(302)	(591)	(15)	(908)
At 31 December 2019	15,457	26,621	221	42,299
Accumulated depreciation				
At January 2018	6,158	16,177	276	22,611
Acquisitions	1,927	3,571	18	5,516
Charge for the year	1,257	1,947	30	3,234
Disposals	(398)	(835)	(36)	(1,269)
Exchange differences	225	591	6	822
At 31 December 2018	9,169	21,451	294	30,914
Acquisitions	-	33	-	33
Charge for the year	1,246	2,016	17	3,279
Disposals	(1,355)	(556)	(76)	(1,987)
Reclassification of finance leases as right-of-use asset	-	(6)	-	(6)
Reclassification of dilapidations provision to right-of-use asset	(91)	-	-	(91)
Exchange differences	(205)	(556)	(14)	(775)
At 31 December 2019	8,764	22,382	221	31,367
Net book value at 31 December 2019	6,693	4,239	-	10,932
Net book value at 31 December 2018	5,901	3,803	47	9,751

Equipment, fixtures and fittings included no assets held under finance leases as at 31 December 2019 (2018: £3,000) due to the adoption of IFRS 16.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

14. Leases

This note provides information for leases where the Group is a lessee.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2019 £000	1 January 2019' £000
Right-of-use assets		
Buildings	38,573	36,994
At 31 December	38,573	36,994

	2019 £000	1 January 2019' £000
Lease liabilities		
Current	9,752	8,331
Non-current	35,289	34,054
At 31 December 2019	45,041	42,385

1 In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to Note 29.

Additions to the right-of-use assets during the 2019 financial year were £10.4 million.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 £000	2018 £000
Depreciation charge of right-of-use assets:		
Buildings	(8,039)	-
Interest expense (included in finance cost)	(2,201)	-
Expense relating to short-term leases (included in administrative expenses)	(1,935)	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	(636)	-

The total cash outflow for leases in 2019 was £12 million.

The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of three months to 10 years, including extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. For property leases for which the Group is a lessee, it has elected to separate lease and non-lease components.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see Note 29 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, where there is no recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability at the prevailing index or rate. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost, comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets for land and buildings are not revalued.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Residual value guarantees

The Group does not provide residual value guarantees in relation to leases.

15. Investment accounted for using the equity method

The Group is a 25% partner in Hudson Sandler LLP, a public relations business incorporated and operating in the UK. The Group considers that it has significant influence over Hudson Sandler LLP because it has a range of predetermined rights which ensure participation in decision-making about the business.

	2019 £000	2018 £000
Carrying amount		
At 1 January	479	212
Share of profit	300	267
Dividend received	(100)	-
At 31 December	679	479

16. Trade and other receivables

	2019 £000	2018 £000
Current		
Trade receivables	68,351	58,444
Less: provision for impairment of trade receivables	(688)	(651)
Trade receivables – net	67,663	57,793
Other receivables	1,515	2,703
Prepayments	5,468	4,733
Accrued income (Note 18)	18,359	16,589
VAT receivable	228	179
Trade and other receivables	93,233	81,997

In addition to the above, the Group also has non-current other receivables of £4.2 million (2018: £2.6 million).

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

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16. Trade and other receivables continued

As of 31 December 2019, trade receivables of £0.7 million (2018: £0.7 million) were considered to be impaired. Movements in the provision are as follows:

	2019 £000	2018 £000
At 1 January	651	224
Impairment charge for the year	619	431
Receivables written off during the year as uncollectible	(339)	(5)
Amounts reversed as debt collected	(231)	(6)
Foreign exchange movements	(12)	7
At 31 December	688	651

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

At 31 December	Total £000	Neither past due nor impaired £000	Past due but not impaired			
			<30 days £000	30-60 days £000	60-90 days £000	>90 days £000
2019	67,663	52,793	9,434	3,463	1,031	942
2018	57,793	40,337	9,226	4,846	2,145	1,239

As at 31 December 2019, the Group held receivables of £34,000 (2018: £24,000) which would be overdue had they not been renegotiated.

17. Trade and other payables

	2019 £000	2018 £000
Current		
Trade payables	19,614	16,736
Other taxation and social security	7,888	6,351
Accruals	39,547	35,919
Deferred income (Note 18)	13,184	7,550
Other payables	3,355	2,867
Current trade and other payables	83,588	69,423
Non-current		
Leasehold property incentives	-	4,105
Non-current trade and other payables	-	4,105

18. Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019 £000	2018 £000
Accrued income	18,359	16,589
Work in progress	7,008	8,440
Contract assets	25,367	25,029
Deferred income	13,184	7,550
Billing in advance	22,675	14,437
Contract liabilities	35,859	21,987

All carried forward contract liabilities were recognised as revenue in the current year. No revenue was recognised in the current year relating to performance obligations that were satisfied in the prior year.

The increase in deferred income is a result of acquisitions in the year, the timing of revenue recognition in the Medical segment, and earlier billings in the Medical segment.

The increase in billing in advance is a result of an improvement in upfront billings for pass-through costs.

The Group does not have any unsatisfied long-term contracts and recognises no assets in relation to costs to fulfil contracts.

19. Provisions

	Redemption liability £000	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2018	-	-	1,787	117	1,904
Acquisitions	18,825	13,348	-	-	32,173
Arising during the year	-	-	167	-	167
Remeasurements	(4,539)	2,786	-	-	(1,753)
Reclassification from accruals	-	-	-	449	449
Utilised	-	-	(121)	(18)	(139)
Foreign exchange movements	697	417	32	2	1,148
Unwind of discount	254	168	-	-	422
At 31 December 2018	15,237	16,719	1,865	550	34,371
Acquisitions	17,621	17,006	-	1,786	36,413
Arising during the year	-	-	5,063	583	5,646
Released during the year	-	-	(265)	-	(265)
Remeasurements	(3,029)	(6,422)	-	-	(9,451)
Utilised	(380)	(8,480)	(3,588)	(71)	(12,519)
Foreign exchange movements	(534)	(122)	3	(17)	(670)
Unwind of discount	418	352	-	-	770
At 31 December 2019	29,333	19,053	3,078	2,831	54,295
Current	-	4,924	1,283	1,059	7,266
Non-current	29,333	14,129	1,795	1,772	47,029

	Redemption liability £000	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 31 December 2018	-	-	-	-	-
Current	-	5,257	589	550	6,396
Non-current	15,237	11,462	1,276	-	27,975
	15,237	16,719	1,865	550	34,371

Redemption liability for acquisitions

Certain acquisitions made by the Group include a put/call option to purchase the non-controlling interests' equity share at a future date, payable in either cash or a combination of cash and shares at the Group's option, which is contingent on the future financial performance of the acquired entity. The amount utilised in the year represents the cash paid or shares issued under the earn-out arrangements. The amount arising or released in the year represents a change in the estimated future financial performance of the acquired company.

Deferred contingent consideration for acquisitions

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

Property provisions

Provisions for property represent amounts set aside in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of these provisions has been determined based on external professional advice and is dependent on the Group's ability to exit the leases early or to sub-let the properties. In general, property costs are expected to be incurred over a range of one to 15 years.

Reorganisation and other provisions

This provision relates principally to redundancy provisions and contingent liabilities arising on acquisitions.

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For the year ended 31 December 2019

20. Deferred tax

	Tax depreciation £000	Share-based payments £000	Tax losses £000	Intangible assets £000	Other temporary differences £000	Total £000
At 1 January 2018	(167)	964	407	(4,658)	795	(2,659)
(Expense)/credit to income	(46)	172	(560)	(1,719)	205	(1,948)
Expense to other comprehensive income (Note 9)	-	-	-	-	(1)	(1)
Credit to equity	-	437	-	-	-	437
Acquisition-related items	-	-	151	(4,536)	-	(4,385)
Foreign exchange and other movements	(27)	-	2	22	59	56
At 31 December 2018	(240)	1,573	-	(10,891)	1,058	(8,500)
(Expense)/credit to income	(91)	(14)	-	(1,688)	774	(1,019)
Expense to other comprehensive income (Note 9)	-	-	-	-	(58)	(58)
Credit to equity	10	(524)	-	-	132	(382)
Acquisition-related items	-	-	-	210	-	210
Foreign exchange and other movements	17	-	-	696	(50)	663
At 31 December 2019	(304)	1,035	-	(11,673)	1,856	(9,086)

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

	2019 £000	2018 £000
Deferred tax balances		
Deferred tax assets	207	205
Deferred tax liabilities	(9,293)	(8,705)
Net deferred tax liability	(9,086)	(8,500)

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

Unrecognised temporary differences in respect of tax losses and other temporary differences amounting to £30.6 million (2018: £38.0 million), have not been recognised on the basis that their future economic benefit is uncertain. These comprise tax losses and other temporary differences of £18.3 million (2018: £25.7 million) and capital losses of £12.3 million (2018: £12.3 million). Of this total, tax losses of £3.6 million (2018: £11.4 million) will expire at various dates between 2020 and 2029 and the remaining losses can be carried forward without restriction.

Overseas dividends received on or after 1 July 2009 are largely exempt from UK tax but may be subject to foreign withholding taxes. The unremitted earnings of those overseas subsidiaries affected by such taxes is £7.0 million (2018: £4.2 million). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that they will not reverse in the foreseeable future.

The UK Government has enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. The impact of these changes is incorporated in the reported numbers where relevant. On the 11 March 2020 the UK Government announced that it would keep the UK Corporation Tax rate at 19% from April 2020. The impact of this for the UK deferred tax balances held at 31 December 2019, is less than £0.1m.

21. Financial instruments**Capital management policies and strategies**

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The capital structure of the Group consists of its share capital, as disclosed in Note 23, and its total borrowings, comprising bank loans and overdrafts, as disclosed in Note 22.

Financial risk management policies and strategies

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

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

Interest rate risk

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

The Board has endorsed principles and policies to manage the Group's interest cost using a mix of fixed and variable rate debts. To enable this, the Group enters into interest rate swaps. Where appropriate, these agreements are designated to hedge underlying debt obligations. As at 31 December 2019, after taking into account the effect of interest rate swaps, approximately 54% (2018: 25%) of the Group's gross borrowings was at a fixed rate of interest. The Group continually reviews and assesses the balance of debt held at fixed and variable rates and the need for additional instruments to meet both short-term and long-term requirements.

Interest rate swap contracts

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

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

	Average contract rate		Notional principal value		Fair value	
	2019	2018	2019 £000	2018 £000	2019 £000	2018 £000
At 31 December						
Within one year	-	-	-	-	-	-
Within one to two years	-	-	-	-	-	-
Within two to three years	-	1.357%	-	25,000	-	(215)
Within three to four years	1.077%	-	50,000	-	(650)	-
Within four to five years	-	-	-	-	-	-
			50,000	25,000	(650)	(215)

The fixed rate changed between 2018 and 2019 following the inception of a new fixed rate swap on the refinance of the Group's facility in March 2019.

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

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	Total £000
At 31 December 2019					
Fixed rate:					
Bank loans hedged by interest rate swap	-	-	-	(50,000)	(50,000)
Total fixed rate	-	-	-	(50,000)	(50,000)
Floating rate:					
Cash	22,598	-	-	-	22,598
Bank overdrafts	(229)	-	-	-	(229)
Floating rate portion of bank loans	-	-	-	(92,100)	(92,100)
Bank loans hedged by interest rate swap	-	-	-	50,000	50,000
Total floating rate	22,369	-	-	(42,100)	(19,731)
Total	22,369	-	-	(92,100)	(69,731)

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For the year ended 31 December 2019

21. Financial instruments continued

At 31 December 2018	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	Total £000
Fixed rate:					
Obligations under finance leases	(2)	(1)	-	-	(3)
Bank loans hedged by interest rate swap	-	-	(25,000)	-	(25,000)
Total fixed rate	(2)	(1)	(25,000)	-	(25,003)
Floating rate:					
Cash	22,787	-	-	-	22,787
Bank overdrafts	(357)	-	-	-	(357)
Floating rate portion of bank loans	-	-	(99,214)	-	(99,214)
Bank loans hedged by interest rate swap	-	-	25,000	-	25,000
Total floating rate	22,430	-	(74,214)	-	(51,784)
Total	22,428	(1)	(99,214)	-	(76,787)

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

Interest rate sensitivity analysis

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

If UK interest rates had been 1% higher or lower, the Group's profit before tax for the year ended 31 December 2019 would decrease or increase by £896,000 (2018: £485,000). The Group has no borrowings denominated in a currency other than Sterling so would be unaffected by interest rate movements in other jurisdictions.

If UK interest rates had been 1% higher or lower, the Group's other comprehensive income would increase or decrease by £1.6 million or £1.5 million respectively (2018: £0.7 million or £0.7 million respectively). This is as a result of the changes to the fair value of the Group's interest rate swaps that are designated as cash flow hedges.

Foreign currency risk

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

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

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

	Strengthening/ (weakening) of Sterling	Effect on profit before tax	
		2019 £000	2018 £000
US Dollar	+10%	(2,652)	(2,007)
Euro	+10%	(541)	(118)
US Dollar	-10%	3,241	2,453
Euro	-10%	661	144

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

	Strengthening/ (weakening) of Sterling	Effect on equity	
		2019 £000	2018 £000
US Dollar	+10%	(15,198)	(16,095)
Euro	+10%	(6,041)	(2,391)
US Dollar	-10%	18,575	19,676
Euro	-10%	7,383	2,915

Credit risk

The Group's principal financial assets are trade and other receivables (Note 16) and cash and cash equivalents, which represent the Group's maximum exposure to credit risk in relation to financial assets.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of assessing creditworthiness of counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated by the Group based on prior experience and its assessment of the current economic environment.

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

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are overdue and considered irrecoverable, whichever occurs earlier.

All customers have credit limits set by credit managers and are subject to the standard terms of payment of each division. The Group is exposed to normal credit risk and potential losses are mitigated as the Group does not have significant exposure to any single customer.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Other financial assets

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

Liquidity risk

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

In February 2019, the Group completed an amend and extend of its banking facilities, as a result of which the Group had available a £130 million multi-currency revolving credit facility with a £50 million accordion option, committed until March 2023, together with a £5 million uncommitted overdraft and a \$10 million uncommitted overdraft.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted payments.

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	5 years and beyond £000	Total £000
At 31 December 2019							
Interest-bearing loans and borrowings	-	-	-	96,798	-	-	96,798
Interest rate swap	212	226	189	28	-	-	655
Leasehold property provisions	1,284	471	609	128	-	586	3,078
Deferred consideration	5,525	14,580	-	-	-	-	20,105
Redemption liability	-	4,827	4,854	20,646	-	-	30,327
Lease liabilities	10,423	10,387	9,450	8,381	6,718	5,296	50,655
Trade and other payables ¹	62,516	-	-	-	-	-	62,516
	79,960	30,491	15,102	125,981	6,718	5,882	264,134

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21. Financial instruments continued

At 31 December 2018	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	5 years and beyond £000	Total £000
Interest-bearing loans and borrowings	-	-	102,576	-	-	-	102,576
Interest rate swap	122	67	26	-	-	-	215
Obligations under finance leases	2	1	-	-	-	-	3
Leasehold property provisions	589	53	75	111	1,037	-	1,865
Deferred consideration	5,257	11,790	-	-	-	-	17,047
Redemption liability	-	-	5,704	9,864	781	-	16,349
Trade and other payables ¹	63,072	681	747	757	697	1,316	67,270
	69,042	12,592	109,128	10,732	2,515	1,316	205,325

1 Balance excludes tax and social security creditors and deferred income.

Fair values of financial liabilities and assets

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

Fair value measurement

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swap	-	650	-	650
Deferred contingent consideration and redemption liability	-	-	48,386	48,386
	-	650	48,386	49,036

At 31 December 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swap	-	215	-	215
Deferred contingent consideration and redemption liability	-	-	31,956	31,956
	-	215	31,956	32,171

Valuation techniques used to derive Level 2 fair values

Level 2 derivatives comprise interest rate swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

Valuation techniques used to derive Level 3 fair values

Deferred contingent consideration liabilities are valued using a discounted cash flow methodology. The liability is based on the acquired business' forecast average profits for the period from the date of acquisition to 31 December 2019. The significant unobservable inputs to this valuation include forecast average profits and the discount rate of 1.76% to 2.87%.

The sensitivity of this liability to changes in this discount rate is immaterial. A reconciliation of the movement in this balance is in the provisions Note 19.

22. Borrowings

Interest-bearing loans and borrowings	Effective interest rate	2019 £000	2018 £000
Current			
Obligations under finance leases	2%	–	(2)
Bank overdrafts		(229)	(357)
		(229)	(359)
Non-current			
Obligations under finance leases	2%	–	(1)
Bank loan under fixed rate swap ¹	1.08% + margin (2018: 1.35% + margin)	(50,000)	(25,000)
Variable rate bank loan ¹	LIBOR + margin	(42,100)	(74,214)
		(92,100)	(99,215)
At 31 December		(92,329)	(99,574)

¹ The underlying liability for the above marked items was the £130 million committed revolving credit facility (2018: £105 million). The average margin in 2019 was 1.7% (2018: 1.75%) and varies depending on the Group's net debt to EBITDA ratio.

23. Called up share capital

	Deferred shares		Ordinary shares		Total
	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
Called up, fully allotted and fully paid					
At 1 January 2018	212,012,343	103,884	331,858,168	3,319	107,203
Scrip dividends	–	–	1,138,298	11	11
Share issue	–	–	16,560,604	166	166
At 31 December 2018	212,012,343	103,884	349,557,070	3,496	107,380
Scrip dividends	–	–	833,204	8	8
Share issue	–	–	19,712,725	197	197
At 31 December 2019	212,012,343	103,884	370,102,999	3,701	107,585

During the year, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2018 dividend and the interim 2019 dividend. On 4 July 2019, 516,627 ordinary shares of 1p each were issued at 99.80p with a resulting share premium of £510,427. On 6 November 2019, 316,577 ordinary shares of 1p each were issued at 83.92p with a resulting share premium of £262,506.
- On 23 May 2019, 17,477,800 ordinary shares of 1p each were issued at 93p with a resulting share premium of £16,079,576.
- Pursuant to the settlement of share options, on 13 June 2019, 1,318,681 ordinary shares at 1p each were issued at nominal value. On 16 August 2019, 368,098 ordinary shares at 1p each were issued at nominal value. On 16 October 2019, 548,146 ordinary shares at 1p each were issued at nominal value.

During 2018, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2017 dividend and the interim 2018 dividend. On 4 July 2018, 1,040,589 ordinary shares of 1p each were issued at 99.68p with a resulting share premium of £1,026,853. On 6 November 2018, 97,709 ordinary shares of 1p each were issued at 115.2p with a resulting share premium of £111,584.
- On 2 October 2018, 16,560,604 ordinary shares of 1p each were issued at 109.5p with a resulting share premium of £17,968,255.

24. Share-based payments

The share-based payment schemes for employees of the Group in operation throughout 2019 are summarised in the following table:

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
Huntsworth schemes			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	March 2019 – March 2026	43.84
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	September 2015 – March 2026	42.14–65.25
Huntsworth Performance Share Plan	10 years	March 2019 – May 2026	nil
Huntsworth Long Term Incentive Plan 2016	10 years	June 2019 – May 2029	nil
The Huntsworth 2016 Deferred Share Bonus Plan	10 years	March 2020 – March 2028	nil

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

The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2019 and 31 December 2018:

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24. Share-based payments continued

	2019		2018	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	14,293,437	10.41	14,824,820	13.2
Granted during the year	2,487,590	nil	3,715,034	nil
Forfeited during the year	(88,773)	nil	(625,178)	nil
Replaced during the year	-	nil	(208,588)	nil
Exercised during the year	(2,587,798)	2.21	(3,412,651)	13.9
Outstanding at the end of the year	14,104,456	10.14	14,293,437	10.41
Exercisable at the end of the year	7,000,915	21.25	2,725,000	47.0

The weighted average share price at the date of exercise for share options exercised during the year was 96.91p (2018: 98.29p). The options outstanding at the end of the year have a weighted average remaining life of 5.7 years (2018: 6.0 years). The estimated average fair value of the options granted during the year is 78.27p (2018: 72.29p).

Fair value of share options

The fair values of share options granted in 2019 and 2018 were calculated using either the Monte Carlo model or the Black-Scholes model. The inputs to these models were:

	2019	2018
Weighted average share price	100.45p	87.61p
Weighted average exercise price	nil	nil
Expected volatility	40.3%	38%-39%
Expected life	3 years	3 years
Risk-free rate	0.64%	0.87%-0.93%
Expected dividend yield	2.77%	2.18%-2.47%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The Group recognised a total charge of £1.3 million (2018: £1.4 million) related to equity-settled share-based transactions during the year.

25. Reserves

Share premium account

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

Merger reserve

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

There were no movements in the merger reserve in the current or prior year.

Foreign currency translation reserve

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

Hedging reserve

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

Treasury shares

As at 31 December 2019 the Group held no shares (2018: no shares) in treasury.

Put option reserve

The put option reserve relates to simultaneous put/call options over the non-controlling interests' equity share in subsidiaries and arises on acquisitions made in 2018 and 2019 (Note 3).

Investment in own shares

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

Pursuant to the settlement of share options, the Trusts purchased 2,234,925 shares from the Company and transferred 2,587,798 shares to employees and past employees at par value.

At 31 December 2019 the Trusts held 0.3 million shares (2018: 0.6 million shares) in the Company which had a market value at 31 December 2019 of £0.2 million (2018: £0.7 million).

Non-controlling interest

Non-controlling interest is the equity in a subsidiary not attributable to the Group. Movements in the year comprise the balance recognised at acquisition of £14.9 million, profit attribution of £2.2 million, measurement period adjustments totalling £0.3 million and dividends paid of £1.0 million.

26. Commitments and contingent liabilities

Operating leases – Group as a lessee

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

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2019 and 31 December 2018 are as follows:

	2019 £000	2018 £000
Within one year	913	9,704
Within two to five years	48	28,569
Over five years	-	7,294
	961	45,567

Operating leases – Group as a lessor

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

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2019 and 31 December 2018 are as follows:

	2019 £000	2018 £000
Within one year	4	361
Within two to five years	-	893
	4	1,254

Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2019 £000	2018 £000
Property, plant and equipment	2,333	-
	2,333	-

Contingent liabilities

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

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

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26. Commitments and contingent liabilities continued

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

Huntsworth Financial Group Limited (1076928)	Grayling (CEE) Limited (05894329)	Huntsworth Healthcare Group Limited (05143203)
Creativ-Ceutical Limited (06942665)	Conscientia Communication Limited (07609633)	Huntsworth Holdings Limited (05595445)
Atomic Communications Holdings Limited (06927174)	Huntsworth Investments Limited (01894682)	Grayling UK Limited (01593981)
Grayling International Limited (05066506)	Quiller Associates Limited (04472442)	HS Corporate Investments Limited (05794494)
IG Communications Limited (02005521)	The Red Consultancy Group Limited (03528313)	Dewe Rogerson Limited (00960343)
Huntsworth Communications Limited (06025252)	The Red Consultancy Limited (02913684)	The Quiller Consultancy Limited (03609582)
The Moment Productions Limited (05493387)	ApotheCom Scope Medical Limited (03692001)	Tonic Life Communications Limited (05077475)
Atomic PR UK Limited (06928056)	Huntsworth Dormant 7 Limited (01951092)	Grayling Communications Limited (03140273)
Citigate Dewe Rogerson Limited (02184041)	Huntsworth Health Limited (03193979)	Holmes & Marchant Communications Limited (01766310)
Shiny Red Limited (05893962)	WRG Worldwide Limited (07661987)	Canyon Associates Limited (06015141)
The Creative Engagement Group (Holding Co) Limited (10824165)	Mainstream Presentations Limited (02268867)	Mainstream Limited (03927635)
WRG Group Limited (03552198)	Just Communicate Limited (04100166)	WRG Public Events Limited (02610689)
The Creative Engagement Group Limited (01244084)	The Moment Content Company Limited (03962001)	The Rocket Science Group Holdings Limited (03048838)
The Moment Content Group Limited (09209488)		

27. Cash flow analysis

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

	2019 £000	2018 £000
Operating profit	36,305	31,363
Share of profit from associate	(300)	(267)
Depreciation	11,318	3,234
Share option charge	1,282	1,418
Loss on disposal of property, plant and equipment	1,173	3
Amortisation of intangible assets	7,289	3,854
Impairment of right-of-use assets	1,591	-
Loss on financial instruments	360	767
Loss/(profit) on disposal of subsidiaries and investments	3,582	(921)
Decrease in work in progress	1,278	3,536
Increase in debtors	(10,416)	(8,239)
Increase/(decrease) in creditors	10,041	(10,890)
Decrease in provisions	(8,290)	(1,758)
Net cash inflow from operations	55,213	22,100

Net cash inflow from operations is analysed as follows:

	2019 £000	2018 £000
Before highlighted items	59,998	23,449
Highlighted items	(4,785)	(1,349)
Net cash inflow from operations	55,213	22,100

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

	2018 £000	Cash flow £000	IFRS 16 £000	Acquisitions £000	Non-cash changes			2019 £000
					Amortisation £000	Fair value changes £000	Foreign exchange £000	
Cash and short-term deposits	22,787	(7,822)	-	8,043	-	-	(410)	22,598
Overdraft	(357)	(11)	-	-	-	-	139	(229)
Bank loans	(99,214)	7,607	-	-	(493)	-	-	(92,100)
Derivative financial liabilities	(215)	532	-	-	-	(967)	-	(650)
Finance leases/lease liabilities	(3)	9,409	(55,281)	-	-	-	834	(45,041)
Net debt	(77,002)	9,715	(55,281)	8,043	(493)	(967)	563	(115,422)

				Non-cash changes			
	2017 £000	Cash flow £000	Acquisitions £000	Amortisation £000	Fair value changes £000	Foreign exchange £000	2018 £000
Cash and short-term deposits	10,054	6,752	5,474	-	-	507	22,787
Overdraft	(399)	94	-	-	-	(52)	(357)
Bank loans	(45,686)	(53,247)	-	(281)	-	-	(99,214)
Derivative financial liabilities	(221)	943	-	-	(937)	-	(215)
Finance leases	(4)	1	-	-	-	-	(3)
Net debt	(36,256)	(45,457)	5,474	(281)	(937)	455	(77,002)

(c) Analysis of net debt

	2019 £000	2018 £000
Cash and short-term deposits	22,598	22,787
Bank overdraft	(229)	(357)
Bank loans	(92,100)	(99,214)
Derivative financial liabilities	(650)	(215)
Lease liabilities	(45,041)	(3)
Net debt	(115,422)	(77,002)

At 31 December 2019 the Group had undrawn committed facilities of £35.2 million (2018: £4.1 million) available.

28. Related party transactions

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

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

Compensation of key management personnel

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

	2019 £000	2018 £000
Short-term benefits	1,770	2,296
Share-based payment charge	744	917
	2,514	3,213

Transactions with other related parties

The following transactions occurred with related parties:

	2019 £000	2018 £000
<i>Sales and purchases of services</i>		
Sale of services to associates (revenue)	55	32
	55	32

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

28. Related party transactions continued

Outstanding balances arising from sales/purchases of services

The following balances are outstanding at the end of the reporting year in relation to transactions with related parties:

	2019 £000	2018 £000
<i>Current payables (purchases of services)</i>		
Due from associates	21	-
	21	-

Terms and conditions

Services were sold to associates during the year based on the price lists in force and terms that would be available to third parties. Outstanding balances with associates are unsecured and are repayable in cash.

29. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

As indicated above, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.6%.

No material adjustments have arisen for leases previously classified as finance leases.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

	1 January 2019 £000
Operating lease commitments disclosed as at 31 December 2018	45,567
Discounted using the lessee's incremental borrowing rate at the date of initial application	37,518
Add finance lease liabilities recognised as at 31 December 2018	2
Less short-term leases recognised on a straight-line basis as expense	(1,651)
Less low-value leases recognised on a straight-line basis as expense	(160)
Add adjustments as a result of a different treatment of extension and termination options	6,669
Add adjustments relating to changes in the index or rate affecting variable	7
Lease liability recognised as at 1 January 2019	42,385
Current	8,331
Non-current	34,054

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019

	1 January 2019 £000
Property, plant and equipment – decrease by	(222)
Right-of-use assets – increase by ¹	36,848
Prepayments – decrease by	(258)
Leasehold liabilities – increase by	(38,044)
The net impact on retained earnings on 1 January 2019 was	-

¹ This includes the effect of impaired right-of-use assets at transition date recognised in highlighted items in 2019.

Independent Auditors' Report

To the members of Huntsworth plc

Report on the audit of the Company financial statements

Opinion

In our opinion, Huntsworth plc's Company financial statements (the **financial statements**):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Company Balance Sheet as at 31 December 2019; the Company Statement of Changes in Equity for the year then ended; and the Notes to the Company Financial Statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 5 to the Group financial statements, we have provided no non-audit services to the Group and its subsidiaries in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall materiality: £3.40 million (2018: £2.54 million), based on 1% of net assets.
- We carried out audit procedures on the complete financial information of the Company.
- Impairment of investment in subsidiaries.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and the industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias. Audit procedures performed by the engagement team included:

- discussions with management and Company's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluation of management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgements made by management in their significant accounting estimates, and in particular in relation to impairment of investment in subsidiaries and associates (see related key audit matter on page 118);
- identifying and testing journal entries, in particular any journal entries posted to unusual account combinations or posted by senior management.

Independent Auditors' Report continued

To the members of Huntsworth plc

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of investment in subsidiaries and associates Refer to page 125 (Significant Accounting Policies) and page 127 (notes). <i>The Company has £263.4 million of investments in subsidiaries and associates as at 31 December 2019 (2018: £229.9 million).</i> The Directors perform an impairment assessment of the carrying value of investments in subsidiaries and associates by reference to the forecast cash flows and future results of the subsidiaries and associates, including forecast growth in revenues and operating profit margins. The forecast cash flows require the Directors to make certain assumptions such as the discount and growth rates. The Directors' impairment assessment showed that no impairment was required against investments in subsidiaries and associates as at 31 December 2019.	We reviewed management's impairment assessment for investments in subsidiaries and associates which included comparing the investments' carrying value against the net assets of the investment, and by reference to the discounted future cash flows the Directors expect the investment to generate. We challenged the Directors assumptions used in these discounted cash flow models including growth rates, discount rate and cash flows from operations. In addition, we confirmed the market capitalisation of the Group exceeded the net asset position of the Company as at 31 December 2019. For all investments, the Directors determined that no impairment was required. We found that these judgements were supported by reasonable assumptions that would require significant downside changes before any impairment charges would be necessary.

How we tailored the audit scope

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

We scoped the financial statement line items to be audited in line with the materiality determined for the year.

Materiality

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

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

Overall materiality	£3.40 million (2018: £2.54 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the position of the entity, and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £97,000 (2018: £73,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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

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

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

- The Directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 27 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the **Code**); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules)

Independent Auditors' Report continued

To the members of Huntsworth plc

Other Code provisions

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

- The statement given by the Directors, on page 71, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 46 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 71, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 6 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2016 to 31 December 2019.

Other matter

We have reported separately on the Group financial statements of Huntsworth plc for the year ended 31 December 2019.

Richard Porter

(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 March 2020

Company Balance Sheet

As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	5	54	76
Investments	6	263,440	229,924
Right-of-use assets	7	3,570	-
		267,064	230,000
Current assets			
Debtors	8	283,228	275,751
Cash at bank and in hand		2,448	1,269
		285,676	277,020
Creditors: amounts falling due within one year	10	(156,294)	(149,777)
Net current assets		129,382	127,243
Total assets less current liabilities		396,446	357,243
Creditors: amounts falling due after more than one year			
Bank loans		(92,100)	(103,422)
Lease liability	6	(2,587)	-
Provisions for liabilities	12	(6,725)	-
Derivative financial liabilities	11	(438)	(93)
Net assets		294,596	253,728
Capital and reserves			
Called up share capital	14	107,585	107,380
Share premium account	16	98,784	82,423
Merger reserve	16	29,468	29,468
Other reserves	16	7,292	6,826
Hedging reserve	16	(650)	(215)
Investment in own shares held in Employee Benefit Trust	16	(231)	(445)
Profit and loss account	16	52,348	28,291
Total shareholders' funds		294,596	253,728

Profit attributable to members of Huntsworth plc

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The profit for the year amounted to £32.3 million (2018 profit: £1.9 million).

The Company number is 1729478.

These financial statements were approved by the Board of Directors on 3 March 2020 and signed on their behalf by:

Ben Jackson
Director



Company Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Profit and loss account £000	Total £000
At 1 January 2018	107,203	63,843	29,468	6,413	(221)	(1,166)	(1,587)	33,815	237,768
Profit for the year	-	-	-	-	-	-	-	1,915	1,915
Other comprehensive income/(expense)	-	-	-	-	6	-	-	(1)	5
Purchase of own shares	-	-	-	-	-	-	(172)	-	(172)
Shares issued for acquisitions	166	17,968	-	-	-	-	-	-	18,134
Settlement of share options	-	-	-	-	-	-	2,480	(2,006)	474
Share issue costs	-	(526)	-	-	-	-	-	-	(526)
Share-based payments	-	-	-	413	-	-	-	1,005	1,418
Tax on share-based payments	-	-	-	-	-	-	-	632	632
Scrip dividends	11	1,138	-	-	-	-	-	-	1,149
Equity dividends	-	-	-	-	-	-	-	(7,069)	(7,069)
Transfers	-	-	-	-	-	1,166	(1,166)	-	-
At 31 December 2018	107,380	82,423	29,468	6,826	(215)	-	(445)	28,291	253,728
Profit for the year	-	-	-	-	-	-	-	32,279	32,279
Other comprehensive income/(expense)	-	-	-	-	(435)	-	-	74	(361)
Shares issued for acquisitions	175	16,080	-	-	-	-	-	-	16,255
Settlement of share options	22	-	-	-	-	-	214	(236)	-
Share issue costs	-	(492)	-	-	-	-	-	-	(492)
Share-based payments	-	-	-	466	-	-	-	816	1,282
Tax on share-based payments	-	-	-	-	-	-	-	(242)	(242)
Scrip dividends	8	773	-	-	-	-	-	-	781
Equity dividends	-	-	-	-	-	-	-	(8,634)	(8,634)
At 31 December 2019	107,585	98,784	29,468	7,292	(650)	-	(231)	52,348	294,596

Notes to the Company Financial Statements

For the year ended 31 December 2019

1. General information

Huntsworth plc (**the Company**) is the head office of an international healthcare and communications group. The Company is a publicly listed company, limited by shares, and is incorporated and domiciled in the UK. The address of its registered office is 8th Floor, Holborn Gate, 26 Southampton Buildings, London WC2A 1AN.

2. Basis of preparation

The Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (**FRS 101**) for all periods presented. The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative instruments) which have been measured at fair value, and in accordance with the Companies Act 2006. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. These policies have been consistently applied to all the years presented unless otherwise stated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 – 52 of IFRS 2 Share-based Payments;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q) (ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - iii. paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c), 16, 38A, 38B – D, 111 and 134 – 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d) – 134(f) and 135(c) – 135(e) of IAS 36 Impairment of Assets.

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for the annual reporting year commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

Except for the adoption of IFRS 16, the adoption of these standards and interpretations has not led to any changes to the Company's accounting policies or had any other material impact on the financial position or performance of the Company.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Significant accounting policies

Tangible fixed assets

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

- Equipment, fixtures and fittings 15%–35%

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

Notes to the Company Financial Statements continued

For the year ended 31 December 2019

3. Significant accounting policies continued

Leasing (applicable from 1 January 2019)

The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets and lease liabilities have been disclosed separately.

Deferred tax

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

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

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

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

Foreign currencies

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

Investments

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit and loss, loans and receivables or available for sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

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

Cash and cash equivalents

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

Loans and receivables

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

Derecognition of financial assets

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

Impairment of financial assets

Provision for impairment is made when there is objective evidence that the Company will not be able to recover balances in full.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for debtors.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information.

Balances are written off when the possibility of recovery is assessed as being remote.

Share-based payments

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

Notes to the Company Financial Statements continued

For the year ended 31 December 2019

3. Significant accounting policies continued

Loans and borrowings

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

Derivative financial instruments

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

Employee share ownership plans

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

Finance costs and income

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

Significant accounting judgements and key sources of estimation uncertainty

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

Carrying value of investments

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

4. Employee information

The monthly average number of employees during the year was:

	2019 Number	2018 Number
Administration	22	24

Employee costs are as follows:

	2019 £000	2018 £000
Employee costs of all employees including Directors:		
Wages and salaries	3,316	3,714
Social security costs	171	919
Pension contributions	83	62
Share-based payment charge	816	1,005
Total employee costs	4,386	5,700

	2019 £000	2018 £000
Directors' emoluments	2,514	3,213
Number of Directors accruing benefits under:		
Defined contribution schemes	1	-

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

Details of Executive and Non-Executive Directors' emoluments and their interests in shares and options of the Company are shown within the Report of the Directors on Remuneration in the sections 'Single total figure of remuneration', 'Statement of Directors' shareholdings' and 'Directors' interests in share awards'.

5. Tangible fixed assets

	Equipment, fixtures and fittings £000	Total £000
Cost		
At 1 January 2019	149	149
Additions	24	24
Disposals	-	-
At 31 December 2019	173	173
Accumulated depreciation		
At 1 January 2019	73	73
Charge for the period	46	45
On disposals	-	-
At 31 December 2019	119	118
Net book value at 31 December 2019	54	54
Net book value at 31 December 2018	76	76

6. Investments

	Shares at cost £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At 1 January 2018	293,769	66,112	359,881
Additions	413	-	413
At 31 December 2018	294,182	66,112	360,294
Additions	33,516	-	33,516
At 31 December 2019	327,698	66,112	393,810
Amounts provided			
At 1 January 2018	111,451	18,919	130,370
At 31 December 2018	111,451	18,919	130,370
At 31 December 2019	111,451	18,919	130,370
Net book value at 31 December 2019	216,247	47,193	263,440
Net book value at 31 December 2018	182,731	47,193	229,924

Additions in the year relate to investments in KYNE and Creativ-Ceutical. Refer to Note 3 in the Group financial statements for more detail.

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

Impairment testing

No impairment was recognised in the year and in the prior year.

7. Leases

	2019 £000	1 January 2019 ¹ £000
Right-of-use assets		
Buildings	3,570	-
At 31 December 2019	3,570	-
Lease liabilities		
Current	664	-
Non-current	2,587	-
At 31 December 2019	3,251	-

¹ Note that Huntsworth plc did not hold any leases that were classified as 'finance leases' under IAS 17. The Company has one leased asset under IFRS 16 which is accounted for as an addition during the 2019 financial year.

Notes to the Company Financial Statements continued

For the year ended 31 December 2019

8. Debtors

	2019 £000	2018 £000
Amounts owed by subsidiary undertakings	281,505	273,888
Trade debtors	25	23
Deferred tax	967	1,271
VAT receivable	345	418
Other debtors	282	10
Prepayments	104	141
	283,228	275,751

	2019 £000	2018 £000
Amounts included in the above to be due after more than one year:		
Deferred tax	304	640

9. Deferred tax

	Tax depreciation £000	Share-based payments £000	Other temporary differences £000	Total £000
At 1 January 2018	81	790	50	921
(Debit) to expense/credit to income	(21)	51	70	100
(Debit) to other comprehensive income	-	-	(1)	(1)
(Debit)/credit to equity	-	251	-	251
At 31 December 2018 and 1 January 2019	60	1,092	119	1,271
(Debit) to expense/credit to income	(11)	130	(80)	39
(Debit)/credit to equity	-	(417)	74	(343)
At 31 December 2019	49	805	113	967

The UK Government has enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. The impact of these changes is incorporated in the reported numbers where relevant. On the 11 March 2020 the UK Government announced that it would keep the UK Corporation Tax rate at 19% from April 2020. The impact of this on deferred tax balances held at 31 December 2019 is not material.

10. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	271	54
Amounts owed to subsidiary undertakings	149,182	145,755
Other taxation and social security	582	568
Accruals	1,753	2,645
Derivative financial liability	212	122
Provisions for liabilities	3,105	-
Lease liability	664	-
Other creditors	525	633
	156,294	149,777

11. Derivative financial liabilities

The Company's principal financial instruments comprise bank loans, bank overdraft, loan notes, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company and its subsidiaries. The Company has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk and foreign exchange risk. During the year, the Company had in place two interest rate swaps to manage the interest rate profile and took out foreign exchange contracts to manage the Group's foreign exchange exposure. For full disclosures of the financial instruments, refer to the consolidated financial statements (Note 21).

12. Provisions

	Deferred contingent consideration £000	Property £000	Other £000	Total £000
At 1 January 2019	-	7	(7)	-
Acquisitions	9,754	-	-	9,754
Arising during the year	-	231	-	231
Released during the year	-	-	7	7
Remeasurements	(177)	-	-	(177)
Utilised	-	-	-	-
Foreign exchange movements	-	-	-	-
Unwind of discount	15	-	-	15
At 31 December 2019	9,592	238	-	9,830
Current	3,105	-	-	3,105
Non-current	6,487	238	-	6,725

13. Dividends

	2019 £000	2018 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2018: 1.60p (2017: 1.45p)	5,867	4,761
Interim dividend for the year ended 2019: 0.75p (2018: 0.7p)	2,767	2,308
Total dividend expense	8,634	7,069

The total dividend includes a cash element of £7.9 million (2018: £5.9 million) and a scrip element of £0.8 million (2018: £1.1 million). Shareholdings under the Group's Employee Benefit Trust of 360,841 and 317,672 shares waived their rights to the 2018 final and 2019 interim dividends respectively (2018: 1,568,788 and 1,818,788 shares waived their rights to the 2017 final and 2018 interim dividend).

A 2019 final dividend of 1.85p per share has been proposed for approval at the Annual General Meeting in 2020.

14. Called up share capital

	Deferred shares		Ordinary shares		Total
	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
Called up, fully allotted and fully paid					
At 1 January 2018	212,012,343	103,884	331,858,168	3,319	107,203
Scrip dividends	-	-	1,138,298	11	11
Share issue	-	-	16,560,604	166	166
At 31 December 2018	212,012,343	103,884	349,557,070	3,496	107,380
Scrip dividends	-	-	833,204	8	8
Share issue	-	-	19,712,725	197	197
At 31 December 2019	212,012,343	103,884	370,102,999	3,701	107,585

During the year, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2018 dividend and the interim 2019 dividend. On 4 July 2019, 516,627 ordinary shares of 1p each were issued at 99.80p with a resulting share premium of £510,427. On 6 November 2019, 316,577 ordinary shares of 1p each were issued at 83.92p with a resulting share premium of £262,506.
- On 23 May 2019, 17,477,800 ordinary shares of 1p each were issued at 93p with a resulting share premium of £16,079,576.
- Pursuant to the settlement of share options, on 13 June 2019, 1,318,681 ordinary shares at 1p each were issued at nominal value. On 16 August 2019, 368,098 ordinary shares at 1p each were issued at nominal value. On 16 October 2019, 548,146 ordinary shares at 1p each were issued at nominal value.

During 2018, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2017 dividend and the interim 2018 dividend. On 4 July 2018, 1,040,589 ordinary shares of 1p each were issued at 99.68p with a resulting share premium of £1,026,853. On 6 November 2018, 97,709 ordinary shares of 1p each were issued at 115.2p with a resulting share premium of £111,584.
- On 2 October 2018, 16,560,604 ordinary shares of 1p each were issued at 109.5p with a resulting share premium of £17,968,255.

Notes to the Company Financial Statements continued

For the year ended 31 December 2019

15. Share-based payments

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
Huntsworth share option schemes			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	March 2019 – March 2026	43.84
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	March 2019 – March 2026	42.14 – 43.84
Huntsworth Performance Share Plan	10 years	March 2019 – March 2026	nil
Huntsworth Long Term Incentive Plan 2016	10 years	June 2019 – May 2029	nil
The Huntsworth 2016 Deferred Share Bonus Plan	10 years	March 2020 – March 2028	nil

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

The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2019 and 31 December 2018:

	2019		2018	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the end of the year	9,258,569	11.44	8,978,787	11.84
Exercised during the year	1,318,681	nil	2,587,651	-

The weighted average share price at the date of exercise for share options exercised during the year was 102 pence (2018: 99.05 pence). The options outstanding at the end of the year have a weighted average remaining life of 4.7 years (2018: 5.9 years).

16. Reserves

Called up share capital

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

Share premium account

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

Merger reserve

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

There were no movements in the merger reserve in the current or prior year.

Treasury shares

Pursuant to the settlement of share options, 1,686,681 shares were transferred at nil cost to the Huntsworth Employee Benefit Trust. As at 31 December 2019, the Group held no shares (2018: no shares) in treasury.

Investment in own shares

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

At 31 December 2019, the Trusts held 0.3 million shares (2018: 0.6 million shares) in the Company which had a market value at 31 December 2019 of £0.2 million (2018: £0.7 million).

At 31 December 2019, the Trusts held 0.3 million shares (2018: 0.6 million shares) in the Company which had a market value at 31 December 2019 of £0.2 million (2018: £0.7 million).

Hedging reserve

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

Other reserves

The amount held in other reserves represents the credit to equity where Huntsworth plc grants rights in its equity instruments to employees of a subsidiary and such share-based compensation is accounted for as equity-settled in the consolidated financial statements. The credit represents a contribution from the Parent Company to its subsidiaries.

P&L reserve

Includes all current and prior period retained profits and losses.

17. Related parties

Details of Executive and Non-Executive Directors' emoluments and their interests in shares and options of the Company are shown within the Report of the Directors on Remuneration in the sections 'Single total figure of remuneration', 'Statement of Directors' shareholdings' and 'Directors' interests in share awards'.

During the year, the Company had charges with the following non-wholly owned subsidiaries:

- Kyne Communications LLC; the Company charged services totalling £16,682 to Kyne Communications LLC during 2019. At 31 December 2019 this amount is included within debtors.
- Kyne Communications Limited; the Company charged services totalling £61,035 to Kyne Communications Limited during 2019. At 31 December 2019 there are no outstanding debtors, but a creditor balance of £895,216.
- JK Coaching Limited; at 31 December 2019 there is a creditor balance of 1,195,918.
- Evoke Giant LLC; the Company charged services totalling £611,618 (2018: £399,241) to Evoke Giant LLC during 2019. At 31 December 2019 there is debtor balance £881,779.
- Creativ-Ceuticals S.A.R.L; At 31 December 2019 there is a debtor balance of £140,118
- Evoke Navience LLC; the Company charged services totalling £103,068 (2018: £47,569) to Evoke Navience during 2019. At 31 December 2019 there is a debtor balance of £142,21.

Note that we have not provided details of transactions with wholly owned subsidiaries which are exempt from this disclosure.

18. Contingent liabilities

- (i) The Company is registered with HM Revenue and Customs as a member of a group for VAT purposes and, as a result, is jointly and severally liable on a continuing basis for amounts owing by any other members of that group in respect of unpaid VAT. At the balance sheet date, the outstanding VAT liability in the other Group companies amounted to approximately £2.2 million (2018: £1.5 million).
- (ii) In connection with the Group's banking and borrowing facilities, the Company and certain of its subsidiary undertakings have entered into cross-guarantee and indemnity arrangements with Lloyds Bank plc, Santander UK plc, Bank of Ireland and HSBC Bank plc.
- (iii) In the normal course of business, the Company is, from time to time, subjected to legal actions, contractual disputes, employment claims and tax assessments. In the opinion of the Directors, the ultimate resolution of these matters will not have a material adverse effect on the Company.
- (iv) The Company has entered into a number of indemnifications, performance and financial guarantees, in the normal course of business, which give rise to obligations to pay amounts or fulfil obligations to external parties should certain conditions not be met or specified events occur. As at the date of this report, no matter has come to the attention of the Company which indicates that any material outflow will occur as a result of these indemnities and guarantees.

Appendix 1 – Non-IFRS Measures

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

Headline operating profit/profit before tax

Calculated as operating profit/profit before tax excluding highlighted items. Highlighted items comprise amortisation of intangible assets, acquisition and transaction-related costs, remeasurement of deferred consideration and disposal-related credits as well as imputed interest on deferred consideration and redemption liability. Both headline profit and IFRS profit measures are presented in the income statement. An analysis of highlighted items is presented in Note 6.

Margin

Headline operating profit as a percentage of revenue.

Headline basic and diluted EPS

Headline basic EPS is calculated using profit for the period before highlighted items dividend by the weighted average dilutive number of shares excluding the dilutive impact of deferred contingent consideration. Headline diluted EPS is the same calculation but takes into account the impact of share options in issue and deferred consideration that could be settled in shares. Details of the underlying inputs to headline and IFRS measures of EPS are included in Note 11.

Net debt

Net debt is the total of current and non-current borrowings and derivative financial instruments, less cash and cash equivalents and lease liabilities under IFRS 16. The Group uses this as a measure of indebtedness. An analysis of net debt is included in Note 27.

Cash conversion

Cash conversion is the net cash inflow from operations before highlighted items and after lease payments expressed as a percentage of adjusted operating profit less lease interest and provides an understanding of how much profit the Group has converted to cash.

Highlighted cash flows are the cash flows directly attributable to the items presented within highlighted items in the income statement. A reconciliation of the difference between cash flows before highlighted items and IFRS cash flows is shown below.

	2019 £000	2018 £000
Cash inflow from operations	55,213	22,100
Cash outflow from highlighted items	4,785	1,349
Repayment of lease liabilities	(9,409)	(1)
Adjusted operating cash flow	50,589	23,448

	2019 £000	2018 £000
Operating profit before highlighted items	44,799	33,194
IFRS 16 lease interest	(2,201)	-
Operating profit including property charges	42,598	33,194

Effective tax rate

The effective tax rate is the total tax charge incurred by the Group on headline profit before tax, expressed as a percentage. This provides a more comparable basis to analyse our tax rate both individually and relative to other companies.

Like-for-like

Like-for-like results are stated at constant exchange rates and excluding the effect of acquisitions and business closures. Constant currency results are calculated by translating prior period foreign currency results using the current period exchange rate. This provides insight into the organic growth of the business. A reconciliation of the material adjustments made between IFRS revenues and operating profit and like-for-like results (including the effect of IFRS 16) is included in the table below:

Revenue

Year ended 31 December 2019	Marketing £000	Medical £000	Immersive £000	Communications £000	Total Group £000
Segmental revenue (Note 4)	108,324	45,128	37,846	73,556	264,854
Business closures	-	-	-	(1,452)	(1,452)
Acquisitions	(21,330)	(6,945)	-	-	(28,275)
Like-for-like revenue	86,994	38,183	37,846	72,104	235,127

Year ended 31 December 2018	Marketing £000	Medical £000	Immersive £000	Communications £000	Total Group £000
Segmental revenue (Note 4)	82,000	34,162	35,423	73,371	224,956
Constant exchange rates	3,059	1,040	347	460	4,906
Business closures	(121)	-	-	(3,997)	(4,118)
Like-for-like revenue	84,938	35,202	35,770	69,834	225,744

Operating profit before highlighted items

Year ended 31 December 2019	Marketing £000	Medical £000	Immersive £000	Communications £000	Unallocated £000	Total Group £000
Segmental operating profit (Note 4)	24,209	13,298	4,298	8,286	-	50,091
Unallocated costs	-	-	-	-	(5,592)	(5,592)
Share of profit from associate	-	-	-	-	300	300
Foreign exchange	58	(37)	79	195	(172)	123
IFRS 16 incremental impact	(609)	(146)	153	(692)	23	(1,271)
Acquisitions	(3,528)	(2,984)	-	-	-	(6,512)
Business closures	-	-	-	81	-	81
Like-for-like operating profit before highlighted items	20,130	10,131	4,530	7,870	(5,441)	37,220

Year ended 31 December 2018	Marketing £000	Medical £000	Immersive £000	Communications £000	Unallocated £000	Total Group £000
Segmental operating profit (Note 4)	20,012	9,774	5,117	5,989	-	40,892
Unallocated costs	-	-	-	-	(7,965)	(7,965)
Share of profit from associate	-	-	-	-	267	267
Foreign exchange	19	(12)	155	144	1,127	1,433
Constant exchange rates	565	250	29	59	(28)	875
Business closures	(46)	-	-	223	-	177
Like-for-like operating profit before highlighted items	20,550	10,012	5,301	6,415	(6,599)	35,679

Turnover

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

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

	2019 £000	2018 £000
Revenue	264,854	224,956
Cost of sales	140,134	127,499
Turnover	404,988	352,455

Appendix 2 – Subsidiaries and Associates

This appendix forms part of the financial statements.

The Group consists of the Parent Company, Huntsworth plc, and a number of subsidiaries held both directly and indirectly by Huntsworth plc, which operate and are incorporated around the world. Details of the Company's subsidiary undertakings at 31 December 2019 are set out below.

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

Trading companies – Marketing segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Evoke Health LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Evoke Firsthand LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Health Corporation	1 S Broad St., Philadelphia, PA 19107, United States	0%	100%
Huntsworth Health Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Health Singapore Private Limited	105 Cecil Street, #09-01 The Octagon, Singapore 069534	100%	100%
Tonic Life Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Traverse HealthStrategy LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Evoke Giant LLC	Kevin W Finck, 388 Market St., Ste. 920, San Francisco, CA 94111	0%	90.22%
Evoke Navience LLC	John Shamsey, 23 Orchard Road, Suite 200, Skillman, NJ, 08558	0%	80%
Evoke Media LLC	The Company Corporation, 251 Little Falls Drive, Wilmington, DE, 19808	0%	75%
JK Coaching Limited	25 Milford, Old Yellow Walls Road, Malahide, Co Dublin K36 VH33	85%	85%
Kyne Communications Limited	Block D, Iveagh Court, Harcourt Road, Dublin 2 D02 VH94	10.625%	85%
Kyne Communications, LLC	252 West, 37th Street, Suite 500E NY, NY 10018	0%	85%

Trading companies – Medical segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
ApotheCom ScopeMedical Inc.	United Corporate Services, Inc., 874 Walker Road, Ste C, Dover Delaware 19904, United States	0%	100%
ApotheCom ScopeMedical Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Creativ-Ceutical SARL	10 rue Jean Origer, 2269, Luxembourg, LU	70%	70%
Creativ-Ceutical Tunisie SARL	Immeuble Elysée, 2 Ème Étage, Les Berges du Lac, 1053 Tunisia	0%	70%
Creativ-Ceutical France SARL	215, Rue Du Faubourg Saint-Honore, F-75008 Paris, France	0%	70%
Creativ-Ceutical Poland sp. z.o.o.	12 Ul. Przemysłowa, 30-701, Kraków, PL	0%	70%
Creativ-Ceutical Ltd.	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	70%
Creativ-Ceutical B.V.	Westblaak 92, 3012 KM Rotterdam, The Netherlands	0%	70%
Creativ-Ceutical USA Inc.	901 S. 2nd Street, Ste. 201, Springfield, IL 62704	0%	70%
Creativ-Ceutical K.K.	Level 28 Shinagawa Intercity, Tower A 2-15-1, Konan Minato-Ku, Tokyo 108-6028, Japan	0%	70%
Creativ-Ceutical Sofia	28 Bul. Hristo Botev blvd., 1000, Sofia, BG	0%	70%
Premier Access Research SAS	112, Ave De Paris, CS 60002, 94306 Vincennes Cedex	0%	70%

Trading companies – Immersive segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Axiom Professional Health Learning LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Just Communicate Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
The Moment Content Company Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Moment Content Company LLC	Corporation Trust Center, 1209 Orange St., Wilmington, DE 19801	0%	100%
WRG Creative Communication Inc.	251 Little Falls Drive, Wilmington, DE 19808	0%	100%
The Creative Engagement Group Limited	36 Great Titchfield Street, London, W1W 8BQ, England	0%	100%

Trading companies – Communications segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Atomic Communications LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate Dewe Rogerson Asia Limited	15/F Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Citigate Dewe Rogerson Japan Limited	7F Roppongi Denki Building, 6-1-20 Roppongi, Minato-ku, Tokyo, 106-0032	0%	100%
Citigate Dewe Rogerson (Beijing) Consulting Services Co., Ltd	1506A, Floor 15, Avic Building, No. B10 East Third Ring Road, Beijing 100022, China	0%	100%
Citigate Dewe Rogerson Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, England, WC2A 1AN	100%	100%
Citigate Dewe Rogerson Singapore Pte Ltd	105 Cecil Street, #09-01 The Octagon, Singapore 069534	0%	100%
CFF Communications B.V.	James Wattstraat 100-10, 1097 DM Amsterdam, The Netherlands	0%	100%
Dutko Worldwide, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling (Shanghai) Public Relations Consulting Co., Limited	Room 801, Floor 8, F659 Building, Nanjing West Road, Jing'an District, Shanghai, China	0%	100%
Grayling Asia Pte Limited	105 Cecil Street, #09-01 The Octagon, Singapore 069534	0%	100%
Grayling Austria GmbH	Siebensterngasse 31, 1070 Wien, Austria	0%	100%
Grayling Bulgaria EOOD	9 Positano Str., Entry B Floor 2 1000 Sofia, Bulgaria	0%	100%
Grayling China Limited	15/F., Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Grayling Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Communications, Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling Comunicacion, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Grayling Czech Republic s.r.o.	Palackého 740/1, 110 00 Prague 1, Czech Republic	0%	100%
Grayling d.o.o.	Kralja Drislava 4, 10000 Zagreb, Croatia	0%	100%
Grayling d.o.o.	Gospodar Jovanova 81, 11000 Belgrade, Serbia	0%	100%
Grayling d.o.o.	Dunajska 5, 7th Floor, 1000 Ljubljana, Slovenia	0%	100%
Grayling Deutschland GmbH	Bleichstraße 52-56, 60313 Frankfurt am Main, Germany	0%	100%
Grayling Eurasia LLC	Krasnoproletarskaya Str. 16, Building 3, Entrance #8, Floor 5, Office 6, Moscow 127473, Russia	0%	100%
Grayling France SAS	43 rue de Rendez Vous, 75012 Paris, France	72.60%	100%
Grayling Hungary Kft	Teréz krt. 46., 1066 Budapest, Hungary	0%	100%
Grayling Nederland B.V.	James Wattstraat 100, 1097 DM Amsterdam, The Netherlands	0%	100%
Grayling Poland Sp.z.o.o.	Equator II, Floor 5, Al. Jerozolimskie 96, Warsaw 00-807, Poland	0%	100%
Grayling Romania S.R.L.	Str Maltepol 9, Sectorul 1, 011047, Bucharest, Romania	0%	100%
Grayling SA	Avenue des Arts, 46, 1000 Brussels, Belgium	0%	100%
Grayling Slovakia s.r.o.	Palisady 36, 811 06 Bratislava, Slovakia	0%	100%
Grayling Suisse SA	Strehlgasse 29, 8001 Zurich, Switzerland	12.10%	100%
Shiny Red Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Quiller Consultancy Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Red Consultancy Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%

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Appendix 2 – Subsidiaries and Associates continued

Non-trading companies

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Atomic Communications Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Atomic PR UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Canyon Associates Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Huntsworth Communications Inc	1740 Broadway New York, New York, 10019, United States	0%	100%
Dewe Rogerson Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Evoke Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling (CEE) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Grayling Holdings AG	Niederdorfstrasse 88, 8001 Zurich, Switzerland	100%	100%
Grayling International AG	Zollikerstrasse 141, 8008 Zurich, Switzerland	1.70%	100%
Grayling International Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Kenya Limited	2nd Floor, Wing A, Apollo Centre, Ring Road Parklands, Westlands PO Box 764 00606, Sarit Centre, Nairobi, Kenya	0%	100%
Huntsworth Advertising LLC ¹	4th Floor, Amideast building, Al Jami Al Akbar Street, Ghala Heights, Muscat, Oman	0%	70%
HHCG Acquisition LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Holmes & Marchant Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
HS Corporate Investments Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Huntsworth Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Financial Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Financial Holdings LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Financial LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Health North America LLC	800 Township Line Road, Yardley, PA 19067, United States	0%	100%
Huntsworth Healthcare Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Healthcare Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Holdings GmbH	Bleichstraße 52-56, 60313 Frankfurt am Main, Germany	0%	100%
Huntsworth Holdings Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Huntsworth Investments Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Huntsworth Ireland DAC	Harcourt Centre, Harcourt Road, Dublin 2, Ireland	0%	100%
Huntsworth Spain, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Hypertonic LLC	c/o United Corporate Services, Inc., 874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
IG Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Mainstream Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Mainstream Presentations Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Quiller Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Creative Engagement Group (Holding Co) Limited	36 Great Titchfield Street, London, W1W 8BQ, England	100%	100%
The Moment Content Group Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Moment Productions Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Red Consultancy California LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
The Red Consultancy Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
The Red Consultancy USA LLC	Davis & Gilbert, 1740 Broadway, New York, NY 10019, United States	0%	100%
The Rocket Science Group Holdings Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
Tonic Life Communications Dallas LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Evoke PR & Influence LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
WRG Group Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
WRG Public Events Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
WRG Worldwide Limited	36 Great Titchfield Street, London, W1W 8BQ, England	0%	100%
Huntsworth Blocker Acquisition LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth GCS Acquisition LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	88.23%
Huntsworth Giant, Inc	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, 19801	0%	100%
Giant Creative Holdings, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	90.23%

Dormant companies

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Axis Healthcare Europe Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Catalyst Communications Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
C-B Interests Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate & Trimedia Norden AB	Arenavagen 29, 8 tr. 121 77 Johanneshov, Stockholm, Sweden	0%	100%
Citigate Communications Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Citigate Cunningham LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate Dewe Rogerson Belgium SA	Avenue de Cortenbergh, 66 1000 Brussels, Belgium	0%	100%
Citigate Global Intelligence and Security Inc	Davis & Gilbert, 1740 Broadway, New York, NY 10019, United States	0%	100%
Citigate Global Intelligence and Security LLC	SOP address 22 Cortlandt St., New York, NY 10282	0%	100%
Conscientia Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Creativ-Ceutical (Beijing) Medical Consulting Co. Ltd	Room 0-1616, 16th Floor, No. 12, Chao Wai Avenue Yi, Chaoyang District, Beijing	0%	100%
Dewe Rogerson Group Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Dunwoodie Communications Inc.	Corporation Service Company, 80 State Street, Albany, New York, 12207, United States	0%	100%
Dutko DPM Holding LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Global LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Government Markets, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Midco LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko State & Local, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Washington, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling & Citigate Norden AB	Arenavagen 29, 8 tr. 121 77 Johanneshov, Stockholm, Sweden	0%	100%
Grayling Dormant 1 LLC	874 Walker Road, Suite C, Dover, Kent DE 19904	0%	100%
Grayling (Thailand) Co., Limited	No. 84/51, Trok Wat Ladbuakhao, Charoenkrung Road, Bang Kho Laem Sub-District, Bang Kho Laem District, Bangkok	0%	100%
Grayling Americas LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling Corporate, Public Affairs & Public Relations Consultants (Cyprus) Limited	Lambrou Katsoni 8, Office 202, 1082 Nicosia, Cyprus	0%	100%
Grayling Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling München GmbH	Bleichstraße 52-56, 60313 Frankfurt am Main, Germany	0%	100%
Grayling UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%

Appendix 2 – Subsidiaries and Associates continued

Dormant companies continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Holmes & Marchant Corporate Design Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant (IH) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant (IL) Limited	15/F., Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Huntsworth Dormant (IUK)	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Huntsworth Dormant 7 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth LLC	United Corporate Services, Inc., 10 Bank Street, White Plains, New York, 10606, United States	0%	100%
Fabric an Evoke Company LLC	CT Corporation System 600 N. 2nd St. Ste. 401, Harrisburg, PA 17101	0%	100%
Random Animal LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Rose & Kindel	608 University Avenue, Sacramento, CA CA95825, United States	0%	100%
Sanchis y Asociados Imagen y Comunicacion, S.A.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
TEAM LGM Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Zahner & Partner AG	Gwattstrasse 8, c/o ueltschi solutions GmbH, 3185 Schmitten, Fribourg, Switzerland	0%	100%
Navience Systems LLC	Navience Systems LLC – 945 Tennis Avenue Ambler Montgomery PA 19002	0%	80%

1. Note that Huntsworth Advertising LLC was closed on 20 January 2020.

Associate	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Hudson Sandler LLP	25 Charterhouse Square, London, EC1M 6AE	25%	25%

Five-Year Summary (unaudited)

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Revenue before highlighted items	264,854	224,956	196,976	180,137	168,398
Operating profit before highlighted items	44,799	33,194	26,373	17,978	15,253
Highlighted items – operating expenses	(8,494)	(1,831)	(1,467)	(32,507)	(53,071)
Net finance costs	(6,481)	(2,759)	(1,972)	(1,973)	(2,001)
Profit/(loss) before tax	29,824	28,604	22,934	(16,502)	(39,819)
Non-current assets	379,127	300,317	193,991	172,925	188,485
Net current assets/(liabilities)	19,473	35,743	16,163	29,523	10,089
Net assets	214,451	195,967	157,401	152,315	155,302
Equity attributable to equity holders of the parent	184,135	181,435	157,401	152,315	155,302
Basic earnings/(loss) per share (pence)	5.6	6.4	4.8	(5.6)	(12.3)
Diluted earnings/(loss) per share (pence)	5.4	6.1	4.7	(5.6)	(12.3)
Adjusted basic earnings per share (pence)	8.3	7.5	5.9	4.0	3.0
Adjusted diluted earnings per share (pence)	8.1	7.1	5.8	4.0	3.0
Share price – high (pence)	109.0	139.0	83.8	47.0	49.3
Share price – low (pence)	69.0	74.6	36.0	34.0	35.0

Group Information

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

Investor relations

Should you have any queries, please contact either Paul Taaffe or Ben Jackson on +44 (0)20 3861 3999. Alternatively, you can email your query to paul.taaffe@huntsworth.com or ben.jackson@huntsworth.com.

Shareholder enquiries

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

Alternatively, you can telephone the dedicated Huntsworth shareholder helpline on 0370 707 1048 or write to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

Registered office and Group headquarters

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

Advisors

Company Secretary

Martin Morrow

Registered Number

1729478

Registered office

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WC2A 1AN

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors

Pinsent Masons LLP
30 Crown Pl
Earl St
London EC2A 4ES

Bankers

Lloyds Bank plc
10 Gresham Street
London EC2V 7AE

Santander UK plc
100 Ludgate Hill
London EC4M 7RE

The Governor and Company of
the Bank of Ireland
33 - 35 Nassau Street
Dublin 2, Ireland

HSBC Bank plc
71 Queen Victoria Street
London EC4V 4AY

Stockbrokers

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Registrars

Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Financial Calendar 2020

AGM	Monday 22 June 2020
Ex-Dividend date	Thursday 6 August 2020
Record date	Friday 7 August 2020
Dividend Payment Date	Friday 18 September 2020

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HUNTSWORTH

More online:

Go online
www.huntsworth.com

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

24. Share-based payments continued

	2019		2018	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	14,293,437	10.41	14,824,820	13.2
Granted during the year	2,487,590	nil	3,715,034	nil
Forfeited during the year	(88,773)	nil	(625,178)	nil
Replaced during the year	-	nil	(208,588)	nil
Exercised during the year	(2,587,798)	2.21	(3,412,651)	13.9
Outstanding at the end of the year	14,104,456	10.14	14,293,437	10.41
Exercisable at the end of the year	7,000,915	21.25	2,725,000	47.0

The weighted average share price at the date of exercise for share options exercised during the year was 96.91p (2018: 98.29p). The options outstanding at the end of the year have a weighted average remaining life of 5.7 years (2018: 6.0 years). The estimated average fair value of the options granted during the year is 78.27p (2018: 72.29p).

Fair value of share options

The fair values of share options granted in 2019 and 2018 were calculated using either the Monte Carlo model or the Black-Scholes model. The inputs to these models were:

	2019	2018
Weighted average share price	100.45p	87.61p
Weighted average exercise price	nil	nil
Expected volatility	40.3%	38%-39%
Expected life	3 years	3 years
Risk-free rate	0.64%	0.87%-0.93%
Expected dividend yield	2.77%	2.18%-2.47%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The Group recognised a total charge of £1.3 million (2018: £1.4 million) related to equity-settled share-based transactions during the year.

25. Reserves

Share premium account

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

Merger reserve

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

There were no movements in the merger reserve in the current or prior year.

Foreign currency translation reserve

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

Hedging reserve

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

Treasury shares

As at 31 December 2019 the Group held no shares (2018: no shares) in treasury.

Put option reserve

The put option reserve relates to simultaneous put/call options over the non-controlling interests' equity share in subsidiaries and arises on acquisitions made in 2018 and 2019 (Note 3).

Investment in own shares

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

Pursuant to the settlement of share options, the Trusts purchased 2,234,925 shares from the Company and transferred 2,587,798 shares to employees and past employees at par value.

At 31 December 2019 the Trusts held 0.3 million shares (2018: 0.6 million shares) in the Company which had a market value at 31 December 2019 of £0.2 million (2018: £0.7 million).

Non-controlling interest

Non-controlling interest is the equity in a subsidiary not attributable to the Group. Movements in the year comprise the balance recognised at acquisition of £14.9 million, profit attribution of £2.2 million, measurement period adjustments totalling £0.3 million and dividends paid of £1.0 million.

26. Commitments and contingent liabilities

Operating leases – Group as a lessee

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

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2019 and 31 December 2018 are as follows:

	2019 £000	2018 £000
Within one year	913	9,704
Within two to five years	48	28,569
Over five years	-	7,294
	961	45,567

Operating leases – Group as a lessor

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

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2019 and 31 December 2018 are as follows:

	2019 £000	2018 £000
Within one year	4	361
Within two to five years	-	893
	4	1,254

Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2019 £000	2018 £000
Property, plant and equipment	2,333	-
	2,333	-

Contingent liabilities

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

26. Commitments and contingent liabilities continued

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

Huntsworth Financial Group Limited (0176928)	Grayling (CEE) Limited (05894329)	Huntsworth Healthcare Group Limited (05143203)
Creativ-Ceutical Limited (06942665)	Conscientia Communication Limited (07609633)	Huntsworth Holdings Limited (05595445)
Atomic Communications Holdings Limited (06927174)	Huntsworth Investments Limited (01894682)	Grayling UK Limited (01593981)
Grayling International Limited (05066506)	Quiller Associates Limited (04472442)	HS Corporate Investments Limited (05794494)
IG Communications Limited (02005521)	The Red Consultancy Group Limited (03528313)	Dewe Rogerson Limited (00960343)
Huntsworth Communications Limited (06025252)	The Red Consultancy Limited (02913684)	The Quiller Consultancy Limited (03609582)
The Moment Productions Limited (05493387)	ApotheCom Scope Medical Limited (03692001)	Tonic Life Communications Limited (05077475)
Atomic PR UK Limited (06928056)	Huntsworth Dormant 7 Limited (01951092)	Grayling Communications Limited (03140273)
Citigate Dewe Rogerson Limited (02184041)	Huntsworth Health Limited (03193979)	Holmes & Marchant Communications Limited (01766310)
Shiny Red Limited (05893962)	WRG Worldwide Limited (07661987)	Canyon Associates Limited (06015141)
The Creative Engagement Group (Holding Co) Limited (10824165)	Mainstream Presentations Limited (02268867)	Mainstream Limited (03927635)
WRG Group Limited (03552198)	Just Communicate Limited (04100166)	WRG Public Events Limited (02610689)
The Creative Engagement Group Limited (01244084)	The Moment Content Company Limited (03962001)	The Rocket Science Group Holdings Limited (03048838)
The Moment Content Group Limited (09209488)		

27. Cash flow analysis

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

	2019 £000	2018 £000
Operating profit	36,305	31,363
Share of profit from associate	(300)	(267)
Depreciation	11,318	3,234
Share option charge	1,282	1,418
Loss on disposal of property, plant and equipment	1,173	3
Amortisation of intangible assets	7,289	3,854
Impairment of right-of-use assets	1,591	-
Loss on financial instruments	360	767
Loss/(profit) on disposal of subsidiaries and investments	3,582	(921)
Decrease in work in progress	1,278	3,536
Increase in debtors	(10,416)	(8,239)
Increase/(decrease) in creditors	10,041	(10,890)
Decrease in provisions	(8,290)	(1,758)
Net cash inflow from operations	55,213	22,100

Net cash inflow from operations is analysed as follows:

	2019 £000	2018 £000
Before highlighted items	59,998	23,449
Highlighted items	(4,785)	(1,349)
Net cash inflow from operations	55,213	22,100

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

	2018 £000	Cash flow £000	IFRS 16 £000	Acquisitions £000	Non-cash changes			2019 £000
					Amortisation £000	Fair value changes £000	Foreign exchange £000	
Cash and short-term deposits	22,787	(7,822)	-	8,043	-	-	(410)	22,598
Overdraft	(357)	(11)	-	-	-	-	139	(229)
Bank loans	(99,214)	7,607	-	-	(493)	-	-	(92,100)
Derivative financial liabilities	(215)	532	-	-	-	(967)	-	(650)
Finance leases/lease liabilities	(3)	9,409	(55,281)	-	-	-	834	(45,041)
Net debt	(77,002)	9,715	(55,281)	8,043	(493)	(967)	563	(115,422)

				Non-cash changes			
	2017 £000	Cash flow £000	Acquisitions £000	Amortisation £000	Fair value changes £000	Foreign exchange £000	2018 £000
Cash and short-term deposits	10,054	6,752	5,474	-	-	507	22,787
Overdraft	(399)	94	-	-	-	(52)	(357)
Bank loans	(45,686)	(53,247)	-	(281)	-	-	(99,214)
Derivative financial liabilities	(221)	943	-	-	(937)	-	(215)
Finance leases	(4)	1	-	-	-	-	(3)
Net debt	(36,256)	(45,457)	5,474	(281)	(937)	455	(77,002)

(c) Analysis of net debt

	2019 £000	2018 £000
Cash and short-term deposits	22,598	22,787
Bank overdraft	(229)	(357)
Bank loans	(92,100)	(99,214)
Derivative financial liabilities	(650)	(215)
Lease liabilities	(45,041)	(3)
Net debt	(115,422)	(77,002)

At 31 December 2019 the Group had undrawn committed facilities of £35.2 million (2018: £4.1 million) available.

28. Related party transactions

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

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

Compensation of key management personnel

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

	2019 £000	2018 £000
Short-term benefits	1,770	2,296
Share-based payment charge	744	917
	2,514	3,213

Transactions with other related parties

The following transactions occurred with related parties:

	2019 £000	2018 £000
<i>Sales and purchases of services</i>		
Sale of services to associates (revenue)	55	32
	55	32

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

28. Related party transactions continued

Outstanding balances arising from sales/purchases of services

The following balances are outstanding at the end of the reporting year in relation to transactions with related parties:

	2019 £000	2018 £000
<i>Current payables (purchases of services)</i>		
Due from associates	21	-
	21	-

Terms and conditions

Services were sold to associates during the year based on the price lists in force and terms that would be available to third parties. Outstanding balances with associates are unsecured and are repayable in cash.

29. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

As indicated above, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.6%.

No material adjustments have arisen for leases previously classified as finance leases.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

	1 January 2019 £000
Operating lease commitments disclosed as at 31 December 2018	45,567
Discounted using the lessee's incremental borrowing rate at the date of initial application	37,518
Add finance lease liabilities recognised as at 31 December 2018	2
Less short-term leases recognised on a straight-line basis as expense	(1,651)
Less low-value leases recognised on a straight-line basis as expense	(160)
Add adjustments as a result of a different treatment of extension and termination options	6,669
Add adjustments relating to changes in the index or rate affecting variable	7
Lease liability recognised as at 1 January 2019	42,385
Current	8,331
Non-current	34,054

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019

	1 January 2019 £000
Property, plant and equipment - decrease by	(222)
Right-of-use assets - increase by ¹	36,848
Prepayments - decrease by	(258)
Leasehold liabilities - increase by	(38,044)
The net impact on retained earnings on 1 January 2019 was	-

¹ This includes the effect of impaired right-of-use assets at transition date recognised in highlighted items in 2019.

Independent Auditors' Report

To the members of Huntsworth plc

Report on the audit of the Company financial statements

Opinion

In our opinion, Huntsworth plc's Company financial statements (the **financial statements**):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Company Balance Sheet as at 31 December 2019; the Company Statement of Changes in Equity for the year then ended; and the Notes to the Company Financial Statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 5 to the Group financial statements, we have provided no non-audit services to the Group and its subsidiaries in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall materiality: £3.40 million (2018: £2.54 million), based on 1% of net assets.
- We carried out audit procedures on the complete financial information of the Company.
- Impairment of investment in subsidiaries.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and the industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias. Audit procedures performed by the engagement team included:

- discussions with management and Company's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluation of management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgements made by management in their significant accounting estimates, and in particular in relation to impairment of investment in subsidiaries and associates (see related key audit matter on page 118);
- identifying and testing journal entries, in particular any journal entries posted to unusual account combinations or posted by senior management.

Independent Auditors' Report continued

To the members of Huntsworth plc

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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

Key audit matter

Impairment of investment in subsidiaries and associates
Refer to page 125 (Significant Accounting Policies) and page 127 (notes).

The Company has £263.4 million of investments in subsidiaries and associates as at 31 December 2019 (2018: £229.9 million).

The Directors perform an impairment assessment of the carrying value of investments in subsidiaries and associates by reference to the forecast cash flows and future results of the subsidiaries and associates, including forecast growth in revenues and operating profit margins. The forecast cash flows require the Directors to make certain assumptions such as the discount and growth rates.

The Directors' impairment assessment showed that no impairment was required against investments in subsidiaries and associates as at 31 December 2019.

How our audit addressed the key audit matter

We reviewed management's impairment assessment for investments in subsidiaries and associates which included comparing the investments' carrying value against the net assets of the investment, and by reference to the discounted future cash flows the Directors expect the investment to generate. We challenged the Directors assumptions used in these discounted cash flow models including growth rates, discount rate and cash flows from operations.

In addition, we confirmed the market capitalisation of the Group exceeded the net asset position of the Company as at 31 December 2019.

For all investments, the Directors determined that no impairment was required. We found that these judgements were supported by reasonable assumptions that would require significant downside changes before any impairment charges would be necessary.

How we tailored the audit scope

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

We scoped the financial statement line items to be audited in line with the materiality determined for the year.

Materiality

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

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

Overall materiality	£3.40 million (2018: £2.54 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the position of the entity, and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £97,000 (2018: £73,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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

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

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

- The Directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 27 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the **Code**); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (*Listing Rules*)

Independent Auditors' Report continued

To the members of Huntsworth plc

Other Code provisions

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

- The statement given by the Directors, on page 71, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 46 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 71, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 6 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2016 to 31 December 2019.

Other matter

We have reported separately on the Group financial statements of Huntsworth plc for the year ended 31 December 2019.

Richard Porter

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

3 March 2020

Company Balance Sheet

As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	5	54	76
Investments	6	263,440	229,924
Right-of-use assets	7	3,570	-
		267,064	230,000
Current assets			
Debtors	8	283,228	275,751
Cash at bank and in hand		2,448	1,269
		285,676	277,020
Creditors: amounts falling due within one year	10	(156,294)	(149,777)
Net current assets		129,382	127,243
Total assets less current liabilities		396,446	357,243
Creditors: amounts falling due after more than one year			
Bank loans		(92,100)	(103,422)
Lease liability	6	(2,587)	-
Provisions for liabilities	12	(6,725)	-
Derivative financial liabilities	11	(438)	(93)
Net assets		294,596	253,728
Capital and reserves			
Called up share capital	14	107,585	107,380
Share premium account	16	98,784	82,423
Merger reserve	16	29,468	29,468
Other reserves	16	7,292	6,826
Hedging reserve	16	(650)	(215)
Investment in own shares held in Employee Benefit Trust	16	(231)	(445)
Profit and loss account	16	52,348	28,291
Total shareholders' funds		294,596	253,728

Profit attributable to members of Huntsworth plc

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The profit for the year amounted to £32.3 million (2018 profit: £1.9 million).

The Company number is 1729478.

These financial statements were approved by the Board of Directors on 3 March 2020 and signed on their behalf by:

Ben Jackson
Director

Company Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserves £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Profit and loss account £000	Total £000
At 1 January 2018	107,203	63,843	29,468	6,413	(221)	(1,166)	(1,587)	33,815	237,768
Profit for the year	-	-	-	-	-	-	-	1,915	1,915
Other comprehensive income/(expense)	-	-	-	-	6	-	-	(1)	5
Purchase of own shares	-	-	-	-	-	-	(172)	-	(172)
Shares issued for acquisitions	166	17,968	-	-	-	-	-	-	18,134
Settlement of share options	-	-	-	-	-	-	2,480	(2,006)	474
Share issue costs	-	(526)	-	-	-	-	-	-	(526)
Share-based payments	-	-	-	413	-	-	-	1,005	1,418
Tax on share-based payments	-	-	-	-	-	-	-	632	632
Scrip dividends	11	1,138	-	-	-	-	-	-	1,149
Equity dividends	-	-	-	-	-	-	-	(7,069)	(7,069)
Transfers	-	-	-	-	-	1,166	(1,166)	-	-
At 31 December 2018	107,380	82,423	29,468	6,826	(215)	-	(445)	28,291	253,728
Profit for the year	-	-	-	-	-	-	-	32,279	32,279
Other comprehensive income/(expense)	-	-	-	-	(435)	-	-	74	(361)
Shares issued for acquisitions	175	16,080	-	-	-	-	-	-	16,255
Settlement of share options	22	-	-	-	-	-	214	(236)	-
Share issue costs	-	(492)	-	-	-	-	-	-	(492)
Share-based payments	-	-	-	466	-	-	-	816	1,282
Tax on share-based payments	-	-	-	-	-	-	-	(242)	(242)
Scrip dividends	8	773	-	-	-	-	-	-	781
Equity dividends	-	-	-	-	-	-	-	(8,634)	(8,634)
At 31 December 2019	107,585	98,784	29,468	7,292	(650)	-	(231)	52,348	294,596

Notes to the Company Financial Statements

For the year ended 31 December 2019

1. General information

Huntsworth plc (**the Company**) is the head office of an international healthcare and communications group. The Company is a publicly listed company, limited by shares, and is incorporated and domiciled in the UK. The address of its registered office is 8th Floor, Holborn Gate, 26 Southampton Buildings, London WC2A 1AN.

2. Basis of preparation

The Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (**FRS 101**) for all periods presented. The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative instruments) which have been measured at fair value, and in accordance with the Companies Act 2006. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. These policies have been consistently applied to all the years presented unless otherwise stated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 – 52 of IFRS 2 Share-based Payments;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q) (ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - iii. paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c), 16, 38A, 38B – D, 111 and 134 – 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d) – 134(f) and 135(c) – 135(e) of IAS 36 Impairment of Assets.

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for the annual reporting year commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

Except for the adoption of IFRS 16, the adoption of these standards and interpretations has not led to any changes to the Company's accounting policies or had any other material impact on the financial position or performance of the Company.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Significant accounting policies

Tangible fixed assets

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

- Equipment, fixtures and fittings 15%–35%

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

Notes to the Company Financial Statements continued

For the year ended 31 December 2019

3. Significant accounting policies continued

Leasing (applicable from 1 January 2019)

The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets and lease liabilities have been disclosed separately.

Deferred tax

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

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

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

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

Foreign currencies

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

Investments

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit and loss, loans and receivables or available for sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

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

Cash and cash equivalents

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

Loans and receivables

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

Derecognition of financial assets

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

Impairment of financial assets

Provision for impairment is made when there is objective evidence that the Company will not be able to recover balances in full.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for debtors.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information.

Balances are written off when the possibility of recovery is assessed as being remote.

Share-based payments

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

Notes to the Company Financial Statements continued

For the year ended 31 December 2019

3. Significant accounting policies continued

Loans and borrowings

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

Derivative financial instruments

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

Employee share ownership plans

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

Finance costs and income

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

Significant accounting judgements and key sources of estimation uncertainty

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

Carrying value of investments

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

4. Employee information

The monthly average number of employees during the year was:

	2019 Number	2018 Number
Administration	22	24

Employee costs are as follows:

	2019 £000	2018 £000
Employee costs of all employees including Directors:		
Wages and salaries	3,316	3,714
Social security costs	171	919
Pension contributions	83	62
Share-based payment charge	816	1,005
Total employee costs	4,386	5,700

	2019 £000	2018 £000
Directors' emoluments	2,514	3,213

Number of Directors accruing benefits under:

Defined contribution schemes	1	-
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The Group makes contributions to employees' personal defined contribution pension plans.

Details of Executive and Non-Executive Directors' emoluments and their interests in shares and options of the Company are shown within the Report of the Directors on Remuneration in the sections 'Single total figure of remuneration', 'Statement of Directors' shareholdings' and 'Directors' interests in share awards'.

5. Tangible fixed assets

	Equipment, fixtures and fittings £000	Total £000
Cost		
At 1 January 2019	149	149
Additions	24	24
Disposals	-	-
At 31 December 2019	173	173
Accumulated depreciation		
At 1 January 2019	73	73
Charge for the period	46	45
On disposals	-	-
At 31 December 2019	119	118
Net book value at 31 December 2019	54	54
Net book value at 31 December 2018	76	76

6. Investments

	Shares at cost £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At 1 January 2018	293,769	66,112	359,881
Additions	413	-	413
At 31 December 2018	294,182	66,112	360,294
Additions	33,516	-	33,516
At 31 December 2019	327,698	66,112	393,810
Amounts provided			
At 1 January 2018	111,451	18,919	130,370
At 31 December 2018	111,451	18,919	130,370
At 31 December 2019	111,451	18,919	130,370
Net book value at 31 December 2019	216,247	47,193	263,440
Net book value at 31 December 2018	182,731	47,193	229,924

Additions in the year relate to investments in KYNE and Creativ-Ceutical. Refer to Note 3 in the Group financial statements for more detail.

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

Impairment testing

No impairment was recognised in the year and in the prior year.

7. Leases

	2019 £000	1 January 2019 ¹ £000
Right-of-use assets		
Buildings	3,570	-
At 31 December 2019	3,570	-
Lease liabilities		
Current	664	-
Non-current	2,587	-
At 31 December 2019	3,251	-

¹ Note that Huntsworth plc did not hold any leases that were classified as 'finance leases' under IAS 17. The Company has one leased asset under IFRS 16 which is accounted for as an addition during the 2019 financial year.

Notes to the Company Financial Statements continued

For the year ended 31 December 2019

8. Debtors

	2019 £000	2018 £000
Amounts owed by subsidiary undertakings	281,505	273,888
Trade debtors	25	23
Deferred tax	967	1,271
VAT receivable	345	418
Other debtors	282	10
Prepayments	104	141
	283,228	275,751

	2019 £000	2018 £000
Amounts included in the above to be due after more than one year:		
Deferred tax	304	640

9. Deferred tax

	Tax depreciation £000	Share-based payments £000	Other temporary differences £000	Total £000
At 1 January 2018	81	790	50	921
(Debit) to expense/credit to income	(21)	51	70	100
(Debit) to other comprehensive income	-	-	(1)	(1)
(Debit)/credit to equity	-	251	-	251
At 31 December 2018 and 1 January 2019	60	1,092	119	1,271
(Debit) to expense/credit to income	(11)	130	(80)	39
(Debit)/credit to equity	-	(417)	74	(343)
At 31 December 2019	49	805	113	967

The UK Government has enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. The impact of these changes is incorporated in the reported numbers where relevant. On the 11 March 2020 the UK Government announced that it would keep the UK Corporation Tax rate at 19% from April 2020. The impact of this on deferred tax balances held at 31 December 2019 is not material.

10. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	271	54
Amounts owed to subsidiary undertakings	149,182	145,755
Other taxation and social security	582	568
Accruals	1,753	2,645
Derivative financial liability	212	122
Provisions for liabilities	3,105	-
Lease liability	664	-
Other creditors	525	633
	156,294	149,777

11. Derivative financial liabilities

The Company's principal financial instruments comprise bank loans, bank overdraft, loan notes, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company and its subsidiaries. The Company has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk and foreign exchange risk. During the year, the Company had in place two interest rate swaps to manage the interest rate profile and took out foreign exchange contracts to manage the Group's foreign exchange exposure. For full disclosures of the financial instruments, refer to the consolidated financial statements (Note 21).

12. Provisions

	Deferred contingent consideration £000	Property £000	Other £000	Total £000
At 1 January 2019	-	7	(7)	-
Acquisitions	9,754	-	-	9,754
Arising during the year	-	231	-	231
Released during the year	-	-	7	7
Remeasurements	(177)	-	-	(177)
Utilised	-	-	-	-
Foreign exchange movements	-	-	-	-
Unwind of discount	15	-	-	15
At 31 December 2019	9,592	238	-	9,830
Current	3,105	-	-	3,105
Non-current	6,487	238	-	6,725

13. Dividends

	2019 £000	2018 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2018: 1.60p (2017: 1.45p)	5,867	4,761
Interim dividend for the year ended 2019: 0.75p (2018: 0.7p)	2,767	2,308
Total dividend expense	8,634	7,069

The total dividend includes a cash element of £7.9 million (2018: £5.9 million) and a scrip element of £0.8 million (2018: £1.1 million). Shareholdings under the Group's Employee Benefit Trust of 360,841 and 317,672 shares waived their rights to the 2018 final and 2019 interim dividends respectively (2018: 1,568,788 and 1,818,788 shares waived their rights to the 2017 final and 2018 interim dividend).

A 2019 final dividend of 1.85p per share has been proposed for approval at the Annual General Meeting in 2020.

14. Called up share capital

	Deferred shares		Ordinary shares		Total
	Number of shares	Nominal value £000	Number of shares	Nominal value £000	Nominal value £000
Called up, fully allotted and fully paid					
At 1 January 2018	212,012,343	103,884	331,858,168	3,319	107,203
Scrip dividends	-	-	1,138,298	11	11
Share issue	-	-	16,560,604	166	166
At 31 December 2018	212,012,343	103,884	349,557,070	3,496	107,380
Scrip dividends	-	-	833,204	8	8
Share issue	-	-	19,712,725	197	197
At 31 December 2019	212,012,343	103,884	370,102,999	3,701	107,585

During the year, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2018 dividend and the interim 2019 dividend. On 4 July 2019, 516,627 ordinary shares of 1p each were issued at 99.80p with a resulting share premium of £510,427. On 6 November 2019, 316,577 ordinary shares of 1p each were issued at 83.92p with a resulting share premium of £262,506.
- On 23 May 2019, 17,477,800 ordinary shares of 1p each were issued at 93p with a resulting share premium of £16,079,576.
- Pursuant to the settlement of share options, on 13 June 2019, 1,318,681 ordinary shares at 1p each were issued at nominal value. On 16 August 2019, 368,098 ordinary shares at 1p each were issued at nominal value. On 16 October 2019, 548,146 ordinary shares at 1p each were issued at nominal value.

During 2018, the following shares were issued:

- The scrip dividends relate to the scrip alternative taken up on the final 2017 dividend and the interim 2018 dividend. On 4 July 2018, 1,040,589 ordinary shares of 1p each were issued at 99.68p with a resulting share premium of £1,026,853. On 6 November 2018, 97,709 ordinary shares of 1p each were issued at 115.2p with a resulting share premium of £111,584.
- On 2 October 2018, 16,560,604 ordinary shares of 1p each were issued at 109.5p with a resulting share premium of £17,968,255.

Notes to the Company Financial Statements continued

For the year ended 31 December 2019

15. Share-based payments

Name of scheme	Length of share option	Exercise period	Exercise price (pence)
Huntsworth share option schemes			
2006 Huntsworth Approved Executive Share Option Scheme	10 years	March 2019 – March 2026	43.84
2006 Huntsworth Unapproved Executive Share Option Scheme	10 years	March 2019 – March 2026	42.14 – 43.84
Huntsworth Performance Share Plan	10 years	March 2019 – March 2026	nil
Huntsworth Long Term Incentive Plan 2016	10 years	June 2019 – May 2029	nil
The Huntsworth 2016 Deferred Share Bonus Plan	10 years	March 2020 – March 2028	nil

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

The following share options were outstanding under the Huntsworth share-based payment schemes at 31 December 2019 and 31 December 2018:

	2019		2018	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the end of the year	9,258,569	11.44	8,978,787	11.84
Exercised during the year	1,318,681	nil	2,587,651	–

The weighted average share price at the date of exercise for share options exercised during the year was 102 pence (2018: 99.05 pence). The options outstanding at the end of the year have a weighted average remaining life of 4.7 years (2018: 5.9 years).

16. Reserves

Called up share capital

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

Share premium account

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

Merger reserve

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

There were no movements in the merger reserve in the current or prior year.

Treasury shares

Pursuant to the settlement of share options, 1,686,681 shares were transferred at nil cost to the Huntsworth Employee Benefit Trust. As at 31 December 2019, the Group held no shares (2018: no shares) in treasury.

Investment in own shares

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

At 31 December 2019, the Trusts held 0.3 million shares (2018: 0.6 million shares) in the Company which had a market value at 31 December 2019 of £0.2 million (2018: £0.7 million).

At 31 December 2019, the Trusts held 0.3 million shares (2018: 0.6 million shares) in the Company which had a market value at 31 December 2019 of £0.2 million (2018: £0.7 million).

Hedging reserve

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

Other reserves

The amount held in other reserves represents the credit to equity where Huntsworth plc grants rights in its equity instruments to employees of a subsidiary and such share-based compensation is accounted for as equity-settled in the consolidated financial statements. The credit represents a contribution from the Parent Company to its subsidiaries.

P&L reserve

Includes all current and prior period retained profits and losses.

17. Related parties

Details of Executive and Non-Executive Directors' emoluments and their interests in shares and options of the Company are shown within the Report of the Directors on Remuneration in the sections 'Single total figure of remuneration', 'Statement of Directors' shareholdings' and 'Directors' interests in share awards'.

During the year, the Company had charges with the following non-wholly owned subsidiaries:

- Kyne Communications LLC; the Company charged services totalling £16,682 to Kyne Communications LLC during 2019. At 31 December 2019 this amount is included within debtors.
- Kyne Communications Limited; the Company charged services totalling £61,035 to Kyne Communications Limited during 2019. At 31 December 2019 there are no outstanding debtors, but a creditor balance of £895,216.
- JK Coaching Limited; at 31 December 2019 there is a creditor balance of 1,195,918.
- Evoke Giant LLC; the Company charged services totalling £611,618 (2018: £399,241) to Evoke Giant LLC during 2019. At 31 December 2019 there is debtor balance £881,779.
- Creativ-Ceuticals S.A.R.L; At 31 December 2019 there is a debtor balance of £140,118
- Evoke Navience LLC; the Company charged services totalling £103,068 (2018: £47,569) to Evoke Navience during 2019. At 31 December 2019 there is a debtor balance of £142,21.

Note that we have not provided details of transactions with wholly owned subsidiaries which are exempt from this disclosure.

18. Contingent liabilities

- (i) The Company is registered with HM Revenue and Customs as a member of a group for VAT purposes and, as a result, is jointly and severally liable on a continuing basis for amounts owing by any other members of that group in respect of unpaid VAT. At the balance sheet date, the outstanding VAT liability in the other Group companies amounted to approximately £2.2 million (2018: £1.5 million).
- (ii) In connection with the Group's banking and borrowing facilities, the Company and certain of its subsidiary undertakings have entered into cross-guarantee and indemnity arrangements with Lloyds Bank plc, Santander UK plc, Bank of Ireland and HSBC Bank plc.
- (iii) In the normal course of business, the Company is, from time to time, subjected to legal actions, contractual disputes, employment claims and tax assessments. In the opinion of the Directors, the ultimate resolution of these matters will not have a material adverse effect on the Company.
- (iv) The Company has entered into a number of indemnifications, performance and financial guarantees, in the normal course of business, which give rise to obligations to pay amounts or fulfil obligations to external parties should certain conditions not be met or specified events occur. As at the date of this report, no matter has come to the attention of the Company which indicates that any material outflow will occur as a result of these indemnities and guarantees.

Appendix 1 – Non-IFRS Measures

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

Headline operating profit/profit before tax

Calculated as operating profit/profit before tax excluding highlighted items. Highlighted items comprise amortisation of intangible assets, acquisition and transaction-related costs, remeasurement of deferred consideration and disposal-related credits as well as imputed interest on deferred consideration and redemption liability. Both headline profit and IFRS profit measures are presented in the income statement. An analysis of highlighted items is presented in Note 6.

Margin

Headline operating profit as a percentage of revenue.

Headline basic and diluted EPS

Headline basic EPS is calculated using profit for the period before highlighted items dividend by the weighted average dilutive number of shares excluding the dilutive impact of deferred contingent consideration. Headline diluted EPS is the same calculation but takes into account the impact of share options in issue and deferred consideration that could be settled in shares. Details of the underlying inputs to headline and IFRS measures of EPS are included in Note 11.

Net debt

Net debt is the total of current and non-current borrowings and derivative financial instruments, less cash and cash equivalents and lease liabilities under IFRS 16. The Group uses this as a measure of indebtedness. An analysis of net debt is included in Note 27.

Cash conversion

Cash conversion is the net cash inflow from operations before highlighted items and after lease payments expressed as a percentage of adjusted operating profit less lease interest and provides an understanding of how much profit the Group has converted to cash.

Highlighted cash flows are the cash flows directly attributable to the items presented within highlighted items in the income statement. A reconciliation of the difference between cash flows before highlighted items and IFRS cash flows is shown below.

	2019 £000	2018 £000
Cash inflow from operations	55,213	22,100
Cash outflow from highlighted items	4,785	1,349
Repayment of lease liabilities	(9,409)	(1)
Adjusted operating cash flow	50,589	23,448
	2019 £000	2018 £000
Operating profit before highlighted items	44,799	33,194
IFRS 16 lease interest	(2,201)	-
Operating profit including property charges	42,598	33,194

Effective tax rate

The effective tax rate is the total tax charge incurred by the Group on headline profit before tax, expressed as a percentage. This provides a more comparable basis to analyse our tax rate both individually and relative to other companies.

Like-for-like

Like-for-like results are stated at constant exchange rates and excluding the effect of acquisitions and business closures. Constant currency results are calculated by translating prior period foreign currency results using the current period exchange rate. This provides insight into the organic growth of the business. A reconciliation of the material adjustments made between IFRS revenues and operating profit and like-for-like results (including the effect of IFRS 16) is included in the table below:

Revenue

Year ended 31 December 2019	Marketing £000	Medical £000	Immersive £000	Communications £000	Total Group £000
Segmental revenue (Note 4)	108,324	45,128	37,846	73,556	264,854
Business closures	-	-	-	(1,452)	(1,452)
Acquisitions	(21,330)	(6,945)	-	-	(28,275)
Like-for-like revenue	86,994	38,183	37,846	72,104	235,127

Year ended 31 December 2018	Marketing £000	Medical £000	Immersive £000	Communications £000	Total Group £000
Segmental revenue (Note 4)	82,000	34,162	35,423	73,371	224,956
Constant exchange rates	3,059	1,040	347	460	4,906
Business closures	(121)	-	-	(3,997)	(4,118)
Like-for-like revenue	84,938	35,202	35,770	69,834	225,744

Operating profit before highlighted items

Year ended 31 December 2019	Marketing £000	Medical £000	Immersive £000	Communications £000	Unallocated £000	Total Group £000
Segmental operating profit (Note 4)	24,209	13,298	4,298	8,286	-	50,091
Unallocated costs	-	-	-	-	(5,592)	(5,592)
Share of profit from associate	-	-	-	-	300	300
Foreign exchange	58	(37)	79	195	(172)	123
IFRS 16 incremental impact	(609)	(146)	153	(692)	23	(1,271)
Acquisitions	(3,528)	(2,984)	-	-	-	(6,512)
Business closures	-	-	-	81	-	81
Like-for-like operating profit before highlighted items	20,130	10,131	4,530	7,870	(5,441)	37,220

Year ended 31 December 2018	Marketing £000	Medical £000	Immersive £000	Communications £000	Unallocated £000	Total Group £000
Segmental operating profit (Note 4)	20,012	9,774	5,117	5,989	-	40,892
Unallocated costs	-	-	-	-	(7,965)	(7,965)
Share of profit from associate	-	-	-	-	267	267
Foreign exchange	19	(12)	155	144	1,127	1,433
Constant exchange rates	565	250	29	59	(28)	875
Business closures	(46)	-	-	223	-	177
Like-for-like operating profit before highlighted items	20,550	10,012	5,301	6,415	(6,599)	35,679

Turnover

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

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

	2019 £000	2018 £000
Revenue	264,854	224,956
Cost of sales	140,134	127,499
Turnover	404,988	352,455

Appendix 2 – Subsidiaries and Associates

This appendix forms part of the financial statements.

The Group consists of the Parent Company, Huntsworth plc, and a number of subsidiaries held both directly and indirectly by Huntsworth plc, which operate and are incorporated around the world. Details of the Company's subsidiary undertakings at 31 December 2019 are set out below.

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

Trading companies – Marketing segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Evoke Health LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Evoke Firsthand LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Health Corporation	1 S Broad St., Philadelphia, PA 19107, United States	0%	100%
Huntsworth Health Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Health Singapore Private Limited	105 Cecil Street, #09-01 The Octagon, Singapore 069534	100%	100%
Tonic Life Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Traverse HealthStrategy LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Evoke Giant LLC	Kevin W Finck, 388 Market St., Ste. 920, San Francisco, CA 94111	0%	90.22%
Evoke Navience LLC	John Shamsey, 23 Orchard Road, Suite 200, Skillman, NJ, 08558	0%	80%
Evoke Media LLC	The Company Corporation, 251 Little Falls Drive, Wilmington, DE, 19808	0%	75%
JK Coaching Limited	25 Milford, Old Yellow Walls Road, Malahide, Co Dublin K36 VH33	85%	85%
Kyne Communications Limited	Block D, Iveagh Court, Harcourt Road, Dublin 2 D02 VH94	10.625%	85%
Kyne Communications, LLC	252 West, 37th Street, Suite 500E NY, NY 10018	0%	85%

Trading companies – Medical segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
ApotheCom ScopeMedical Inc.	United Corporate Services, Inc., 874 Walker Road, Ste C, Dover Delaware 19904, United States	0%	100%
ApotheCom ScopeMedical Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Creativ-Ceutical SARL	10 rue Jean Origer, 2269, Luxembourg, LU	70%	70%
Creativ-Ceutical Tunisie SARL	Immeuble Elysée, 2 Ème Étage, Les Berges du Lac, 1053 Tunisia	0%	70%
Creativ-Ceutical France SARL	215, Rue Du Faubourg Saint-Honore, F-75008 Paris, France	0%	70%
Creativ-Ceutical Poland sp. z.o.o.	12 Ul. Przemysłowa, 30-701, Kraków, PL	0%	70%
Creativ-Ceutical Ltd.	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	70%
Creativ-Ceutical B.V.	Westblaak 92, 3012 KM Rotterdam, The Netherlands	0%	70%
Creativ-Ceutical USA Inc.	901 S. 2nd Street, Ste. 201, Springfield, IL 62704	0%	70%
Creativ-Ceutical K.K.	Level 28 Shinagawa Intercity, Tower A 2-15-1, Konan Minato-Ku, Tokyo 108-6028, Japan	0%	70%
Creativ-Ceutical Sofia	28 Bul. Hristo Botev blvd., 1000, Sofia, BG	0%	70%
Premier Access Research SAS	112, Ave De Paris, CS 60002, 94306 Vincennes Cedex	0%	70%

Trading companies – Immersive segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Axiom Professional Health Learning LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Just Communicate Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
The Moment Content Company Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Moment Content Company LLC	Corporation Trust Center, 1209 Orange St., Wilmington, DE 19801	0%	100%
WRG Creative Communication Inc.	251 Little Falls Drive, Wilmington, DE 19808	0%	100%
The Creative Engagement Group Limited	36 Great Titchfield Street, London, W1W 8BQ, England	0%	100%

Trading companies – Communications segment

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Atomic Communications LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate Dewe Rogerson Asia Limited	15/F Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Citigate Dewe Rogerson Japan Limited	7F Roppongi Denki Building, 6-1-20 Roppongi, Minato-ku, Tokyo, 106-0032	0%	100%
Citigate Dewe Rogerson (Beijing) Consulting Services Co., Ltd	1506A, Floor 15, Avic Building, No. B10 East Third Ring Road, Beijing 100022, China	0%	100%
Citigate Dewe Rogerson Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, England, WC2A 1AN	100%	100%
Citigate Dewe Rogerson Singapore Pte Ltd	105 Cecil Street, #09-01 The Octagon, Singapore 069534	0%	100%
CFF Communications B.V.	James Wattstraat 100-10, 1097 DM Amsterdam, The Netherlands	0%	100%
Dutko Worldwide, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling (Shanghai) Public Relations Consulting Co., Limited	Room 801, Floor 8, F659 Building, Nanjing West Road, Jing'an District, Shanghai, China	0%	100%
Grayling Asia Pte Limited	105 Cecil Street, #09-01 The Octagon, Singapore 069534	0%	100%
Grayling Austria GmbH	Siebensterngasse 31, 1070 Wien, Austria	0%	100%
Grayling Bulgaria EOOD	9 Positano Str., Entry B Floor 2 1000 Sofia, Bulgaria	0%	100%
Grayling China Limited	15/F., Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Grayling Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Communications, Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling Comunicacion, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Grayling Czech Republic s.r.o.	Palackého 740/1, 110 00 Prague 1, Czech Republic	0%	100%
Grayling d.o.o.	Kralja Drzislava 4, 10000 Zagreb, Croatia	0%	100%
Grayling d.o.o.	Gospodar Jovanova 81, 11000 Belgrade, Serbia	0%	100%
Grayling d.o.o.	Dunajska 5, 7th Floor, 1000 Ljubljana, Slovenia	0%	100%
Grayling Deutschland GmbH	Bleichstraße 52-56, 60313 Frankfurt am Main, Germany	0%	100%
Grayling Eurasia LLC	Krasnoproletarskaya Str. 16, Building 3, Entrance #8, Floor 5, Office 6, Moscow 127473, Russia	0%	100%
Grayling France SAS	43 rue de Rendez Vous, 75012 Paris, France	72.60%	100%
Grayling Hungary Kft	Teréz krt. 46., 1066 Budapest, Hungary	0%	100%
Grayling Nederland B.V.	James Wattstraat 100, 1097 DM Amsterdam, The Netherlands	0%	100%
Grayling Poland Sp.z.o.o.	Equator II, Floor 5, Al. Jerozolimskie 96, Warsaw 00-807, Poland	0%	100%
Grayling Romania S.R.L.	Str Maltepol 9, Sectorul 1, 011047, Bucharest, Romania	0%	100%
Grayling SA	Avenue des Arts, 46, 1000 Brussels, Belgium	0%	100%
Grayling Slovakia s.r.o.	Palisady 36, 811 06 Bratislava, Slovakia	0%	100%
Grayling Suisse SA	Strehlgasse 29, 8001 Zurich, Switzerland	12.10%	100%
Shiny Red Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Quiller Consultancy Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Red Consultancy Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%

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Appendix 2 – Subsidiaries and Associates continued

Non-trading companies

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Atomic Communications Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Atomic PR UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Canyon Associates Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Huntsworth Communications Inc	1740 Broadway New York, New York, 10019, United States	0%	100%
Dewe Rogerson Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Evoke Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling (CEE) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Grayling Holdings AG	Niederdorfstrasse 88, 8001 Zurich, Switzerland	100%	100%
Grayling International AG	Zollikerstrasse 141, 8008 Zurich, Switzerland	1.70%	100%
Grayling International Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Grayling Kenya Limited	2nd Floor, Wing A, Apollo Centre, Ring Road Parklands, Westlands PO Box 764 00606, Sarit Centre, Nairobi, Kenya	0%	100%
Huntsworth Advertising LLC ¹	4th Floor, Amideast building, Al Jami Al Akbar Street, Ghala Heights, Muscat, Oman	0%	70%
HHC Acquisition LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Holmes & Marchant Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
HS Corporate Investments Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Huntsworth Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Financial Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Financial Holdings LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Financial LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Health North America LLC	800 Township Line Road, Yardley, PA 19067, United States	0%	100%
Huntsworth Healthcare Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Healthcare Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Holdings GmbH	Bleichstraße 52-56, 60313 Frankfurt am Main, Germany	0%	100%
Huntsworth Holdings Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth Holdings Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Huntsworth Investments Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Huntsworth Ireland DAC	Harcourt Centre, Harcourt Road, Dublin 2, Ireland	0%	100%
Huntsworth Spain, S.L.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
Hypertonic LLC	c/o United Corporate Services, Inc., 874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
IG Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Mainstream Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Mainstream Presentations Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
Quiller Associates Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
The Creative Engagement Group (Holding Co) Limited	36 Great Titchfield Street, London, W1W 8BQ, England	100%	100%
The Moment Content Group Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Moment Productions Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
The Red Consultancy California LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
The Red Consultancy Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
The Red Consultancy USA LLC	Davis & Gilbert, 1740 Broadway, New York, NY 10019, United States	0%	100%
The Rocket Science Group Holdings Limited	3 Bush Park, Estover, Plymouth, PL6 7RG, England	0%	100%
Tonic Life Communications Dallas LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Evoke PR & Influence LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
WRG Group Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
WRG Public Events Limited	Level 4, Merchants Warehouse, 21 Castle Street, Manchester, M3 4LZ, England	0%	100%
WRG Worldwide Limited	36 Great Titchfield Street, London, W1W 8BQ, England	0%	100%
Huntsworth Blocker Acquisition LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Huntsworth GCS Acquisition LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	88.23%
Huntsworth Giant, Inc	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, 19801	0%	100%
Giant Creative Holdings, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	90.23%

Dormant companies

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Axis Healthcare Europe Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Catalyst Communications Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
C-B Interests Inc.	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate & Trimedia Norden AB	Arenavagen 29, 8 tr. 121 77 Johanneshov. Stockholm, Sweden	0%	100%
Citigate Communications Group Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Citigate Cunningham LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Citigate Dewe Rogerson Belgium SA	Avenue de Cortenbergh, 66 1000 Brussels, Belgium	0%	100%
Citigate Global Intelligence and Security Inc	Davis & Gilbert, 1740 Broadway, New York, NY 10019, United States	0%	100%
Citigate Global Intelligence and Security LLC	SOP address 22 Cortlandt St., New York, NY 10282	0%	100%
Conscentia Communications Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	100%	100%
Creativ-Ceutical (Beijing) Medical Consulting Co. Ltd	Room O-1616, 16th Floor, No. 12, Chao Wai Avenue Yi, Chaoyang District, Beijing	0%	100%
Dewe Rogerson Group Limited	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Dunwoodie Communications Inc.	Corporation Service Company, 80 State Street, Albany, New York, 12207, United States	0%	100%
Dutko DPM Holding LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Global LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Government Markets, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Midco LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko State & Local, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Dutko Washington, LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling & Citigate Norden AB	Arenavagen 29, 8 tr. 121 77 Johanneshov. Stockholm, Sweden	0%	100%
Grayling Dormant 1 LLC	874 Walker Road, Suite C, Dover, Kent DE 19904	0%	100%
Grayling (Thailand) Co., Limited	No. 84/51, Trok Wat Ladbuakhao, Charoenkrung Road, Bang Kho Laem Sub-District, Bang Kho Laem District, Bangkok	0%	100%
Grayling Americas LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling Corporate, Public Affairs & Public Relations Consultants (Cyprus) Limited	Lambrou Katsoni 8, Office 202, 1082 Nicosia, Cyprus	0%	100%
Grayling Group LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Grayling München GmbH	Bleichstraße 52-56, 60313 Frankfurt am Main, Germany	0%	100%
Grayling UK Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%

Appendix 2 – Subsidiaries and Associates continued

Dormant companies continued

Subsidiary undertaking	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Holmes & Marchant Corporate Design Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant (IH) Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth Dormant (IL) Limited	15/F., Chinachem Hollywood Centre, 1 Hollywood Road, Central, Hong Kong	0%	100%
Huntsworth Dormant (IUK)	3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY, England	0%	100%
Huntsworth Dormant 7 Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Huntsworth LLC	United Corporate Services, Inc., 10 Bank Street, White Plains, New York, 10606, United States	0%	100%
Fabric an Evoke Company LLC	CT Corporation System 600 N. 2nd St. Ste. 401, Harrisburg, PA 17101	0%	100%
Random Animal LLC	874 Walker Road, Suite C, Dover, DE 19904, United States	0%	100%
Rose & Kindel	608 University Avenue, Sacramento, CA CA95825, United States	0%	100%
Sanchis y Asociados Imagen y Comunicacion, S.A.	Paseo de la Castellana, 8, 5-izq., 28046 Madrid, Spain	0%	100%
TEAM LGM Limited	8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN, England	0%	100%
Zahner & Partner AG	Gwattstrasse 8, c/o ueltschi solutions GmbH, 3185 Schmiten, Fribourg, Switzerland	0%	100%
Navience Systems LLC	Navience Systems LLC – 945 Tennis Avenue Ambler Montgomery PA 19002	0%	80%

1. Note that Huntsworth Advertising LLC was closed on 20 January 2020.

Associate	Registered office	% of shares held directly by Parent	% of shares held directly by Group
Hudson Sandler LLP	25 Charterhouse Square, London, EC1M 6AE	25%	25%

Five-Year Summary (unaudited)

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Revenue before highlighted items	264,854	224,956	196,976	180,137	168,398
Operating profit before highlighted items	44,799	33,194	26,373	17,978	15,253
Highlighted items – operating expenses	(8,494)	(1,831)	(1,467)	(32,507)	(53,071)
Net finance costs	(6,481)	(2,759)	(1,972)	(1,973)	(2,001)
Profit/(loss) before tax	29,824	28,604	22,934	(16,502)	(39,819)
Non-current assets	379,127	300,317	193,991	172,925	188,485
Net current assets/(liabilities)	19,473	35,743	16,163	29,523	10,089
Net assets	214,451	195,967	157,401	152,315	155,302
Equity attributable to equity holders of the parent	184,135	181,435	157,401	152,315	155,302
Basic earnings/(loss) per share (pence)	5.6	6.4	4.8	(5.6)	(12.3)
Diluted earnings/(loss) per share (pence)	5.4	6.1	4.7	(5.6)	(12.3)
Adjusted basic earnings per share (pence)	8.3	7.5	5.9	4.0	3.0
Adjusted diluted earnings per share (pence)	8.1	7.1	5.8	4.0	3.0
Share price – high (pence)	109.0	139.0	83.8	47.0	49.3
Share price – low (pence)	69.0	74.6	36.0	34.0	35.0

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

Investor relations

Should you have any queries, please contact either Paul Taaffe or Ben Jackson on +44 (0)20 3861 3999. Alternatively, you can email your query to paul.taaffe@huntsworth.com or ben.jackson@huntsworth.com.

Shareholder enquiries

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

Alternatively, you can telephone the dedicated Huntsworth shareholder helpline on 0370 707 1048 or write to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

Registered office and Group headquarters

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Advisors

Company Secretary

Martin Morrow

Registered Number

1729478

Registered office

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London WC2N 6RH

Solicitors

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Earl St
London EC2A 4ES

Bankers

Lloyds Bank plc
10 Gresham Street
London EC2V 7AE

Santander UK plc
100 Ludgate Hill
London EC4M 7RE

The Governor and Company of
the Bank of Ireland
33 – 35 Nassau Street
Dublin 2, Ireland

HSBC Bank plc
71 Queen Victoria Street
London EC4V 4AY

Stockbrokers

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10 Paternoster Square
London EC4M 7LT

Registrars

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Financial Calendar 2020

AGM	Monday 22 June 2020
Ex-Dividend date	Thursday 6 August 2020
Record date	Friday 7 August 2020
Dividend Payment Date	Friday 18 September 2020

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