Corporate Governance Overview

Corporate Governance

Letter from the Chairman

The executive leadership, the Board and its committees were at full strength during 2016 and will continue to guide the Group to achieve its operational objectives with the interests of our shareholders as our overriding goal.

Derek Mapp
Chairman

Letter from the Chairman

This section of the Annual Report provides insight into the activities of the Board during the year and how the Board operates.

Board and Committee changes

In February 2016 we welcomed Neil Jones as Chief Financial Officer. Since this time Neil has been working closely with Paul on the strategic review that commenced in 2015. A number of key areas for improvement in the business were identified and the resulting restructuring actions have been undertaken and completed in 2016. We are pleased with the progress made in the year on the key objectives of returning the Group to sustainable revenue and profit growth.

Owing to his other commitments, in May 2016, Terence M. Graunke resigned as a Non-Executive Director after serving on the Board since 2012. I remain very grateful to Terry for his support since I joined the Huntsworth Board and for his substantial contribution in supporting the transformation of the Board.

We announced in January 2017 that Pat Billingham is to assume the role of Audit Committee Chair from 22 March 2017, succeeding from Andy Boland in that role. Andy will continue to remain as a member of the Audit Committee. The Board would like to thank Andy for his efforts whilst Chair of the Audit Committee. As Pat is an existing member of the Audit Committee, this should ensure a smooth transition.

Risk Committee

The Board has kept under review its approach to risk management and has established during the year a new Risk Committee, which reports to the Audit Committee. The purpose of the Risk Committee is to ensure that effective risk management policies and procedures are established throughout the Huntsworth Group and to identify, assess, monitor and manage risk across the Group. The Risk Committee will direct, oversee, report and make recommendations to the Audit Committee in respect of the management of financial and non-financial risks faced by the Group. During 2016, the Risk Committee has focused on developing the Group's risk appetite as well as managing all aspects of risk reporting to the Board.

Change of external auditor

On 6 December 2016, the Board, on the recommendation of the Audit Committee, appointed PricewaterhouseCoopers LLP (PwC) as auditor of the Company for the 2016 financial year. This change in the Company's auditor followed the successful conclusion of a tender process for the statutory audit contract. The Board would like to thank Ernst & Young LLP, the resigning auditor, for their services to the Company over the past 16 years.

Shareholder engagement

Throughout the year, the Board actively engaged with its principal shareholders, particularly in the area of Executive Director and senior management remuneration arrangements.

Annual re-election of Directors

The Company is not required to comply with the 2014 UK Corporate Governance Code (the Code) provision that all Directors be subject to annual re-election. Nevertheless, in the interest of good governance and best practice, the Board decided to adopt this provision of the Code and the Company's Articles of Association were accordingly amended and approved by shareholders at the 2016 AGM. Commencing with the 2017 AGM, each Director will therefore be subject to annual re-election.

2017 Board evaluation

Due to its size, the Company is not required to comply with Code provision B.6.2 requirement to have the evaluation of the board externally facilitated at least every three years. Nevertheless, again in the interest of good governance and best practice, the Board took the decision to appoint an external firm to oversee its 2017 Board evaluation process.

Compliance with the 2014 UK Corporate Governance Code

The Board has been able to operate effectively and within the principles of good governance. We are pleased to report that the Company has complied throughout the year ended 31 December 2016 with all of the provisions of the Code that are relevant to a smaller company outside of the FTSE 350.

Derek Mapp
Chairman

Board of Directors

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1. Derek Mapp
Chairman and Independent Non-Executive Director

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

2. Paul Taaffe
Chief Executive

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

3. Neil Jones
Chief Financial Officer

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

4. Andy Boland
Independent Non-Executive Director

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

5. Tim Ryan
Independent Non-Executive Director

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

6. Nicky Dulieu
Independent Non-Executive Director

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

7. Pat Billingham
Independent Non-Executive Director

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

8. Martin Morrow
Company Secretary

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

The Directors shown above represent those in office at 20 March 2017.

Corporate Governance Report

The role of the Board

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

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

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

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

Key roles and responsibilities

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

Chairman: Derek Mapp

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

The other significant commitments of the Chairman are set out in his biography on page 33.

Chief Executive: Paul Taaffe

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

Senior Independent Director: Tim Ryan

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

Activities of the Board

Six 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 for each Director both the number of meetings attended and the maximum number of meetings that could have been attended.

Board meetings attended in 2016

Derek Mapp	6/6
Paul Taaffe	6/6
Neil Jones	6/6
Terence M. Graunke*	2/2
Andy Boland	6/6
Tim Ryan	5/6
Nicky Dulieu	5/6
Pat Billingham	6/6

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

In addition to the Board meetings above there were two ad hoc sub-committee meetings, which approved the 2015 Annual Report and Accounts and the 2016 Interim Report respectively, with delegated authority from the Board. These sub-committees included the Chairman and the Chair of the Audit Committee and the views of the whole Board were taken into consideration. A summary of the Board's activities in the year is set out below:

Responsibilities	Activities
Annual budget	Approved the 2017 Budget
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 strategy to reorganise the Grayling division and its implementation by the Executive Directors
Performance and operational matters	• Monitored performance of the individual business divisions • Presentations on performance from divisional management teams
Financial Statements	• Approved the 2015 Annual Report and recommended final dividend • Approved the 2016 Interim Report and recommended interim dividend
Finance and capital	• Reviewed the Group's capital structure • Monitored going concern and long-term viability
People	• Managed CFO transition arrangements • Reviewed and approved changes to the Huntsworth Health senior management team • Reviewed and approved divisional bonus plans

Responsibilities	Activities
Acquisitions and disposals	• Reviewed potential acquisition and transaction opportunities
Governance	• Reviewed reports from Board Committees • Received updates on key governance changes such as Market Abuse Regulation and the Human Trafficking and Modern Slavery Statement • Approved the appointment of PricewaterhouseCoopers LLP as external auditor
Risk and internal control	• Robust assessment of principal risks • Sponsored the launch of a new management Risk Committee • Reviewed reports from Board and Audit Committees on risk management • Reviewed the effectiveness of the Group's risk management and internal control systems • Considered the Group's risk appetite in light of its strategic priorities • Discussed the implications of the UK's vote to leave the European Union
Investor communications	• Discussed analyst and investor feedback on strategic and operational review • Received feedback from Chairman and Executive Directors from meetings with shareholders
Board effectiveness review	• Discussion of results of Board, Committee and Director evaluations

In addition to its normal schedule of meetings, the Board held a strategy day during which it discussed and considered a number of items, including:

- how to maximise shareholder value;
- accelerating growth; and
- targets for Huntsworth Health.

The holding of a separate strategy meeting enabled the Board to focus on developing the Company's strategy.

How the Board operates

Board information

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

Independent advice

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

Induction and personal development

The Chairman is responsible for ensuring that induction and training is provided for each Director. Each new Director receives an induction pack and undertakes a bespoke induction programme that provides them with information on the Group, their responsibilities, and obligations. Neil Jones was the only new Director appointed in 2016 and his induction process was undertaken in 2015.

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

All Board members receive updates on regulatory and legal changes as well as operational briefings. For example, the Board received a briefing on the changes brought about by the EU Market Abuse Regulation. Training and development needs are kept under review by the Chairman.

Board performance evaluation

During 2016, the Chairman conducted a Board evaluation process, covering the individual members of the Board and its Committees. The evaluation was carried out using structured interviews with each Director. The evaluation results were presented to the Board at its December meeting. Overall, the Board considered that it was functioning well as a unit and that the more recent changes in the Board's composition, including the new Chief Financial Officer, had been managed well. A summary of the key outputs from the Board evaluation can be found in the table below:

Key Area	Action
Risk	The Company to continue to develop its approach to risk management, principally through the Risk Committee and Audit Committee.
Nomination Committee	The Nomination Committee to develop its role in talent management, ethnicity and diversity.
Investor Relations	Board papers to include additional commentary in the area of investor relations. Accordingly, the Board now receives, amongst other matters, additional commentary from the Company's broker.

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

Even though it is not a requirement for the Company under the UK Corporate Governance Code, for its 2017 performance evaluation, the Board and Nomination Committee agreed that this should be externally facilitated. Hence the Company has engaged a Board evaluation provider and will report the outcomes of this review, together with details of the process in its 2017 Annual Report.

Corporate Governance Report continued

Composition of the Board

The Board aims to have a diversity of skills, experience, length of service, knowledge and gender. The biographies of the Directors are set out on pages 32 to 33. These demonstrate a broad range of experience, expertise, and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group.

Independence

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

Terence M. Graunke was a Non-Executive Director of the Company up to 14 May 2016. During this period he also managed and controlled entities on behalf of Lake Capital, a private equity fund, which owned a 7.38% shareholding in the Company. Mr Graunke was appointed to the Board for his wide experience in the marketing services sector to complement the skills of his fellow Directors and not to represent the interests of Lake Capital. The Board had reviewed Mr Graunke's role and determined that he was independent in character and judgement and brought significant value to the business.

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

Conflicts of interest

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

The potential conflict of interest arising from Terence M. Graunke's continued position as Executive Chairman of Engine was considered by the Board and the Board agreed to continue to authorise this conflict situation during the period in which he was a Non-Executive Director of the Company prior to his resignation on 14 May 2016.

Risk management and internal control

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

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

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

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

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

Risk Committee

During 2016, management have established a Risk Committee which reports to the Audit Committee on risk management activities undertaken by the Group. The Committee comprises senior management representatives from each division, as well as internal audit, Group management and a member of the Audit Committee. The Committee has a formal schedule of matters delegated to it which includes:

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

During the year, the Committee has debated Group-wide strategic risks, developed a risk appetite proposal for the Board and reviewed the results of management's assessment of principal risks, along with monitoring the control environment.

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

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

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

Company ethics and whistleblowing

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

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

During 2016, an external firm continued to provide access to confidential whistleblowing helplines across the Group. The Whistleblowing Policy encourages reporting of any instances of malpractice for investigation and action as required. During the year, no issues of significance were raised.

Investor relations

Relations with shareholders

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

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

In January 2016, the Board consulted with principal shareholders to obtain their views on the proposed:

- Directors' Remuneration Policy, which was subsequently approved at the 2016 AGM;
- two new share plans, also subsequently approved by shareholders at the Company's 2016 AGM;
- approach to remuneration in 2016 for both Executive Directors and senior management; and
- the current dilution position at Huntsworth and the approach to handling it going forward.

In October 2016, as part of the Company's ongoing commitment to keep shareholders informed in relation to our executive remuneration arrangements, the Company also wrote to its principal shareholders to advise them of an amendment to Paul Taaffe's Service Agreement. Refer to page 42 to 43 of the Report of the Directors on Remuneration.

Following an individual shareholder request noted at the Company's 2016 AGM, which started at 9.30am, in respect to having the AGM start time to be later in the day, the Board agreed to move the 2017 AGM start time back to 12 noon on Thursday 25 May.

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

Information on share capital and other matters

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

Corporate Governance Report continued

Audit Committee Report

Andy Boland
Chair

Members at the date of this Report:	Attendance at meetings during 2016
Andy Boland (Chair)[1]	**3 of 3**
Nicky Dulieu	**2 of 3**
Tim Ryan	**3 of 3**
Pat Billingham[1]	**3 of 3**

Key responsibilities:

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

1 Pat Billingham will replace Andy Boland as the Audit Committee Chair with effect from 22 March 2017.

The Committee's Terms of Reference were reviewed during 2016 and are available on the Company's website at www.huntsworth.com.

Members of the Audit Committee are provided with sufficient resources, and have broad business and financial experience which has been gained in a variety of disciplines, which the Board considers provides recent and relevant experience to enable the Committee to carry out its responsibilities. The Directors' biographies on pages 32 to 33 provide further detail.

Committee meetings

The Audit Committee held 3 meetings during the year. The Audit Committee provides a forum for reporting by the Group's external auditors. Meetings were also attended, by invitation, by the Interim Finance Director, the Chief Financial Officer, the Group Financial Controller and the Head of Internal Audit. Provision is made for the external auditors and Head of Internal Audit to discuss any concerns they may have with the Committee in the absence of management.

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

Activities of the Committee

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

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

Financial reporting

The Committee reviewed with management and the external auditor:

- whether the 2016 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and
- the appropriateness of adopting the going concern basis of accounting and whether the Group can meet its liabilities as they fall due over a three-year period (the viability assessment); and
- the significant issues and material judgements which were made in preparing the 2016 Interim Report, and the 2016 Annual Report and Accounts.

The primary issues and areas of judgement considered by the Committee in relation to the 2016 Interim Report and 2016 Annual Report and Accounts were:

Goodwill impairment

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

The Committee has addressed these issues through review, and raising challenge where appropriate, of reports prepared by management outlining the basis of their assumptions and analysing the impact of a number of different scenarios. Individual business forecasts are reviewed and approved by the Board. Further detail is included in Note 11.

Covenant compliance, going concern and viability

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

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

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

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

Further detail on the viability assessment process can be found on page 29.

Revenue recognition

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

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

Highlighted items

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

Particular consideration was given to the consistency of classification of highlighted items and whether their presentation can be considered fair, balanced and understandable. The Committee addressed this judgement by reviewing with management the definition of highlighted items as per the Group's accounting policy and the items disclosed to satisfy themselves that they are in accordance with this policy. Refer to detailed disclosure in Note 5.

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

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

Risk management and internal control

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

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

- reviewing reports provided by the Risk Committee on risk management activities in the year;
- reviewing the Group's risk documentation and challenging the classification and completeness of the risks identified;
- reviewing the Group's risk register;
- reviewing the controls which are in force to ensure the integrity of the information reported to shareholders;
- monitoring the Group's litigation register;
- assessing the effectiveness of the Group's risk management systems, including fraud and bribery risk and controls; and
- reviewing the Group's IT and cyber security arrangements.

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

Internal audit

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

Corporate Governance Report continued

The main activities of the Audit Committee during the year were:
- reviewing and approving the scope of internal audit activities for 2016;
- monitoring the effectiveness of internal audit activities, including reviewing the results of all internal audit procedures undertaken during the year; and
- monitoring the status of any deficiencies in the control environment, ensuring active follow up and resolution.

External audit

The remit of the Audit Committee includes:
- advising the Board on the appointment, reappointment and removal of the external auditor and on their remuneration both for audit and non-audit work;
- approving the nature and scope of the external audit with the external auditor;
- discussing the findings of the external audit with the external auditor and assessing the effectiveness of the audit; and
- reviewing the independence and objectivity of the external auditor, including the level of fees paid.

Appointment of auditor

On 6 December 2016, the Board, on the recommendation of the Audit Committee, appointed PwC as auditor of the Company for the 2016 financial year. PwC succeeded Ernst & Young LLP, who had been the Company's auditor for the previous 16 years.

The appointment of PwC followed a competitive tender process for the Company's external audit contract. The Audit Committee oversaw the selection process and ensured that all tendering firms had such access as is necessary to information and individuals for the duration of the tendering process.

Audit effectiveness

One of the key responsibilities of the Audit Committee is to assess the effectiveness of the external audit process. The tender process ensured that PwC familiarised itself with the Group. In order to do so, PwC met key employees and members of management, including a number of individuals from outside of the finance function such as representatives from the Group's key operating divisions. The tender process allowed PwC to consider carefully the scope of its audit and the important risks facing the Group.

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

The Audit Committee has reviewed the cost effectiveness, independence, objectivity and expertise of the external auditors and following this review recommended to the Board that PwC be proposed for reappointment as the external auditors for 2017.

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.

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

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

In 2016, non-audit services were provided by Ernst & Young LLP for review of the Group's interim statement. Since their appointment, PwC have provided covenant compliance services. Details of the non-audit fees paid to the external auditors are set out on page 74. The provision of non-audit services, within the constraints of applicable UK rules, is assessed on a case-by-case basis so that the best-placed advisor is engaged.

Nomination Committee Report

Derek Mapp
Chair

Members at the date of this Report:	Attendance at meetings during 2016
Derek Mapp (Chair)	1 of 1
Andy Boland	1 of 1
Tim Ryan	1 of 1

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

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

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

During the year, the Nomination Committee:
- assessed the skill set and composition of the existing Board and its Committees, in light of the Company's strategy, including agreeing the 2017 chairpersons for the Company's Committees;
- monitored the orderly succession of the Audit Committee Chair from Andy Boland to Pat Billingham, this change to be effective from 22 March 2017;
- notwithstanding that the Company is not obliged under the UK Corporate Governance Code to do so, the Nomination Committee discussed and agreed with the Board's proposal that the 2017 evaluation exercise of the Board and its Committees should be facilitated externally;
- the Nomination Committee also discussed its remit and future role, including reviewing its terms of reference.

Report of the Directors on Remuneration

Annual Statement

The Remuneration Committee

Nicky Dulieu
Chair

Members at the date of this Report:	Attendance at meetings during 2016
Nicky Dulieu (Chair)	**6 of 6**
Tim Ryan	**5 of 6**
Pat Billingham	**6 of 6**

Key responsibilities:

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

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

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

Dear Shareholder,

On behalf of the Board, I am pleased to present the 2016 Directors' Remuneration Report which sets out our philosophy and details of Directors' remuneration and the activities of the Remuneration Committee for the financial year ended 31 December 2016. This Report is split into two parts:

- This Annual Statement, incorporating a summary of the Remuneration Committee's key activities in 2016, and
- The Annual Remuneration Report, which sets out the payments and awards made to the Directors and details the links between the Company's performance and remuneration for the 2016 financial year.

The 2016 Directors' Remuneration Report is subject to an advisory vote at the 2017 AGM.

Key Activities During the Year

Remuneration Policy

Following a review of the Group's Executive Directors and senior management remuneration arrangements, which included consulting with our key shareholders, shareholders approved a new Remuneration Policy (Policy) at the 2016 AGM. The Remuneration Committee thought it was vital to ensure that the Company's Policy facilitated a structure for paying our Executive Directors and senior management that is simple, ensures alignment with the objectives of the business going forward and is fit for purpose in the competitive business and talent markets in which Huntsworth operates. As part of the review, we were also mindful of the latest developments in market practice and corporate governance standards and sought to reflect these in the structure of future executive and senior management pay.

The Directors' Remuneration Policy, as approved at the 2016 AGM, is available on the Company's website at http://www.huntsworth.com/media/1288/remuneration-policy-2015-huntsworth.pdf. This Policy will remain in place until the 2019 AGM at the latest when a new policy will be submitted to shareholders for approval.

Furthermore, in 2016 shareholders approved a new long-term incentive plan, The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP), which replaced the Company's performance share plan and executive share option scheme which were established in 2006 and which were at the end of their ten-year term. A new deferred share bonus plan, The Huntsworth 2016 Deferred Share Bonus Plan (2016 DSBP), was also introduced, which enables the Remuneration Committee to have discretion to defer a proportion of annual bonus payments, including to Executive Directors, into shares.

We were delighted that shareholders voted 99% in favour of our Policy, and that both the 2016 LTIP and 2016 DSBP share plans were supported by shareholders with over 98% of votes in favour.

Amendment to Paul Taaffe's Service Agreement

In October 2016, as part of our ongoing commitment to keep shareholders informed in relation to our executive remuneration arrangements, we wrote to our key shareholders to advise them of an amendment to Paul Taaffe's Service Agreement. Paul's Service Agreement determined that his annual salary would be £600,000 per annum (the Base Salary) and made no provision for an exchange rate mechanism to convert his Base Salary from GB pounds (GBP£) into US Dollars (USD). As Paul is a resident of the United States of America, the continuing substantial volatility in GBP£ gave rise to a situation that was not envisaged when Paul joined the Company, and resulted in a material change in the value of his Base Salary when converted into USD.

Paul is critical to our business and its turnaround and therefore, our aim was to ensure that Paul's Base Salary arrangements are consistent with the Committee's intention when he joined the Company. The Committee therefore decided, with effect from 1 October 2016, to amend Paul's Service Agreement, to enable his Base Salary of £600,000 to be denominated and paid in USD. The USD exchange rate was determined by using the USD exchange rate prevailing on 19 December 2014 (i.e. the same date that Paul signed his Service Agreement), being USD 1.56 for each GBP£, which results in a USD salary of $936,000 per annum.

All other pay and benefit arrangements for Paul, including any future annual bonus payment or long-term incentive plan (LTIP) awards, will remain unchanged and shall be determined against his Base Salary figure and Paul will continue to not receive any pension from the Company. To the extent that there are any increases to Paul's Base Salary in the future, then the percentage increase determined by the Committee would apply to the £600,000 figure for the purposes of the reference salary for his annual bonus and LTIP awards (e.g. a 2% increase to his Base Salary would mean that his Base Salary for bonus/LTIP purposes would be £612,000). By denominating Paul's salary into USD, the Company has created a natural hedge against the translation of its USD denominated revenues into GBP£. Therefore, in the event that exchange rates significantly increase, Paul's salary, once translated to GBP£, would be lower against reduced translated revenues.

The Remuneration Committee considers that this amendment to the Service Agreement is in the best interests of the Company and its shareholders.

Senior management

The Remuneration Committee has achieved its previously stated aim to increase the number of below-board senior management participants in the 2016 LTIP. This further aligns the senior management of the Group with the interests of shareholders, and aligns the various divisions to the Group's performance. This helps to achieve the appropriate balance between fixed and variable remuneration within senior management and allows equity awards to be used as a mechanism to retain and attract new talent.

Dilution position

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

As a result of broadening the equity awards to senior management this year, and due to the nature of legacy incentive plans and grants made in previous years under those plans, the Remuneration Committee has continued to monitor the Company's dilution position.

Performance targets for Executive Directors

The Remuneration Committee set the performance targets for Paul Taaffe and Neil Jones in respect of their 2016 awards, including Annual Bonus and LTIP awards and also an award made under The Huntsworth Executive Share Option Scheme 2006 to Neil by way of compensation for the loss of awards from his previous employment.

The 2016 Annual Bonus was based upon achieving PBT and revenue targets of £16.0m and £178.6m respectively. As the Remuneration Committee wanted the 2016 Annual Bonus to be based upon a principle of self-funding, it was decided that any Executive bonus would only be payable to the extent that it did not reduce PBT to below £16.0m. As the Company achieved revenues of £180.1m and a PBT of £16.0m (after taking into account the 2016 Annual Bonus), the 2016 Annual Bonus threshold targets were met. As the Remuneration Committee decided not to allow bonus payments to reduce PBT below £16.0m, the 2016 Annual Bonus payable to the Executive Directors represented 34.9% of their annualised salaries (which equated to 23.3% of the maximum bonus opportunity), versus the 75% of salary payable at target levels.

Further details on the performance targets for the 2016 Annual Bonus and share awards, including on the outcome of the 2016 Annual Bonus, can be found on pages 44 to 45.

The Remuneration Committee has also agreed the 2017 Executive Annual Bonus and LTIP targets for Paul and Neil.

Conclusion

The Remuneration Committee believe that the current Executive Director Remuneration Policy works effectively to motivate and retain our Executive Directors and senior management, whilst supporting the delivery of returns to shareholders.

We welcome the opportunity to engage with shareholders about any aspect of our Remuneration Policy and its implementation. We were very pleased to receive good support for the 2015 Directors' Remuneration Report and our Policy at the AGM in May 2016. Shareholders will have the opportunity to vote on the 2016 Directors' Remuneration Report at our AGM to be held on Thursday 25 May 2017.

Nicky Dulieu
Chair, Remuneration Committee
20 March 2017

Report of the Directors on Remuneration continued

Annual Report on Remuneration

In this section of the report, we provide details of the payments made to the Directors during the 2016 financial year.

Single total figure of remuneration – Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in relation to the 2016 financial year, together with comparative figures for 2015. Details of Non-Executive Directors' fees are set out on page 46.

	Paul Taaffe		Neil Jones	
£'000	**2016**	2015[1]	**2016[2]**	2015
Salary	**637[7]**	440	**321**	–
Benefits[3, 4]	**20**	12	**9**	–
Short-term incentive (i.e. annual bonus)	**212**	–	**120**	–
Long-term incentives[5]	**–**	–	**–**	–
Pension[6]	**–**	–	**–**	–
Total	**869**	452	**450**	–

1. From 7 April 2015
2. From 1 February 2016
3. Benefits received by Paul Taaffe are private medical insurance, life assurance and UK tax return preparation services.
4. Benefits received by Neil Jones are private medical insurance and life assurance.
5. No incentives payable in this financial year as a result of achievement of performance targets relating to a period covering more than one financial year.
6. Under the terms of their service agreements, neither Executive Director receives a pension benefit or payment in lieu of a pension.
7. With effect from 1 October 2016, Paul Taaffe's salary is USD$936,000, as explained on pages 42 to 43. In the above table, his salary is presented in GBP£, giving a salary figure of £637k during the full year 2016.

Neil Jones is a non-executive director of Taptica International, an AIM-listed ad-tech business, for which he receives an annual fee of £35,000.

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

Annual Bonus (audited)

The Annual Bonus targets for 2016 were based upon achieving 2016 financial targets. The targets were based on profit before tax and highlighted items (PBT Performance Target), and a revenue target (Revenue Performance Target).

The amount of Annual Bonus payable was based on actual performance as a percentage of each target, as shown in the table below. In addition, the Remuneration Committee determined that for 2016, the Annual Bonus would only be payable to the extent that it did not reduce post-bonus PBT below the budgeted target of £16.0m. The payment of any Annual Bonus was contingent on the threshold level of PBT being achieved.

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

The table below summarises the Annual Bonus outcome against the targets set and the amounts payable in total to the Executive Directors. The Annual Bonus payable amounted to £332,000, of which the Remuneration Committee allocated £212,000 to Paul Taaffe and £120,000 to Neil Jones.

					Total Actual Bonus payable:	
	Weighting	Threshold target	Maximum target	Actual	as a percentage of annualised salary	as a percentage of the maximum opportunity of 150%
PBT Performance Target	2/3	£16.0 million	£19.2 million	£16.0 million	23.3%	15.5%
Revenue Performance Target	1/3	£178.6 million	£214.3 million	£180.1 million	11.6%	7.8%
				Total:	**34.9%**	**23.3%**

The 2016 Annual Bonus is subject to malus and clawback provisions, and is subject to the compulsory deferral of 50% of any bonus payment in excess of 100% of salary (under the terms of the 2016 DSBP). For 2016, no amount was deferred, as the Annual Bonus payable was not in excess of 100% of salary.

LTIP awards (audited)

No LTIP awards vested or were due to vest in 2016.

Pension entitlements and cash allowances (audited)

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

Long-term incentives awarded in 2016 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2016 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

	Award type	Basis on which award made	Face value of award	Maximum percentage of face value that could vest	Performance period end date
Paul Taaffe	2016 LTIP[1]	2016 awards (100% salary)	£600,000	100%	31 December 2018
Neil Jones	PSP[1]	2016 awards (100% salary)	£350,000	100%	31 December 2018
Neil Jones	ESOS[1] (market priced option)[2]	Replacement awards	£220,000	100%	14 March 2019

1. The incentive schemes are set out in the Remuneration Policy, which can be found on the Company's website at http://www.huntsworth.com/media/1288/remuneration-policy-2015-huntsworth.pdf.
2. The exercise price is the market value at the date of grant plus 5%.

Performance conditions for 2016 awards (audited)

The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP)

Paul Taaffe was granted awards under the 2016 LTIP, which are subject to meeting the following performance targets over the performance period that commenced on 1 January 2016 and ends on 31 December 2018:

67% based on cumulative EPS as follows:

Less than 10.0 pence	0% vest
Equals 10.0 pence = threshold vesting	25% vests
More than 10.0 pence but less than 10.6 pence	Straight-line vesting between 25% and 100%
Greater than or equal to 10.6 pence	100% vest

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

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

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

The Performance Share Plan (PSP)

Neil Jones was granted awards under the PSP, which are subject to meeting the following targets over the performance period that commenced on 1 January 2016 and ends on 31 December 2018:

67% based on cumulative EPS as follows:

Less than 10.0 pence	0% vest
Equals 10.0 pence = threshold vesting	25% vests
More than 10.0 pence but less than 10.6 pence	Straight-line vesting between 25% and 100%
Greater than or equal to 10.6 pence	100% vest

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

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

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

The Huntsworth Executive Share Option Scheme (ESOS)

As explained in the Company's 2015 Report on Directors' Remuneration, Neil Jones was awarded an option under the Company's ESOS as compensation for the loss of awards from his previous employment. The ESOS is subject to the following conditions:

If adjusted diluted EPS for the year ending 31 December 2018 is greater than 3.0 pence, 100% of the awards will vest. None of the awards will vest if the adjusted diluted EPS target is not met.

Report of the Directors on Remuneration continued
Annual Report on Remuneration

Payments to past Directors (audited)
No payments to past Directors were made during the year.

Single total figure of remuneration – Non-Executive Directors (audited)
The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director who served during 2016.

£'000	**2016**	2015
Derek Mapp	**150**	150
Terence M. Graunke[1]	**11**	30
Andy Boland	**40**	40
Tim Ryan	**40**	40
Nicky Dulieu	**40**	40
Farah Ramzan Golant CBE[2]	**–**	27
Pat Billingham[3]	**35**	3

1. Terence M. Graunke resigned as a Non-Executive Director on 14 May 2016 and therefore only served for a portion of 2016.
2. Farah Ramzan Golant CBE resigned as a Non-Executive Director on 5 October 2015 and therefore only served for a portion of 2015.
3. Pat Billingham was appointed as a Non-Executive Director on 1 December 2015 and therefore Ms Billingham's remuneration for 2015 reflects only a portion of the year.

Statement of Directors' shareholdings (audited)
The number of shares in the Company in which Directors had a beneficial interest and details of relevant long-term incentive interests as at 31 December 2016, or the date of leaving the Board, are set out in the table below.

No awards were exercised by Directors in the 2016 financial year.

There were no changes in the shareholdings of Directors in office as at 31 December 2016 between the year-end and the announcement date.

					Vested awards		Unvested awards	
	Shareholding requirement (% of salary/fees)	Target number of shares to hold	Shareholding guidelines met?	Interests in shares	Market priced awards	Nil cost awards	Total interests in shares	Awards with performance conditions
Executive Director								
Paul Taaffe	100%[3]	1,578,947	In progress	400,000	–	–	400,000	6,376,005[1]
Neil Jones	100%[3]	921,053	In progress	400,000	–	–	400,000	1,350,337[2]

1 Paul Taaffe has 2,000,000 unvested market priced awards (ESOS) and 3,057,324 unvested Performance Share Plan (PSP) awards and 1,318,681 unvested awards under the 2016 LTIP.
2 Neil Jones has 501,853 unvested market priced awards (ESOS) and 848,484 unvested PSP awards.
3 The share price of 38 pence (as at 31 December 2016) has been taken for the purpose of calculating the current shareholding as a percentage of salary/fees. Unvested share awards do not count towards satisfaction of the shareholding guidelines. Vested share awards and shares awarded under the 2016 DSBP count 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 2016. For vested market-priced awards, the number of shares which count toward the shareholding guideline is calculated as the number of shares that could be purchased based on the intrinsic value of such awards, i.e. the value of shares less the exercise price. Where the exercise price is above the value of the shares, no value is attributed to these awards.

Shareholding policy – Executive Directors
Under the Company's shareholding policy, all Executive Directors are expected to hold shares (including vested share awards where applicable) equivalent in value to a minimum of one times their salary. Executive Directors will be required to retain 50% of after-tax vested share awards until their shareholding requirement is met. The Executive Directors have each acquired 400,000 shares during the year and have therefore made progress towards their shareholding guidelines.

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.

Non-Executive Director	Total interests in shares
Derek Mapp	500,000
Andy Boland	89,496
Terence M. Graunke[1]	24,234,963
Tim Ryan	–
Nicky Dulieu	–
Pat Billingham	–

1 Interests disclosed as at date of resigning as a Non-Executive Director on 14 May 2016. The holding disclosed in respect of Terence M. Graunke consisted of the ordinary shares that he manages and controls on behalf of Lake Capital Investment Partners LP. The Company was notified on 4 August 2016 that Lake Capital Investment Partners LP had disposed of their entire shareholding in Huntsworth plc on 2 August 2016.

Directors' interests in share awards (audited)

The interests in share awards of the Executive Directors at 31 December 2016 (or at date of leaving office if earlier) are as set out below.

Scheme	At 1 January 2016	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2016**	Share price at date of award (pence)	Exercise price (pence)	Award exercise period
Paul Taaffe								
Performance Share Plan (PSP)[1,2]	3,057,324	–	–	–	**3,057,324**	39.25	nil	n/a
2006 Executive Share Option Scheme (ESOS)[2]	2,000,000	–	–	–	**2,000,000**	40.13	42.14	April 2018–April 2025
The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP)[3]	–	1,318,681	–	–	**1,318,681**	45.5	nil	n/a
Total Paul Taaffe	**5,057,324**	**1,318,681**	–	–	**6,376,005**			

1 Paul Taaffe was granted the award as a Performance Share Unit (i.e. a conditional share award), which will vest, subject to the performance conditions being met, on 10 May 2018, i.e. three years following the date of grant.
2 The performance conditions for the awards made to Paul Taaffe in 2015 under the PSP and ESOS schemes, are described in the Company's 2015 Annual Report and Accounts on page 47.
3 Paul Taaffe was granted the award as a conditional share award, which will vest, subject to the performance conditions being met, on 9 June 2019, i.e. three years following the date of grant.

Scheme	At 1 February 2016	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2016**	Share price at date of award (pence)	Exercise price (pence)	Award exercise period
Neil Jones								
Performance Share Plan (PSP)	–	848,484	–	–	**848,484**	41.25	nil	March 2019 – March 2026
2006 Executive Share Option Scheme (ESOS)	–	501,853	–	–	**501,853**	41.75	43.84	March 2019 – March 2026
Total Neil Jones	**-**	**1,350,337**	**-**	**-**	**1,350,337**			

Performance conditions

Performance conditions for all awards made to Neil Jones are disclosed on page 45.

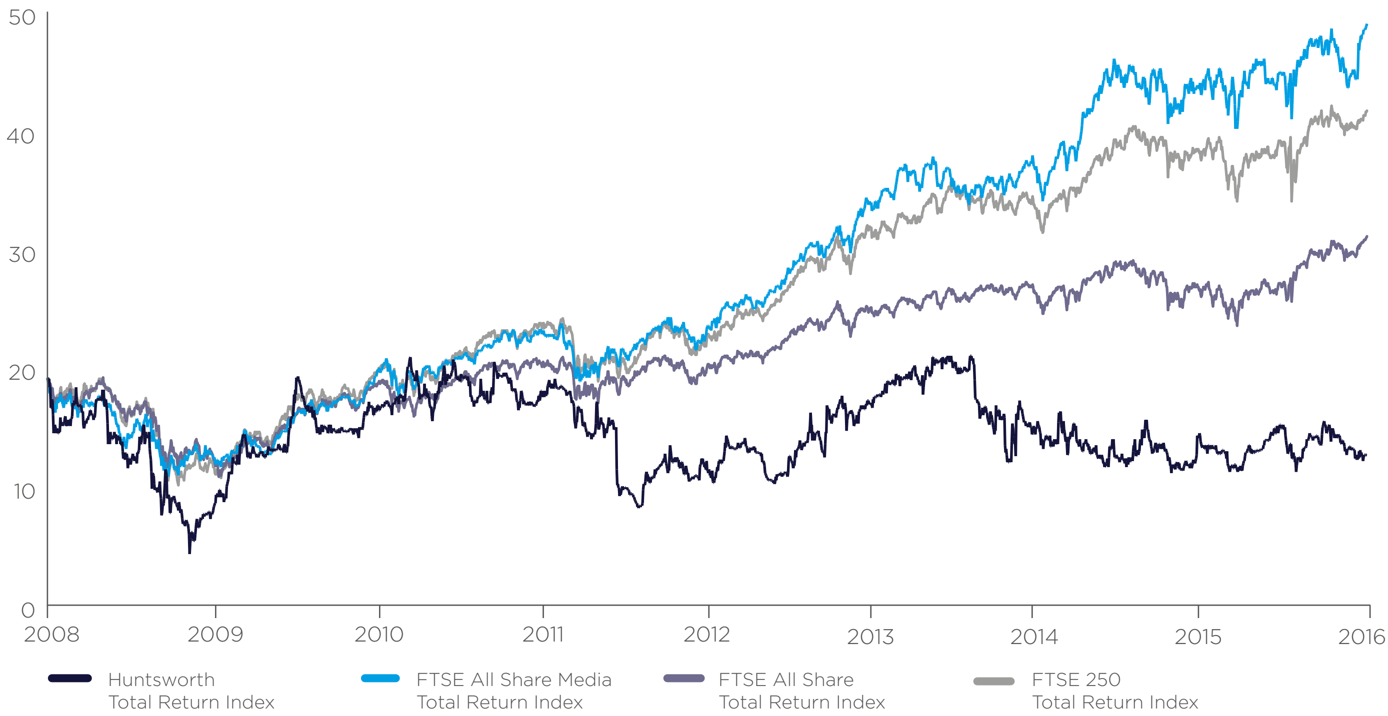
Performance conditions for the award under the 2016 LTIP made to Paul Taaffe are disclosed on page 45.

Report of the Directors on Remuneration continued
Annual Report on Remuneration

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 2016 was 38 pence and the range during 2016 was 34 pence to 47 pence.

Total CEO remuneration

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

£'000	2009	2010	2011	2012	2013	2014	2015	**2016**
Total remuneration	673	1,036	729	1,224	1,033	724	645	**869**
Annual bonus payment level achieved								
(% maximum opportunity)	0%	0%	0%	40%	41%	0%	0%	**24%**
LTIP vesting level achieved								
(% maximum opportunity)	0%	100%	100%	58%	0%	N/A	N/A	**N/A**

Percentage change in CEO's remuneration

The following table sets out the percentage change in the salary, taxable benefits and bonus paid to the CEO from 2015 to 2016 compared with the average percentage change for the Group's employees.

£'000	2016	2015	Change %
CEO			
Salary	**637**[1]	600	6%
Benefits	**20**	16	25%
Bonus	**212**	–	100%
Total	**869**	**616**	**41%**
Average Group employee			
Salary	**61**	54	12%
Benefits	**5**	4	23%
Bonus	**3**	3	7%
Total	**69**	**61**	**13%**

1. Paul Taaffe's Base Salary of £600,000 was converted to USD on 1 October 2016 as explained on pages 42 to 43.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in 2016 and 2015 compared with other disbursements from profit.

£'000	2016	2015	Change %
Profit distributed by way of dividend	**5,702**	3,984	43%
Overall spend on pay (including Directors)	**111,535**	103,551	8%

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

Implementation of Remuneration Policy in 2017

Executive Directors

Salary

The annualised salaries for 2017 and 2016 are set out below. No salary increases are proposed for 2017.

Executive Director	2017 USD$000	2016 USD$000	Change
Paul Taaffe	936	936[1]	0%

1. Paul Taaffe's salary is denominated and paid in USD Dollars. His salary shown in the above table of USD$936,000 applies from 1 October 2016 onwards, as explained on pages 42 to 43, and is unchanged for 2017. For all other payment arrangements, including any annual bonus payment or LTIP awards, Paul Taaffe's awards will continue to be determined based on his GBP£ Base Salary figure of £600,000. In the annual single figure table on page 44, his salary is presented in GBP£, giving a salary figure of £637k during the full year 2016.

Executive Director	2017 £000	2016 £000	Change
Neil Jones	350	350	0%

2017 Annual Bonus performance targets

The 2017 annual bonus for Paul Taaffe and Neil Jones will be predominantly based on achieving specific PBT and revenue targets. The bonus opportunity will be in line with 2016 (i.e. a maximum opportunity of 150% of salary for Executive Directors). As referred to on pages 42 to 43, the bonus opportunity for Paul Taaffe will be based on his GBP£ denominated Base Salary, i.e. £600,000.

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

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

2017 Long-term incentive plan targets

Awards will be made to Paul Taaffe and Neil Jones under the 2016 LTIP and, if applicable, under the 2016 DSBP, in line with award sizes made in 2016 i.e. 100% of salary. For Paul Taaffe, as per the approach for his annual bonus, the award under the 2016 LTIP will be based on his GBP£ denominated Base Salary of £600,000.

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

Report of the Directors on Remuneration continued

Annual Report on Remuneration

Non-Executive Directors

The Board determined that it was appropriate to adjust the fees payable to Non-Executive Directors with effect from 1 April 2017. Non-Executive Directors are paid a base fee with one additional fee, as applicable, of the highest value for Committee representation.

Fees for Non-Executive Directors are as follows:

	Fees from 1 April 2017 £'000	Fees up to 31 March 2017 £'000
Independent NED base fee	40	30
Audit Committee Chair	5	10
Remuneration Committee Chair	5	10
Nomination Committee Chair	0	5
Committee membership	0	5
Senior Independent Director	0	10

Following a reassessment of duties, the above fee structure is considered to more accurately reflect the current responsibilities and time commitment of Non-Executive Directors. Non-Executive Directors receive a base fee of £40,000. Additional fees are only payable for roles as the Audit and Remuneration Committee Chairs.

Further, in view of the improved position of the Company and the stability of its Board, not least the Executive team, the Chairman has reassessed the amount of time that he is now required to dedicate to the Company over and above what would ordinarily be appropriate. The Chairman, supported by the Chief Executive, proposed a reduction to the Chairman's fee from £150,000 to £130,000 per annum with effect from 1 April 2017, which the Remuneration Committee have recommended to, and which has been approved by the Board.

The following table sets out the expected annual fees payable to the Company's Non-Executive Directors for 2017:

	2017 £'000
Derek Mapp	135
Andy Boland	40
Nicky Dulieu	44
Tim Ryan	40
Pat Billingham	43

The fees above include the adjusted fees payable from 1 April 2017 on a pro-rated basis.

Andy Boland and Pat Billingham's fees for 2017 reflect the change in Audit Committee chair with effect from 22 March 2017, when Ms Billingham will succeed Mr Boland in this role.

Advisers to the Remuneration Committee

During 2016, the Committee engaged the services of Slaughter and May and Deloitte LLP as independent Remuneration Committee advisers.

Slaughter and May were engaged to provide advice on the share schemes. Fees payable to Slaughter and May for these services totalled £6,508.

Deloitte LLP were retained as advisors to the Remuneration Committee and provided advice to the Committee on executive and long-term incentive remuneration. Deloitte LLP also provided certain other tax advisory services to the Group during the year. The nature of these services was not considered to conflict with their role as external adviser to the Committee. Total fees payable to Deloitte in 2016 for Remuneration Committee matters were £57,433 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 context

At the 2016 AGM, the following votes were cast in respect of the 2015 Directors' Remuneration Report and the new Remuneration Policy:

	Annual report on remuneration	
	Number of Votes	%
For	232,846,387	90.44
Against	24,626,302	9.56
Withheld	6,026	0.0

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

Directors' Report

The Directors' Report for the year ended 31 December 2016 comprises the Corporate Governance Report on pages 34 to 41 together with any sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have been included in the Strategic Report pages 01 to 29. These specifically include:

- an indication of likely future developments in the business of the Company, page 9;
- details of the Group's financial risk management strategy, policies and instruments held are set out in Note 20 to the consolidated financial statements;
- details of the Group's branches are set out in Appendix 2 of the consolidated financial statements;
- details of the Group's going concern assessment; and
- employee matters and carbon emission disclosures are set out in the Responsible Business Report on pages 22 to 25.

Dividends

The Directors recommend a final dividend of 1.25 pence per share for the year ended 31 December 2016. An interim dividend of 0.5 pence per share was paid on 4 November 2016, making a total for ordinary dividends of 1.75 pence per share for the year (2015: 1.75 pence per share). The record date for the final dividend will be 26 May 2017 and it is payable on 6 July 2017. A scrip dividend alternative will be available.

Directors

The following Directors served during the year ended 31 December 2016 and as at the date of this report:

Name	Appointment
Derek Mapp	Chairman and Chairman of the Nomination Committee
Pat Billingham*	Independent Non-Executive Director
Andy Boland*	Independent Non-Executive Director and Chairman of the Audit Committee
Nicky Dulieu	Independent Non-Executive Director and Chair of the Remuneration Committee
Neil Jones	Chief Financial Officer (appointed 1 February 2016)
Terence M. Graunke	Independent Non-Executive Director (resigned 14 May 2016)
Tim Ryan	Senior Independent Director
Paul Taaffe	Chief Executive Officer

* The Company announced on 27 January 2017 that Pat Billingham will succeed Andy Boland as Chair of the Audit Committee, effective from 22 March 2017.

Biographical details of the Directors in office at the date of this report are set out on pages 32 to 33.

The interests of the Directors in office at 31 December 2016 in the shares of the Company and its subsidiary undertakings, together with their remuneration, are set out in the Report of the Directors on Remuneration on pages 42 to 51.

Whilst the Company is not required to comply with the 2014 UK Corporate Governance Code provision that all Directors be subject to annual re-election, the Board nevertheless decided to adopt this provision and this was approved by the Company's shareholders at the 2016 Annual General Meeting (AGM). Hence at each AGM every Director shall retire from office and each Director wishing to serve again shall submit himself or herself for re-election.

Except as disclosed in the Report of the Directors on Remuneration, 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 2016, the Company had been notified of the following interests in the Company's ordinary share capital:

Holder	% of share capital*	Number of shares	Nature of holding
BlueFocus International Limited	19.443%	63,199,369	Indirect
Aberforth Partners LLP	16.07%	52,797,322	Indirect
J O Hambro Capital Management Limited	6.10%	20,030,402	Direct
The Wellcome Trust Limited as a Trustee of The Wellcome Trust	5.0815%	16,683,109	Direct
Aberdeen Asset Managers Limited	5.0%	16,144,060	Indirect
Michinoko Limited	5.0%	16,500,000	Direct
Miton Group plc	4.74%	15,566,665	Indirect
Matthew Rupert Freud	3.0%	9,750,000	Indirect

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

The above table is based on notifications made to the Company under Chapter 5 of the Disclosure 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 2016 to 20 March 2017 the following notifications were received:

Holder	% of share capital*	Number of shares	Nature of holding
Matthew Rupert Freud	Below 3%	9,750,000	Indirect

* 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 2016, the Company's issued share capital comprised 330,310,609 ordinary shares of 1p each, of which 1,686,681 ordinary shares were held in treasury; and 212,012,343 deferred shares of 49p each.

Changes in the Company's share capital during the year are given in Note 22 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 2016 the Directors were granted the authority to purchase up to 10% of the Company's ordinary shares (either for cancellation or for placing into treasury) to support the Group's capital management policies. Further details of the Group's capital management policies are included in Note 20 to the consolidated financial statements. The authority granted amounted to 32,831,206 ordinary shares. The Company may either retain shares purchased under this authority as treasury shares with a possible view to reissue such shares at a future date, or cancel them. This authority expires on the earlier of 25 August 2017 or the conclusion of the 2017 AGM on 25 May 2017. No ordinary shares were purchased during the year or up to the date of this report.

During the year ended 31 December 2016, no shares were transferred out of treasury to satisfy obligations under employee share plans. The total number of shares held in treasury as at 31 December 2016 and at the date of this report was 1,686,681 ordinary shares.

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

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

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

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 £6,835 was paid attending conferences and to cover function expenses. This was made up of £5,592 paid to the Conservative Party and £1,243 to the Labour Party.

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

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

As part of the subscription agreement the Company entered into with BlueFocus and BlueFocus's subsidiary BlueFocus International Limited (BlueFocus International) (the Subscription Agreement), BlueFocus International has the right to participate in any proposed issue of Company shares for cash consideration such that the level of shareholding BlueFocus International obtained at completion of the Subscription Agreement will not be diluted by the proposed issue.

The right of BlueFocus International to subscribe for additional shares representing up to 5% of the Company's fully diluted share capital (as at completion of the Subscription Agreement) where the Company decides to issue shares for non-cash consideration (other than in relation to any employee share scheme), expired on 7 October 2016.

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

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

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

Directors' Report continued

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 Regulations (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Restrictions on transfer of shares continued

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 2016 there were no shares of the Company subject to lock-in restrictions. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Rights and obligations attaching to the deferred shares

The holders of deferred shares are not entitled to receive dividends when declared nor the Company's report and accounts. The holders of deferred shares have no right as such to receive notice of or to attend or vote at any general meeting of the Company unless a resolution to wind up the Company or to vary or abrogate the rights attaching to the deferred shares is proposed. The deferred shares are also subject to the following terms:
(a) the deferred shares may not be transferred without the prior written consent of the Directors of the Company;
(b) holders of deferred shares are not entitled to receive any share certificate in respect of their holdings;
(c) any cancellation of the deferred shares for no consideration by way of reduction of capital shall not involve a variation or abrogation of the rights attaching thereto;
(d) the Company has irrevocable authority at any time to appoint any person to execute on behalf of the holders of the deferred shares a transfer thereof and/or an agreement to transfer the same, in either case, to Numis Securities Limited or such other person as the Company may determine and to execute any other documents which such person may consider necessary or desirable to effect such transfer, in each case without obtaining the sanction of the holder(s) and without any payment being made in respect of such acquisition; and
(e) the entitlement of a holder of a deferred share on a return of assets on a winding up of the Company is limited to the repayment of the amount paid up or credited as paid up on such share up to a maximum of 49 pence per share and shall be paid only after the holders of any and all ordinary shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those ordinary shares held by them at that time plus the payment in cash or specie of £10,000,000 for every 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 pages 46 to 47. Major interests in the share capital of the Company (i.e. 3% or more) of which the Company has been notified are shown in the table on page 52. There are no securities which carry special rights with regard to the control of the Company.

Employee share trust

The Huntsworth Employee Benefit Trust ('EBT') holds less than 1.0% of the issued share capital of the Company on trust for the benefit of employees of the Huntsworth Group and their dependants. The voting rights in relation to these shares are exercised by the Trustees. The Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants. The EBT waived its rights to both the 2015 final dividend and the 2016 interim dividend.

Appointment and replacement of Directors

Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate directors) shall be not less than two nor more than 12 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. Any Director appointed by the Board shall retire at the next Annual General Meeting of the Company and shall then be eligible for election.

Following the Company's 2016 AGM on 26 May, where new Articles of Association were adopted, at every subsequent AGM all Directors shall retire from office and may offer themselves for re-appointment by the members.

The Company may by special resolution remove any Director before the expiration of his term of office.

The office of Director shall be vacated if:

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

Amendment to the Articles

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

Powers of the Directors

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

Repurchase of shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The Company has the power to buy back up to 32,831,206 ordinary shares. This authority expires on the earlier of 25 August 2017 or the conclusion of the 2017 AGM on 25 May 2017. The minimum price which must be paid for such shares is 1 pence and the maximum price payable is the higher of (i) 5% above the average of the middle market quotations for ordinary shares (as derived from the London Stock Exchange Daily List) for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out.

Significant agreements

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

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

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

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the 2017 Annual General Meeting on 25 May, together with a resolution to authorise the Directors to determine the auditor's remuneration.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Report of the Directors are listed on pages 32 to 33. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

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

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday 25 May 2017 at the offices of Citigate Dewe Rogerson Limited, 3rd Floor, 3 London Wall Buildings, London Wall, London, EC2M 5SY. The notice convening the AGM, together with the details of the business to be considered and explanatory notes for each resolution, is contained in a separate circular sent to shareholders, and it is also available to be viewed on the Company's website.

Directors' Report continued

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 page 32 to 33, confirm that, to the best of their knowledge:

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

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

Martin Morrow
Company Secretary
20 March 2017