

M&C SAATCHI PLC
(the "Company" or "M&C Saatchi")
Audited Results for the Year Ended 31 December 2022

The Company today announces its audited results for the year ended 31 December 2022. The Company has delivered another year of record results with its highest ever net revenue, Headline operating profit, Headline profit before tax and Headline earnings.

Highlights

- Record 2022 net revenue of £271.1m, growth of 8.7% versus 2021.
- Record 2022 Headline profit before tax of £31.8m (2021: £27.3m).
- Results underpinned by strong growth in the Issues, Consulting and Passions specialisms, and central cost savings.
- 2022 Statutory profit before tax of £5.4m (2021: £21.6m), adversely affected predominantly by £10.8m of one-off defence costs relating to the failed takeover bids for the Company.
- 2022 Headline operating profit margin improved to 13.1% (2021: 12.5%).
- Strong net operating cashflow generation of £42.2m, with cash conversion of 99%.
- Net cash of £30.0m (2021: £34.4m) after paying for put options and one-off defence costs relating to the takeover bids. Borrowings reduced to £7m (2021: £20m).
- Reinstated dividend payments with a recommended final dividend of 1.5 pence per share.
- New wins include: Diageo, Tinder, LVMH, PepsiCo, UK Covid-19 Inquiry account and Australia Retirement Trust and being appointed to the Emirates Airline, Samsung, and Volkswagen global rosters.
- Good momentum in recently launched consultancies in the sustainability, data analytics and digital innovation sectors.
- Completed Phase 1 of a global efficiency programme with material cost savings identified.
- Planet commitments launched, targets validated by Science Based Targets initiative.

Financial results for the year ended 31 December 2022

£m	Headline *			Statutory		
	2022	2021	Movement	2022	2021	Movement
Billings**	597.5	533.4	12.0%	-	-	-
Revenue	462.5	394.6	17.2%	462.5	394.6	17.2%
Net revenue**	271.1	249.3	8.7%	-	-	-
EBITDA**	45.2	40.8	10.8%	-	-	-
Operating profit	35.4	31.1	13.8%	10.5	27.3	-61.5%
Profit before taxation	31.8	27.3	16.5%	5.4	21.6	-75.0%
Profit for the year	24.0	20.0	20.5%	0.2	13.2	-98.5%
Earnings***	18.1	13.7	32.8%	0.1	12.8	-99.2%
Earnings per share	14.9p	11.3p	31.9%	0.1p	10.5p	-99.3%
Tax rate	24.5%	26.6%	-2.1pts	95.5%	39.1%	+56.4pts

* Headline results represent the underlying trading profitability of the group and exclude:

- Separately disclosed items that are one-off in nature and are not part of running the business.
- Acquisition-related costs (including amortisation of acquired intangibles and impairment of goodwill).
- Gains or losses generated by disposals of subsidiaries and associates.
- Fair value adjustments to unlisted equity investments, acquisition related contingent consideration and put options.
- Dividends paid to IFRS 2 put option holders.

Although our peers may use these same terms, they are not necessarily calculated on the same basis. However, as measures of Headline performance, they have been included to better assess the underlying performance of the business and to enable better comparability both across the industry and when comparing year-on-year results.

** Billings, net revenue and EBITDA excluded from Statutory results as these are not IFRS terms.

*** Earnings are calculated after deducting share of profits attributable to non-controlling interests.

Current trading and outlook

The Company expects Headline profit before tax for 2023 to be in line with market expectations of £36.5m-£38.0m, representing a 15-19% increase on the record profits of 2022.

Along with the wider market, we have seen some impact in the year to date from the headwinds in the technology sector, particularly in our Media specialism. However, we continue to see the benefit of our diverse range of businesses with strong pipelines in the Consulting, Issues and Passions specialisms, which gives us confidence for the remainder of the year. In addition, the cost efficiency programme is expected to deliver savings in the second half of 2023. Consequently, profit will be more weighted to the second half of 2023, than in 2022.

Commenting on the 2022 performance and outlook, Moray MacLennan, Chief Executive Officer said:

"Another year of record results, in a year not without challenges. Through a relentless focus on developing core capabilities both within and beyond advertising, alongside careful cost management, we have delivered high-margin and high-revenue growth and are pleased to reinstate dividend payments.

We approach 2023 with guarded optimism. Whilst macroeconomic uncertainties will require careful navigation and management, we have a clear roadmap in place and look forward to building on our solid foundations for profitable growth."

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Chief Executive Statement

2022 was another record year. Unexpected events were met with remarkable resilience and remarkable profitability. Growth was achieved in spite of obstacles.

In 2020 we stabilised the Company and laid the foundations for future success. In 2021 we gained momentum. In 2022 our record net revenue, Headline operating profit, Headline profit before tax and Headline earnings demonstrated the extent of the turnaround.

Targets were set at the Capital Markets Day in 2021, and all of our 2022 targets were surpassed. Between 2020 and 2022 we delivered net revenue CAGR of 10%, Headline operating profit CAGR of 71% and an operating margin improvement from 5% to 13%. As a result, at the Capital Markets Day in February 2023, the Company set out new five-year growth targets to 2027.

This performance is due to our people. They deliver the award-winning work and the revenue day-in, day-out.

On new business, we were appointed to the Emirates Airline, Samsung and Volkswagen global rosters. We won the UK Covid-19 Inquiry account, Australia Retirement Trust, a new global assignment from Diageo, and Vattenfall, one of the world's leading sustainable energy companies.

New client offers were launched in four areas: data analytics, sustainability, digital innovation and B2B SaaS.

We completed the first phase of our global efficiency programme which will result in further simplification of our operating model globally and start delivering cost savings in the second half of 2023.

And all of this with a successful defence against the two failed takeover bids.

Strategy

At our Capital Markets Day this year, we announced our ambition to be the world's leading creative solutions company, of specialist expertise, connected through data and tech, to deliver meaningful change.

Our strategy will focus on high-margin organic growth, improved efficiency, further simplification and M&A.

This includes investment in key capabilities, focusing on data, digital transformation and CX, across our high-margin businesses, increased productisation within all specialisms, expansion into geographic growth markets, and development of a new media proposition.

We initiated a global efficiency programme in the last quarter of 2022, with cost savings and margin improvements expected to be delivered from the second half of 2023, and on an ongoing basis thereafter.

The focus on simplification also involves streamlining the operating model and reducing both legal and operating entities in 2023 and 2024.

We will pursue selective bolt-on M&A opportunities to further strengthen our market proposition.

Specialism performance

The business operates through five connected specialisms. Today, 75% of our operating profit and over half of our revenue come from specialisms other than Advertising. We are no longer just an advertising agency, we are much more than that, we are a creative solutions company. Specialist expertise in disciplines you may expect, such as performance media, PR and data analytics. But also in some that you may not, such as: influencer management, eSports marketing and behaviour change. This specialist expertise connects, through data and technology, to deliver meaningful, commercial and societal change.

A global employee engagement survey, The Loop, was launched and initial results were encouraging with high, positive engagement. A Global Head of Diversity, Equity and Inclusion ("DE&I") was hired to support and drive the DE&I strategy. Employee-led networks were expanded globally to support protected groups, including: gender, ethnicity, LGBTQ+, and family.

Planet commitments were published to halve greenhouse gas emissions across the Company's own operations and its value chain by 2030, validated by the Science Based Targets initiative. Commitment has been made to improving the positive impact of our work, and grow the percentage of revenue from planet-positive campaigns.

Outlook

Whilst there are clear and obvious headwinds affecting society, business in general and our sector, we have a clear roadmap for the next stage of our transformation journey.

We are well placed and remain confident that further progress will be made in the current year, and that we will continue to accelerate change and deliver profitable growth.

For the first time, in a long time, we have a clear runway ahead of us.

2022 Financial Review

Financial performance

The Group manages its financial performance through a number of key performance measures, which are stated below.

- Net revenue of £271.1m, up 8.7% from £249.3m; like-for-like growth of 4.3%.
- Headline operating profit margin of 13.1%, up from 12.5%.
- Headline profit before tax of £31.8m, the highest ever for the Group, up from £27.3m.
- Statutory profit before tax of £5.4m, down from £21.6m.
- Headline earnings per share of 14.8p, up from 11.3p.
- Statutory earnings per share of 0.1p, down from 10.5p.
- Net cash of £30.0m, down from £34.4m.
- Drawdown on the Company's revolving multicurrency credit facility of £7.0m, reduced from £20.0m.

£m	Headline			Statutory		
	2022	2021	Movement	2022	2021	Movement
Billings*	597.5	533.4	12.0%	-	-	-
Revenue	462.5	394.6	17.2%	462.5	394.6	17.2%
Net revenue*	271.1	249.3	8.7%	-	-	-
EBITDA*	45.2	40.8	10.8%	-	-	-
Operating profit	35.4	31.1	13.8%	10.5	27.3	-61.5%
Profit before taxation	31.8	27.3	16.5%	5.4	21.6	-75.0%
Profit for the year	24.0	20.0	20.5%	0.2	13.2	-98.5%
Earnings**	18.1	13.7	32.8%	0.1	12.8	-99.2%
Earnings per share	14.8p	11.3p	31.7%	0.1p	10.5p	-99.3%
Tax rate	24.5%	26.6%	-2.1pts	95.5%	39.1%	+56.4pts

*Billings, net revenue and EBITDA are excluded from Statutory results, as these are not IFRS terms. Although our peers may use these same terms, they are not necessarily calculated on the same basis. However, as measures of Headline performance they have been included to better assess the underlying performance of the business and to enable better comparability both across the industry and when comparing year-on-year results.

**Earnings are calculated after deducting share of profits attributable to non-controlling interests.

Headline results

The Headline results are alternative performance measures that the Board considers the most appropriate basis to assess the underlying performance of the business, monitor its results on a month-to-month basis, enable comparison with industry peers and measure like-for-like, year-on-year performance.

Group Headline operating profit was £35.4m, increasing from £31.1m in 2021. The Group reported a Statutory operating profit of £10.5m, down from £27.3m in 2021, due to defence advisory costs and other non-trading items.

The Group's Headline profit improvement compared to 2021 was driven largely by strong performance in the Issues and Passions specialisms and by central cost savings. Despite reduced revenue in Advertising, an improvement in the operating profit margin resulted in increased absolute profit in this specialism.

The Group Headline operating profit margin increased to 13.1% from 12.5% in 2021. This represents continued progress towards the Group's operating profit margin target of 18% by 2027 announced at the Capital Markets Day in February 2023.

The key movements between Statutory to Headline results

	Year ended 31 December 2022	Year ended 31 December 2021
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	£000	£000
Statutory profit before taxation	5,423	21,632
Separately disclosed items	13,352	(3,783)
Dividends paid to IFRS 2 put option holders	7,811	5,270
Put option accounting - IFRS 9 and IFRS 2	2,233	2,121
Movement of FVTPL investments under IFRS 9	1,587	(2,510)
Amortisation of acquired intangibles	597	965
Impairment of non-current assets	564	2,770
Revaluation of contingent consideration	266	532
Loss on disposal of subsidiaries and associates	-	83
Revaluation of associates on transition to subsidiaries	-	234
Headline profit before taxation	31,833	27,314

The larger items causing the movement between Statutory and Headline results for 2022 are explained below and further details are provided in Notes 1 and 2 of the financial statements.

Separately disclosed items

During 2022, £10.8m of costs were incurred as the Company was subject to two competing bids to take control and full ownership of the business. Managing the Company's response to these two takeover bids resulted in a number of one-off external advisory and additional internal management costs. In addition, we commenced a global efficiency programme which incurred one-off professional fees of £1.0m, and we restructured and closed a number of businesses with costs of £1.8m. Last year's credit of £3.8m arose as a result of the forgiveness of £2.2m of US Paycheck Protection Program (PPP) loans and the £2.8m release of a long-term incentive plan accrual, partially offset by lease surrender expenses and the cost arising from the repayment of £1.0m of furlough money to the UK government.

Dividends paid to IFRS 2 put option holders

Local management in some of the Group's subsidiaries own minority shareholdings in those subsidiaries. As shareholders, they also have rights to receive dividends, and, as they are employees of those subsidiaries, these are recognised as staff costs.

FVTPL investments under IFRS 9 - financial assets at fair value through profit and loss

The Group holds unlisted equity investments in early-stage companies (detailed in Note 19 of the financial statements). The revaluation of these companies is excluded from Headline results. Market weakness in the technology sector made fundraising and trading more difficult for them in 2022, resulting in an impairment of £2.9m and downwards revaluations of £2.7m. However, this was partially offset by upwards revaluations of £3.0m and profit on disposal of £1.2m.

Put option accounting - IFRS 9 and IFRS 2

These charges relate to the revaluations of the put option liabilities (both IFRS 2 and IFRS 9) during the year.

Amortisation of acquired intangibles

Acquired intangibles relate to brand names and customer relationships. Refer to Note 14 of the financial statements for details.

Impairment of non-current assets

In 2022, the Group recorded an impairment charge of £0.6m, which primarily relates to the write-off of goodwill in M&C Saatchi (Hong Kong) Limited and Scarecrow Communications Limited. The 2021 charge mainly consisted of a £1.9m goodwill write-off in Santa Clara Participações Ltda, along with smaller intangible write-offs.

Net revenue performance by specialism

Group net revenue increased 8.7% in 2022 (4.3% on a like-for-like basis). A like-for-like basis applies constant foreign exchange rates and removes entities disposed of or acquired during 2021, since there were no disposals or acquisitions during 2022; it also adjusts for any reclassification of entities between the specialisms. The Passions and Issues specialisms saw the largest like-for-like net revenue growth of all specialisms in 2022.

Net revenue by Specialism	Reported		Like-for-Like	
	2022 £m	Growth versus 2021	2022 £m	Growth versus 2021
Advertising	124.3	(2.3)%	118.1	(4.0)%
Media	34.2	4.2%	34.2	(1.5)%
Issues	42.2	24.4%	41.4	22.0%
Consulting	37.0	19.6%	37.0	7.7%
Passions	33.4	36.7%	33.4	22.6%
Group	271.1	8.7%	264.1	4.3%

Advertising remains the largest specialism, comprising 46% of total net revenue (2021: 51%) on a reported basis. However, the other four specialisms have increased their share of total net revenue to 54% (2020: 49%). This shift away from Advertising continues to support operating profit growth, as these other specialisms have an average operating profit margin of 24% compared to Advertising with an operating profit margin of 9%. There has been a marked shift in revenue between the different specialisms over recent years as shown by the table below:

Reported net revenue	Advertising	Media	Issues	Consulting	Passions	Total
2022	46%	13%	15%	14%	12%	100%
2021	51%	13%	14%	12%	10%	100%
2020	61%	10%	13%	8%	8%	100%
2019	64%	11%	10%	7%	8%	100%

Net revenue performance by region

At a regional level, 2022 saw a reduction in Australia's reported revenue, due to the loss of two major clients. The largest regional increase was in the Americas with a 33% increase in reported revenue but the Middle East and Africa, and Asia also grew significantly.

Net revenue by	Reported	Like-for-Like
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Region	2022 £m	Growth versus 2021	2022 £m	Growth versus 2021
UK	98.2	3.3%	98.2	3.3%
Europe	15.3	0.7%	15.3	(1.1)%
Middle East and Africa	23.4	15.6%	23.4	11.7%
Asia	26.1	12.1%	22.1	10.3%
Australia	52.9	(2.1)%	52.9	(5.4)%
Americas	55.2	33.1%	52.2	13.9%
Group	271.1	8.7%	264.1	4.3%

The UK remains the largest region in the Group comprising 36% of total net revenue (2021: 39%) on a reported revenue basis. The recent shifts in share of revenue by region can be seen in the table below:

Reported net revenue	UK	Europe*	Middle East and Africa	Asia*	Australia	Americas*	Total
2022	36%	6%	9%	10%	19%	20%	100%
2021	39%	6%	8%	8%	22%	17%	100%
2020	39%	13%	7%	5%	21%	15%	100%
2019	40%	12%	7%	5%	20%	16%	100%

**Includes material acquisitions or disposals during this period. The businesses in France and Spain (Europe) were disposed of and the businesses in China and Pakistan (Asia) and Brazil (Americas) were acquired.*

Financial income and expense

The Group's finance income and expense includes bank interest, lease interest and fair value adjustments to minority shareholder put option liabilities (IFRS 9). Further details can be found in Note 7 of the financial statements.

Bank interest payable for the year was £1.2m (2021: £1.6m). Higher interest rates on the Company's revolving multicurrency credit facility agreement were offset by optimal allocation of cash around the Group, which reduced the drawdown on the Facility.

The interest on leases increased to £3.0m (2021: £2.8m) due to the full-year impact of leases entered into in 2021.

The fair value adjustment of put option liabilities created a charge of £1.1m (2021: charge of £0.9m). This increase is due to increased profitability in the agencies where there are outstanding put option arrangements.

Tax

Headline Tax

Our Headline tax rate has reduced marginally from 26.6% to 24.5%. The reduction is due to the use of prior years' tax losses (caused in part by the Covid-19 pandemic) to offset current profitability and an increase in profits from countries with lower tax rates, partly offset by increased expenditure on disallowable costs.

Statutory Tax

The Statutory tax rate increased from 39.1% in 2021 to 95.5% in 2022. In general, we expect large variations in Statutory tax rates. This is because items such as share-based payments (option charges) and put options arising from investments in subsidiaries are non-deductible against corporation tax, due to their being capital in nature. In 2022, two parties tried to acquire the Company and a proportion of the defence costs was disallowable due to their being capital in nature. This increased our non-deductible expenses.

Non-controlling interests (minority interests)

On a Headline basis, the non-controlling interest share of the Group's profit represents the minority shareholders' share of each of the Group's subsidiaries' profit or loss for the year. In 2022, the share of profits attributable to non-controlling interests reduced to £5.9m (2021: £6.4m) and minority interests reduced to 25% of profit after tax (2021: 32%). This reflects a reduction during the year in the minority interest shareholdings in several Group entities, as a result of the settlement of put options, to the value of £12.1m.

On a Statutory basis, non-controlling interests excludes any minority interests which relate to IFRS 2 put option holders (holders of put options that are contingent on being employed by the relevant company), whose share of the entity's Statutory profit is paid as dividends each year, and are reported as staff costs in the Statutory results.

Dividends

The Board believes that the Group has significant growth potential. Accordingly, the Board believes that the Group would be best served, and this potential realised, from investing annual profits back into the business and into new growth initiatives.

However, the Board recognises the importance of dividends within the Company's capital allocation policy, alongside the settlement of put options and investment in growth initiatives. The Board has therefore decided to resume payment of dividends in 2023 and intends to adopt a progressive dividend policy in future, targeting a payout ratio of 25% in the medium term.

The Company did not pay a dividend to its shareholders in 2022 (2021: nil). But given the financial performance during the year, the Board is recommending the payment of a final dividend of 1.5 pence per share.

Subject to shareholder approval at the Annual General Meeting, to be held on 14 June 2023, the dividend will be paid on 12 July 2023 to shareholders on the register of members at 9 June 2023. The shares will go ex-dividend on 8 June 2023.

Cash flow and banking arrangements

Total gross cash (excluding bank overdrafts) at 31 December 2022 was £41.5m (2021: £69.4m). Cash net of bank borrowings was £30.0m, compared to £34.4m in 2021.

In 2022, the Group generated operating cash from trading (before working capital) of £43.0m, before the costs associated with the takeover defence (£10.8m) and before dividends and allocations paid to IFRS 2 put option holders (£7.8m). There was a £1.8m net inflow from working capital (2021: £15.2m outflow) driven mainly by a focus on billing more quickly and

was a £4.8m net inflow from working capital (2021: £15.2m outflow), driven mainly by a focus on billing more quickly and collecting more promptly. This was offset by £10.3m of lease payments (2021: £9.0m) and £12.1m of payments to acquire non-controlling interests (2021: £5.3m). In addition, £5.6m of tangible and intangible fixed assets were purchased in 2022 (compared to £2.6m in 2021), primarily due to investment in the new office in Sydney, Australia.

Net operating cashflow (operating cash from trading, net of working capital, purchases of intangible/tangible fixed assets, and the principal payment on leases) for the year was £34.9m, which represents a cash conversion from Headline operating profit of 99%.

The following table sets out the key movements in net cash during 2022:

Movement in net cash during 2022	£m
Net cash at the beginning of the year	34.4
Increase in cash from trading	43.0
Increase in cash from working capital movements	4.8
Net interest paid	(0.8)
Purchases of intangible/tangible fixed assets	(5.6)
Tax paid	(6.7)
Dividends and allocations paid to IFRS 2 put option holders	(7.8)
Payment of lease liabilities	(10.3)
Costs associated with the takeover defence	(10.8)
Cash consideration for non-controlling interest acquired	(12.1)
Other movements	1.9
Net cash at the end of the year	30.0

The Company has a revolving multicurrency credit facility agreement with National Westminster Bank Plc and Barclays Bank PLC for up to £47.0m (the "Facility") which terminates on 21 May 2024, with an option to extend for an additional year. The Facility includes a £2.5m overdraft and the ability to draw up to £3.0m as a bonding facility as required. The primary purpose of the Facility is to provide the Group with additional liquidity headroom to support any variations in working capital.

At 31 December 2022, £7.0m was drawn on the Facility compared to £20.0m at 31 December 2021.

Capital expenditure

Total capital expenditure in 2022 (including software acquired) increased to £5.6m (2021: £2.6m). This included £1.7m on furniture, fittings and other equipment (2021: £0.3m), £1.6m (2021: £1.4m) on computer equipment, £1.1m (2021: £0.1m) on leasehold improvements, and £1.0m (2021: £0.8m) on software and film rights. The remaining £0.2m (2021: nil) was spent on acquiring the customer relationships of the Channel Mum influencer network.

Share-based incentive arrangements

The Group operates a business model through which certain members of senior management have minority ownership in the subsidiary companies they operate, through share-based incentive (put option) arrangements. Given the Group's strong cash position, we intend to settle put options in cash rather than shares when the options fall due, which reduces the risk of substantial share dilution to shareholders.

The table below presents a range of potential cash payments to settle put options for the next six years based on the future share price of the Company, the estimated future business performance for each business unit and assuming the put options are exercised as soon as possible. These forecasts are based on the Group's three-year plans which were developed as part of our budget cycle.

Future Share Price of the Company	Potentially payable						
	2023 £000	2024 £000	2025 £000	2026 £000	2027 £000	2028 £000	Total £000
At 151p*	£17,498	£2,470	£373	£2,932	£924	£740	£24,937
At 160p	£18,324	£2,609	£401	£2,978	£979	£784	£26,075
At 175p	£19,746	£2,841	£448	£3,102	£1,071	£858	£28,066
At 200p	£22,323	£3,227	£526	£3,522	£1,224	£981	£31,803
At 225p	£24,800	£3,512	£604	£3,941	£1,377	£1,103	£35,337
At 250p	£27,226	£3,747	£682	£4,360	£1,530	£1,226	£38,771
At 300p	£32,121	£4,217	£838	£5,199	£1,836	£1,471	£45,682

*Share price at 31 December 2022

Put option holders are not required to exercise their options at the first opportunity. Many do not and prefer to remain shareholders in the subsidiary companies they manage. As a result, some put option holders may exercise their options later than the dates we have estimated in the table above.

If, in the future, the Company decides to fulfil the put options by way of shares in the Company, then the number of shares in the Company that will be provided is equal to the liability divided by the Company's share price at the date of exercise.

Summary

The Company's performance in 2022 was strong, particularly given the distractions of the potential takeovers. Driven by a 9% increase in revenue and a further increase in Headline operating profit margin to 13.1% (2021: 12.5%), the Company generated its highest ever net revenue, Headline operating profit, Headline profit before tax and Headline earnings. The strategy set out in 2021, and reinforced in 2023, continues to reap rewards and we have a clear path towards further margin and profit increases.

The Company expects Headline profit before tax for 2023 to be in line with market expectations of £36.5m-£38.0m, representing a 15-19% increase on the record profits of 2022.

Along with the wider market, we have seen some impact in the year to date from the headwinds in the technology sector, particularly in our Media specialism. However, we continue to see the benefit of our diverse range of businesses with strong pipelines in the Consulting, Issues and Passions specialisms, which gives us confidence for the remainder of the

year. In addition, the cost efficiency programme is expected to deliver savings in the second half of 2023. Consequently, profit will be more weighted to the second half of 2023, than in 2022.

This statement along with the audited consolidated statutory financial statements is available on our website: <https://www.mcsatchiplc.com/reports-results/2022>

Printed copies of the Annual Report are being posted to shareholders who have requested hard copies.

Consolidated Income Statement

Year ended 31 December	Note	2022 Total £000
Billings (unaudited)	4	597,520
Revenue	4	462,533
Project cost / direct cost		(191,393)
Net revenue	4	271,140
Staff costs	5	(198,765)
Depreciation	16,17	(9,326)
Amortisation	14	(1,060)
Impairment charges	14,17	(564)
Other operating charges		(49,474)
Other (losses) / gains	19	(1,403)
Operating profit		10,548
Share of results of associates and joint ventures	15	(10)
Gain on disposal of subsidiaries	11	-
Impairment of associate investment	15	-
Finance income	7	391
Finance expense	7	(5,506)
Profit before taxation		5,423
Taxation	8	(5,178)
Profit for the year		245
Attributable to:		
Equity shareholders of the Group		90
Non-controlling interests		155
Profit for the year		245
Profit per share		
Basic (pence)	1	0.07p
Diluted (pence)	1	0.07p

Headline results		
Operating profit	1	35,388
Profit before taxation	1	31,833
Profit after tax attributable to equity shareholders of the Group	1	18,105
Basic earnings per share (pence)	1	14.81p
Diluted earnings per share (pence)	1	13.47p
EBITDA		45,168

The following notes form part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

Year ended 31 December	2022 £000	2021 £000
Profit for the year	245	13,173
Other comprehensive profit*		
Exchange differences on translating foreign operations	4,785	664
Other comprehensive profit for the year net of tax	4,785	664
Total comprehensive profit for the year	5,030	13,837
Total comprehensive profit attributable to:		
Equity shareholders of the Group	4,875	13,421
Non-controlling interests	155	416
Total comprehensive profit for the year	5,030	13,837

*All items in the consolidated statement of comprehensive income may be reclassified to the income statement.

The following notes form part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December	Note	2022 £000	2021 £000
Non-current assets			
Intangible assets	14	41,968	40,499
Investments in associates and JV	15	191	202
Plant and equipment	16	8,310	6,333
Right-of-use assets	17	43,992	44,397
Other non-current assets	18	1,107	1,211
Deferred tax assets	9	5,131	6,777
Financial assets at fair value through profit or loss	19	11,986	15,183
Deferred and contingent consideration	13	914	-
		113,599	114,602
Current assets			
Trade and other receivables	20	132,067	132,741
Current tax assets		3,909	247
Cash and cash equivalents		41,492	69,419
		177,468	202,407
Current liabilities			
Trade and other payables	21	(155,547)	(154,049)
Provisions	22	(1,056)	(1,193)
Current tax liabilities		(481)	(837)
Borrowings	23	(4,430)	(14,737)
Lease liabilities	17	(6,448)	(6,950)
Deferred and contingent consideration	13	-	(984)
Minority shareholder put option liabilities	26/27	(18,419)	(20,788)
		(186,381)	(199,538)
Net current (liabilities) / assets		(8,913)	2,869
Total assets less current liabilities		104,686	117,471
Non-current liabilities			
Deferred tax liabilities	9	(1,245)	(777)
Corporation tax liabilities	9	(856)	-
Borrowings	23	(6,802)	(19,821)
Lease liabilities	17	(49,122)	(49,895)
Minority shareholder put option liabilities	26/27	(4,429)	(11,572)
Other non-current liabilities	24	(4,046)	(2,549)
		(66,500)	(84,614)
Total net assets		38,186	32,857

At 31 December	Note	2022 £000	2021 £000
Equity			
Share capital	28	1,227	1,227
Share premium		50,327	50,327
Merger reserve		37,554	37,554
Treasury reserve		(550)	(550)
Minority interest put option reserve		(2,896)	(6,615)
Non-controlling interest acquired		(32,984)	(29,190)
Foreign exchange reserve		6,638	1,853
Accumulated losses		(21,303)	(22,122)
Equity attributable to shareholders of the Group		38,013	32,484
Non-controlling interest		173	373
Total equity		38,186	32,857

Reserves are defined in note 35.

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 April 2023 and signed on its behalf by:

Bruce Marson

Chief Financial Officer

M&C Saatchi plc

Company Number 05114893

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Merger reserve	Treasury reserve	MI put option reserve	Non-controlling interest acquired	Foreign exchange reserves	£ ea (accu)
Note	£000	£000	£000	£000	£000	£000	£000	
At 31 December 2020	1,159	44,607	37,554	(550)	(4,953)	(29,190)	1,210	
Acquisitions including deferred	10,120	51	1,010			(2,000)		

consideration	12,13,26	54	4,949	-	-	(2,000)	-	-
Exercise of Minority Interest put options	26	5	419	-	-	338	-	-
Transfer from equity to cash-settled put options	27	-	-	-	-	-	-	-
Transfer from cash to equity-settled put options	27	-	-	-	-	-	-	-
Share option charge	27	-	-	-	-	-	-	-
Buyout of equity put options in cash	-	-	-	-	-	-	-	-
Issue of shares	6		352	-	-	-	-	-
Exercise of put options	3	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	(21)	-
Dividends	10	-	-	-	-	-	-	-
Total transactions with owners	68		5,720	-	-	(1,662)	-	(21)
Total profit for the year	-	-	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	-	-	-	-	664
At 31 December 2021	1,227		50,327	37,554	(550)	(6,615)	(29,190)	1,853
Share option charge	27	-	-	-	-	-	-	-
Amounts paid on settlement of LTIP	27	-	-	-	-	-	-	-
Exercise of put options	26	-	-	-	-	3,719	(3,794)	-
Dividends	10	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	3,719	(3,794)	-
Total profit for the year	-	-	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	-	-	-	-	4,785
At 31 December 2022	1,227		50,327	37,554	(550)	(2,896)	(32,984)	6,638

The following notes form part of these consolidated financial statements.

Consolidated Cash Flow Statement

Year ended 31 December	Note	2022 £000	2021 £000
Operating profit		10,548	27,258
Adjustments for:			
Depreciation of plant and equipment	16	2,480	2,237
Depreciation of right-of-use assets	17	6,846	6,959
Loss on sale of plant and equipment		165	95
Loss on sale of software intangibles		175	824
Revaluation of financial assets at FVTPL	19	1,403	(3,533)
Revaluation of contingent consideration	13	266	532
Amortisation of acquired intangible assets	14	597	965
Impairment of goodwill and other intangibles	14	556	1,900
Impairment and amortisation of capitalised software intangible assets	14	635	1,484
Exercise of share-based payment schemes with cash	26	(500)	-
Equity settled share-based payment expenses	27	1,229	2,235
Operating cash before movements in working capital		24,400	40,956
(Increase) in trade and other receivables		(4,187)	(38,912)
Increase in trade and other payables		9,104	23,434
(Decrease) / increase in provisions		(137)	316
Cash generated from operations		29,180	25,794
Tax paid		(6,712)	(6,844)
Net cash from operating activities		22,468	18,950
Investing activities			
Acquisitions of subsidiaries net of cash acquired	12	-	633
Disposal of associate or subsidiary (net of cash disposed of)	11	-	(2)
Acquisitions of unlisted investments	19	-	(81)
Proceeds from sale of unlisted investments	19	918	209
Proceeds from sale of plant and equipment		-	223
Purchase of plant and equipment	16	(4,383)	(1,789)
Purchase of capitalised software	14	(1,192)	(837)
Interest received	7	391	260
Net cash consumed by investing activities		(4,266)	(1,384)
Net cash from operating and investing activities		18,202	17,566
Financing activities			
Dividends paid to non-controlling interest		(430)	(152)
Cash consideration for non-controlling interest acquired and other options	27	(12,104)	(5,348)
Payment of deferred consideration	13	(1,250)	-
Buyout of equity put options in cash		-	(632)
Payment of lease liabilities	17	(7,307)	(6,210)
Proceeds from bank loans	23	-	9,301
Repayment of bank loans	23	(13,410)	(16,909)
Borrowing costs		-	(602)
Interest paid	7	(1,200)	(1,555)

Interest paid on leases	17	(2,970)	(2,800)
Net cash consumed by financing activities		(38,671)	(24,907)
Net decrease in cash and cash equivalents		(20,469)	(7,341)
Effect of exchange rate fluctuations on cash held		2,711	(55)
Cash and cash equivalents at the beginning of the year		54,979	62,375
Total cash and cash equivalents at the end of the year		37,221	54,979
 Cash and cash equivalents		41,492	69,419
Bank overdrafts*	23	(4,271)	(14,440)
Total cash and cash equivalents at the end of the year		37,221	54,979
Bank loans and borrowings**	23	(7,212)	(20,590)
Net cash		30,009	34,389

*These overdrafts are legally offset against balances held in the UK; however, they have not been netted off in accordance with the requirements of IAS32.42.

**Bank loans and borrowings are defined in note 23; they exclude the lease liability of £55,570k (2021 £56,845k) (note 17)

The following notes form part of these consolidated financial statements.

Preparation

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK adopted international accounting standards, in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand. They have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

Going concern

These financial statements have been prepared on the going concern basis.

The Board have concluded that under the most likely going concern scenarios, the Group will have sufficient liquidity and headroom on bank covenants to continue to operate for a period of not less than a year from approving the financial statements.

The Board have formed their opinion after evaluating 5 different severe but plausible forecast scenarios and a reverse stress test, extending to 31 December 2025, comprising:

1. a significant reduction in new business wins;
2. a significant increase in wage inflation;
3. a significant number of top clients are lost;
4. a significant economic downturn; and
5. a reverse stress test case.

These severe but plausible scenarios are assumed to materialise from Q1 2023 onwards. The estimated decline in profit before tax ranges from £22m to £26m compared to the base case plan for the cumulative period ending 31 December 2024, including a £11m to £18m decline in profit before tax in 2023.

The reverse stress test case evaluates how extreme conditions would need to be for the Group to break its covenants within the going concern review period. The conditions go significantly further than the severe but plausible scenarios and reflect a scenario that the Directors consider to be highly unlikely.

The Directors have also considered the impact of climate change on going concern, taking into account the Company's support for Ad Net Zero (the industry initiative to tackle climate change led by the Advertising Association and its members), and do not believe that there is a significant financial impact.

The Board is satisfied that the Group's forecasts, which take into account reasonably possible changes in trading performance, show that there are no material uncertainties over going concern, and that, even under the severe but plausible scenarios, the Group will continue to have sufficient liquidity and headroom to operate within the terms of its banking covenants. The Board, therefore, have concluded the going concern basis of preparation continues to be appropriate.

Foreign exchange

Transactions in foreign currencies are translated at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date, with the resulting exchange differences recognised in the income statement.

The accounts of each subsidiary are prepared using the functional currency of that subsidiary. The income statements of foreign subsidiary undertakings are translated into pounds sterling at average exchange rates on consolidation. The assets and liabilities of overseas subsidiaries (which comprise the Group's net investment in foreign operations) are translated at the exchange rate ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity within the foreign exchange reserve.

Consolidation

The Group's financial statements consolidate the results of the Company and its subsidiary entities, and include the share of its joint ventures' and associates' results accounted for under the equity method.

A subsidiary is an entity controlled by the Group. The Group controls a subsidiary when it is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The results of subsidiaries are included from the date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. Intra-group transactions, balances, income, and expenses are eliminated on consolidation.

Where a consolidated company is less than 100% owned by the Group, the treatment of the non-controlling interest share of the results and net assets is dependent on how the non-controlling interests' equity award is accounted for. Where the equity is accounted for as a share-based payment award under IFRS 2, all dividend outflow is taken to staff costs, and there is no non-controlling interest. In all other cases, the non-controlling interest share of the results and net assets is recognised at each reporting date in equity, separately from the equity attributable to the shareholders of the Company.

Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out in the relevant notes. These policies have been applied consistently to all the years presented, unless otherwise stated.

Critical accounting policies

Certain of the Group's significant accounting policies are considered by the Directors to be critical, due to the level of complexity, judgement, or estimation involved in their application and their potential impact on the consolidated financial statements. The critical accounting policies are listed below and explained in more detail in the relevant notes to the Group financial statements.

Revenue recognition

The Group applied IFRS 15 Revenue on contracts with customers from the start of 2018.

The Group's revenue is earned from the provision of advertising and marketing services, together with commission-based income in relation to media spend and commission-based income in relation to talent performance. Revenue from contracts with customers is recognised as, or when, the performance obligations present within the contractual agreements are satisfied. Depending on the arrangement with the client, the Group may act as principal or as agent in the provision of these services.

See note 4 for a full listing of the Group's revenue accounting policies.

Put option accounting (IFRS 2 and IFRS 9)

It is common for equity partners in the Group's subsidiaries to hold put options over their equity, such that they can require the Group to purchase their non-controlling interest for either a variable number of the Company shares or cash. Dependent on the terms and substance of the underlying agreement, these options are either recognised as a put option liability under IFRS 9 (note 26) or as a put option under IFRS 2 (note 27) - see significant judgements below.

An IFRS 9 scheme should be considered as reward for future business performance and is not conditional on the holder being an employee of the business. These instruments are recognised in full at the amortised cost of the underlying award on the date of inception, with both a liability on the balance sheet and a corresponding amount within the minority interest put option reserve being recognised. At each period end, the amortised cost of the put option liability is calculated in accordance with the put option agreement, to determine a best estimate of the future value of the expected award. Resultant movements in the amortised cost of these instruments are charged to the income statement within finance income/expense. The put option liability will vary with both the Group's share price and the subsidiary's financial performance. Upon exercise of an award by a holder, the liability is extinguished and the associated minority interest put option reserve is transferred to the non-controlling interest acquired reserve.

An IFRS 2 scheme should be considered as reward for future business performance and is conditional on the holder being an employee of the business. These schemes are recognised as staff costs over the vesting period (if equity-settled) or until the option is exercised (if cash-settled). In September 2021, the Board made the decision to move to cash settlement of these put options going forward. This required a fair value assessment on the day of the modification and a movement between reserves and liabilities.

See note 27 for a full description of the Group's accounting policy for IFRS 2 put options.

Headline results

As stated in the Financial Review, the Directors believe that the Headline results and Headline earnings per share (see note 1) provide additional useful information on the underlying performance of the business. The Headline results reflect the underlying profitability of the business units, by excluding a number of items that are not part of routine business income and expenses.

In addition, the Headline results are used for internal performance management and reward, and they are also used to calculate minority shareholder put option liabilities. The term 'Headline' is not a defined term in IFRS. Note 1 reconciles Statutory results to Headline results and the segmental reporting (note 3) reflects Headline results, in accordance with IFRS 8.

The items that are excluded from Headline results are:

- Exceptional separately disclosed items that are one-off in nature and are not part of running the business.
- Acquisition-related costs.
- Gains or losses generated by disposals of subsidiaries and associates.
- Fair value adjustments to unlisted equity investments, acquisition related contingent consideration and put options.
- Dividends paid to IFRS 2 put option holders.

Unlisted investments

The Group holds certain unlisted equity investments which are classified as financial assets at FVTPL (see note 19). These investments are initially recognised at their fair value. At the end of each reporting period, the fair value is reassessed, with gains or losses being recognised in the income statement.

Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. The estimates and judgements that are made are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the financial statements within the next financial year are outlined below:

Significant accounting judgements

Management has made the following judgements, which have the most significant effect in terms of the amounts recognised, and their presentation, in the consolidated financial statements.

Non-controlling interest put option accounting - IFRS 2 or IFRS 9

The key judgement is whether the awards are given beneficially as a result of employment, which can be determined where there is an explicit service condition, where the award is given to an existing employee, where the employee is being paid below market value or where there are other indicators that the award is a reward for employment. In such cases, the awards are accounted for as a share-based payment in exchange for employment services under IFRS 2.

Otherwise, where the holder held shares prior to the Group acquiring the subsidiary, or gained the equity to start a subsidiary using their unique skills, and there are no indicators it should be accounted for under IFRS 2, then the award is accounted for under IFRS 9.

Impairment - assessment of CGUs and assessment of indicators of impairment

Impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. Assets with finite lives are reviewed for indicators of impairment (an impairment "trigger") and judgement is applied in determining whether such a trigger has occurred. External and internal factors are monitored by management, including a) adverse changes in the economic or political situation of the geographic locale in which the underlying entity operates, b) heightened risk of client loss or chance of client gain, and c) internal reporting suggesting that an entity's future economic performance is better or worse than previously expected. Where management have concluded that such an indication of impairment exists, then the recoverable amount of the asset is assessed.

The Group assesses whether an impairment is required by comparing the carrying value of the CGU assets (including the

right-of-use assets under IFRS 16) to their value in use. Discounted cash flow models, based on the Group's latest budget and 3 year financial plan, and a long term growth rate, are used to determine the recoverable amount for the CGUs. The appropriate estimates and assumptions used require judgement and there is significant estimation uncertainty. The results of impairment reviews conducted at the end of the year are reported in note 14 (Intangible Assets), note 15 (Investments in associates and joint ventures), and note 17 (Leases).

The Group has recognised a total impairment charge of £564k in the year (2021: £3,294k), of which £728k relates to Intangibles (2021: £2,937k) and £164k relates to the reversal of a previous impairment of right-of-use assets, for a property which has been sublet in 2022 (2021: £Nil). There was no impairment in the year of plant and equipment (2021: £Nil), or associate investments (2021: £357k).

Significant estimates and assumptions

Some areas of the Group's financial statements are subject to key assumptions and other significant sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group has based its assumptions and estimates on parameters available when the financial statements were prepared.

Deferred tax assets

The Group assesses the future availability of carried forward losses and other tax attributes, by reference to jurisdiction-specific rules around carry forward and utilisation, and it assesses whether it is probable that future taxable profits will be available against which the attribute can be utilised.

Fair value measurement of financial instruments

The Group holds certain financial instruments, which are recorded on the balance sheet at fair value at the point of recognition and remeasured at the end of each reporting period. At the year-end these relate to:

- i. equity investments at FVTPL in non-listed limited companies (note 19); and
- ii. certain contingent consideration (note 13).

No formal market exists to trade these financial instruments and, therefore, their fair value is measured by the most appropriate valuation techniques available, which vary based on the nature of the instruments. The inputs to the valuation models are taken from observable markets where possible, but, where this is not feasible, judgement is required to establish fair values.

The basis of calculation of the estimated fair value of these financial instruments (in addition to sensitivity analyses on the estimates' salient inputs) is detailed in note 29.

Share-based incentive arrangements

Share-based incentives are valued at the date of the grant, using stochastic Monte Carlo pricing models with non-market vesting conditions. Typically, the value of these awards is directly related to the performance of a particular entity of the Group in which the employee holds a minority interest. The key inputs to the pricing model are risk-free interest rates, share price volatility and expected future performance of the entity to which the award relates. Management apply judgement to these inputs, using various sources of information, including the Group's share price, experience of past performance and published data on risk-free interest rates (government gilts).

Details of awards made in the year are shown in note 27.

Leasing estimates

Within IFRS 16, two estimates are used for the recognition of new leases and making amendments to existing leases:

- i. Derivation of the interest rate used for discounting future cash flows - the discount rate used in the calculation of the lease liability involves estimation on a lease-by-lease basis. This involves an estimate of incremental borrowing costs, driven by the territory risk (which comprises both the currency used and the risk-free rates of that country), the date of lease inception, and the lease term.
- ii. Anticipated length of lease term - IFRS 16 defines the lease term as the non-cancellable period of a lease, together with the options to extend or terminate a lease, if the lessee is reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group takes a view, at inception, as to whether it is reasonably certain that the option will be exercised. This will take into account the length of time remaining before the option is exercisable, current trading, future trading forecasts and the level and type of any planned capital investment. The assessment of whether the option will be exercised is reassessed in each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and a material adjustment to the associated balances.

Non-statutory accounts statement

The financial information for the year ended 31 December 2022 and the year ended 31 December 2021 does not constitute the company's statutory accounts for those years.

Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2022 will be delivered to the Registrar of Companies in due course.

The auditor's reports on the accounts for 31 December 2022 and 2021 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain any statement under 498(2) or 498(3) of the Companies Act 2006.

Notes to the Financial Statements

1. Headline results and earnings per share

The analysis below provides a reconciliation between the Group's Statutory results and the Headline results for the current year.

Year ended 31 December 2022	Note	Statutory 2022		Amortisation of acquired intangibles (note 14) £000	Impairment of non-current assets under IFRS 9 (note 14 & 17) £000	FVTPL investments under IFRS 9 (note 19) £000	Revaluation of contingent consideration (note 19) £000
		£000	Separately disclosed items (note 2) £000				
Billings (unaudited)		597,520	-	-	-	-	-
Revenue		462,533	-	-	-	-	-
Net revenue		271,140	-	-	-	-	-
Staff costs	5	(198,765)	3,412	-	-	-	-
Depreciation	16,17	(9,326)	-	-	-	-	-
Amortisation	14	(1,060)	-	597	-	-	-
		---	---		---	---	---

Impairments	14,17	(564)	-	-	564	-	
Other operating charges		(49,474)	9,940	-	-	(272)	2
Other losses	19	(1,403)	-	-	-	1,403	
Operating profit	10,548	13,352	597	564	1,131	2	
Share of results of associates and JV	15	(10)	-	-	-	-	
Finance income	7	391	-	-	-	-	
Finance expense	7	(5,506)	-	-	-	456	
Profit before taxation	8	5,423	13,352	597	564	1,587	2
Taxation	8	(5,178)	(1,982)	(174)	-	(409)	
Profit for the year	245	11,370	423	564	1,178	2	
Non-controlling interests		(155)	-	-	-	-	
Profit attributable to equity holders of the Group**	90	11,370	423	564	1,178	2	

* The non-controlling interest charge is moved to operating profit due to underlying equity being defined as a IFRS 2 put option.

** Headline earnings are profit attributable to equity holders of the Group after adding back the adjustments noted above.

1. Headline results and earnings per share continued

The analysis below provides a reconciliation between the Group's Statutory results and the Headline results for the prior year.

Year ended 31 December 2021	Note	Statutory 2021 £000	Separately disclosed items (note 2) £000	Amortisation of acquired intangibles (note 14) £000	Impairment of non-current assets (note 14 & 15) £000	Gain on disposal of subsidiaries and related costs (note 11) £000	Revaluation of associates on transition to subsidiaries (note 15) £000	FVTPL investments under IFRS 9 (note 19) £000
Billings (unaudited)		533,350	-	-	-	-	-	-
Revenue		394,575	-	-	-	-	-	-
Net revenue		249,336	-	-	-	-	-	-
Staff costs	5	(172,493)	(3,975)	-	-	28	-	-
Depreciation	16,17	(9,196)	-	-	-	-	-	-
Amortisation	14	(1,412)	-	965	-	-	-	-
Impairments	14	(2,937)	-	-	2,413	-	-	-
Other operating charges		(39,573)	192	-	-	97	-	664
Other gains	19	3,533	-	-	-	-	-	(3,533)
Operating profit		27,258	(3,783)	965	2,413	125	-	(2,869)
Share of results of associates and JV	15	(190)	-	-	-	-	234	-
Gain on disposal of subsidiaries	11	42	-	-	-	(42)	-	-
Impairment of associate investment	15	(357)	-	-	357	-	-	-
Finance income	7	260	-	-	-	-	-	-
Finance expense	7	(5,381)	-	-	-	-	-	359
Profit before taxation	8	21,632	(3,783)	965	2,770	83	234	(2,510)
Taxation	8	(8,459)	743	(246)	-	-	-	680
Profit for the year		13,173	(3,040)	719	2,770	83	234	(1,830)
Non-controlling interests		(416)	-	-	-	-	-	-
Profit attributable to equity holders of the Group**		12,757	(3,040)	719	2,770	83	234	(1,830)

* The non-controlling interest charge is moved to operating profit due to underlying equity being defined as a IFRS 2 put option.

**Headline earnings are profit attributable to equity holders of the Group after adding back the adjustments noted above.

Headline results and earnings per share continued

Earnings per share

Basic and diluted earnings per share are calculated by dividing the appropriate earnings metrics by the weighted average number of shares of the Company in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of the Company's ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. Anti-dilutive potential ordinary shares are excluded. The dilutive effect of unvested outstanding options is calculated based on the number that would vest had the balance sheet date been the vesting date. Where schemes have moved from equity to cash payment and vice-versa the potential dilution is calculated as though they had been in their year-end position for the whole year.

Year ended 31 December 2022	2022	Headline 2022
Profit attributable to equity shareholders of the Group (£000)	90	18,105
Basic earnings per share		
Weighted average number of shares (thousands)	122,257	122,257
Basic EPS	0.07p	14.81p
Diluted earnings per share		
Weighted average number of shares (thousands) as above	122,257	122,257
Add		
- LTIP	905	905
- Put options	11,302	11,302
Total	134,464	134,464
Diluted EPS	0.07p	13.47p

Excluding the put options (payable in cash)	(11,302)	(11,302)
Weighted average number of shares (thousands) including dilutive shares	123,162	123,162
Diluted EPS - excluding items the Group intends and is able to pay in cash	0.07p	14.70p

	2021	Headline 2021
Year ended 31 December 2021		
Profit attributable to equity shareholders of the Group (£000)	12,757	13,687
Basic earnings per share		
Weighted average number of shares (thousands)	121,130	121,130
Basic EPS	10.53p	11.30p
Diluted earnings per share		
Weighted average number of shares (thousands) as above	121,130	121,130
Add		
- LTIP	178	178
- Restrictive Shares	649	649
- Deferred consideration (payable in cash)	695	695
- Put options (payable in cash)	13,342	13,342
Total	135,994	135,994
Diluted EPS	9.38p	10.06p
Excluding the deferred consideration (payable in cash)	(695)	(695)
Excluding the put options (payable in cash)	(13,342)	(13,342)
Weighted average number of shares (thousands) including dilutive shares	121,957	121,957
Diluted EPS - excluding items the Group intends and is able to pay in cash	10.46p	11.22p

2. Separately disclosed items

Policy

Separately disclosed items include one off, non-recurring revenues or expenses. These are shown separately and are excluded from Headline profit to provide a better understanding of the underlying results of the Group.

Analysis

Separately disclosed items for the year ended 31 December 2022 comprise of the following:

2022	Operating costs £000	Staff costs £000	Taxation £000	After tax total £000
Takeover transaction costs	9,210	1,623	(1,294)	9,539
Strategic review and restructuring	992	1,789	(688)	2,093
Other	(262)	-	-	(262)
Total separately disclosed items	9,940	3,412	(1,982)	11,370

During 2022, the Company has been subject to two competing bids to take control and full ownership of the business. Managing the Company's response to these two bids has resulted in a number of external advisory costs and a refocusing of several key internal personnel away from the day-to-day running of the business. Included in the above is £811k related to senior management costs (including £360k representing CEO time), as an estimate of time spent on the transaction where they have been unable to undertake other planned strategic activities and day-to-day management of the business. In addition, incremental bonus costs were paid to several key individuals of £594k to reflect the significant additional workload they had to undertake.

In 2022, the Group has commenced a global cost efficiency programme, with the assistance of PricewaterhouseCoopers LLP. The professional fees incurred in relation to this project have been classified as non-Headline (£992k). In addition, within three of the agencies in the Group, a strategic review has been commenced which has resulted in staff redundancy costs in the year (£1,789k).

Other separately disclosed items relate to the release of the provision associated with the Financial Conduct Authority investigation, which is now closed with no enforcement action being taken, the cost of which was previously treated as non-Headline. In addition, legal fees were incurred in relation to a put option.

Separately disclosed items for the year ended 31 December 2021 comprise the following:

2021	Operating costs £000	Staff costs £000	Taxation £000	After tax total £000
Strategic review and restructuring	192	(2,751)	466	(2,093)
Forgiveness of US Payment Protection Program ("PPP") loan	-	(2,200)	462	(1,738)
Repayment of UK furlough money	-	976	(185)	791
Total separately disclosed items	192	(3,975)	743	(3,040)

In 2021, the Group recognised the repayment of the UK furlough money that was received in 2020 and the forgiveness of the US "PPP" loans that were received in 2020. Included within strategic review and restructuring are the release of a long-term incentive plan accrual for a previous employee who is no longer part of the business (£1.8m of this relates to pre-2021), and the lease surrender expense, due to restructuring of two lease spaces.

3. Segmental information

Headline segmental income statement

Segmental results are reconciled to the income statement in note 1. The Board reviews Headline results.

The Group's operating segments are aligned to those business units that are evaluated regularly by the chief operating

The Group's operating segments are assigned to those business units that are evaluated together, i.e., the chief operating decision maker ("CODM"), namely, the Board, in making strategic decisions, assessing performance, and allocating resources.

The operating segments have historically comprised of individual country entities, the financial information of which is provided to the CODM and is aggregated into specific geographic regions on a headline basis, with each geographic region considered a reportable segment. Each country included in that region has similar economic and operating characteristics. The products and services provided by entities in a geographic region are all related to marketing communications services and generally offer complementary products and services to their customers.

The Group's performance is also assessed under a structure of specialisms, and this is reported under two segments: Advertising and High Growth Specialisms, excluding Group Central Costs.

Segmental Information by Geography

Year Ended 31 December 2022	UK £000	Europe £000	Middle East and Africa £000	Asia £000	Australia £000	Ar
Net revenue	98,241	15,316	23,368	26,154	52,855	
Operating profit / (loss)	19,528	1,852	2,625	6,951	5,817	
Operating profit margin	19%	12%	11%	29%	11%	
Profit / (loss) before tax	17,416	1,832	2,345	6,757	4,904	

Year Ended 31 December 2021*	UK £000	Europe £000	Middle East and Africa £000	Asia £000	Australia £000	Am
Net revenue	95,104	15,207	20,216	23,324	53,997	4
Operating profit / (loss)	17,837	1,929	2,842	7,331	5,832	
Operating profit margin	19%	13%	14%	31%	11%	
Profit / (loss) before tax	17,426	1,906	2,430	6,702	5,257	

*2021 figures have been restated to bring geographical split of Performance entities in line with internal management reporting.

Included within the Group's revenues is a customer that makes up more than 10% of total revenue, contributing £32.8m (2021: £23.6m). This is included within UK, Americas and within the High Growth Specialisms.

Segmental Information by Specialisms

Year Ended 31 December 2022	Advertising £000	High Growth Specialisms £000	Group Central Costs £000	Total £000
Net revenue	124,300	146,840	-	271,140
Operating profit / (loss)	11,728	35,015	(11,355)	35,388
Operating profit margin	9%	24%	-	13%
Profit / (loss) before tax	9,928	31,604	(9,699)	31,833

Year Ended 31 December 2021	Advertising* £000	High Growth Specialisms* £000	Group Central Costs £000	Total £000
Net revenue	122,141	122,141	-	249,336
Operating profit / (loss)	11,052	32,244	(12,160)	31,136
Operating profit margin	9%	26%	-	12%
Profit / (loss) before tax	9,370	30,792	(12,848)	27,314

*In 2022 two agencies were included in High Growth Specialisms, compared to Advertising in 2021. The figures relating to these entities in 2021 were net revenue, £2,623k, operating loss, £175k and loss before tax, £156k.

4. Revenue from contracts with customers

Billings comprise all gross amounts billed, or billable, to clients and is stated exclusive of VAT and sales taxes. Billings is a non-GAAP measure and is included as it influences the quantum of trade and other receivables recognised at a given date. The difference between Billings and Revenue is represented by costs incurred on behalf of clients with whom entities within the Group operate as an agent, and timing differences, where invoicing occurs in advance or in arrears of the related revenue being recognised.

Net revenue is a non-GAAP measure and is reviewed by the CODM and other stakeholders as a key metric of business performance (note 3).

Revenue recognition policies

Revenue is stated exclusive of VAT and sales taxes. Net revenue is exclusive of third-party costs recharged to clients, where entities within the Group are acting as principal.

Performance obligations

At the inception of a new contractual arrangement with a customer, the Group identifies the performance obligations inherent in the agreement. Typically, the terms of the contracts are such that the services to be rendered are considered to be either integrated or to represent a series of services that are substantially the same with the same pattern of transfer to the customer. Accordingly, this amalgam of services is accounted for as a single performance obligation.

Where there are contracts with services which are distinct within the contract, then they are accounted for as separate obligations. In these instances, the consideration due to be earned from the contract is allocated to each of the performance obligations, in proportion to their stand-alone selling price.

Further discussion of performance obligations arising in terms of the main types of services provided by the Group, in addition to their typical pattern of satisfaction, is provided below.

Measurement of revenue

Based on the terms of the contractual arrangements entered into with customers, revenue is typically recognised over time. This is based on either the fact that (i) the assets generated under the terms of the contracts have no alternative use to the Group and there is an enforceable right to payment, or (ii) the client exerts editorial oversight during the course of the assignment such that they control the service as it is provided.

Principal vs agent

When a third-party supplier is involved in fulfilling the terms of a contract then, for each performance obligation identified, the Group assesses whether the Group is acting as principal or agent. The primary indicator used in this assessment is whether the Group is judged to control the specified services prior to the transfer of those services to the customer. In this instance it is typically concluded the Group is acting as principal.

When entities within the Group act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers are excluded from revenue. When the Group acts as principal the revenue recorded is the gross amount billed and when allowable by the terms of the contract, out-of-pocket costs, such as travel, are also recognised as the gross amount billed with a corresponding amount recorded as an expense.

Treatment of costs

Costs incurred in relation to the fulfilment of a contract are generally expensed as incurred if revenue is recognised over time.

Disaggregation of revenue

The Group monitors the composition of revenue earned by the Group on a geographic basis and by specialism.

Revenue	Reported		
	2022		2022 vs 2021
	£m	£m	Movement
Advertising*	221.8	193.8	14.5%
Media	36.6	33.1	10.6%
Issues	92.7	87.7	5.7%
Consulting*	45.9	39.5	16.1%
Passions*	65.5	40.5	61.6%
Group	462.5	394.6	17.2%

*Included in 2021 Advertising Revenue is £2,441k relating to an agency recognised in Passions in 2022 and £1,345k relating to an agency recognised in Consulting in 2022.

Revenue	Reported		
	2022		2022 vs 2021
	£m	£m	Movement
UK	139.3	101.1	38.1%
Europe	24.9	26.9	(7.5)%
Middle East & Africa	53.0	37.9	39.8%
Asia	39.0	41.3	(5.7)%
Australia	89.5	82.8	8.%
Americas	116.8	104.6	11.5%
Group	462.5	394.6	17.2%

Assets and liabilities related to contracts with customers

Contract assets and liabilities arise when there is a difference (generally due to timing) in the amount of revenue which can be recognised and the amount which can be invoiced under the terms of the contractual arrangement.

Where revenue earned from customers is recognised over time, many of the Group's contractual arrangements have terms which permit the Group to remit invoices for the amount of work performed to date on a specific contract (described in the accounting policies as 'right-to-invoice'). Where the terms of a contractual arrangement do not carry such right to invoice, then a contract asset is recognised over time, as work is performed until such point that an invoice can be remitted.

Where revenue earned from customers is recognised at a point in time, then this will be dependent on satisfaction of a specific performance obligation. At such point, it is usual that there are no other conditions required to be met for receipt of consideration and, as such, a trade receivable should be recognised at the point the entity's right to consideration is unconditional, which normally will be at the time the PO is satisfied (which may not be the same as when an invoice is raised).

Contract liabilities comprise instances where a customer has made payments relating to services prior to their provision. Where payments are received in advance, IFRS 15 requires assessment of whether these cash transfers contain any financing component. Under the terms of the contractual arrangements entered into by entities within the Group, there are no instances where such financing elements arise. This is the case even for those arrangements where the Group receives monies more than a year in advance by virtue of the terms of the contractual agreement so entered into.

The Group operates a standard 30 day credit terms policy. All contract liabilities and contract assets (other receivables per note 20) brought forward have been recognised in the current period.

Revenue recognition policies and performance obligation satisfaction by category of services performed

Further details regarding revenue recognition and performance obligations of the Group's main service offerings are summarised below.

Provision of advertising and marketing services

The provision of advertising and marketing services to clients typically meets the criteria identified above for revenue to be recognised over time. The quantum of revenue to be recognised over the period of the assignments is either based on the 'right-to-invoice' expedient or as the services are provided, depending on the contractual terms. In measuring the progress of services provided in an assignment, the Group uses an appropriate measure depending on the circumstances, which may include inputs (such as internal labour costs incurred) or outputs (such as media posts). Where projects are carried out under contracts, the terms of which entitle an entity within the Group to payment for its performance only when a discrete point is reached (such as an event has occurred or a milestone has been reached), then revenue is recognised at the time that

payment entitlement occurs, i.e. at a point in time.

The provision of advertising and marketing services can encompass provision of a range of media deliverables in addition to development and deployment of a media strategy. Regular assessment of the effectiveness of the project with regards to the objective of the contractual arrangement may also be included. Often the range of services provided within these arrangements is considered to be integrated to an extent that no separable performance obligations can be identified other than a single over-arching combined performance obligation relating to the delivery of the project. In these instances, revenue is recognised over time as the performance obligation is being satisfied depending on the circumstances, which may include inputs (such as internal labour costs incurred) or outputs (such as media posts).

When services provided are considered separable, and not integrated, then multiple performance obligations are recognised. Multiple performance obligations are most common in projects where there are clearly separable conceptual preparatory obligations culminating in a customer deliverable, such as an event. In these scenarios the conceptual preparation element and the deliverable are concluded as forming separate performance obligations with the revenue and corresponding cost of sales (typically third-party pass-through costs) assigned to the obligation to which they relate.

Whilst it is uncommon for projects to be such that revenue is not able to be recognised over time, examples can occur. In these instances, the element of the transaction price assigned to each performance obligation (in proportion to stand-alone selling prices) is recognised as revenue once an obligation has been fully satisfied, for example an event has occurred or a milestone has been reached.

The entity within the Group enters into retainer fees that relate to arrangements whereby the nature of the entity's contractual promise is to agree to 'stand-ready' to deliver services to the customer for a period of time rather than to deliver the goods or services underlying that promise. Revenue relating to retainer fees is recognised over the period of the relevant assignments or arrangements, typically in line with the 'stand-ready' incurred costs.

Where fees are remunerated to the agency in excess of the services rendered then a contract liability is recognised. Conversely where the services rendered are in excess of the actual fees paid, then a contract asset is recognised when there is a right to consideration.

Certain of these arrangements have contractual terms relating to the agency meeting specific customer identified KPIs. As a result, the overall level of consideration can vary by increasing or decreasing as a result of performance against these KPI metrics. To reflect this variability in the overall level of consideration, management estimate the most likely outcome and then reflect that outcome in the revenue recognised as the performance obligation(s) of the contract are satisfied. When determining the likely outcome position the estimated consideration is such that it is highly probable there will not be a significant reversal of the revenue in the future. The estimated portion of the variable element is recalculated at the earlier of the completion of the contract or the next reporting period and revenue is adjusted accordingly. These estimates are based on historical award experience, anticipated performance and best judgement at the time.

Commission based income in relation to media spend

The Group arranges for third parties to provide the related goods and services to its customers in the capacity of an agent. Revenue is recognised in relation to the amount of commission the Group is entitled to. Often additional integrated services are provided at the same time with regards to the development and deployment of an overarching media strategy. Due to the integration of the services provided under the terms of the contract, management judgement is applied to assess whether there is a single combined performance obligation.

The performance obligation for media purchases is considered to have been satisfied when the associated advertisement has been purchased. In the majority of instances where the Group purchases media for clients, the Group is acting as agent.

Commission based income in relation to talent performance

Revenue in relation to talent performance involves the Group acting as agent. Typically, such arrangements have a single, or a sequence, of specific performance obligations relating to the talent (or other third party) providing services. The performance obligations are generally satisfied at a point in time once the service has been provided, at which point, revenue is recognised. The consideration for the services is normally for a fixed amount (as a percentage of the talent's fee) with no degree of variability.

Recognition of supplier discounts and rebates as revenue from contracts with customers

The Group receives discounts and rebates from certain suppliers for transactions entered into on behalf of clients, which the clients have agreed the Group can retain. When the contractual terms of the agreements entered into are such that the Group acts as agent in these instances, then such rebates are recognised as revenue from contracts with customers. By contrast, when the contractual terms of the agreements are such that the Group is acting as principal then such rebates are recognised as a reduction in direct costs. Certain of the Group's clients, however, have contractual terms such that the pricing of their contracts is structured with the rebate being passed through to them.

5. Staff costs

Policy

Contributions to personal pension plans are charged to the income statement in the period in which they are due. Bonuses are given on an ad hoc basis, or as otherwise agreed, and are accrued in the year to which the services performed relate (when there is an expectation these will be awarded).

Staff costs (including Directors)

Year ended 31 December	2022 £000	2021 £000
Wages and salaries	156,476	141,615
Social security costs	16,152	13,085
Pension costs	8,833	5,403
Other staff costs*	5,832	6,950
Total	187,293	167,053
Allocations and dividends paid to holders of IFRS 2 put options	1	7,811
Share based incentive plans:		5,270
Cash settled	27	2,432
Equity settled	27	(2,065)
		1,229
Total share based incentive plans		170
Total staff costs	198,765	172,493

*Other staff costs include profit share, LTIP charges and other staff benefits.

Staff numbers

	2022	2021
UK	772	734
Europe	166	161
Middle East and Africa	421	383
Asia	596	592
Australia	439	465
Americas	340	318
Total	2,734	2,653

These staff numbers are based on the average number of staff throughout the year in 2022.

Pensions

The Group does not operate any defined benefit pension schemes. The Group makes payments, on behalf of certain individuals, to personal pension schemes.

Compensation for key management personnel and directors

Key management remuneration	2022	2021
	£000	£000
Wages and salaries	2,214	2,741
Pension costs	53	82
Share based payments*	381	268
Total	2,648	3,091

*Included within share based payments is £174k (2021: £220k) relating to Mickey Kalifa who left the Company in May 2022.

Key management personnel include the Directors and employees responsible for planning, directing and controlling the activities of the Group.

6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group:

Year ended 31 December	2022
	£000
Audit services	
Fees payable to the Company's auditor for the audit of the Company's annual accounts	1,506
Fees payable to associates of the Company's auditor for the audit of the accounts of subsidiaries	174
Audit fees relating to the prior period	300
	1,980
Other services provided by the Auditors:	
Other assurance services - interim agreed upon procedures	25
Corporate finance services	499
Taxation compliance services	168
Taxation advisory services	176
	868
Total	2,848

7. Net finance expense**Policy**

Interest income and expense, including fair value adjustments to IFRS 9 put options, are recognised in the income statement in the period in which they are incurred, except for the amortisation of loan costs which are recognised over the life of the loan.

Analysis

Year ended 31 December	2022 £000	2021 £000
Bank interest receivable	331	187
Other interest receivable	55	47
Sublease finance income	5	26
Financial income	391	260
Bank interest payable	(1,200)	(1,555)
Amortisation of loan costs	(222)	(130)
Interest on lease liabilities	(2,970)	(2,800)
Valuation adjustment to IFRS 9 put option liabilities (Note 26)	(1,114)	(896)
Financial expense	(5,506)	(5,381)
Net finance expense	(5,115)	(5,121)

8. Current taxation

Policy

Current tax, including UK and foreign tax, is provided for using the tax rates and laws that have been substantively enacted at the balance sheet date.

Analysis

Income statement charge for year ended 31 December	2022 £000	2021 £000
Taxation in the year		
UK	730	1,832
Overseas	3,020	4,470
Withholding taxes payable	14	31
Adjustment for (over) / under provision in prior periods	(986)	1,476
Total	2,778	7,809
Deferred taxation		
Recognition of temporary differences	1,719	1,651
Adjustment for under / (over) provision in prior periods	709	(974)
Effect of changes in tax rates	(28)	(27)
Total	2,400	650
Total taxation	5,178	8,459

The differences between the actual tax and the standard rate of corporation tax in the UK applied to the Group's statutory profit for the year are as follows:

Year ended 31 December	2022 £000	2022 %
Profit before taxation	5,423	21
Taxation at UK corporation tax rate of 19.00% (2019: 19.00%)	1,030	19.0%
Expenses not deductible for tax	1,314	24.2%
Different tax rates applicable in overseas jurisdictions	1,081	20.0%
Option charges not deductible for tax	1,070	19.7%
Tax losses for which no deferred tax asset was recognised	834	15.4%
Impairment with no tax credit	138	2.5%
Withholding taxes payable	14	0.3%
Tax effect of associates	2	0.0%
Effect of changes in tax rates on deferred tax	(28)	-0.5%
Adjustment for tax (over)/under provision in prior periods	(277)	-5.1%
Effect of changes in tax rates	-	0.0%
Disposal of subsidiaries on which no tax is charged	-	0.0%
Total taxation	5,178	95.5%
Effective tax rate	95.5%	3

Large variations in future tax rates of the statutory accounts are expected due to significant items such as share-based payments (option charges) and put options being non-deductible against corporation tax as a result of these items being capital in nature.

The key differences between actual and standard tax rates are as follows:

- Expenses not deductible for tax: in 2022 two parties tried to acquire the Company and a proportion of the defence costs was disallowable due to their being capital in nature. This increased the non-deductible expenses. In addition, as the world returned to normal following the Covid-19 pandemic, there was increased client entertaining which is disallowable for corporation tax purposes. There were also capital allowances resulting from office refurbishment that could not be claimed.
- Option charges include dividends paid to those shareholders in the subsidiary companies that also have a put option arrangement in place within that entity, which are not deductible for tax: the Group's share-based payment schemes mostly relate to equity held in subsidiary companies. The Group generally receives no tax benefit on the exercise of these put options nor on the payment of the dividends.
- Different tax rates applicable in overseas jurisdictions. The Group operates in multiple locations round the world where tax rates are higher than the UK, e.g., Australia (30%) and USA (between 21% to 28%).
- The net effect of the adjustment for current and deferred tax in prior periods is a release of an over provision of

- The net effect of the adjustment for current and deferred tax in prior periods is a release of an over-provision of £279k (2021: £491k under provision) of total tax charge.
- Impairment with no tax credit: On most of the acquisitions no tax benefit was received from the acquisition of goodwill. During the period some of the goodwill was impaired with no future tax benefit of such impairments.

Looking forward, UK corporation tax will increase from 19% to 25% from April 2023. Large variations in future tax rates are expected due to significant items such as share-based payments (option charges), put options and investment in subsidiaries being non-deductible against corporation tax as a result of these items being capital in nature.

Tax on Headline profits

As can be seen in the Headline tax reconciliation, the largest drivers of Headline tax charge are the local entities' profitability with central costs being incurred in the UK, a lower tax market, and profits being made in higher tax countries such as Australia and USA.

Our Headline tax rate has reduced from 26.6% to 24.5%. The reduction is due to the use of prior years' tax losses (caused in part by the Covid-19 pandemic) to offset current profitability and an increase in profits from countries with lower tax rates, partly offset by increased expenditure on disallowable costs.

Year ended 31 December	2022	£000
Headline profit before taxation (Note 1)	31,833	
Taxation at UK corporation tax rate of 19.00% (2021: 19.00%)	6,048	1
Different tax rates applicable in overseas jurisdictions	1,297	
Tax losses for which no deferred tax asset was recognised	683	
Expenses not deductible for tax	781	
Effect of changes in tax rates on deferred tax	29	
Withholding taxes payable	14	
Tax effect of associates	2	
Adjustment for tax (over)/under provision in prior periods	(246)	
Non-controlling interest share of partnership income	(818)	
Effect of changes in tax rates	-	
Headline taxation (Note 1)	7,790	2
Headline effective tax rate	24.5%	

9. Deferred taxation

Policy

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not, however, provided for temporary differences that arise from: (i) initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, (ii) the initial recognition of goodwill.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the Group intends to settle its current tax assets and current tax liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Analysis

At 31 December	2022	2021
	£000	£000
Deferred tax assets	5,131	6,777
Deferred tax liabilities	(1,245)	(777)
Net deferred tax	3,886	6,000

The Deferred tax asset is recoverable against future profits, and future corporation tax liabilities. The following table shows the deferred tax asset / (liability) recognised by Group and movements in 2022 and 2021.

	Intangibles	Capital allowances	Tax losses	Purchased investments
				£000
At 31 December 2020	236	1,326	8,503	(465)
Exchange differences	(16)	(52)	(337)	
Income statement (charge) / credit	(47)	103	(4,460)	(767)
Acquisitions	(1,150)	-	71	
At 31 December 2021	(977)	1,377	3,777	(1,232)
Exchange differences	124	(15)	(198)	
Income statement (charge) / credit	484	581	(1,561)	238
At 31 December 2022	(369)	1,943	2,018	(994)

Based on the 2023 budget and 3-year plans, approved by the Board, the Group has reviewed the deferred tax asset created by tax losses for their recoverability. Where the Group believes such losses may not be recoverable they have not been recognised on the balance sheet and have been included in unrecognised deferred tax assets.

Within the local entities £1,556k (2021: £3,101k) of deferred tax has been naturally offset. Disregarding this offset, the split

of deferred tax is as follows:

	Intangibles £000	Capital allowances £000	Tax losses £000	Purchased investments £000
At 31 December 2021				
Deferred tax assets	47	1,377	3,777	-
Deferred tax liabilities	(1,024)	-	-	(1,232)
Net deferred tax	(977)	1,377	3,777	(1,232)
At 31 December 2022				
Deferred tax assets	706	1,943	2,304	-
Deferred tax liabilities	(1,075)	-	(286)	(994)
Net deferred tax	(369)	1,943	2,018	(994)

The working capital differences mostly relate to the tax effects of working capital in Australia which calculates tax on a cash basis rather than the accruals basis used in other countries; along with the continuing tax effects of the adoption of IFRS16 (Leases); and tax provision on any long term deferred bonuses.

UK tax legislation was implemented on 24 May 2021 which increased the UK corporation tax from 19% to 25% with effect from 1 April 2023. The effect on the revaluation of the deferred tax balance of this change is partly reliant on future projections so it is an estimate.

The unrecognised deferred tax assets in respect of certain losses in overseas territories, referred to in the tables above, have not been recognised as there is insufficient certainty of future taxable profits against which these would reverse. An unrecognised deferred tax asset in respect of carried forward tax losses is shown below:

	Losses £000	Deferred tax impact £000
At 1 January 2022		
Exchange differences	772	180
Written off in year	(1,158)	(326)
Losses utilised in year	(1,653)	(465)
Losses in year	6,246	1,299
At 31 December 2022	10,633	2,145

Expiry date of losses:

	2022 £000	2021 £000
One to five years	24	-
Five to ten years	565	648
Ten years or more	1,556	809
Total	2,145	1,457

10. Dividends

Policy

Interim dividends are recognised when they have been approved by the Board and are legally payable. Final dividends are recognised when they have been approved by the shareholders at the Company's Annual General Meeting.

No interim or final dividends were declared for 2021. No interim dividends were declared in 2022.

A final dividend of 1.5 pence per share has been recommended by the Board, which is a total amount of £1,834k. The final dividend, if approved at the Company's Annual General Meeting on 14 June 2023, will be paid on 12 July 2023 to all shareholders on the Company's register of members as at 9 June 2023. The ex-dividend date for the shares is 8 June 2023.

The payment of this dividend will not have any tax consequences for the Group.

11. Disposals

Policy

Disposals of entities in the Group are accounted for in accordance with [IFRS 10.25](#). When the parent's ownership of a subsidiary company changes and results in the parent's loss of control of a subsidiary within the Group, the parent:

- derecognises the assets and liabilities attributable to the former subsidiary from the consolidated balance sheet;
- recognises any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRS standards; and
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

Analysis

There were no disposals in 2022.

The Board made a strategic decision at the start of 2020 to eliminate loss-making businesses from the Group by the end of the year, which was communicated to the market and to shareholders. This process continued into 2021, with four entities either ceasing trading or being divested. These entities were Creative Spark (Pty) Ltd, M&C Saatchi PR LLP, M&C Saatchi Marketing Arts Ltd and Create Collective PTE Ltd. These entities contributed £39k of losses to the 2021 results.

The Headline results of the entities disposed, which were included in the results, were as follows:

	2022 £000	2021 £000
Plant and equipment	-	2
Trade and other receivables	-	21
Cash and cash equivalents	-	2
Trade and other payables	-	(67)
Add net liabilities	-	(42)
Gain on disposal of subsidiaries	-	42

Within note 1 in 2021, there are costs of £125k that relate to severance and legal fees for the disposal.

12. Acquisitions of subsidiaries

There were no acquisitions in 2022.

On 2 February 2021, the Group acquired two entities that were previously associates, 40% of M&C Saatchi (Hong Kong) Ltd and 25.1% of Santa Clara Participações Ltda. In addition, on 1 January 2021, the Group had control of the 51% held in M&C Saatchi World Services Pakistan (Pvt) Ltd, therefore obtaining control of the three entities. M&C Saatchi (Hong Kong) Limited's primary activity is consultancy, and both Santa Clara Participações Ltda and M&C Saatchi World Services Pakistan (Pvt) Ltd are marketing agencies, these qualify as a business as defined in IFRS 3.

The amounts recognised in 2021, in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	M&C Saatchi (Hong Kong) £000s	Santa Clara £000s	Pakis £0
Financial assets	4,158	1,879	-
Property, plant and equipment	284	29	-
Identifiable intangible assets	1,653	2,211	-
Financial liabilities	(3,395)	(3,472)	(5)
Deferred tax liabilities	(343)	(736)	-
Total identifiable assets acquired and liabilities assumed	2,357	(89)	-
Plus: goodwill	2,677	1,945	-
Net assets acquired	5,034	1,856	-
Satisfied by:			
Equity instruments	2,627	1,856	-
Fair value of associate investment	2,407	-	-
Total consideration transferred	5,034	1,856	-
Net cash outflow arising on acquisition:			
Cash and cash equivalent balances acquired	750	513	-
	750	513	-

13. Deferred and contingent consideration

Policy

Certain acquisitions made by the Group include contingent or deferred consideration, the quantum of which is dependent on the future performance of the acquired entity. Such consideration is recorded at fair value in line with IFRS 13 (note 29).

The balances are remeasured at the earlier of either the end of each reporting period or crystallisation of the consideration payment. The movements in the fair value are recognised in profit or loss.

Analysis

Liabilities	2022 £000	2021 £000
Current		
Deferred consideration	-	(984)
Total current	-	(984)

Assets	2022 £000	2021 £000
Non-current		
Contingent consideration	914	-
Total non-current	914	-

Movements in liabilities in the year	2022 £000	2021 £000
At 1 January	(984)	(1,679)
Exchange differences	-	48
Charged to the income statement *	(266)	(531)

Charged to the income statement	(2021)	(2020)
Conditional consideration paid in cash **	1,250	659
Conditional consideration paid in equity	-	520
At 31 December	-	(984)

* £266k revaluation of deferred consideration due to Levergy Marketing Agency (Pty) Limited on payment

** £1,250k paid to Levergy Marketing Agency (Pty) Limited.

Movements in assets in the year	2022	2021
	£000	£000
At 1 January	-	-
Reclassification from financial assets at fair value through profit or loss (note 19) ***	914	-
At 31 December	914	-

*** The £914k of contingent consideration relates to the sale of Datasat Ltd ("Datasat"), one of the entities in the Group's portfolio of unlisted companies, in which it held a 5.18% shareholding. The sale to Verve Group took place in July 2022, and £779k of cash was received as initial consideration. Verve Group is part of Media and Games Invest Se ("MGI"), a Swedish company which is listed on the Nasdaq Market in Stockholm and in the Scale segment of the Frankfurt Stock Exchange. Two further tranches of consideration may be received, on which the Group has undertaken a probability assessment in determining the value recognised:

Tranche 2:

Up to £534k to be received as cash or MGI shares. The exact amount to be received will be reduced proportionately based on:
 1) one or both of the two Datasat founders leaving the employment of Datasat before July 2025,
 2) if they leave, the terms and timing of their departures,
 3) whether the consideration is paid in cash or shares. Receiving shares results in a maximum consideration of £534k rather than £485k, and the minimum is 0.

Tranche 3:

Up to £924k to be received as cash or MGI shares as part of an earn-out calculation. The earn-out consideration is dependent on Datasat's 2024 net revenue and must be paid by August 2025. The contingent consideration was calculated following a review of Datasat's future prospects and potential net revenues and involved sensitivity analysis of different revenue scenarios. Receiving any earn-out consideration is also dependent on the two founders remaining employed by Datasat until July 2025. The maximum consideration which could be received for tranche 3 is £1,458k and the minimum is 0, this has been valued at £426k.

14. Intangible assets

Policy

Intangible assets are carried at cost less accumulated amortisation and impairment losses.

Cost

Goodwill

Under the acquisition method of accounting for business combinations, goodwill is the fair value of consideration transferred, less the net of the fair values of the identifiable assets acquired and the liabilities subsumed.

Other intangibles acquired as part of a business combination

Intangible assets acquired as part of a business combination (which includes brand names and customer relationships) are capitalised at fair value, if they are either separable or arise from contractual or other legal rights and their fair value can be reliably measured.

Software & film

Purchased software, and internally created software and film rights are recorded at cost. Internally created software and film rights are created so that they can be directly used to generate future client income.

Amortisation

Goodwill is not amortised. Amortisation of other classes of intangible assets is charged to the income statement on a straight-line basis over their estimated useful lives as follows:

Software and film rights:	3 years
Customer relationships:	1 to 8 years
Brand name:	1 to 10 years

The Group has no indefinite life intangibles other than goodwill.

Impairment

Goodwill and other intangibles are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired.

Impairment losses arise when the carrying amount of an asset or CGU is in excess of the recoverable amount, and these losses are recognised in the income statement. All recoverable amounts are from future trading (i.e., their value in use) and not from the sale of unrecognised assets or other intangibles.

The value in use calculations have been based on the forecast profitability of each CGU, using the 2023 budget and 3-year plans approved by the Board, with a residual growth rate of 1.5% p.a. applied thereafter. This forecast data is based on past performance and current business and economic prospects. A discount rate is then applied to create a discounted future cash flow forecast (DCF) for each CGU, which forms the basis for determining the recoverable amount of each CGU. If the DCF of a CGU is not in excess of its carrying amount (that includes the value of its fixed assets and right-of-use assets), then an impairment loss would be recognised.

In conducting the review, a residual growth rate of 1.5% has been used for all countries. Market betas of 1.0 have been used for Brazil, South Africa and China, while 1.4 has been used for India and 1.2 has been used for rest of the world.

Pre-tax discount rates are based on the Group's nominal weighted average cost of capital adjusted for the specific risks relating to the country and market in which the CGU operates.

Key assumptions used for impairment review	Residual growth rates 2022	Residual growth rates 2021	Pre-tax discount rates 2022	Pre-tax discount rates 2021
Market	%	%	%	%
UK	1.5	1.5	16-18	14-17
Asia and Australia	1.5	1.5	15-18	16-19
Middle East	1.5	1.5	15	17
India	1.5	1.5	23	23

South Africa	1.5	1.5	27	28
Europe	1.5	1.5	12	15
Americas	1.5	1.5	14-16	15-18

Analysis

	Goodwill £000	Brand name £000	Customer relationships £000	Software and film rights £000	Total £000
Cost					
At 31 December 2020	54,308	7,348	11,151	4,359	77,166
Exchange differences	(493)	(73)	(1)	(46)	(613)
Acquired - business combinations	4,621	919	2,901	45	8,486
Acquired	-	-	-	837	837
Disposal	-	-	-	(1,963)	(1,963)
At 31 December 2021	58,436	8,194	14,051	3,232	83,913
Exchange differences	2,258	169	355	145	2,927
Acquired	-	-	200	992	1,192
Disposal	-	-	-	(678)	(678)
At 31 December 2022	60,694	8,363	14,606	3,691	87,354
Accumulated amortisation and impairment					
At 31 December 2020	20,855	7,027	10,731	2,030	40,643
Exchange differences	(295)	(79)	(20)	(45)	(439)
Amortisation charge	-	181	784	447	1,412
Impairment	1,900	-	-	1,037	2,937
Disposal	-	-	-	(1,139)	(1,139)
At 31 December 2021	22,460	7,129	11,495	2,330	43,414
Exchange differences	489	28	57	113	687
Amortisation charge	-	104	493	463	1,060
Impairment	556	-	-	172	728
Disposal	-	-	-	(503)	(503)
At 31 December 2022	23,505	7,261	12,045	2,575	45,386
Net book value					
At 31 December 2020	33,453	321	420	2,329	36,523
At 31 December 2021	35,976	1,065	2,556	902	40,499
At 31 December 2022	37,189	1,102	2,561	1,116	41,968

Goodwill	31 December 2022 £000	31 December 2021 £000	Region
Cash generating units (CGUs)			
Shepardson Stern + Kaminsky LLP	5,899	5,375	Americas
LIDA NY LLP (MCD)	5,821	5,198	Americas
Clear Ideas Ltd	5,031	5,031	Europe
M&C Saatchi Mobile Ltd	4,283	4,283	UK
M&C Saatchi Agency Pty Ltd (Australia)	2,863	2,719	Australia
M&C Saatchi Social Ltd	2,612	2,612	UK
M&C Saatchi (Hong Kong) Limited*	2,506	2,806	Asia
Bohemia Group Pty Ltd (Australia)	1,904	1,812	Australia
M&C Saatchi Advertising GmbH	1,376	1,306	Europe
M&C Saatchi Sport & Entertainment Ltd	1,184	1,184	UK
Levergy Marketing Agency (PTY) Limited (South Africa)	860	820	Middle East and Africa
M&C Saatchi Merlin Ltd	765	765	UK
M&C Saatchi Middle East Fz LLC (Dubai)	765	684	Middle East and Africa
M&C Saatchi Talk Ltd	625	625	UK
Santa Clara Participações Ltda	624	529	Americas
M&C Saatchi (M) SDN BHD	71	68	Asia
Scarecrow Communications Ltd*	-	159	Asia
Total	37,189	35,976	

* With exception of CGUs marked, all other movements in the table above are due to foreign exchange differences.

The 2022 review of goodwill was undertaken as at 31 December, and resulted in the impairments of M&C Saatchi (Hong Kong) Limited £396k and Scarecrow Communications Ltd £160k (2021: £500k).

The following sensitivity analysis has been performed, showing the impairment required, if the profit forecasts reduced and the discount rates increased. The CGUs included in this sensitivity analysis are those for which a reasonably possible change in a key assumption could give rise to impairment, being Bohemia Group Pty Ltd (Australia), Levergy Marketing Agency (PTY) Limited (South Africa), M&C Saatchi (Hong Kong) Limited and Santa Clara Participações Ltda (Brazil). These entities remain at risk of impairment.

Discount rates increased by	Annual profit forecast reduced by			
	0%	10%	20%	30%
0%	-	603	2,114	3,490
1%	-	1,272	2,653	3,913
3%	1,072	2,345	3,519	4,593
5%	2,069	3,168	4,184	5,116

15. Investments in associates and joint ventures

Policy

The Group invests in associates and joint ventures, either to deliver its services to a strategic marketplace, or to gain strategic mass by being part of a larger local or functional entity.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is neither control nor joint control over those policies.

The carrying value of these investments comprise the Group's share of their net assets and any purchased goodwill. These carrying amounts are reviewed at each balance sheet date, to determine whether there is any indication of impairment.

Analysis

Region & Name	Nature of business	Country of incorporation or registration	Investment in associates		P int e %
			2022 £000	2021 £000	
Europe					
Cometis SARL*	Advertising	France	56	-	
M&C Saatchi Little Stories SAS	PR	France	-	-	
M&C Saatchi SAL	Advertising	Lebanon	-	-	
Asia and Australia					
Love Frankie Ltd	Advertising	Thailand	135	202	
February Communications Private Limited	Advertising	India	-	-	
M&C Saatchi Limited	Advertising	Japan	-	-	
Total			191	202	

* In January 2022, as a result of two put option arrangements, the Group acquired a 49% holding in Cometis SARL, a French company.

M&C Saatchi SAL has the following subsidiaries: M&C Saatchi Mena Ltd and Al Dallah For Creativity & Design LLC.

All shares in associates are held by subsidiary companies in the Group. Where an associate has the right to use the brand name, the Group holds the right to withdraw such use, to protect it from damage.

The Group holds neither associates nor joint ventures in Australia, Africa, or the UK.

Balance sheet value as at 31 December	2022	2021
	£000	£000
Investments intended to be held in the long term	191	202
Investments categorised as held-for-sale	-	-
Total associate investments	191	202

Balance sheet movements	2022	2021
	£000	£000
At 1 January	202	2,829
Exchange movements	(1)	(10)
Transferred to subsidiary	-	(2,407)
Revaluation of associates on transition to subsidiaries	-	(234)
Acquisition of associates	-	338
Impairment of associate	-	(357)
Share of (loss) / profit after taxation	(10)	43
At 31 December	191	202

Income statement	2022	2021
	£000	£000
Share of (loss) / profit after taxation	(10)	43
Revaluation of associates on transition to subsidiaries	-	(233)
Share of result of Associates and Joint Ventures	(10)	(190)
Impairment of associate investment	-	(357)
Year to 31 December	(10)	(547)

The results and net assets of the associate entities are set out below, along with the Group's share of these results and net assets:

2020

Income statement	2022		2021		
	Asia £000	Europe £000	Total £000	Asia £000	Europe £000
Revenue	4,006	712	4,718	4,240	2,580
Operating profit / (loss)	765	165	930	940	71

Operating profit / (loss)	105	105	930	940	11
Profit / (loss) before taxation	(201)	143	(58)	215	71
Profit / (loss) after taxation	(208)	113	(95)	174	49
Group's share	(65)	55	(10)	43	12
Dividends received	-	-	-	-	-

	2022			2021	
	Asia £000	Europe £000	Total £000	Asia £000	Europe £000
Balance sheet					
Total assets	1,557	151	1,708	1,410	804
Total liabilities	(1,088)	(38)	(1,126)	(914)	(854)
Net assets / (liabilities)	469	113	583	496	(50)
Our share	117	56	173	124	(12)
Losses not recognised	13	-	13	12	12
Goodwill	5	-	5	66	-
Total	135	56	191	202	-

* Technology, Humans and Taste LLC was disposed of in 2021, therefore an income statement is shown above, but nil for the balance sheet at 31 December 2021.

16. Plant and equipment

Policy

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided to write off the cost of all fixed assets, less estimated residual values, evenly over their expected useful lives.

Depreciation is calculated at the following annual rates:

Leasehold improvements	- Lower of useful life and over the period of the lease
Furniture and fittings	- 10% straight-line basis
Computer equipment	- 33% straight-line basis
Other equipment	- 25% straight-line basis
Motor vehicles	- 25% straight-line basis

The need for any fixed asset impairment write-down is assessed by a comparison of the carrying value of the asset against the higher of a) the fair value less costs to sell, or b) the value in use.

Assets under construction are recognised at cost and only commence depreciation once the assets are completed and ready for use.

Analysis

	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000
Cost				
At 31 December 2020	8,490	4,021	4,845	17
Exchange differences	(114)	(48)	(86)	21
Additions	145	266	1,352	26
Additions - business combinations	3	152	177	29
Disposals	(1,228)	(473)	(456)	(15)
At 31 December 2021	7,296	3,918	5,832	78
Exchange differences	324	121	259	4
Additions*	1,145	1,674	1,551	13
Disposals	(1,596)	(1,066)	(404)	-
At 31 December 2022	7,169	4,647	7,238	95

	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000
Depreciation				
At 31 December 2020	4,084	2,645	3,485	2
Exchange differences	84	50	53	4
Depreciation charge	802	409	1,001	25
Disposals	(940)	(449)	(449)	(15)
At 31 December 2021	4,030	2,655	4,090	16
Exchange differences	230	53	183	3
Depreciation charge	990	381	1,087	22
Disposals	(1,579)	(926)	(396)	-
At 31 December 2022	3,671	2,163	4,964	41

	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000
Net book value				
At 31 December 2020	4,406	1,376	1,360	15
At 31 December 2021	3,266	1,263	1,742	62
At 31 December 2022	3,498	2,484	2,274	54

* The additions in 2022 relate mainly to Australia for the lease that was entered into at the end of 2021 (£745k of Leasehold Improvements and £1,225k of furniture, fittings and other equipment)

Total depreciation in the income statement is broken down as follows:

	Note	2022 £'000	2021 £'000
From plant and equipment	16	2,480	2,237
From right-of-use assets	17	6,846	6,959
		9,326	9,196

17. Leases

The Group leases various assets, comprising properties, equipment, and motor vehicles. The determination whether an arrangement is, or contains, a lease is based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Policy

The following sets out the Group's lease accounting policy for all leases, with the exception of leases with a term of 12 months or less and those of low value assets. In both these instances the Group applies the exemptions permissible by IFRS 16 Leases. These are typically expensed to the income statement as incurred.

Right-of-use assets and lease liabilities

At the inception of a lease, the Group recognises a right-of-use asset and a lease liability.

The value of the lease liability is determined by reference to the present value of the future lease payments, as determined at the inception of the lease. Lease liabilities are disclosed separately on the balance sheet. These are measured at amortised cost, using the effective interest rate method. Lease payments are apportioned between a finance charge and a reduction of the lease liability, based on a constant interest rate applied to the remaining balance of the liability. Interest expense is included within net finance costs in the consolidated income statement. The interest rate applied to a lease is typically the incremental borrowing rate of the entity entering into the lease. This is as a result of the interest rates implicit in the leases not being readily determined. The incremental borrowing rate applied by each relevant entity is determined based on the interest rate adjudged to be required to be paid by that entity to borrow a similar amount over a similar term for a similar asset in a similar economic environment.

A corresponding right-of-use fixed asset is also recognised at an equivalent amount adjusted for a) any initial direct costs, b) payments made before the commencement date (net of lease incentives), and c) the estimated cost for any restoration costs the Group is obligated to at lease inception. Right-of-use assets are subsequently depreciated on a straight-line basis over the shorter of the lease term or the asset's estimated life. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets', when there is an indication of impairment.

Lease term

The lease term comprises the non-cancellable period of the lease contract. Periods covered by an option to extend the lease are included, if the Group has reasonable certainty that the option will be exercised. Periods covered by an option to terminate are included, if it is reasonably certain that this option will not be exercised.

Lease payments

Lease payments comprise fixed payments and variable lease payments (that depend on an index or a rate, initially measured using the minimum index or rate at inception date). Payments include any lease incentives and any penalty payments for terminating the lease, if the lease term reflects the lessee exercising that option. The lease liability is subsequently remeasured (with a corresponding adjustment to the related right-of-use asset) when there is a change in future lease payments due to a) a renegotiation or market rent review, b) a change of an index or rate, or c) a reassessment of the lease term.

Lease modifications

Where there are significant changes in the scope of the lease, then the arrangement is reassessed to determine whether a lease modification has occurred and, if there is such a modification, what form it takes. This may result in a modification of the original lease or, alternatively, recognition of a separate new lease.

Subleases

At times, entities of the Group will sublet certain of their properties when their underlying business requirements change. Under IFRS 16, the Group assesses the classification of these subleases with reference to the right-of-use asset, not the underlying asset.

When the Group acts as an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. At lease commencement, a determination is made whether the lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership in relation to the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. The Group recognises lessor payments under operating leases as sublease income on a straight-line basis over the lease term. The Group accounts for finance leases as finance lease receivables, using the effective interest rate method.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (defined by the Group as being below £3,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Estimates relating to leases

The Group has made estimates in determining the interest rate used for discounting of future cash flows, and the lease term.

Analysis

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised, and the movements during the year:

Right-of-use assets	Land & Buildings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
At 1 January 2021	33,208	716	82	34,006
Additions	16,802	24	60	16,886
Modifications	1,048	9	34	1,091
Disposals	(394)	(4)	-	(398)
Depreciation	(6,563)	(309)	(87)	(6,959)
Foreign exchange	(209)	(14)	(6)	(229)
At 1 January 2022	43,892	422	83	44,397

Additions	3,966	395	134	4,495
Modifications	950	-	24	974
Disposals	(96)	(116)	(49)	(261)
Depreciation	(6,495)	(267)	(84)	(6,846)
Reversal of impairment	164	-	-	164
Sublease	(164)	-	-	(164)
Foreign exchange	1,203	29	1	1,233
At 31 December 2022	43,420	463	109	43,992

	Land & Buildings £000	Computer equipment £000	Motor vehicles £000	Total £000
Lease liabilities				
At 1 January 2021	45,573	767	81	46,421
Additions	16,789	24	50	16,863
Modifications	823	9	34	866
Disposals	(425)	(4)	0	(429)
Accretion of interest	2,766	31	3	2,800
Payments	(8,557)	(358)	(95)	(9,010)
Reclassification*	(211)	-	-	(211)
Foreign exchange	(426)	(24)	(5)	(455)
At 1 January 2022	56,332	445	68	56,845
Additions	3,966	395	134	4,495
Modifications	260	-	24	284
Disposals	(132)	(94)	(50)	(276)
Accretion of interest	2,945	21	4	2,970
Payments	(9,889)	(308)	(80)	(10,277)
Foreign exchange	1,508	20	1	1,529
At 31 December 2022	54,990	479	101	55,570

*This relates to lease dilapidations which were reclassified to Provisions in 2021.

The additions in 2022 predominately relate to the new offices in Berlin (Germany), Sydney and Melbourne (Australia).

Of lease payments made in the year of £10,277k (2021: £9,010k), £7,307k (2021: £6,210k) related to payment of principal on the corresponding lease liabilities and the balance to payment of interest £2,970k (2021: £2,800k) due on the lease liabilities.

Lease liabilities	Land & Buildings £000	Computer equipment £000	Motor vehicles £000
Amounts due within one year	6,196	196	56
Amounts due after one year	48,794	283	45
At 31 December 2022	54,990	479	101

Amounts due within one year	6,624	283	43
Amounts due after one year	49,708	162	25
At 31 December 2021	56,332	445	68

Income statement charge	2022 £000	2021 £000
Depreciation of right-of-use assets	(6,846)	(6,959)
Short-term lease expense	(505)	(300)
Low-value lease expense	(68)	(263)
Short-term sublease income	-	94
Right-of-use asset impairment*	164	-
Charge to operating profit	(7,255)	(7,428)
Sublease finance income	5	26
Lease liability interest expense	(2,970)	(2,800)
Lease charge to profit before tax	(10,220)	(10,202)

*This is the reversal of an impairment from 2020, as the impaired asset was sublet during 2022.

The Group does not face a significant liquidity risk with regard to its lease liabilities and manages them in line with its approach to other month-to-month liquidity matters, as described in note 30.

The cash payment maturity of the lease liabilities held as at 31 December 2022, net of sublease receipts, is as follows:

Future cash payments	2022 £000	2021 £000
Period ending 31 December:		
2023	9,026	8,074
2024	8,149	6,730
2025	7,870	6,689
2026	6,935	5,922
2027	6,415	5,716
Later years	31,363	30,227
Gross future liability before discounting	69,758	63,358

Of the future lease payments post-2027, £21.8m relates to a single office lease which expires in 2034. This lease agreement was entered into in December 2019.

18. Other non-current assets

	2022 £000	2021 £000
At 31 December		
Other debtors including rent deposits	1,107	1,113
Loans to employees	-	98
Total other non-current assets	1,107	1,211

19. Financial assets at fair value through profit and loss (FVTPL)

Policy

The Group holds certain unlisted equity investments, which are classified as financial assets at FVTPL. These investments are initially recognised at their fair value. At the end of each reporting period the fair value is reassessed, with gains or losses being recognised in the income statement.

The valuations are based on several factors, including the share price from the latest funding round, recent financial performance (where available), discounting for liquidation preference shares held by other shareholders and discounting for convertible loan notes.

Analysis

The unlisted equity investments held by **Saatchinvest Ltd** mainly relate to 18 (2021: 20) early-stage companies. The Group also owns 10% of one UK company, 59A Limited (via Alive & Kicking Global Limited). In addition, overseas investments are owned by:

- M&C Saatchi International Holdings BV, which owns a 10% shareholding in Australie SAS and a 0.76% shareholding in Sesión Tequila Holdings Pty Ltd (Australia).
- M&C Saatchi Agency Pty Ltd (Australia), which also owns a 2.1% shareholding in Sesión Tequila Holdings Pty Ltd.
- M&C Saatchi European Holdings Limited, which owns a 10% shareholding in M&C Saatchi Madrid SL (Spain).

With regards to the early-stage non-client investments, the most the Group has invested in any one company over time is £0.7m and the least is £0.1m. The Group invests in these companies for long term return.

The activity in the year relating to the equity investments held at FVTPL is presented below:

	2022 £000	2021 £000
At 1 January	15,183	11,410
Additions	-	501
Disposals	(918)	(209)
Gain/loss on disposal	1,168	-
Impairment	(2,863)	-
Revaluation upwards	3,016	4,255
Revaluation downwards	(2,724)	(722)
Reclassification to contingent consideration (note 13)	(914)	-
Foreign exchange	38	(52)
At 31 December	11,986	15,183

	2022 £000	2021 £000
Other gains/(losses) in income statement		
Revaluations	292	3,533
Gain/loss on disposal	1,168	-
Impairment	(2,863)	-
Total	(1,403)	3,533

In 2022, there were no additions and the disposals related to companies in the Saatchinvest portfolio. £918k of cash was received in respect of the disposals, which resulted in a gain on disposal of £1,168k. Within this, £779k related to the disposal of Dataseat, and as part of this disposal there was an additional amount of contingent consideration recognised, refer to note 13 for further detail.

An impairment of £2,863k was recognised relating to the investment in StreetTeam Software Limited (Pollen). The £3,016k revaluation upwards and £2,705k of the revaluation downwards relates to the unlisted investments held by Saatchinvest Ltd. £1,741k of the revaluation upwards relates to Picasso Labs, Inc. and £1,484k of the revaluation downwards relates to Citymapper Limited.

Other revaluation movements relate to investments held by both the Australian business and M&C Saatchi International Holdings B.V. in Sesión Tequila Holdings Pty Ltd.

Within the value of £11,986k above, investments with a value of £6,082k have no price points since 1 January 2021. The absence of a market transaction means the Group has less reliable information on which to base its estimate of fair value, as in many cases there is limited quantitative financial information available as the Group is a small minority shareholder in early stage businesses. There is a greater degree of judgement and exposure to future movements in fair value upwards

... carry stage businesses. There is a greater degree of judgement and exposure to future movements in fair value upwards and downwards on these investments in particular, as is evident in the case of some of the 2022 downwards revaluations, 85% of which result from fair value movements on 2 investment holdings.

In 2021 there were additions of £501k, within this £420k relates to a 10% shareholding in an unlisted investment, Australie SAS, acquired as part of a share for share exchange and the remainder related to additions of £81k by Saatchinvest Ltd. In 2021, the £209k disposal was of a company in the Saatchinvest portfolio and it resulted in neither a gain nor a loss on disposal.

The Group's 10% shareholdings in M&C Saatchi Madrid SL and 59A Limited are all valued at nil.

20. Trade and other receivables

Policy

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. These financial assets give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. They are generally due for settlement within 30 - 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Impairment - Expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance ('ECL') for all trade receivables and contract assets. To calculate the lifetime ECL the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environments in which the Group operates.

	2022 £000	2021 £000
Trade receivables	97,431	86,302
Loss allowance	(1,829)	(877)
Net trade receivables	95,602	85,425
Prepayments	4,890	2,664
Amounts due from associates	38	123
VAT and sales tax recoverable	167	52
Other receivables*	31,370	44,477
Total trade and other receivables	132,067	132,741

*Other receivables comprises accrued income of £12.7m (31 December 2021: £13.9m), which is considered to constitute trade receivables as defined in IFRS 15 on the basis its collectability is subject only to the passage of time, as well as contract assets of £2.2m (31 December 2021 £2.4m), unbilled media receivables balances of £12.3m (31 December 2021: £23.3m) and other amounts receivable of £4.3m (31 December 2021: £4.9m). There is no additional ECL recorded in relation to these amounts.

Set out below is the movement in the loss allowance (which includes provision for expected credit losses) of trade receivables and contract assets.

	2022 £000	2021 £000
As at 1 January	(877)	(677)
Release / (increase) for expected losses during the year	96	(40)
Movement in forward looking provision for specific bad debts:		
- Charge during the year	(1,469)	(375)
- Released during the year	421	190
- Utilisation of provision	0	25
Year-end provision	(1,829)	(877)

The information about credit exposures is disclosed in note 30.

21. Trade and other payables

Policy

Trade and other liabilities are non-interest bearing and are stated at their amortised cost subsequent to initial recognition at their fair value, which is considered to be equivalent to their carrying amount due to their short-term nature.

	2022 £000	2021 £000
Trade creditors	50,437	36,578
Contract liabilities	20,502	18,939
Sales taxation and social security payables	3,495	6,059
Accruals	67,601	75,466
Other payables	13,512	17,007
Total trade and other payables	155,547	154,049

Settlement of trade and other payables is in accordance with the terms of trade established with the Group's local suppliers.

22. Provisions

Policy

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of past events and where it is more likely than not an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

The year-end provision of £1.1m (2021: £1.2m) comprises of costs relating to the tax liabilities in Kenya of £0.3m (2021: £0.2m), and income protection schemes of £0.5m (2021: £0.6m), and £0.3m (2021: £0.4m) in relation to property dilapidations.

	2022 £000	2021 £000
At 1 January	(1,193)	(666)
Reclassification*	-	(346)
Charged to the income statement:		

- Overseas sales taxation and social security liabilities	(92)	(16)
- Income protection provision	(92)	(165)
Utilised or released in the year		
- Lease dilapidations	21	-
- Release associated with the FCA investigation	300	-
At 31 December	(1,056)	(1,193)

*This relates to lease dilapidations which were included within the lease liability at 31 December 2020 (£0.2m), refer to note 17, plus £0.1m included within other creditors at 31 December 2020.

As at the end of 2022 all amounts recognised as provisions were expected to be utilised within 12 months and are held as current liabilities. The Directors do not anticipate that any of the above will have a material adverse effect on the Group's financial position or on the results of its operations.

23. Borrowings

Policy

Loans and overdrafts are recognised initially at fair value, less attributable transaction costs. Subsequently, loans and overdrafts are recorded at amortised cost with interest charged to the income statement under the Effective Interest Rate (EIR) method. Where there is a significant change to the future cash flows, the EIR is reassessed with a corresponding change in the carrying amount of the amortised cost. The change in the carrying amount is recognised in profit or loss as income or expense.

Interest payable is included within accruals as a current liability.

Analysis

Amounts due within one year

At 31 December	2022	2021
	£000	£000
Overdrafts*	(4,271)	(14,440)
Local bank loans	(159)	(297)
At 31 December	(4,430)	(14,737)

* These overdrafts can be legally offset with other cash balances. However, they have not been netted off in accordance with IAS32.42 as there is no intention to settle on a net basis.

Amounts due after one year

At 31 December	2022	2021
	£000	£000
Local bank loans	(52)	(293)
Secured bank loans	(6,750)	(19,528)
At 31 December	(6,802)	(19,821)

Secured bank loans

On 31 May 2021, the Company entered into a revolving multicurrency facility agreement with National Westminster Bank Plc and Barclays Bank PLC for up to £47m (the "Facility"). The Facility includes a £2.5m overdraft and the ability to draw up to £3.0m as a bonding facility, as required. The Facility is provided on a three-year term with an option to extend until the fourth anniversary. At 31 December 2022, the Group had up to £47.0m (2021: £47.0m) of funds available under the Facility.

The Facility includes two financial covenants, which if either were to be breached would result in a default of the agreement:

1. Interest Cover - EBIT for the previous 12 months must exceed 5 times the net finance charge (external debt interest, excluding IFRS16 finance lease interest payments) for the previous 12 months.
2. Leverage - total indebtedness at the period end must not exceed 3.5 times EBITDA for the previous 12 months (adjusted for acquisitions and disposals). This reduced to 3.0 times from 31 March 2022, 2.5 times from 30 June 2022, and reduces to 2.0 times from 31 March 2023.

At 31 December	2022	2021
	£000	£000
Gross secured bank loans	(7,000)	(20,000)
Capitalised finance costs	250	472
Total secured bank loans	(6,750)	(19,528)

Total secured bank loans are due as follows:

At 31 December	2022	2021
	£000	£000
In one year or less, or on demand	-	-
In more than one year but not more than five years	(6,750)	(19,528)
At 31 December	(6,750)	(19,528)

Total bank loans and borrowings used to calculate net cash are as follows, IFRS 16 Leases is excluded from the calculation of net cash in accordance with the Group's bank covenants:

Gross secured bank loans	Local bank loans
£000	£000

At 31 December 2020	(27,271)	(2,357)
Cash movements	7,608	-
Acquisitions - business combinations	-	(468)
Non-cash movements		
- Foreign exchange	(337)	35
- Other**	-	2,200
At 31 December 2021	(20,000)	(590)
Cash movements	13,000	410
Non-cash movements		
- Foreign exchange	-	(32)
At 31 December 2022	(7,000)	(212)

* The borrowing used to calculate net cash.

**Other includes the forgiveness of the US Paycheck Protection Program (PPP) loans.

24. Other non-current liabilities

31 December	2022	2021
	£000	£000
Employment benefits*	1,846	1,108
Long term bonuses	1,362	1,014
Other**	838	427
	4,046	2,549

*This relates to long term service leave in some locations, deferred contributions to pension schemes and long-term bonus plans. In addition, a termination indemnity plan in Italy of £535k (2021: £547k), this liability is for the 13th month salary accrual for all Italian employees to be paid to them when they leave the Company, this was included in 'other' in 2021, reclassified within the table for comparability.

**The main items include a contractual make good liability in relation to the Australia office lease of £690k (2021: £116k).

25. Equity related liabilities

This disclosure note summarises information relating to all share schemes disclosed in notes 13, 26 and 27.

In the case of contingent consideration (note 13) (value 2022 Nil), IFRS 9 minority shareholder put option liabilities (note 26), and IFRS 2 put option schemes (note 27), the Group has a choice to pay in cash or equity. The Board made the decision during 2021 that put options would, from then on, be settled in cash, where the Group has cash resources to do so. In the case of the LTIP schemes, it is the Board's intention that an Employee Benefits Trust is set up to acquire the shares and fulfil these schemes using the acquired equity.

In the table below, potential cash payments are presented, based on the 2022 year-end share price of the Company of 151.0p and the estimated future business performance for each business unit. The payments are stated in the year at which the put option schemes first become exercisable. The forecasts are based on the Group's three-year plans, developed as part of the budget cycle, and assume all TSR targets are fulfilled, and that equity is bought by the Employee Benefits Trust in the year of vesting at a Company share price of 151.0p. The table also shows the amount of these potential cash payments that has been recognised as a liability as at 31 December 2022, with the % of the related employment services not yet delivered to the Group at that date.

Total future expected liabilities as at 31 December 2022

At Company share price of 151.0p	Potentially payable							Serv del %
	2023 £000	2024 £000	2025 £000	2026 £000	2027 £000	2028 £000	Total £000	
IFRS 9 put option schemes	2,584	-	-	1,983	-	-	4,567	
IFRS 2 put option schemes	14,914	2,470	373	949	924	740	20,370	
LTIPs	-	2,071	2,881	-	-	-	4,952	
	17,498	4,541	3,254	2,932	924	740	29,889	

*Share based payments (Note 27) charge liability to income statement over period of vesting i.e., as the employee fulfils their time obligation to earn the put option.

**LTIPs are accounted for as equity-settled, and thus do not create a balance sheet liability. The 2025 value of £2,881k relates to the LTIPs issued in December 2022, the new awards have increased the total potentially payable in the table below, compared to the previous forecast issued with the interim financial statements.

Put option holders are not required to exercise their options at the first opportunity. Many do not and prefer to remain shareholders in the subsidiary companies they manage. As a result, some put option holders may not exercise their options on the dates estimated in the table above.

If the Group in the future decides to settle in equity, then the amount of equity that will be provided is equal to the liability divided by the share price.

Effect of a change in share price

The same data from the table above is presented in the table below, but in this analysis the potential payments are based on a range of different potential future share prices.

Future Company share price	Potentially payable					
	2023 £000	2024 £000	2025 £000	2026 £000	2027 £000	2028 £000
At 151p	£17,498	£4,541	£3,254	£2,932	£924	£740
At 160p	£18,324	£4,804	£3,453	£2,978	£979	£784
At 175p	£19,746	£5,241	£3,787	£3,102	£1,071	£858
At 200p	£22,323	£5,970	£4,342	£3,522	£1,224	£981
At 225p	£24,800	£6,598	£4,896	£3,941	£1,377	£1,103
At 250p	£27,226	£7,176	£5,451	£4,360	£1,530	£1,226
At 300p	£32,121	£8,332	£6,561	£5,199	£1,836	£1,471

26. Minority shareholder put option liabilities (IFRS 9)

Policy

See below but also Basis of Preparation note.

Some of the subsidiaries' local management have a put option arrangement in place. The put option arrangements give these employees a right to exchange their minority holdings in the subsidiary into shares in the Company or cash (at the Group's choice).

These schemes are considered as rewarding future business performance and, as they are not conditional on the holder being an employee of the business, they are accounted for in accordance with IFRS 9.

These instruments are recognised in full at the amortised cost of the underlying award on the date of inception, with both a liability on the balance sheet and a corresponding amount within the minority interest put option reserve being recognised. At each period end, the amortised cost of the put option liability is calculated in accordance with the put option agreement, to determine a best estimate of the future value of the expected award. Resultant movements in the amortised cost of these instruments are charged to the income statement within finance income/expense.

The put option liability will vary with both the Company's share price and the subsidiary's financial performance. Current liabilities are determined by the Company's year-end share price and the historical results of the companies where the option holders can exercise within the next twelve months. Non-current liabilities are determined by the Company's year-end share price and the projected results of the companies where the option holders cannot exercise their options within the next twelve months.

Upon exercise of an award by a holder, the liability is extinguished and the associated minority interest put option reserve is transferred to the non-controlling interest acquired reserve.

Analysis

IFRS 9 put options exercisable from year ended 31 December 2022:

Subsidiary	Year	% of subsidiaries' shares exercisable
M&C Saatchi (Switzerland) SA	2023	21.0
M&C Saatchi Merlin Ltd	2023	15.0
Santa Clara Participações Ltda	2023	25.0
Santa Clara Participações Ltda	2026	24.9
This Film Studio Pty Ltd	2023	30.0

It is the Group's option to fulfil these options in equity or cash and it is the Group's present intention to fulfil the options in cash (if available). However, if they are fulfilled in equity, the estimated number of the Company shares that will be issued to fulfil these options at 151.0p is 2,553,018 shares (2021: at 168.50p, 3,108,605 shares would need to be issued).

Liability as at 31 December	2022	2021
	£000	£000
Amounts falling due within one year	(2,584)	(3,238)
Amounts falling due after one year, but less than three years	(1,272)	-(2,000)
	(3,856)	(5,238)

Movement in liability during the year	2022	2021
	£000	£000
At 1 January	(5,238)	(2,782)
Exchange difference	(1)	16
Exercises	2,497	424
Acquisitions	-	(2,000)
Income statement charge due to:		
- Change in profit estimates	(970)	(399)
- Change in Company share price	406	(497)
- Amortisation of discount	(550)	-

Total income statement charge (Note 7)	(1,114)	(896)
At 31 December	(3,856)	(5,238)

Put options exercised in year	2022	2021
	£000	£000
Paid in equity	-	424
Paid in cash	2,497	-
Total	2,497	424

During the year the put options for 25.9% of Bohemia Group Pty Limited and 15.0% of Resolution Design Pty Limited were exercised, and the equity was acquired by the Group.

27. Share-based payments (IFRS 2)

Policy

See below but also Basis of Preparation note.

Local management in some of the Group's subsidiaries (who are minority interests of the Group) have the right to a put option over the equity they hold in the relevant subsidiary. Where this put option is dependent upon the holders' continued employment by the relevant subsidiary, or where the holder received the option as a result of employment with the relevant subsidiary, these options are accounted for under IFRS 2 as equity-settled share-based payments to employees or as cash-settled share-based payment schemes. These are redeemable, at the choice of the Group, either in shares of the Company or by means of a cash payment to the holder. Such schemes should be considered as rewards for future business performance, which are conditional on the holder being an employee of the business.

Equity-settled share-based payment schemes

Where an award is intended to be settled in equity, then the fair value of the award is calculated at the grant date of each scheme based on the present Company's share price and its relevant multiple. The fair value of the awards is calculated by means of a Monte Carlo model with inputs made in terms of the Company's share price at the date of grant, risk free rate, the historic volatility of the share price, the dividend yield and the time to vest. The Group estimates the shares that will ultimately vest, using assumptions over conditions, such as profitability of the subsidiary to which the awards relate. This value is recognised as an expense in the income statement over the shorter of the vesting period or the period of required employment on a straight-line basis, with a corresponding increase in reserves.

In the event a put option arrangement includes a business continuation clause on departure, that element of the award at issue is treated as vested and charged to the income statement at the grant date valuation, and no credit to the income statement is taken for it in the future. All the remaining award is revalued annually for the non-market condition (profitability of the subsidiary) and allocated to the income statement on a straight-line basis.

Upon exercise of the awards, the nominal value of the shares issued is credited to share capital with the balance to share premium.

Cash-settled share-based payment schemes

When an award is intended to be settled in cash, then a liability is recognised at inception of the award, based on the present Company's share price and its relevant multiple. This value is recognised as an expense in the income statement from the date of award to the date it is exercised, on a straight-line basis, with a corresponding increase in liabilities.

Conversion from equity-settled to cash-settled

Before 21 September 2021 the Group had settled the options using equity, where there was a choice to cash settle or equity-settle. The Board made the decision that put options from that date would be settled in cash, where cash resources are available to do so. Up to 21 September 2021, the Group accounted for these put options as equity-settled. From 21 September 2021, the Group accounted for these put options as cash-settled.

The transition from equity-settled to cash-settled required a fair value assessment on the day of the modification and a movement between equity and liabilities.

Where, for an unvested scheme that existed at 21 September 2021, the Company's share price multiple (the market condition) at the inception of the option is higher than the current Company's share price multiple, then the difference is charged to the income statement.

The following table sets out a comparison between equity settlement and cash settlement of IFRS 2 put options:

	Equity-settled IFRS 2 scheme	Cash-settled IFRS 2 scheme
Cost of the put option	<i>Booked to staff costs</i>	<i>Booked to staff costs</i>
Liability of the put option	<i>Booked to equity (no impact on net assets)</i>	<i>Booked to liabilities (reduces net assets)</i>
Recognition of the cost	<i>Spread evenly between the date the put option is issued and the date the put option vests. No further costs after vesting date.</i>	<i>Spread evenly between the date the put option is issued and the date the put option vests. Further valuation adjustments are made to the income statement until the option is exercised.</i>
Revaluation adjustments	<i>Adjusted by changes in the profit of the subsidiary only.</i>	<i>Adjusted by changes in the profit of the subsidiary and the relevant share price multiple.</i>
Exercise of put option	<i>New Company shares issued to put option holders.</i>	<i>Cash issued to put option holders.</i>

Summary of schemes

The Group has the following share-based payment schemes:

- Put options - from 21 September 2021 these put options have been accounted for as cash settled.
- South African equity purchased with non-recourse loans - some of the South African subsidiaries have sold equity to staff dividends and from the proceeds of selling the equity to other employees, with the entity that has issued the equity acting as rights, so there is no obligation to acquire the equity, however the South African Rand 14,009k (2021 Rand 17,706k) debt lent (of the award) is at risk.
- Cash awards - these are long term cash schemes that were historically treated as a share-based scheme. At the end of 2021 on a one-off reversal in the charge in the prior year.
- 2021 LTIP awards - on 28 September 2021 and 21 December 2021, the Group awarded equity-settled LTIPs to senior executive

Company's shares, dependent on the achievement of certain future performance conditions:

- Group's total shareholder return (TSR) versus the total shareholder return (TSR) of the FTSE Small Cap December 2023 (70% of the award).
- Group's full year Headline PBT performance in 2023 versus target (30% of the award).
- 2022 LTIP awards - on 12 December 2022, the Group awarded equity-settled LTIPs to senior executive managers. This scheme is dependent on the achievement of certain future performance conditions:
 - Group's total shareholder return (TSR) versus the total shareholder return (TSR) of the FTSE Small Cap December 2024 (50% of the award).
 - Group's full year Headline PAT performance per share in 2023 versus target (50% of the award).
- Restrictive share awards - the two cash awards made to the previous Chief Financial Officer on his recruitment were converted based on the 45 day average share price to 28 May 2021 of 137.7p. On departure of the previous Chief Financial Officer in 2022 there are no restrictive awards in existence.

For the LTIPs it is intended that an Employee Share Option Plan (Employee Benefits Trust) is set up to acquire the shares to fulfil these schemes in equity; thus the schemes are accounted for as equity settled. The inputs to Monte Carlo models used to calculate the fair value of these share awards granted during the year are as follows:

	2022 LTIP	2021 LTIP	2021 LTIP
Issue date	12/12/2022	21/12/2021	28/09/2021
Vesting date	31/05/2025	21/12/2024	28/09/2024
Share price at grant	£1.48	£1.63	£1.56
Expected volatility	76%	80%	81%
Risk free rate	3.32%	0.67%	0.51%
Dividend yield	0%	0%	0%
Fair value of award per share	£1.47	£1.62	£1.55

TSR element against FTSE Small Cap index:

Expected volatility	291%	147%	158%
Fair value of award per share	£0.63	£0.72	£0.67

Income statement charge

	2022 Equity £000	2022 Cash £000	2022 Total £000	2021 Equity £000
Put options to 21 September 2021 - equity settled	-	-	-	1,283
Put options from 22 September 2021				
- imputed equity charge due to transition	-	-	-	779
- charge/(credit) since transition (see below)	580	432	1,012	-
South Africa non-recourse loan scheme	-	107	107	-
Total not affecting headline results (Note 1)	580	539	1,119	2,062
Release of cash award due to leaver (Note 1)	-	-	-	-
LTIPs	438	-	438	135
Restrictive share awards	211	-	211	38
Cash awards	-	1,893	1,893	-
Total	1,229	2,432	3,661	2,235

Total put option liability

	2022 Total £000	2021 Total £000
Put options liability (IFRS 2)	(18,992)	(27,122)
Put options liability (IFRS 9)	(3,856)	(5,238)
Total put options (Note 25)	(22,848)	(32,360)
Current - Minority shareholder put option liabilities	(18,419)	(20,788)
Non-current - Minority shareholder put option liabilities	(4,429)	(11,572)
Total	(22,848)	(32,360)

Cash-settled liability

The movement in the liability by scheme is detailed below:

	Put options £000	South Africa non-recourse loan scheme £000	Cash awards £000
At 1 January 2021	-	(545)	(2,043)
Equity-settled options transferred to cash-settled awards	(32,555)	-	-
Offsettable debt	1,691	-	-
Acquisitions (Note 12)	(1,818)	-	-

ACQUISITIONS (NOTE 12)		
(Charge) / credit to income statement		(1,043)
- Straight-line recognition	(692)	-
- Change in subsidiary profit estimates	(3,382)	-
- Change in Company multiple	4,871	40
Total income statement (charge) / credit	797	40
Reversal of charge caused by employee resignation	-	2,598
Settled	4,859	-
Foreign exchange	(66)	37
At 31 December 2021	(27,122)	(468)
(Charge) / credit to income statement		(1,893)
- Straight-line recognition	(963)	-
- Change in subsidiary profit estimates	(1,858)	(231)
- Change in Company multiple	2,389	124
Total income statement charge	(432)	(107)
Settled	8,553	-
Foreign exchange	9	(23)
At 31 December 2022	(18,992)	(598)
		(1,165)

Cash consideration for non-controlling interest acquired and other options

	2022
	Total
	£000
Put options liability (IFRS 2)	(9,607)
Put options liability (IFRS 9)	(2,497)
Total cash consideration for non-controlling interest acquired and other options	(12,104)

Put Options

	Vesting	% Entity subject to the put option
Clear Deutschland GmbH	2024	20.00%
Clear Deutschland GmbH	2026	20.00%
Clear Ideas (Singapore) Ltd	2023	10.00%
Clear Ideas Ltd - B1 shares	Vested	5.00%
Clear Ideas Ltd - B2 shares	Vested	5.00%
Clear LA LLC	Vested	12.00%
FCINQ SAS	Vested	11.62%
Greenhouse Australia Pty Ltd	2023	8.53%
Greenhouse Australia Pty Ltd	2024	4.80%
Human Digital Ltd	2023	23.00%
Human Digital Ltd	2024	17.00%
LIDA NY LLP (MCD)	Vested	24.50%
M&C Saatchi (Hong Kong) Limited	Vested	20.00%
M&C Saatchi AB	Vested	30.00%
M&C Saatchi Advertising GmbH	2023	4.10%
M&C Saatchi Agency Pty Ltd	Vested	10.00%
M&C Saatchi Fluency Limited*	2026	7.50%
M&C Saatchi Fluency Limited*	2027	10.00%
M&C Saatchi Fluency Limited*	2028	2.50%
M&C Saatchi Holdings Asia Pte Ltd (Indonesia)	2024	27.40%
M&C Saatchi Holdings Asia Pte Ltd (Indonesia)	2026	22.50%
M&C Saatchi Merlin Ltd	2023	15.00%
M&C Saatchi Middle East Holdings Ltd	Vested	20.00%
M&C Saatchi Share Inc	Vested	20.00%
M&C Saatchi Social Ltd	2023	16.00%
M&C Saatchi Spencer Hong Kong Limited	2024	30.00%
M&C Saatchi Sport & Entertainment Ltd	Vested	25.00%
M&C Saatchi Sport & Entertainment NY LLP	Vested	13.00%
M&C Saatchi Sport & Entertainment NY LLP	2024	12.50%
M&C Saatchi Sport & Entertainment NY LLP	2025	5.00%
M&C Saatchi Sport & Entertainment Pty LTD	Vested	10.00%
M&C Saatchi Sports & Entertainment GmbH	Vested	7.00%
M&C Saatchi Talk Ltd	Vested	39.00%
M&C Saatchi Talk Ltd	2023	10.00%
M&C Saatchi World Services LLP	Vested	15.00%
M&C Saatchi, S.A. DE C.V.	2023	40.00%
Majority LLC	2024	8.00%
RE Team Pty Ltd	Vested	13.00%
RE Worldwide UK Ltd	Vested	43.20%
Scarecrow M&C Saatchi Ltd	Vested	49.00%
The Source (W1) LLP	Vested	10.00%
The Source Insight Australia Pty Ltd	2025	35.00%
Thread Innovation Ltd	2027	10.00%
Thread Innovation Ltd	2028	10.00%

*New scheme in year.

At any point in time, the valuation of certain put option schemes may be in dispute with the put option holders who have challenged the valuation of the schemes. We believe we have taken a prudent position in assessing the liabilities, and therefore consider any adverse outturn to be unlikely. As at 31 December 2022, the maximum aggregate liability that is not

accrued amounts to [£2.4m] (2021: £nil), which is approximately 10% of the put option liability.

LTIP and Restrictive Shares

Shares issuable

During the year the Group also awarded LTIPs and settled restrictive share awards.

The table below shows the number of shares that the Company will issue at the Company's share price at 31 December 2022 of 151.0p (2021: 168.5p) assuming all awards under the LTIPs are held to their vesting date and fully vest.

Number of Shares	LTIP '000	Restrictive shares '000	Total '000
At 1 January 2022	1,927	799	2,726
Forfeited on departure	(556)	-	(556)
Vested and reclassification to cash settled scheme on employee departure	-	(799)	(799)
Granted or amended	1,904	-	1,904
At 31 December 2022	3,275	-	3,275

Shares issuable used in these accounts

	Note	2022		2021 Number of shares '000	S
		Number of shares '000	Share price used		
Per EPS calculation	1	905	163p	828	
Share based payments	27	3,275	147p-162p	2,726	1

The share-based payments calculation (note 27) uses the number of shares that could be issued at the first possible vesting date after the year. The EPS calculation (note 1) uses the average share price for the year, calculating the number of shares to be issued using its formula value had it been possible to exercise on the year-end date, and takes a deduction for any remaining uncharged share option charge at start of year and the share of profits that is allocatable to the equity during the year. Where the scheme has been issued for part of the year (and is not converted from an existing cash-based scheme) the shares are reduced by the proportion of the year that they are in issue. The EPS calculation is thus attempting to show the dilutive effect rather than the likely shares that will be issued and is income statement focused rather than the true future position.

28. Issued share capital (allotted, called up and fully paid)

Policy

Ordinary shares are classified as equity. Incremental costs attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Where the Company reacquires its own equity instruments (treasury shares), the consideration paid is deducted from equity attributable to the Company's shareholders and recognised within the treasury reserve.

Analysis

	1p Ordinary shares	
	Number of shares	£000
At 31 December 2020	115,916,590	1,159
Acquisition of 40% of M&C Saatchi (Hong Kong) Limited	3,027,860	30
Acquisition of 25.1% of Santa Clara Participações Ltda	2,084,825	21
Acquisition of 19.9% of Little Stories SAS	475,730	5
Acquisition of 5% M&C Saatchi Mobile Asia Pacific PTE. Ltd	327,239	3
Shares issued for cash	620,180	6
Payment of deferred consideration	291,011	3
At 31 December 2021	122,743,435	1,227
No issue of shares	-	-
At 31 December 2022	122,743,435	1,227

The Group holds 485,970 (2021: 485,970) of the above Company shares in treasury.

29. Fair value measurement

Policy

See also basis of preparation note.

Some of the Group's financial assets and liabilities, in addition to certain non-financial assets and liabilities, are held at fair value.

The fair value of an asset or liability is the price that would be received from selling the asset or paid to transfer a liability

in an orderly transaction between market participants at the balance sheet date.

Both financial and non-financial assets and liabilities measured at fair value in the balance sheet are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

-	Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
-	Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
-	Level 3: unobservable inputs for the asset or liability.

The Group holds both assets and liabilities which are measured at fair value on a recurring basis and those which are measured at fair value on a non-recurring basis. Items measured at fair value on a non-recurring basis typically relate to non-financial assets arising as a result of business combinations as accounted for under the acquisition method. In this regard, during the year the Group has recognised additions to intangible assets (brand names and customer lists) totalling £200k (2021: £3,819k). Refer to note 14 for full details.

In addition, the Group also calculates the fair value of certain non-financial assets when there is the need to conduct an impairment review. These calculations also fall within Level 3 of the IFRS 13 hierarchy and, where applicable, are described in note 14.

Assets and liabilities measured at fair value on a recurring basis.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2022 and 31 December 2021:

	Level 1 £000	Level 2 £000	Level 3 £000
At 31 December 2022			
Financial assets			
Equity investments at FVTPL	-	-	11,986
Contingent consideration	-	-	914
Total	-	-	12,900

	Level 1 £000	Level 2 £000	Level 3 £000
At 31 December 2021			
Financial assets			
Equity investments at FVTPL	-	-	15,183

The level at which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The movements in the fair value of the level 3 recurring financial assets and liabilities are shown as follows:

	Equity instruments at FVTPL £000
At 1 January 2022	15,183
Disposals	(918)
Gain on disposal	1,168
Revaluations	292
Impairment	(2,863)
Currency movements	38
At 31 December 2022	12,900

Valuation and sensitivity to valuation

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Where appropriate such valuations are performed in consultation with third-party valuation specialists for complex calculations.

The equity instruments at FVTPL relate to unlisted equity investments as detailed in note 19. Management bases its primary assessment of their fair values on the share price from the last funding round but also incorporates discounts depending on performance, more senior shareholdings held by other investors and the possibility of future dilution due to the presence of convertible loan notes. Within the value of £12,900k above, £6,082k have no price points in the past 12 months. Fluctuations in the share price would change the fair value of the investments recognised at year-end as follows assuming a 10% uplift or downwards movement in the price:

	Increase/ (decrease) in fair value of asset 2022 £000	Increase/ (decrease) in fair value of asset 2021 £000
Adjusted share price		
+10%	1,290	1,519
-10%	(1,290)	(1,519)

In addition, management considers there to be a risk that the most recent purchase prices are sensitive to a decision to sell the investments to an unwilling market. If such a market existed, then discounting the investments to reflect such risk could impact the value as shown below:

	Decrease in fair value of asset 2022 £000	Decrease in fair value of asset 2021 £000
Risk adjusted sales price		
-30% sales discount due to illiquid nature*	(3,870)	(4,556)
-10% risk discount for unwilling market place**	(1,081)	(1,776)

-12% RISK DISCOUNT FOR UNLIQUID MARKET PRICE	(1,004)	(1,470)
Value after discounts	7,946	9,353

* If these illiquid securities were to be sold then such a sale is expected to yield between a 10% and 50% discount, so sensitivity based on 30%.

** Risk that if the cash supply dries up, some of the investments with future growth prospects will run out of cash requiring a fire sale, reflected by additional risk discount of 12%.

30. Financial risk management

Principal financial instruments

The principal financial instruments held by the Group, from which financial instrument risk arises, include contract assets, trade and other receivables, cash and cash equivalents, contract liabilities, trade and other payables, loans and borrowings, minority interest put options accounted under IFRS 9 as liabilities and equity instruments representing long term investments in non-listed entities.

The Group does not typically use derivative financial instruments to hedge its exposure to foreign exchange or interest rate risks arising from operational, financing and investment activities.

30.1 - General objective, policies and processes

The Board has overall responsibility for the determination of the Group's and Company's risk management objectives and policies. Whilst retaining ultimate responsibility for them, the Board has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's senior management of each core business unit.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility of the global businesses of which it is comprised. Further details regarding these policies are set out below.

30.2 - Market risk

Market risk arises from the Group's use of interest-bearing financial instruments and foreign currency cash holdings. It is the risk that the fair value of future cash flows on its debt finance and cash investments will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) and other price risk such as equity price risk and share price risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt, equity investments and minority interest (MI) put options.

Exposure to market risk arises in the normal course of the Group's business.

30.3 - Foreign exchange risk

Foreign exchange risk arises from transactions and recognised assets and liabilities and net investments in foreign operations. The Group's general operating policy historically has been to conduct business in the currency of the local area in which businesses of the Group are geographically located, thereby naturally hedging the consideration resulting from client work. Businesses of the Group maintain bank accounts in the currency of these transactions solely for working capital purposes. As the Group has grown there has been an increase in services rendered being exported from the UK businesses to clients who transact in non-GBP currencies. The transactional risk arising from such exports is mitigated in terms of the structuring of the billing arrangements and agreement to regular invoices being remitted and promptly paid (<30 days).

The Group is exposed to movements in foreign currency exchange rates in respect of the translation of net assets and income statements of foreign subsidiaries and equity accounted investments. The Group does not hedge the translation effect of exchange rate movements on the income statements or balance sheets of foreign subsidiaries and equity accounted investments as it regards these as long-term investments.

The estimated impact on foreign exchange gains and losses of a +/- 10% movement in the exchange rate of the Group's significant currencies is as follows:

	Increase/ (decrease) in profit before tax 2022	Increase/ (decrease) in profit after tax 2022	Increase/ (decrease) in profit before tax 2021	Increase/ (decrease) in pro 20:
	£000	£000	£000	£0
Exchange rate				
USD +10%	848	727	362	2
USD -10%	(771)	(661)	(330)	(19)
AUD +10%	490	321	526	3.
AUD -10%	(446)	(292)	(478)	(31)

The year-end and average exchange rates to GBP for the significant currencies are as follows:

Currency	Year-End Rate		Average Rate	
	2022	2021	2022	2021
USD	1.21	1.35	1.20	1.35
AUD	1.77	1.86	1.77	1.87

The Group assumes that currencies will either be freely convertible, or the currency can be used in the local market to pay for goods and services, which the Group can sell to clients in a freely convertible currency. Within the 2022 year-end cash balances the Group holds £1,242k in Indian Rupees; £524k in Libyan Dinars; and £3,725k in South African Rands.

30.4 - Interest rate risk

The Group is exposed to interest rate risk because it holds a banking facility of up to £47m and a net overdraft facility of up to £2.5m, both based on floating interest risks. The Group does not consider this risk to be significant.

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments held at the balance sheet date. The analysis is prepared assuming the amount of borrowings outstanding at the balance sheet date were outstanding for the whole year. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2022 would (decrease)/increase by £(35)k / £35k (2021: £(100)k / £100k). This is principally attributable to the Group's exposure to interest rates on its floating rate loan.

30.5 - Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and, when appropriate, principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as and when they fall due. The Group's debt instruments carry interest at SONIA + 3.0%.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they come due. To achieve this aim, the Group has a planning and budgeting process in place to determine the funds required to meet its normal operating requirements on an ongoing basis. The Group and Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and cash equivalent and proposed strategic investments.

The Board receives current year cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group had sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Group

At 31 December 2022	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2
Trade and other payables*	(93,060)	(34,996)	(2,508)	
Lease liabilities	(2,256)	(6,770)	(8,149)	
Loans and borrowings	(59)	(100)	(6,802)	
Overdrafts	(4,271)	-	-	
IFRS 9 put options	-	(2,584)	-	
Total	(99,746)	(44,350)	(17,459)	

* excludes taxes as these are not considered financial instruments and contract liabilities as these are not financial liabilities

At 31 December 2021	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2
Trade and other payables*	(96,561)	(25,359)	(5,285)	
Lease liabilities	(2,320)	(6,960)	(8,074)	
Loans and borrowings	-	-	-	
Overdrafts	(14,440)	-	-	
IFRS 9 put options	-	(3,238)	-	
Deferred and contingent consideration	-	(984)	-	
Total	(113,321)	(36,541)	(13,359)	

* excludes taxes as these are not considered financial instruments and contract liabilities as these are not financial liabilities

Company

At 31 December 2022	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2
Trade and other payables	(5,190)	-	-	
Overdrafts	(4,271)	-	-	
Loans and borrowings	-	-	(6,750)	
Total	(9,461)	-	(6,750)	

At 31 December 2021	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2
Trade and other payables	(3,551)	(361)	(292)	
Loans and borrowings	-	-	-	
Total	(3,551)	(361)	(292)	

The Group breached no banking covenants during the year.

30.6 - Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group monitors credit risk at both a local and Group level. Credit terms are set and monitored at a local level according to local business practices and commercial trading conditions. The age of debt, and the levels of accrued and deferred income are reported regularly. Age profiling is monitored, both at local customer level and at consolidated entity level. There is only local exposure to debt from significant global clients. The Group continues to review its debt exposure to foreign currency movements and will review efficient strategies to mitigate risk as the Group's overseas debt increases.

Management determines concentrations of credit risk by reviewing amounts due from customers monthly. The only significant concentrations of credit risk which are accepted are with multinational blue chip (or their equivalent) organisations where credit risk is not considered an issue and the risk of default is considered low.

Impairment

The Group has one principal class of assets in scope for expected credit loss test, trade receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates for each business are based on the payment profiles of sales at least over a period of 24 months before 31 December 2022 or 31 December 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The expected credit loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables under IFRS 15.

	Trade receivables				
	Not past due	0 - 30 days past due	31 - 90 days past due	91 - 120 days past due	> 120 days past due
31 December 2022					
Expected loss rate (%)	0.02%	0.01%	0.02%	0.51%	3.55%
Trade receivables (£000's)	70,673	25,496	9,333	2,701	4,124
Calculated expected credit loss provision (£000's)	11	3	2	14	146
Specific further loss allowances (£000's)	-	-	-	-	1,653
Total loss allowance (£000's)	11	3	2	14	1,799

	Trade receivables				
	Not past due	0 - 30 days past due	31 - 90 days past due	91 - 120 days past due	> 120 days past due
31 December 2021					
Expected loss rate (%)	0.02%	0.01%	0.02%	0.51%	3.55%
Trade receivables (£000's)	72,941	19,200	6,107	956	3,302
Calculated expected credit loss provision (£000's)	11	2	1	5	117
Specific further loss allowances (£000's)	-	-	-	-	741
Total loss allowance (£000's)	11	2	1	5	858

Under IFRS 9 Financial Instruments, the expected credit loss is the difference between asset's gross carrying amount and the present value of the estimated future cashflows discounted at the asset's original effective interest rate.

Contract assets relate to work-in-progress, and as the Group has no experience of material write offs in relation to these financial assets, no expected credit loss allowance is recognised.

30.7 - Share price risk

As detailed in note 27, the Group has used put option awards to incentivise certain local key management (who are non-controlling interest). The value of these awards is in part dependent upon the Company's share price.

30.8 - Equity price risk

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and by placing limits on individual and total equity investment securities. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board reviews and approves all equity investment decisions. The basis of the fair value calculations and the sensitivity of these calculations to the key inputs is detailed in note 29.

30.9 - Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Strong financial capital management is an integral element of the Directors' strategy to achieve the Group's stated objectives. The Directors review financial capital reports on a regular basis and the Group finance function does so on a daily basis ensuring that the Group has adequate liquidity. The Directors' consideration of going concern is detailed in the Directors' Report.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents as disclosed in the cash flow statement and equity attributable to equity holders of the parent as disclosed in the Statement of Changes in Equity.

31. Group companies

Key

- * This subsidiary company is exempt from the requirements relating to the audit of individual accounts for the year ended 31 December 2022 by virtue of Section 479A of the Companies Act 2006. M&C Saatchi plc (the "Company") will guarantee the debts and liabilities of the subsidiary company in accordance with Section 479C of the Companies Act 2006.
- ** Entities where all equity is directly held by the Company, all other subsidiary companies' equity is either in part or wholly held via subsidiaries of the Company.

As at 31 December 2022	Country	Company Number	Registered Office Address	Specialism	Effective % ownership 2022
United Kingdom					
LIDA (UK) LLP*	United Kingdom	OC395890	36 Golden Square, London, W1F 9EE	Advertising	100
LIDA Limited*	United Kingdom	03860916	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi (UK) Limited*	United Kingdom	03003693	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Accelerator Limited*	United Kingdom	09660056	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Export Limited*	United Kingdom	03920028	36 Golden Square, London, W1F 9EE	Advertising	100
M & C Saatchi Marketing Arts Limited*	United Kingdom	03357727	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi PR International	United Kingdom	08838406	36 Golden Square, London, W1F 9EE	Advertising	100

Limited*					
M&C Saatchi PR Limited*	United Kingdom	07280464	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi PR UK LLP*	United Kingdom	OC362334	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Shop Limited*	United Kingdom	09660100	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Talk Limited*	United Kingdom	04239240	36 Golden Square, London, W1F 9EE	Advertising	51
The Source (London) Limited*	United Kingdom	07140265	36 Golden Square, London, W1F 9EE	Advertising	100
The Source (W1) LLP*	United Kingdom	OC384624	36 Golden Square, London, W1F 9EE	Advertising	90
This Is Noticed Limited*	United Kingdom	11843904	36 Golden Square, London, W1F 9EE	Advertising	68.5
Clear Ideas Consultancy LLP*	United Kingdom	OC362532	36 Golden Square, London, W1F 9EE	Consulting	90
Clear Ideas Limited*	United Kingdom	04529082	36 Golden Square, London, W1F 9EE	Consulting	90
M&C Saatchi Fluency Limited*	United Kingdom	12853921	36 Golden Square, London, W1F 9EE	Consulting	80
M&C Saatchi Life Limited*	United Kingdom	14338008	36 Golden Square, London, W1F 9EE	Consulting	100
Influence Communications Limited*	United Kingdom	04917646	36 Golden Square, London, W1F 9EE	Consulting	95
Re Worldwide Ltd*	United Kingdom	10503044	36 Golden Square, London, W1F 9EE	Consulting	56.8
Thread Innovation Limited*	United Kingdom	13510974	36 Golden Square, London, W1F 9EE	Consulting	80
Alive & Kicking Global Limited*	United Kingdom	11250736	36 Golden Square, London, W1F 9EE	Dormant	100
Black & White Strategy Limited*	United Kingdom	11295145	36 Golden Square, London, W1F 9EE	Dormant	100
H2R Research Limited*	United Kingdom	11668322	36 Golden Square, London, W1F 9EE	Dormant	85
Human Digital Limited*	United Kingdom	07510403	36 Golden Square, London, W1F 9EE	Issues	60
M&C Saatchi World Services LLP*	United Kingdom	OC364842	36 Golden Square, London, W1F 9EE	Issues	85
M&C Saatchi WS .ORG Limited*	United Kingdom	10898282	36 Golden Square, London, W1F 9EE	Issues	85
Tricycle Communications Limited*	United Kingdom	07643884	36 Golden Square, London, W1F 9EE	Issues	85
M & C Saatchi Network Limited* & **	United Kingdom	07844657	36 Golden Square, London, W1F 9EE	Group Central Costs	100
Saatchinvest Ltd*	United Kingdom	07498729	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M&C Saatchi International Holdings B.V.	United Kingdom	24295679 (FC024340)	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M&C Saatchi European Holdings Limited*	United Kingdom	05982868	36 Golden Square, London, W1F 9EE	Group Central Costs	96
M&C Saatchi German Holdings Limited*	United Kingdom	06227163	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M & C Saatchi International Limited*	United Kingdom	03375635	36 Golden Square, London, W1F 9EE	Local Central Costs	100
M&C Saatchi Middle East Holdco Limited*	United Kingdom	09374189	36 Golden Square, London, W1F 9EE	Local Central Costs	80
M&C Saatchi WMH Limited*	United Kingdom	03457658	36 Golden Square, London, W1F 9EE	Local Central Costs	100
M&C Saatchi Worldwide Limited*	United Kingdom	02999983	36 Golden Square, London, W1F 9EE	Local Central Costs	100
FYND Media Limited*	United Kingdom	10104986	36 Golden Square, London, W1F 9EE	Media	100
M&C Saatchi Mobile Limited*	United Kingdom	05437661	36 Golden Square, London, W1F 9EE	Media	100
M&C Saatchi Merlin Limited*	United Kingdom	03422630	36 Golden Square, London, W1F 9EE	Passions	70
M&C Saatchi Social Limited* & **	United Kingdom	09110893	36 Golden Square, London, W1F 9EE	Passions	84
M&C Saatchi Sport & Entertainment Limited*	United Kingdom	03306364	36 Golden Square, London, W1F 9EE	Passions	75
Europe	Switzerland	660-0112000-1	Boulevard Des	Advertising	76

M&C Saatchi (Switzerland) SA	Switzerland	000-0442007-4	Boulevard Des Promenades 8, 1227, Carouge, Geneva, Switzerland	Advertising	70
M&C Saatchi AB	Sweden	556902-1792	Skeppsbron 16, 11130, Stockholm, Sweden	Advertising	70
M&C Saatchi Advertising GmbH	Germany	95484	Munzstrasse 21-23, 10178, Berlin, Germany	Advertising	96
M&C Saatchi Digital GmbH	Germany	137809	Munzstrasse 21-23, 10178, Berlin, Germany	Advertising	100
M&C Saatchi Go! AB	Sweden	559076-6076	Skeppsbron 16, 11130, Stockholm, Sweden	Advertising	70
M&C Saatchi PR AB	Sweden	559103-4201	Skeppsbron 16, 11130, Stockholm, Sweden	Advertising	70
M&C Saatchi PR S.r.L	Italy	IT08977250961	V.Le Monte Nero 76, Milano, 20135, Italy	Advertising	100
M&C Saatchi SpA	Italy	IT07039280966	V.Le Monte Nero 76, Milano, 20135, Italy	Advertising	100
Clear Deutschland GmbH	Germany	113523	C/O Wework, Taunusanlage 8, 60329, Frankfurt Am Main, Germany	Consulting	57
M&C Saatchi Sport & Entertainment Benelux B.V.	Netherlands	860734560	Keizersgracht, 81015CN, Amsterdam	Passions	100
M&C Saatchi Sports & Entertainment GmbH	Germany	142905	Munzstrasse 21-23, 10178, Berlin, Germany	Passions	93
Middle East and Africa					
Black & White Customer Strategy (Pty) Limited	South Africa	211/005859/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1
Creative Spark Interactive (Pty) Limited**	South Africa	2010/016508/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1
Dalmatian Communications (Pty) Limited**	South Africa	2015/396439/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1
M&C Saatchi Abel (Pty) Limited	South Africa	2009/022172/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50
M&C Saatchi Africa (Pty) Limited**	South Africa	2013/037719	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1
M&C Saatchi FZ LLC	United Arab Emirates	177	PO Box: 77932, Abu Dhabi, United Arab Emirates	Advertising	80
M&C Saatchi Middle East FZ LLC	United Arab Emirates	30670	M&C Saatchi, Penthouse, Building 1, Twofour54, PO Box 77932, Abu Dhabi, United Arab Emirates	Advertising	80
Razor Media (Pty) Limited	South Africa	2017/177757/07	9 8 th Street, Houghton, Johannesburg, Gauteng, 2198, South Africa	Advertising	49
M&C Saatchi	Bahrain	74157	51,122,1605,316,	Dormant	100

Bahrain W.L.L		Manama Center			
M&C Saatchi Connect (Pty) Limited**	South Africa	2013/037737/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Media	50.1
Levergy Marketing Agency (Pty) Limited**	South Africa	2005/021589/07	9 8 th Street, Houghton, Johannesburg, Gauteng, 2198, South Africa	Passions	70
Asia					
Design Factory Sdn Bhd	Malaysia	201001034805	No. 15B, 2 nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor Darul Ehsan, Malaysia	Advertising	100
M&C Saatchi Advertising (Shanghai) Limited	China	91310000740556813A	Room 248, Floor 2, Unit 5, No.11, Wanghang Road, New Lingang Area, China (Shanghai) Pilot Free Trade Zone, China	Advertising	80
M&C Saatchi (Hong Kong) Limited	Hong Kong	509500	Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point, Hong Kong	Advertising	80
M&C Saatchi Spencer Hong Kong Limited	Hong Kong	2661802	1 st Floor, Catic Plaza, No.8 Causeway Road, Causeway Bay, Hong Kong	Advertising	70
M&C Saatchi Communications Pvt Limited	India	U74300DL2005PTC141682	Flat No.270-D, Pocket C Mayur Vihar Phase II, New Delhi, 110091, India	Advertising	94.8
Scarecrow M&C Saatchi Limited**	India	U22190MH2008PLC188548	2 nd Floor, Kamani Chambers 32 Ramjibhai Kamani Marg, Ballard Estate Mumbai, Mumbai City, MH 400038 IN, India	Advertising	51
PT. MCS Saatchi Indonesia	Indonesia	576/1/IU/PMA/2018	Dea Tower 1 Mezzanine Floor, Jl. Mega Kuningan Kav.e4.3 No.1-2, Kuningan Timur, Setiabudi, Jakarta Selatan, 12920, Indonesia	Advertising	50.1
M&C Saatchi (M) Sdn Bhd	Malaysia	606116-D	No.15b, 2 nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor, Malaysia	Advertising	100
M&C Saatchi Source (M) SDN BHD	Malaysia	1313653-D	No.15b, 2 nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor, Malaysia	Advertising	100
Watermelon Production Sdn Bhd	Malaysia	1083441 -M	No.15b, 2 nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor, Malaysia	Advertising	100
M&C Saatchi World Services Pakistan (Pvt) Ltd	Pakistan	0081911	48m, Block 6, P.Ec.H.S, Karachi, Pakistan	Issues	43
M&C Saatchi (S) Pte Limited	Singapore	199504816C	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Advertising	100
Clear Ideas (Singapore) Pte	Singapore	201020335R	59 Mohamed Sultan Road. #02-	Consulting	86

Clear Asia Limited	Hong Kong	1289028	6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong	Dormant	95
Re HK Limited	Hong Kong	2699219	Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point, Hong Kong	Dormant	100
M&C Saatchi World Services (Singapore) Pte Limited	Singapore	202104508W	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Issues	85
M&C Saatchi Asia Limited	Hong Kong	1959819	Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point, Hong Kong	Local Central Costs	100
M&C Saatchi Holdings Asia Pte Limited	Singapore	20172 5519K	1 Coleman Street, #05-06a, The Adelphi, 179803 Singapore	Local Central Costs	50.1
M&C Saatchi Mobile India LLP	India	AAK-8869	141b First Floor, CI House Shahpur Jat, New Delhi, 110049, India	Media	100
M&C Saatchi Mobile Asia Pacific Pte Limited	Singapore	201410399M	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Media	100
Australia					
1440 Agency Pty Limited	Australia	100 473 363	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Bellwether Global Pty Limited	Australia	114 615 226	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Brands In Space Pty Limited	Australia	129 800 639	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Elastic Productions Pty Limited	Australia	635 737 861	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Go Studios Pty Limited	Australia	092 941 878	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Greenhouse Australia Pty Limited	Australia	629 584 121	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	78
Hidden Characters Pty Limited	Australia	108 886 291	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	85.5
LIDA Australia Pty Limited	Australia	125 908 009	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
M&C Saatchi Direct Pty Limited	Australia	072 221 811	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
M&C Saatchi Melbourne Pty Limited	Australia	004 777 379	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	89.9
M&C Saatchi Sydney Pty Limited	Australia	637 963 323	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Park Avenue PR Pty Limited	Australia	604 298 071	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Resolution Design Pty Limited	Australia	621 985 288	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Saatchi Ventures Pty Limited	Australia	614 007 957	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	54
The Source Insight Australia Pty Limited	Australia	618 841 928	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	58.5
This Film Studio Pty Limited	Australia	624 003 541	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	63
Tricky Jigsaw Pty Limited	Australia	069 431 054	99 Macquarie Street, Sydney, NSW	Advertising	88

			2000, Australia		
Ugly Sydney Pty Limited	Australia	618 242 710	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	67.5
Re Team Pty Limited	Australia	105 887 321	99 Macquarie Street, Sydney, NSW 2000, Australia	Consulting	78.8
Yes Agency Pty Limited	Australia	621 425 143	99 Macquarie Street, Sydney, NSW 2000, Australia	Consulting	78.8
eMCSaatchi Pty Limited	Australia	089 856 093	99 Macquarie Street, Sydney, NSW 2000, Australia	Dormant	90
World Services (Australia) Pty Limited	Australia	629 191 420	C/O Walker Wayland Services Pty Ltd, Suite 11.01, Level 11, 60 Castlereagh St, Sydney NSW, Australia	Issues	85
M&C Saatchi Agency Pty Limited	Australia	069 431 054	99 Macquarie Street, Sydney, NSW 2000, Australia	Local Central Costs	90
M&C Saatchi Asia Pac Holdings Pty Limited	Australia	097 299 020	99 Macquarie Street, Sydney, NSW 2000, Australia	Local Central Costs	100
Bohemia Group Pty Limited	Australia	154 100 562	99 Macquarie Street, Sydney, NSW 2000, Australia	Media	90
M&C Saatchi Sport & Entertainment Pty Limited	Australia	139 568 102	99 Macquarie Street, Sydney, NSW 2000, Australia	Passions	81
Americas					
Agência Digital Zeroacem Ltda	Brazil	NIRE-3522979148	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, São Paulo, 05434-080, Brazil	Advertising	46
CSZ Comunicação Ltda	Brazil	03.910.644/0001-05	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, São Paulo, 05434-080, Brazil	Advertising	50.1
Lily Participações Ltda	Brazil	21.188.539/0001-96	Avenida Brigadeiro Faria Lima, 1355, Jardim Paulistano 16 Andar, Sal, São Paulo, 01452-919, Brazil	Advertising	100
M&C Saatchi Brasil Participações Ltda	Brazil	10.570.593/0001-85	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, São Paulo, 05434-080, Brazil	Advertising	100
M&C Saatchi, S.A. DE. C.V	Mexico	N-2017052183	Darwin 74, Piso 1, Miguel Hidalgo, 11590 Ciudad de México, CDMX, Mexico	Advertising	60
Majority LLC	USA	5445173	874 Walker Rd Ste C, Dover, Kent, Delaware 19904 USA	Advertising	92.32
Santa Clara Participações Ltda	Brazil	09.349.720/0001-31	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, São Paulo, 05434-080, Brazil	Advertising	50.1
Shepardson Stern + Kaminsky LLP	USA	4656653	80 State Street, Albany, 12207-2543, New York, USA	Advertising	100
Clear USA LLC	USA	20-8599548	138 West 25 th Street, Floor 5, New York, NY 10001, USA	Consulting	95
LIDA NY LLP (MCD)	USA	4902983	138 West 25 th Street, Floor 5, New York, NY 10001, USA	Consulting	75.5
Clear LA LLC	USA	6241713	2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, USA	Dormant	95

Clear NY LLP	USA	30-0891/64	1209 Orange Street Wilmington, Delaware 19801, USA	Dormant	95
LIDA USA LLP	USA	6333479	251 Little Falls Drive, Wilmington, New Castle, 19808 Delaware, USA	Dormant	100
M&C Saatchi NY LLP	USA	45-4683918	874 Walker Rd Ste C, Dover, Kent, Delaware 19904, USA	Dormant	95
M&C Saatchi PR LLP	USA	27-1665526	1740 Broadway, New York, 10019, USA	Dormant	100
M&C Saatchi Share Inc.	USA	5580330	160 Greentree Dr Ste 101, Dover, Kent, Delaware, 19904 USA	Dormant	80
World Services US Inc.	USA	C2543767	88 Pine Street, 30 th Floor New York NY 10005 United States	Issues	100
M&C Saatchi Agency Inc.	USA	13-3839670	304 East 45 th Street, New York, New York, 10017, USA	Local Central Costs	100
M&C Saatchi Mobile LLC	USA	45-3638296	2032 Broadway, Santa Monica California, 90404 USA	Media	100
M&C Saatchi Sport & Entertainment LA LLC	USA	6369786	874 Walker Rd Ste C, Dover, Kent, Delaware 19904 USA	Passions	90
M&C Saatchi Sport & Entertainment NY LLP	USA	46-5182795	160 Greentree Dr Ste 101, Dover, Kent, Delaware, 19904 USA	Passions	69.5

Associate Entities

Entities in which the Group holds less than 50% of the share capital and which are accounted for as Associates (Note 15). All subsidiary companies which the Group controls in line with the requirements of IFRS 10 have been included in the consolidated financial statements.

As at 31 December 2022	Country	Company Number	Registered Office Address	Specialism	Effective % ownership 2022
Love Frankie Limited	Thailand	105557000000	571 Rsu Tower, 10 th Floor, Soi Sukhumvit 31, Sukhumvit Road, Wattana District, Bangkok, Thailand	Advertising	21
M&C Saatchi SAL	Lebanon	1010949	Quantum Tower, Charles Malek Avenue, St Nicolas, Beirut, Lebanon	Advertising	10
M&C Saatchi Little Stories SAS	France	449386944	32 Rue Notre Dame Des Victoires, 75002 Paris, France	Advertising	25.77
Cometis S.a.r.l	France	384769592	14 Rue Meslay, 75003 Paris, France	Advertising	49
M&C Saatchi Limited	Japan	0110-01-060760	1-26-1 Ebisu- Nishi, Shibuya- Ku, Tokyo 150- 0021, Japan	Advertising	10
February Communications Pvt Limited	India	U74999DL2012PTC233245	141b First Floor, Cl House Shahpur Jat, New Delhi, 110049, India	Advertising	20

32. Related party transactions

Key management remuneration

Key management remuneration is disclosed in note 5.

Other related parties

During the year, the Group made purchases of £84k (2021: £418k) from its associates. At 31 December 2022, there was £31k due to associates in respect of these transactions (2021: £35k).

During the year, £127k (2021: £420k) of fees were charged by Group companies to associates. At 31 December 2022, associates owed Group companies £38k (2021: £123k).

33. Commitments

With the introduction of IFRS 16 Leases in 2019, all of the Group's commitments are shown on the balance sheet except for those below:

Capital commitments

At the year-end the Group had £56k committed costs (2021: £Nil) to acquire property plant and equipment.

Other commitments

Other than the normal contractual commitments to staff and the commitment to complete profitable projects for clients, the Group does not have any other material commitments which are not reflected on the balance sheet.

34. Post-balance sheet events

As part of our simplification strategy, the Group continued to close down small entities including Clear Deutschland GmbH, M&C Saatchi Share Inc and Black & White Strategy Limited.

The Directors are not aware of any other events since the end of the financial year that have had, or may have, a significant impact on the Group's operations, the results of those operations, or the state of affairs of the Group in future years.

35. Other accounting policies

Reserves

Equity comprises the following:

Share capital

Represents the nominal value of equity shares in issue.

Share premium

Represents the excess over nominal value of the fair value of consideration received for equity shares, net of issuance costs.

Other reserves

Merger reserve

Represents the premium paid for shares above the nominal value of share capital, caused by the acquisition of more than 90% of a subsidiaries' shares. The merger reserve is released to retained earnings when there is a disposal, impairment charge or amortisation charge posted in respect of the investment that created it.

Treasury reserve

Represents the amount paid to acquire the Company's own shares for future use.

Minority interest put option reserve

Represents the initial fair value of the IFRS 9 put option liabilities at creation. When the put option is exercised, the related amount in this reserve is taken to the non-controlling interest acquired reserve.

Non-controlling interest acquired reserve

From 1 January 2010, a non-controlling interest acquired reserve has been used when the Group acquires an increased stake in a subsidiary. It represents the either a) the minority interest put option reserve transferred less the book value of the minority interest acquired (where the acquisition is due to an IFRS 9 put option), or b) the consideration paid less the book value of the minority interest acquired. If the equity stake in the subsidiary is subsequently sold, impaired or disposed of, then the related balance from this reserve will be transferred to retained earnings.

Foreign exchange reserve

For overseas operations, income statement results are translated at the annual average rate of exchange and balance sheets are translated at the closing rate of exchange. The annual average rate of exchange approximates to the rate on the date that the transactions occurred. Exchange differences arising from the translation of foreign subsidiaries are taken to this reserve. Such translation differences will be recognised as income or expense in the period in which the operation is disposed of.

Retained earnings

Represents the cumulative gains and losses recognised in the income statement.

36. New and revised standards issued but not yet effective

In the current year, the following Standards and Interpretations became effective:

- Amendments to IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use
- AIP (2018-2020 cycle): IFRS 9 Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendments to IFRS 3 - Reference to the Conceptual Framework

The above amendments do not have a material difference on the Group's accounts.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Applying IFRS 9 "Financial Instruments" with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	IFRS Insurance
Amendments to IFRS 17	Changes to international insurance accounting
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Application of consistency
Definition of Accounting Estimate (Amendments to IAS 8)	Distinguishing between accounting policies and estimates
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practise Statement 2)	Application of Materiality
Deferred Tax - Amendments to IAS 12 Income Taxes	Recognising deferred tax on leases

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.



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