ANNUAL REPORT

RESULTS

REVENUE +5%
PROFIT +17%
EARNINGS +27%
EPS +28%

All on a pro forma basis as defined in note 3.

NEW BUSINESS

A2
BETTER TOGETHER
BUGABOO
CRICKET AUSTRALIA
DELOITTE CONSULTING
DFID
DODDLE
DOUWE EGBERTS
EDF
GIRL HUB
GRAZE
HUSQVARNA
IAG
J W MARRIOTT
JAGUAR
JOHN LEWIS
LAND ROVER
LEXUS
MCCAIN
MICROSOFT
NAUTICA
NEW LOOK
NIKE FOUNDATION
NIVEA
OXFAM
PEPSICO
RENFE
SAGA
SKY BET
THOMAS COOK
TWOFOUR54
UGG
USAID

CHAIRMAN

2014 was our tenth year since flotation.

M&C Saatchi has gone from 13 offices in 9 countries to 25 offices in 18 countries.

The number of companies and subsidiaries has grown from 31 to 78. The team has gone from 790 employees to 1,885.

In 2004, 100 M&C Saatchi shares cost £125. Since then, the 100 shares have received dividends of £37.97.

Meanwhile the share price has reached approximately 3 times the launch price, making the initial investment worth some £368.

Thus the original £125 has produced about £406.

During 2014, the numbers continued their upward march, revenues, profits and EPS all going in the right direction.

In New York and Delhi, we have copied our China model and bought a minority share in two highly respected local agencies, SS+K and February, respectively.

Almost all areas had a good 2014. UK revenues were up 9%. LIDA and Mobile performing particularly well. Europe revenues went up 15%, with profits up 54%. Stockholm and Berlin had record years. Italy and France also did well.

The loss of the David Jones account hit Australia with a 6% drop in revenue, but the recent excellent run of new business wins will more than make up the difference. We won Lexus, IAG and Cricket Australia.

Malaysia had another wonderful year. As did Singapore, LA, Cape Town and Johannesburg.

Since the year end we have joined forces with Ben-Natan Golan Advertising in Israel to create M&C Saatchi Tel Aviv and with Santa Clara in Brazil to boost our Latin American presence.

May the next ten years be as successful!

Jeremy Sinclair
Chairman
25 March 2015

All on a pro forma basis as defined in note 3.
Share price and dividends calculated from float to 24 March 2015 close.

STRATEGIC REPORT

CHIEF EXECUTIVE

Summary of results

2014 saw another year of very good results with continued strong momentum and good revenue and earnings growth.

UK

Revenue in the UK was up 9%, with both CRM and Mobile continuing to do well. UK headline operating profit improved 1% on 2013. We experienced a positive run of account wins across our group of businesses, including Land Rover, John Lewis, Oxfam, Sky Bet, Ballantine's, Foot Locker, Doddle and the global business of Douwe Egberts. In April, we strengthened our digital offering by acquiring Lean Mean Fighting Machine, a highly respected and much awarded online agency. Our CRM offering through LIDA remains outstanding and they deservedly again won Customer Engagement Agency of the year. In addition, M&C Saatchi Mobile was awarded Mobile Agency of the Year EMEA. We are now exporting CRM and PR to our overseas offices, alongside Sport & Entertainment and Mobile. Our disciplined approach to cost and margins ensured a healthy headline operating margin of 14.9% (2013: 16.0%).

Europe

European like-for-like revenues increased 15% year on year. Stockholm has maintained its vigorous revenue momentum with further good new business wins across the year. Both Germany and Italy produced remarkable performances, with Italy winning BMW in the second half. In spite of a slow advertising market, the French office successfully won McCain and Thomas Cook as well as a place on the EDF roster. Additionally, our associate in Spain won the state train operator RENFE at the end of the year. Regionally, operating profit increased 54%, with a headline operating margin of 13.7% (2013: 9.7%).

Middle East and Africa

Like-for-like revenues increased 14% with substantial contributions from both Cape Town and Johannesburg. Key new business wins in South Africa were Pepsico and Deloitte Consulting. Abu Dhabi continues to build revenues beyond the Etihad account and won the account of TwoFour54, a government backed tax-free media and entertainment centre. In January 2015, we announced we were acquiring a majority stake in Ben-Natan Golan Advertising in Tel Aviv, Israel, forming a new agency M&C Saatchi Tel Aviv. Israel has the largest tech sector per capita in the world, often referred to as the second Silicon Valley. With our associate in Beirut and our office in Abu Dhabi, we now have a potent presence in the region. Overall, headline operating profit was up an exceptional 173%, with a headline operating margin of 12.8% (2013: 4.7%).

Asia and Australasia

In Asia and Australasia, like-for-like revenue was down 1% year on year. Australian revenues decreased without the David Jones account in 2014. However, our Australian offices have had an outstanding new business run in 2014, winning IAG, Lexus, A2 and Cricket Australia. With this performance and some very good work; they were rightly awarded Australian Agency of the Year. Regional revenues were also hit by account losses in New Zealand, which meant we took the strategic decision to close the office. Otherwise, the relationship with our associate in China, aeiou, progresses well with the win of some Microsoft business. Malaysia made a terrific contribution, maintaining their exceptional performance. In India, we reproduced our Chinese model acquiring 20% of February, a Delhi based agency. Singapore was appointed on an Asian regional basis for Jaguar and continues to win government assignments. The headline regional operating margin was up 2.3% from 9.2% to 11.5%, with the headline operating profit increasing 10%.

Americas

Like-for-like revenues increased 51% with a small operating profit of £0.4m, with our offices in Los Angeles and Sao Paulo together with our US Mobile operation more than covering our organic investment in our New York office. The conversion of new business proved slow in New York, which led us to implement a management restructure.
In November, we acquired 33% of SS+K, a much respected award winning agency that will significantly enhance our presence and accelerate our growth in New York. Already the model is working well, winning the international account of J W Marriott with our London office. Our office in Los Angeles maintained their good progress, winning UGG's social media business across the US. In February of this year, we upgraded our Sao Paulo presence, replicating the investment approach we took in China. We made a 25% investment in Santa Clara, a high quality independent agency who will be a powerful addition to our network.

Outlook

2014 was another year of excellent progress for M&C Saatchi. Our strategy of consistent growth through winning new business and starting new businesses continues to deliver good results. We have invested and upgraded and now feel we have the network span and depth of capabilities with which we can significantly develop our international client portfolio.
We are confident we will continue to make good progress in 2015 and beyond.

David Kershaw
Chief Executive
25 March 2015

FINANCE DIRECTOR

Objectives and strategic priorities

Key performance indicators

The Group manages its operational performance through a number of key performance indicators:

- revenue growth, both regionally and within marketing disciplines;
- continual improvement of operating margins;
- enhancement of net cash from operating activities;
- earnings per share growth; and
- improvement of the talent levels within the Group, in particular our creative capabilities, as well as the reputation of all our businesses.

Operating profit and margin

At a Group level, we have monitored results on a headline basis. Our focus is on revenue growth and margin improvement, leaving our local CEOs to manage their cost base to their revenues. This local focus on cost has helped increase operating margins with our headline operating margin being 9.5% (2013: 8.4%). Headline revenues advanced 4.5% in 2014 to £169.4m (2013: £162.0m). Excluding currency movement, the main influence being the positive effect of a strengthening of sterling against most currencies, the like-for-like revenue increase was 9.9%. This resulted in headline operating profit increasing 17.3% to £16.0m (2013: £13.7m). Non headline operating profit decreased to £5.7m (2013: £12.8m) with a charge of £10.4m (2013: £0.9m) for non headline items.

Headline results

The Group has used a pro forma headline basis to describe its results; this is not a defined term in IFRS. The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill, but excluding software) acquired in business combinations, changes to contingent and deferred consideration taken deferred consideration and other acquisition related charges taken to the income statement; impairment of investment in associate; and fair value gains and losses on liabilities caused by our put and call option agreements. Headline results treat discontinued operations as if they had been disposed at the beginning of the period.

See note 3 for a reconciliation of statutory to headline results.

Statutory results

Leaving our improved trading performance aside, the improved year-on-year profit before tax of £8.8m and basic earnings per share increase was in the most part caused by having a modest fair value adjustment to minority put option liabilities charge of £0.5m in 2014 compared with 2013's very large charge of £15.5m, given the share price increase in 2013. This was offset by an increased impairment charge and other accounting charges in 2014 of £10.4m (2013: £0.9m).

The Group's operations achieved revenue of £169.4m (2013: £162.0m) a growth of 4.5%. Primarily due to the much reduced minority put charge net of the increased impairment charge, the Group's operations made a profit before tax of £6.2m (2013: loss £2.6m), and basic EPS was (0.24)p (2013: (13.03p)).

Amortisation and impairment of acquired intangibles

We have reviewed the carrying values of intangible assets at the end of 2014. In view of Clear's fall in profits together with some minor reviews within the Group, we have made a non headline impairment charge of £5.6m. As can be seen in note 17, the other carrying values are significantly above the recoverable amounts in all cash generating units (CGU).

Financial income and expense

The Group's headline net interest payable was £232k (2013: net interest receivable of £27k). The increase in interest payable arose mainly from increased Group borrowing to fund acquisitions during 2014.

Minority put option revaluations are excluded from the headline results as the charge can vary significantly each year and does not reflect the business's underlying performance. The accounting of this produces counterintuitive effects, with increases in our share price and increases in the actual or expected performance of our subsidiaries with put options, creating a charge to our accounts and reducing our profits. The charge for non headline fair value adjustment to minority put option liabilities of £539k arose from some change in estimates of minority put liabilities offset by a modest movement in our share price movement in 2014, which decreased from 333.3p as at 1st January to 330.0p as at 31st December. Further details can be seen in note 27.

FINANCE DIRECTOR
Continued

Tax
The effective tax rate on headline profit before tax was 27.3% (2013: 30.4%). The Group does not recognise a deferred tax asset on any losses until the future profits of these businesses are probable (note 14). The Group benefited from lower rates in the UK and improved profitability from some of the newer offices utilising losses brought forward.

The effective tax rate on statutory profit before tax was 68.9% (2013: 61.2%).

Non controlling interest
The portion of headline profits attributable to non controlling shareholders was almost unchanged at £2.1m (2013: £2.0m).

Dividend
As part of a progressive dividend policy, the Board is proposing to pay a final dividend of 4.87p per share (2013: 4.24p), giving a total dividend of 6.27p compared to 5.45p in 2013, which is an increase of 15% compared with our earnings growth of 27%. The final dividend will be paid, subject to shareholder approval at the 10 June 2015 AGM, on 10 July 2015 to shareholders on the register at 12 June 2015.

Cash flow, banking arrangements and net assets
Cash net of bank borrowings at 31 December 2014 was £4.9m compared to £33.3m at 31 December 2013. The Group continued to generate cash which it used to make small tactical acquisitions and fund new offices. The 2013 year-end balance included the benefit of the disposal of 75.1% of our shareholding in Walker Media, which was completed on 27 November 2013 and resulted in a net cash receipt of £15.1m. The Group subsequently undertook a tender offer which completed on 23 January 2014, resulting in 6,337,800 ordinary shares being bought back at a price of 335.0p each for a total cost of £21.5m. The Group spent £8.5m acquisitions during the year including Lean Mean Fighting Machine and SS+K. To manage these and to fund acquisitions going forward, the Group renewed its banking facilities with RBS on 14 November 2014. These comprise a revolving credit facility totalling £30.0m, which has been agreed to 30 April 2017.

Net assets reduced to £35.9m (2013: £50.8m) mainly due to the reduced net cash balance of £4.9m (2013: £33.3m) following the impact of the share tender offer of £21.5m noted above and the acquisitions' spend of £8.5m net of the reduced minority put option liability which reduced from £38.2m in 2013 to £24.5m in 2014 following the exercise of some minority put options during the year.

Capital expenditure

Total capital expenditure for 2014 increased to £3.4m (2013: £2.8m). The main components of this spend were the refurbishment of some new additional office space in New York, San Francisco and London. In addition, there was some IT investment across the Group as well as expenditure to accommodate our 12% increase in staff.

Associates

The return from our established associates was a profit of £1,350k (2013: profit of £921k). There were no share of losses from M&C Saatchi SAL, our associate that covers the Middle East and North Africa region, compared to a loss of £152k in 2013. In Asia and Australasia, our share of profits from associates of £224k (2013: £67k) which came mainly from aeiou, our associate in China, whilst our share of our European associates based in Russia and Spain was a loss of £19k (2013: profit of £23k). The profit share of our UK associates, being Walker Media, Milk Data Strategy and Human Digital, was £1,074k (2013: £983k) and the share from our new associate SS+K in the Americas was £71k (2013: nil).

Long term incentive plan

On 19 January 2015, we announced that the conditional share awards granted to four of the Company's Executive Directors on 14 October 2010 under the Company's Long Term Incentive Plan (LTIP) vested on 31 December 2014, in accordance with the scheme's rules. The awards reflect the achievement of targets for both share price performance and total shareholder return conditions compared with the Company's listed peer group. M&C Saatchi share price increased from 81p as at 31 December 2009 to an average of 180.5p for last quarter of 2013 and to an average of 296.8p for last quarter of 2014. In addition, M&C Saatchi was ranked first among the 15 comparator companies for total shareholder return. When the Long Term Incentive Plan was adopted, each of the participants paid £97,250 to participate in the scheme. This sum was not refundable in the event that the vesting conditions were not met.

As a result of the vesting, a total of 2,771,736 M&C Saatchi plc ordinary shares were awarded to the following M&C Saatchi Directors: Jeremy Sinclair, David Kershaw, Maurice Saatchi and Bill Muirhead, with each Director receiving 692,934 shares.

Principal activity, trading review and future developments

See Directors' Report on page 20.

FINANCE DIRECTOR
Continued

Principal risks and uncertainties

Client losses hurt, although some turnover over time is normal and expected. Losses can happen for a variety of reasons. Our client profile is in line with those of our major competitors, and we continue to attract new clients on the basis of our creative excellence, the commitment of our people and our unique portfolio of services. There is also the risk, as a result of client cash shortages (caused both by economic and political factors), that budgets and fees are reduced or clients stop trading or run out of funding after work has been commissioned. As our offerings develop to reflect clients' changing marketing mix and cross selling opportunities, there is reduced visibility of future income. The other risks the Group faces are financial (details of which can be seen in note 5 of the financial statements), the risk that key staff leave, and the risk that regulatory and legal changes affect our trading or ownership structures.

Strategic report approval

By order of the Board

Jamie Hewitt
Finance Director
25 March 2015

BOARD

EXECUTIVE DIRECTORS

JEREMY SINCLAIR
Chairman

DAVID KERSHAW
Chief Executive

NON EXECUTIVE DIRECTORS

LLOYD DORFMAN
Non Executive Director

ADRIAN MARTIN
Non Executive Director

MAURICE SAATCHI
Executive Director

BILL MUIRHEAD
Executive Director

JAMIE HEWITT
Finance Director

JONATHAN GOLDSTEIN
Non Executive Director

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of the Group and Company for the year ended 31 December 2014.

Results and dividends

The consolidated income statement on page 28 shows the results for the year. The Directors approved an interim dividend of £947,000 (2013: £825,000) and recommend a final dividend of 4.87p pence totalling £3,442,000 (2013: £2,629,000).

Principal activity, trading review and future developments

The principal activity of the Group during the year was the provision of advertising and marketing services. The review of trading, future developments and key performance indicators (being revenue growth, headline operating margin, headline profit before tax, headline tax rate, and cash generation) is on pages 7 to 16.

Other risks and uncertainties

The Strategic Report deals with the principal risks and uncertainties. The Group trades internationally both through its local offices and via direct contracts in countries where we do not have offices. This trade exposes the Group to foreign exchange risk, political risk and in some locations physical risk. Other risks the Group is exposed to include client credit risk; the risk that the financial markets cause liquidity risk in addition to this client risk (given we have financial services clients); and cash flow risks. The Group mitigates such risks through monitoring, reviewing the available information and management's negotiation of contractual terms. Further details of our risks and risk management can be seen in note 5.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors continue to adopt the going concern basis in preparing the annual consolidated financial statements. The Group's business activities, together with the factors likely to affect its future development, performance and position is set out in this Annual Report.

Financial instruments

Details of the use of financial instruments by the Group are contained in notes 23 to 25 of the financial statements.

Political contributions

During the year, the Group made no political donations (2013: Nil).

Directors

The names of the Directors are given on pages 18 and 19, biographies can be found on our website (www.mcsaatchiplc.com).

The Board reviews the independence of the Non Executive Directors on an annual basis and considers them independent. All 3 Non Executive Directors sit on our remuneration committee and audit committee, with Lloyd Dorfman serving as chair of the remuneration committee and Adrian Martin serving as chair of audit committee. Lloyd Dorfman is our senior Independent Director.

The Board met six times during the year, with all members attending. The Board governs in the spirit of the QCA corporate governance code for small and mid-size quoted companies.

Audit committee

The audit committee meets formally twice a year with the Group's Auditor (KPMG), planning and reviewing the audit, and Group Auditor's independence. The committee's Chairman has regular direct contact with the Group's Auditor. At the end of 2014 the Group appointed BDO LLP as an internal auditor. It is intended that the internal auditor has direct contact with the Audit committee.

Remuneration committee

Meets on an ad hoc basis, when there is a need to review Executive Directors pay and rewards. No meetings were needed in 2014.

Social responsibility

The Group follows the guidance in the International (Social Responsibility) Standard ISO 26000 and is working during 2015 and 2016 to get accredited certification to BS OHSAS 18001.

On top of which, the Group is involved with many campaigns (both paid, low-bono and pro-bono) that help create a socially responsible world.

DIRECTORS' REPORT
Continued

Employees and equal opportunities
The Group's equal opportunities policy is not to discriminate on any grounds other than someone's ability to work effectively. We will make reasonable adjustments to working arrangements or to a physical aspect of the workplace.

The Group recognises that its principal asset is its employees and their commitment to the Group's service, standards and customers. Decisions are made wherever possible in consultation with local management, with succession planning performed on a regular basis at all levels. Communication methods to employees vary according to need and local business size and can include all methods of communication.

Insurance
The Company purchases insurance to cover its directors and officers against costs they may incur in defending themselves in legal proceedings instigated against them as a direct result of duties carried out on behalf of the Company.

Substantial shareholdings
As at 19 March 2015 the Company had been notified by shareholders representing 3% or more of issued share capital of the following interests:

Number of shares		%
Paradice Investment Management	7,623,455	10.8%
Aviva plc and its subsidiaries	5,444,532	7.7%
David Kershaw	4,819,994	6.8%
Bill Muirhead	4,819,994	6.8%
Maurice Saatchi	4,819,994	6.8%
Jeremy Sinclair	4,819,994	6.8%
Herald Investment Trust plc	4,139,900	5.9%
Octopus Investments	3,821,890	5.4%
Hargreave Hale	2,926,951	4.1%
JPMorgan Asset Management	2,370,000	3.4%

Regularly updated details of the Directors and substantial shareholders can be found on our corporate website www.mcsaatchiplc.com.

Events since the end of the financial year

On 16 January 2015 the final awards for 2012 LTIP and New LTIP were fulfilled resulting in 3,001,633 1p ordinary M&C Saatchi plc shares being issued (Note 30).

During February 2015 we took an associate interest in a Brazilian agency called Santa Clara, and disposed of our 25% interest in Milk Data 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.

Treasury shares

At the Annual General Meeting (AGM) in 2014, the Directors were given the authority to purchase up to 6,270,100 of its ordinary shares. The Directors will seek to renew this authority at the next AGM. During the year the Company held 700,000 of its ordinary shares ('treasury shares'). The Directors will use them to fulfil option obligations at a later date.

At a general meeting on 7 January 2014 the Company received approval and subsequently acquired 6,337,800 of its ordinary shares by way of a tender offer and then cancelled these shares.

Directors' power to issue shares

At the AGM in 2014 the Directors were given the authority to issue up to 41,334,000 of its ordinary shares of which 6,270,100 were approved to be issued for cash. During the year, the Company issued 5,667,436 shares to fulfil options and to acquire equity (note 29). The Company did not issue any shares for cash.

Agreements that vest on change of control

Depending on the circumstance, some of our put option agreements vest on change of control.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

DIRECTORS' REPORT
Continued

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group consolidated financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group consolidated financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union; and
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Website publication
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors
All the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

KPMG LLP will be seeking re-appointment as auditor of the Company and a resolution proposing this will be put to the 2015 AGM.

By order of the Board

Andy Blackstone
Company Secretary
25 March 2015

REMUNERATION REPORT

Policy on Directors' remuneration

Attracting and retaining high calibre executives is a key Company objective. We seek to reward them in a way that encourages the creation of value for shareholders.

Directors' pension arrangements

The Company contributes to the Directors' money purchase pension schemes.

Directors' contracts

All Executive Directors listed in the remuneration report have service contracts with 12 month notice periods. All Non Executive Directors have contracts with a nil to 30-day notice period dependent on the circumstances.

Directors' options

	Scheme[1]	Maximum M&C Saatchi plc shares awardable
Jamie Hewitt	LTIP	55,379

Directors' interests in subsidiaries

	Scheme[1]	Shares in M&C Saatchi Worldwide Ltd
David Kershaw	New LTIP	55,675 B shares
Bill Muirhead	New LTIP	55,675 B shares
Maurice Saatchi	New LTIP	55,675 B shares
Jeremy Sinclair	New LTIP	55,675 B shares

	Scheme[1]	Shares in M&C Saatchi Network Ltd
Jamie Hewitt	2012 LTIP	153,000 G shares

[1] See note 30.

New LTIP

In 2010, each of the four participants paid £97,250 for the award. This would not have been refundable if the share price hurdles and total shareholder return (TSR) conditions were not met.

The final award vested at the end of 2014, with the Company's average ninety day closing mid-market share price as at 31 December 2014, 296.8p, 97.9p greater than the schemes target 198.9p and the Company top of the TSR comparator group beating the target of being in top half by 188%. As the conditions were fulfilled the participants are entitled to sell equity in a subsidiary with a value equivalent to ten percent of the Company's increase in market capitalisation above its 31 December 2012 value of £114.9m (i.e. 181.4p share price). This resulted in 2,771,736 M&C Saatchi plc shares being issued in January 2015. The award causes an accounting charge of £156,000 (2013: £156,000).

2012 LTIP

The 2012 LTIP was issued on 19 January 2012 when the Company's share price was 123.5p. The participants paid the fair market price for the award of £2,550. The award vested on 31 December 2014 resulting in 229,897 shares being issued on 23 January 2015. The condition for vesting was that the Company's share price is greater than or equal to 200.0p. The accounting charge per this arrangement is £19,000 (2013: £19,000).

LTIP

The LTIP award was issued in October 2010. The maximum award vested over three years, the headline diluted earnings per share grew at 10% plus RPI or more. This results in the issue 55,380 shares and a £144,126 bonus in 2014 and 55,379 shares and a £167,715 bonus in 2015 (based on our 31 December 2014 share price of 330.0p). The accounting charge per this arrangement is £117,000 (2013: £187,000).

Other benefits

No Director of the Company has received or become entitled to receive a benefit (other than a fixed salary as an employee/consultant of the Company, the options indicated in this report, or a benefit included in the aggregate amount of remuneration shown in the financial statements) by reason of a contract made by the Company or a related corporation of which he is a member or with a Company in which he has a substantial financial interest.

By order of the Board

Andy Blackstone
Company Secretary
25 March 2015

2014	Basic salary £000	Bonus £000	Benefits in kind[1] £000	Pension £000	Total £000
Directors					
David Kershaw	**374**	**–**	**50**	**1**	**425**
Bill Muirhead	**349**	**–**	**54**	**24**	**427**
Maurice Saatchi	**374**	**–**	**50**	**–**	**424**
Jeremy Sinclair	**374**	**–**	**49**	**–**	**423**
Jamie Hewitt	**250**	**–**	**6**	**15**	**271**
Total	**1,721**	**–**	**209**	**40**	**1,970**
Non Executive Directors					
Lloyd Dorfman	**40**	**–**	**–**	**–**	**40**
Adrian Martin	**40**	**–**	**–**	**–**	**40**
Jonathan Goldstein	**40**	**–**	**–**	**–**	**40**
Total	**120**	**–**	**–**	**–**	**120**
TOTAL REWARDS	**1,841**	**–**	**209**	**40**	**2,090**

2013	Basic salary £000	Bonus £000	Benefits in kind[1] £000	Pension £000	Total £000
Directors					
David Kershaw	374	–	52	1	427
Bill Muirhead	325	–	52	49	426
Maurice Saatchi	374	–	47	–	421
Jeremy Sinclair	374	–	50	–	424
Jamie Hewitt	220	–	81	15	316
Total	1,667	–	282	65	2,014
Non Executive Directors					
Lloyd Dorfman	40	–	–	–	40
Adrian Martin	40	–	–	–	40
Jonathan Goldstein	40	–	–	–	40
Total	120	–	–	–	120
TOTAL REWARDS	1,787	–	282	65	2,134

[1] Benefits in kind include car allowances and permanent health insurance benefit.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2014 £000	Continuing operations 2013 £000	Discontinued operations* 2013 £000	Total 2013 £000
Billings		**333,302**	320,288	198,618	518,906
Revenue	3	**169,373**	162,039	13,562	175,601
Operating costs	6	**(163,720)**	(149,282)	(9,588)	(158,870)
Operating profit	3	**5,653**	12,757	3,974	16,731
Share of results of associates and joint ventures	9	**1,350**	163	–	163
Gain on disposal of discontinued operations	16	**–**	–	7,048	7,048
Finance income	10	**316**	376	117	493
Finance costs	11	**(1,087)**	(15,852)	–	(15,852)
Profit/(loss) before taxation	3	**6,232**	(2,556)	11,139	8,583
Taxation	13	**(4,293)**	(4,207)	(1,046)	(5,253)
Profit/(loss) for the year		**1,939**	(6,763)	10,093	3,330
Attributable to:					
Equity shareholders of the Group	3	**(155)**	(8,610)	10,093	1,483
Non controlling interests	3	**2,094**	1,847	–	1,847
Profit/(loss) for the year	3	**1,939**	(6,763)	10,093	3,330
Earnings per share					
Basic (pence)	3	**(0.24)p**	(13.03)p	15.27p	2.24p
Diluted (pence)	3	**(0.24)p**	(13.03)p	14.38p	2.11p

Headline results**		
Operating profit	**16,025**	13,657***
Profit before tax	**17,143**	14,605***
Profit after tax attributable to equity shareholders of the Group	**10,365**	8,187***
Basic earnings per share (pence)	**15.88p**	12.39p***

* The results of Walker Media up to the sale of 75.1% on 28 November 2013 were presented as a discontinued operation in 2013 (note 16).
**The reconciliation of headline to statutory results above can be found in note 3.
***On a pro forma basis (note 3).

The notes on pages 36 to 78 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December	2014 £000	Continuing operations 2013 £000	Discontinued operations 2013 £000	Total 2013 £000
Profit / (loss) for the year	**1,939**	(6,763)	10,093	3,330
Other comprehensive income*:				
Exchange differences on translating foreign operations before tax	**(1,212)**	(1,302)	–	(1,302)
Other comprehensive income for the year net of tax	**(1,212)**	(1,302)	–	(1,302)
Total comprehensive income for the year	**727**	(8,065)	10,093	2,028
Total comprehensive income attributable to:				
Equity shareholders of the Group	**(1,367)**	(9,912)	10,093	181
Non controlling interests	**2,094**	1,847	–	1,847
Total comprehensive income/(loss) for the year	**727**	(8,065)	10,093	2,028

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

The notes on pages 36 to 78 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December	Note	2014 £000	2013 £000
Non current assets			
Intangible assets	17	**29,142**	35,269
Investments in associates	20	**18,731**	13,099
Plant and equipment	21	**8,409**	7,310
Deferred tax assets	14	**1,515**	1,313
Other non current assets	22	**5,899**	5,316
		63,696	62,307
Current assets			
Trade and other receivables	23	**71,043**	61,478
Current tax assets		**318**	1,355
Cash and cash equivalents		**23,446**	33,702
		94,807	96,535
Current liabilities			
Bank overdraft		**(125)**	(115)
Trade and other payables	24	**(75,995)**	(64,004)
Current tax liabilities		**(1,995)**	(3,552)
Other financial liabilities	25	**(22)**	(20)
Deferred and contingent consideration	26	**–**	(420)
Minority shareholder put option liabilities	27	**(15,835)**	(21,844)
		(93,972)	(89,955)
Net current assets		**835**	6,580
Total assets less current liabilities		**64,531**	68,887
Non current liabilities			
Deferred tax liabilities	14	**(422)**	(486)
Other financial liabilities	25	**(18,226)**	(356)
Minority shareholder put option liabilities	27	**(8,708)**	(16,325)
Other non current liabilities	28	**(1,303)**	(896)
		(28,659)	(18,063)
Total net assets		**35,872**	50,824

The notes on pages 36 to 78 form part of these consolidated financial statements.

At 31 December	Note	2014 £000	2013 £000
Equity			
Share capital	29	**683**	690
Share premium		**16,807**	16,402
Merger reserve		**27,689**	16,736
Treasury reserve		**(792)**	(792)
Minority interest put option reserve		**(13,070)**	(16,587)
Non controlling interest acquired		**(7,882)**	(1,532)
Foreign exchange reserve		**(668)**	544
Retained earnings		**9,639**	33,070
Equity attributable to shareholders of the Group		**32,406**	48,531
Non controlling interest		**3,466**	2,293
Total equity		**35,872**	50,824

These consolidated financial statements were approved and authorised for issue by the Board on 25 March 2015 and signed on its behalf by:

Jamie Hewitt
Finance Director
M&C Saatchi plc
Company Number 05114893

The notes on pages 36 to 78 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000
At 1 January 2013		641	14,625	20,669	(792)
Acquisitions	18	–	–	–	–
Disposals*		–	–	(3,933)	–
Exercise of put options	27	5	1,281	–	–
Issues of shares to minorities	27	–	–	–	–
Exchange rate movements		–	–	–	–
Issue of minority put options	27	–	–	–	–
Option exercise	30	44	496	–	–
Share option charge	30	–	–	–	–
Dividends	15	–	–	–	–
Total transactions with owners		49	1,777	(3,933)	–
Total comprehensive income for the year		–	–	–	–
At 1 January 2014		690	16,402	16,736	(792)
Acquisitions	**18**	**–**	**–**	**–**	**–**
Exercise of put options	**27**	**48**	**–**	**13,011**	**–**
Deletion of right to equity		**–**	**–**	**–**	**–**
Exchange rate movements		**–**	**–**	**–**	**–**
Tender offer		**(63)**	**–**	**–**	**–**
Merger reserve release on impairments*		**–**	**–**	**(2,058)**	**–**
Option exercise	**30**	**8**	**405**	**–**	**–**
Share option charge	**30**	**–**	**–**	**–**	**–**
Dividends	**15**	**–**	**–**	**–**	**–**
Total transactions with owners		**(7)**	**405**	**10,953**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**–**
At 31 December 2014		**683**	**16,807**	**27,689**	**(792)**

The definitions of the reserves reported in the above can be found in note 2.

The notes on pages 36 to 78 form part of these consolidated financial statements.

MI put option reserve £000	Non controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings £000	Subtotal £000	Non controlling interest in equity £000	Total £000
(13,675)	(1,085)	1,846	31,373	53,602	2,584	56,186
(1,661)	–	–	–	(1,661)	321	(1,340)
–	–	–	3,933	–	(100)	(100)
447	(447)	–	–	1,286	–	1,286
(484)	–	–	(170)	(654)	417	(237)
–	–	–	–	–	(77)	(77)
(1,214)	–	–	–	(1,214)	–	(1,214)
–	–	–	(418)	122	(155)	(33)
–	–	–	290	290	–	290
–	–	–	(3,421)	(3,421)	(2,544)	(5,965)
(2,912)	(447)	–	214	(5,252)	(2,138)	(7,390)
–	–	(1,302)	1,483	181	1,847	2,028
(16,587)	(1,532)	544	33,070	48,531	2,293	50,824
(1,653)	**–**	**–**	**–**	**(1,653)**	**5**	**(1,648)**
5,151	**(4,791)**	**–**	**–**	**13,419**	**(429)**	**12,990**
–	**(1,559)**	**–**	**–**	**(1,559)**	**1,559**	**–**
19	**–**	**–**	**–**	**19**	**(121)**	**(102)**
–	**–**	**–**	**(21,451)**	**(21,514)**	**–**	**(21,514)**
–	**–**	**–**	**2,058**	**–**	**–**	**–**
–	**–**	**–**	**(413)**	**–**	**–**	**–**
–	**–**	**–**	**200**	**200**	**–**	**200**
–	**–**	**–**	**(3,670)**	**(3,670)**	**(1,935)**	**(5,605)**
3,517	**(6,350)**	**–**	**(23,276)**	**(14,758)**	**(921)**	**(15,679)**
–	**–**	**(1,212)**	**(155)**	**(1,367)**	**2,094**	**727**
(13,070)	**(7,882)**	**(668)**	**9,639**	**32,406**	**3,466**	**35,872**

* Amounts were released from merger reserve to retained earnings on impairment of a subsidiary in 2014 and disposal of discontinued operations in 2013, these amounts are in respect of the investments that created the related merger reserve. See definition of terms in note 2.

CONSOLIDATED CASH FLOW STATEMENT AND ANALYSIS OF NET DEBT

Year ended 31 December	Note	2014 £000	2013* £000
Revenue		**169,373**	162,039
Operating expenses	6	**(163,720)**	(149,282)
Operating profit (continuing)		**5,653**	12,757
Adjustments for:			
Operating profit from discontinued operations	16	**–**	3,974
Depreciation of plant and equipment	21	**2,055**	2,233
Loss on sale of plant and equipment		**198**	23
Loss on disposal of a subsidiary		**76**	–
Loss on acquisition of a subsidiary	18	**813**	–
Amortisation of acquired intangible assets	17	**1,445**	900
Impairment of goodwill	17	**5,573**	–
Amortisation of capitalised software intangible assets	17	**120**	143
Equity settled share based payment expenses	30	**200**	290
Operating cash before movements in working capital		**16,133**	20,320
(Increase)/decrease in trade and other receivables		**(8,690)**	5,464
Increases/(decrease) in trade and other payables		**8,676**	(6,743)
Cash generated from operations		**16,119**	19,041
Tax paid		**(5,332)**	(5,080)
Net cash from operating activities		**10,787**	13,961
Investing activities			
Acquisitions of subsidiaries net of cash acquired	19	**(2,244)**	(512)
Acquisitions of associates	19	**(5,084)**	(2,589)
Disposal of discontinued operations, net of cash disposed of	16	**–**	15,082
Acquisitions of investments	22	**(1,187)**	(800)
Proceeds from sale of plant and equipment		**70**	20
Purchase of plant and equipment	21	**(3,350)**	(2,771)
Purchase of capitalised software	21	**(77)**	(90)
Dividends received from associates		**660**	73
Interest received		**307**	473
Net cash (consumed)/from investing activities			8,886
Net cash (consumed)/from operating and investing activities		**(118)**	**22,847**

* The cash flows for 2013 represent only cash flows from continuing operations. The cash flows from discontinued operations are shown separately in note 16.

The notes on pages 36 to 78 form part of these consolidated financial statements.

Year ended 31 December	Note	2014 £000	2013 £000
Net cash (consumed)/from operating and investing activities		**(118)**	22,847
Financing activities			
Dividends paid to equity holders of the Company	15	**(3,670)**	(3,421)
Dividends paid to non controlling interest		**(1,935)**	(2,544)
Tender offer		**(21,514)**	–
Issue of own shares		**1**	–
Subsidiaries sale of own shares to non controlling interest		**–**	1
Repayment of finance leases		**(61)**	(42)
Inception of bank loans		**17,913**	4,261
Repayment of bank loans		**–**	(8,200)
Interest paid		**(532)**	(321)
Net cash consumed by financing activities		**(9,798)**	(10,266)
Net (decrease)/increase in cash and cash equivalents		**(9,916)**	12,581
Cash and cash equivalents at the beginning of the year		**33,587**	22,248
Effect of exchange rate fluctuations on cash held		**(350)**	(1,242)
Cash and cash equivalents at the end of the year		**23,321**	33,587
Bank loans and borrowings		**(18,462)**	(356)
NET CASH*		**4,859**	33,231
CAPITAL			
TOTAL CAPITALISATION (at 31 December: 330.00p; 333.25p)		**223,339**	227,740
TOTAL CAPITAL		**223,339**	227,740
GEARING RATIO*		**nil**	nil

* Gearing ratio and net cash are not defined under IFRS; see note 2.

NOTES

1. Summary accounting policies

Basis of preparation
The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In accordance with IFRS 5 'Non current Assets Held for Sale and Discontinued Operations', the comparative income statement and cash flow statement separately disclose operations discontinued in 2013 with further disclosure in note 16.

Going concern
Given the strength of the Group's balance sheet, its net cash, its bank covenants, the risks the Group faces (note 5) and expected trading performance the management believe the Group will continue as a going concern for the foreseeable future.

The Group continuous reviews its profit forecasts, and reviews monthly its balance sheet and cash flow forecasts. Annually, or earlier if needed, we review the long term (greater than one year) cash flow projections for the Group based on anticipated scenarios. If additional funding is required it is secured before expenditure is made.

The £15m reduction in the balance sheet's net assets has been caused by a planned return of value to shareholders by way of the £21m tender offer (note 29) and along with impairment of £6m (note 17) offset by our trading performance.

Headline results
The Directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance of the business. In addition, the headline results are used for internal performance management, the calculation of rewards in the Group's Long Term Incentive Plan (LTIP) scheme and minority shareholder put option liabilities. The term headline is not a defined term in IFRS. Note 3 reconciles reported to headline results.

Our segmental reporting (note 4) reflects our headline results in accordance with IFRS 8, and aggregation of similar activities by geography in accordance with IFRS12.

The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill, but excluding software) acquired in business combinations, changes to deferred and contingent consideration and other acquisition related charges taken to the income statement; impairment of investment in associate; and fair value gains and losses on liabilities caused by our put and call option agreements. Pro-forma headline treats discontinued operations as if they had been disposed at the beginning of the period.

Accounting developments and changes
There were no significant accounting developments or changes during 2014 that affect these accounts. Other future developments are described in note 34.

IFRS elections
IFRS provides certain options available within accounting standards. Material judgements we have made and continue to make, include goodwill and intangible asset acquisitions where the Group does not recognise the non controlling interests share of goodwill.

Critical accounting policies
Revenue recognition
Billings comprises the gross amounts billed to clients in respect of commission based and fee based income together with the total of other fees earned. Revenue comprises commission and fees earned in respect of amounts billed. Revenue and billings is stated exclusive of VAT, sales taxes and trade discounts.

Each type of revenue is recognised on the following basis:
a) Project fees are recognised over the period of the relevant assignments or agreements, in line with incurred costs.
b) Retainer fees are spread over the period of the contract on a straight line basis.
c) Commission on media spend is recognised when the advertisements appear in the media.

Employee benefits – share based compensation
Certain employees receive remuneration in the form of share based payments, including shares or rights over shares.

Share based payments include options issued to employees, and other long term incentive plans. Payments may be in the form of cash or equity.

Minority shareholder put option liabilities
Liabilities in respect of put option agreements that allow the Group's subsidiaries' equity partners to require the Group to purchase the non controlling interest are recognised as liabilities, measured on a gross basis at the present value of the exercise price; this is deemed a proxy for the fair value. The fair value of such put option liabilities is remeasured at each period end in accordance with IFRS 13. The movement in the fair value is recognised in the income statement as part of finance income or cost. The Group measures fair value as its best estimate of the amount it is likely to pay, should these put options be exercised by the non controlling interests.

On inception of a put option, the liability is recognised on the balance sheet and a corresponding debit is included in the minority interest put option reserve (note 2).

On exercise the liability is extinguished, and its related minority interest put option reserve is moved to the non controlling interest acquired reserve (note 2).

Assets and liabilities in respect of put options held by shareholders in associates are accounted for as derivatives and not recognised until the Group gains control and fully consolidates the entity.

The remaining accounting policies, details of IFRS 13 hierarchy and additional details on the above are set out in note 34.

2. Definition of terms

Foreign exchange reserve

For overseas operations, 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 a separate component of equity. Such translation differences will be recognised as income or expense in the period in which the operation is disposed of.

Gearing ratio

Is equal to net debt divided by market capitalisation.

Key management

The Group has defined the key management as the M&C Saatchi plc Directors and the Executive Board.

Net cash (debt)

Cash and cash equivalents at the end of the year less external borrowings (excluding any capitalised finance cost).

Merger reserve

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

Minority interest put option reserve

Corresponds to the initial fair value of the liability in respect of the put options at creation. When the put option is exercised, the related amount in this reserve is taken to non controlling interest acquired reserve. All revaluations of the put option are expensed via the income statement to profit and loss reserve.

Non controlling interest

Contains the non controlling interest's share of equity reserves in our subsidiaries.

Non controlling interest acquired reserve

From 1 January 2010, a non controlling interest acquired reserve is used when the Group acquires an increased stake in a subsidiary. If the stepped acquisition is due to a put option then the non controlling interest acquired reserve is equal to the minority interest put option reserve transferred less book value of the minority interest acquired. Otherwise the non controlling interest acquired reserve is equal to the consideration paid less book value of the minority interest acquired. If the equity stake in the subsidiary is subsequently sold, then balances from this reserve will be taken to retained earnings.

Retained earnings

Cumulative gains and losses recognised.

Share premium

Premium paid for shares above the nominal value of share capital, where that premium was not taken to merger reserve.

Treasury reserve

Amount paid for own shares acquired.

3. Headline results and earnings per share

The analysis below provides a reconciliation between the Group's statutory results and the headline results.

Year ended 31 December 2014	Note	2014 £000	Amortisation of acquired intangibles (note 17) £000	Acquisition of remaining shares in loss making associate (Note 18) £000	Impairment of Goodwill (Note 17) £000	Contingent acquisition cost classified as expense (Note 7) £000	Fair value adjustments to minority put option liabilities (Note 27) £000	Headline results £000
Revenue	4	169,373	–	–	–	–	–	169,373
Operating profit	6	5,653	1,445	813	5,649*	2,465	–	16,025
Share of results of associates & JV	9	1,350	–	–	–	–	–	1,350
Finance income	10	316	–	–	–	–	–	316
Finance cost	11	(1,087)	–	–	–	–	539	(548)
Profit before taxation	4	6,232	1,445	813	5,649	2,465	539	17,143
Taxation	13	(4,293)	(391)	–	–	–	–	(4,684)
Profit for the year		1,939	1,054	813	5,649	2,465	539	12,459
Non controlling interests		(2,094)	–	–	–	–	–	(2,094)
(Loss)/profit attributable to equity holders of the Group		(155)	1,054	813	5,649	2,465	539	10,365

* Of the £5,649k, £76k relates to a loss on disposal of an Indian subsidiary and £5,573k relates to impairment of goodwill.

The Directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance. The headline result is used for internal performance management, calculating the value of subsidiary convertible shares and minority interest put options. The term headline is not a defined term in IFRS.

The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill, but excluding software) acquired in business combinations, changes to deferred and contingent consideration and other acquisition related charges taken to the income statement; impairment of investment in associate; and fair value gains and losses on liabilities caused by our put and call option agreements.

Year ended 31 December 2013	Note	Continuing operations 2013 £000	Amortisation of acquired intangibles (note 17) £000	Fair value adjustments to minority put option liabilities (note 27) £000	Full year effect of discontinued operations** £000	Pro forma headline results** £000
Revenue	4	162,039	–	–	–	162,039
Operating profit	6	12,757	900	–	–	13,657
Share of results of associates and JV	9	163	–	–	758	921
Finance income	10	376	–	–	–	376
Finance cost	11	(15,852)	–	15,503	–	(349)
Profit before taxation	4	(2,556)	900	15,503	758	14,605
Taxation	13	(4,207)	(230)	–	–	(4,437)
Profit for the year		(6,763)	670	15,503	758	10,168
Profit from discontinued operations, net of tax		10,093	–	–	(10,093)	–
Non controlling interests		(1,847)	(134)	–	–	(1,981)
Profit attributable to equity holders of the Group		1,483	536	15,503	(9,335)	8,187

This analysis provides a reconciliation between the Group's statutory continuing results and the pro forma headline results. The pro forma headline results, treats the discontinued operations as if they had been disposed of at the beginning of the year. The pro forma headline results with full year treatment of Walker Media as a 24.9% associate have been what management have used for decision-making and control. The term pro forma headline is not a defined term in IFRS.

** 75.1% of Walker Media was sold on 28 November 2013. This adjustment reverses out the profit from discontinued operations, net of tax for the period to 28 November 2013 which includes the profit on disposal, and puts in equivalent 24.9% associates profit for the period.

3. Headline results and earnings per share continued

Basic and diluted earnings per share is calculated by dividing profit attributable to equity holders of the Group by the weighted average number of shares in issue during the year.

Year ended 31 December 2014	2014 £000	Headline 2014 £000
(Loss)/profit attributable to equity shareholders of the Group	**(155)**	**10,365**
Basic earnings per share		
Weighted average number of shares (thousands)	**65,285**	**65,285**
Basic EPS	**(0.24)p**	**15.88p**
Diluted earnings per share		
Weighted average number of shares (thousands) as above	**65,285**	**65,285**
Add		
– LTIP	**55**	**55**
– 2012 LTIP	**230**	**230**
– New LTIP	**2,772**	**2,772**
Total	**68,342**	**68,342**
Diluted earnings per share* **	**(0.24)p**	**15.17p**

Year ended 31 December 2013	Continuing operations 2013 £000	Discontinued operations 2013 £000	Total 2013 £000	Pro forma headline 2013 £000
Profit attributable to equity shareholders of the Group	(8,610)	10,093	1,483	8,187
Basic earnings per share				
Weighted average number of shares (thousands)	66,094	66,094	66,094	66,094
Basic EPS	(13.03)p	15.27p	2.24p	12.39p
Diluted earnings per share				
Weighted average number of shares (thousands) as above	66,094	66,094	66,094	66,094
Add				
– UK growth shares	631	631	631	631
– Options	128	128	128	128
– LTIP	102	102	102	102
– 2012 LTIP	230	230	230	230
– New LTIP	2,751	2,751	2,751	2,751
– Dilutive put options**	359	359	359	359
Total	70,295	70,295	70,295	70,295
Diluted earnings per share***	(13.03)p	14.38p	2.11p	11.65p

** Apart from one entity, in 2013, all the other put options detailed in note 27 are non dilutive as the exercise price approximates fair value of the underlying non controlling interest.

*** There is no dilutive effect on losses.

NOTES
Continued

4. Segmental information

Segmental and headline income statement

Year ended 31 December 2014	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Total £000
Revenue	79,144	21,092	8,004	44,173	16,960	**169,373**
Operating profit excluding Group costs	11,757	2,892	1,027	5,064	445	**21,185**
Group costs	(4,710)	(72)	–	(331)	(47)	**(5,160)**
Operating profit	7,047	2,820	1,027	4,733	398	**16,025**
Share of results of associates and JV	1,074	(19)	–	224	71	**1,350**
Financial income and cost	(146)	(54)	(11)	58	(79)	**(232)**
Profit before taxation	7,975	2,747	1,016	5,015	390	**17,143**
Taxation	(1,593)	(954)	(271)	(1,652)	(214)	**(4,684)**
Profit for the year	6,382	1,793	745	3,363	176	**12,459**
Non controlling interests	(1,276)	(406)	(354)	(533)	475	**(2,094)**
Profit attributable to equity shareholders of the Group	5,106	1,387	391	2,830	651	**10,365**
Headline basic EPS						**15.88p**
Non cash costs included in operating profit:						
Depreciation	(1,126)	(239)	(185)	(264)	(241)	(2,055)
Amortisation of software	(2)	(47)	(25)	(33)	(13)	(120)
Share option charges	(200)	–	–	–	–	(200)
Office location	London	Paris Berlin Madrid Geneva Milan Moscow Stockholm	Beirut Cape Town Johannesburg Abu Dhabi	Sydney Melbourne New Delhi Kuala Lumpur Hong Kong Beijing Shanghai Tokyo Singapore	Los Angeles São Paulo New York San Francisco	

Segmental results are reconciled to the income statement in note 3. Our segmental and headline results are one and the same. The above segments reflect the fact that our business is run on an operating unit basis. In accordance with IFRS 8 paragraph 12 we have aggregated our operating units into regional segments. During the year Clear was integrated into the Groups regional reporting, and was reported to the Board as a component of the regions, 2013 has been restated to reflect this.

Segmental and headline pro-forma income statement

Year ended 31 December 2013*	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Total £000
Revenue	72,681	19,434	8,055	49,961	11,908	162,039
Operating profit excluding Group costs	11,642	1,881	376	4,621	79	18,599
Group costs	(4,546)	(71)	–	(234)	(91)	(4,942)
Operating profit	7,096	1,810	376	4,387	(12)	13,657
Share of results of associates	983	23	(152)	67	–	921
Financial income and cost	(44)	(55)	104	37	(15)	27
Profit before taxation	8,035	1,778	328	4,491	(27)	14,605
Taxation	(1,706)	(666)	(186)	(1,701)	(178)	(4,437)
Profit for the year	6,329	1,112	142	2,790	(205)	10,168
Non controlling interests	(1,232)	(208)	(214)	(822)	495	(1,981)
Profit attributable to equity shareholders of the Group	5,097	904	(72)	1,968	290	8,187
Headline basic EPS						12.39p
Non cash costs included in operating profit:						
Depreciation**	(1,033)	(232)	(172)	(462)	(158)	(2,057)
Amortisation of software	(38)	(39)	(29)	(14)	(23)	(143)
Share option charges	(290)	–	–	–	–	(290)
Office location	London	Paris Berlin Madrid Geneva Milan Moscow Stockholm	Beirut Cape Town Johannesburg Abu Dhabi	Sydney Melbourne Auckland Wellington New Delhi Mumbai Kuala Lumpur Hong Kong Beijing Shanghai Tokyo Singapore	Los Angeles São Paulo New York	

* These numbers have been restated to allocate Clear into its regional segments, reflecting how it is now reported to the Board, and to treat Walker Media as if it was an associate for the full year.

** These figures have been restated removing £176k of Walker Media depreciation.

4. Segmental information continued

Segmental balance sheet

Year ended 31 December 2014	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Total £000
Total assets	75,962	15,729	5,093	21,645	38,241	156,670
Total liabilities	(8,664)	(14,584)	(4,119)	(15,358)	(34,572)	(77,297)
Associates included in total assets	9,720	45	–	3,541	5,425	18,731
Non headline amortisation	(1,161)	–	–	(284)	–	(1,445)
Non headline impairment	(5,000)	(558)	–	(15)	–	(5,573)
Capital expenditure	1,987	278	224	236	702	3,427
Depreciation	(1,126)	(239)	(185)	(264)	(241)	(2,055)

Year ended 31 December 2013	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Total £000
Total assets	106,841	14,683	3,475	22,499	8,676	156,174
Total liabilities	(21,123)	(13,645)	(3,068)	(18,152)	(9,332)	(65,320)
Associates included in total assets	9,758	64	–	3,277	–	13,099
Non headline amortisation	(630)	–	–	(270)	–	(900)
Capital expenditure	1,972	205	205	230	71	2,683
Depreciation	(1,033)	(232)	(172)	(462)	(158)	(2,057)

Reportable segment assets are reconciled to total assets as follows:

	2014 £000	2013 £000
Segment assets	**156,670**	156,174
Current tax asset	**318**	1,355
Deferred tax asset	**1,515**	1,313
Total assets per balance sheet	**158,503**	158,842

Reportable segment liabilities are reconciled to total liabilities as follows:

	2014 £000	2013 £000
Segment liabilities	**(77,297)**	(65,320)
Deferred tax liabilities	**(422)**	(486)
Current tax liabilities	**(1,995)**	(3,552)
Bank overdraft	**(125)**	(115)
Other financial liabilities	**(18,248)**	(376)
Minority shareholder put option liabilities	**(24,543)**	(38,169)
Total liabilities per balance sheet	**(122,630)**	(108,018)

Additional regional splits required for IFRS 8 and IFRS12.

Year ended 31 December 2014	UK £000	Europe £000	Middle East and Africa £000	Australia £000	Asia and New Zealand £000	Americas £000	Total £000
Revenue	**79,144**	**21,092**	**8,004**	**34,020**	**10,153**	**16,960**	**169,373**
Non current assets	**40,496**	**3,575**	**423**	**4,147**	**731**	**12,809**	**62,181**

Year ended 31 December 2013	UK £000	Europe £000	Middle East and Africa £000	Australia £000	Asia and New Zealand £000	Americas £000	Total £000
Revenue	72,681	19,434	8,055	37,847	12,114	11,908	162,039
Non current assets	50,775	3,767	581	4,447	662	762	60,994

4. Segmental information continued

Segmental income statement translated at 2013 exchange rates

It is normal practice in our industry to provide like-for-like results. In the year we had not acquired any significant new businesses therefore the only difference in our like-for-like results is the impact from movements in exchange rates. Had our 2014 results been translated at 2013 exchange rates then our results would have been:

Year ended 31 December 2014	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Total £000
Revenue	**79,144**	**22,344**	**9,204**	**49,408**	**17,974**	**178,074**
Operating profit excluding Group costs	**11,757**	**3,061**	**1,204**	**5,746**	**437**	**22,205**
Group costs	(4,710)	(76)	–	(372)	(49)	(5,207)
Operating profit	**7,047**	**2,985**	**1,204**	**5,374**	**388**	**16,998**
Share of results of associates and JV	1,074	(20)	–	237	75	1,366
Financial income and cost	(146)	(54)	(13)	65	(92)	(240)
Profit before taxation	**7,975**	**2,911**	**1,191**	**5,676**	**371**	**18,124**
Taxation	(1,593)	(1,009)	(321)	(1,841)	(216)	(4,980)
Profit for the year	**6,382**	**1,902**	**870**	**3,835**	**155**	**13,144**
Increase/(decrease) in 2014 results caused by translation differences	**–**	**(110)**	**(125)**	**(471)**	**21**	**(685)**

The key currencies that affect us and the average exchange rates used were:

	2014	2013
US dollar	**1.6478**	1.5643
Malaysian ringgit	**5.3883**	4.9279
Australian dollar	**1.8264**	1.6212
South African rand	**17.8639**	15.0952
Brazilian real	**3.8717**	3.3772
Euro	**1.2406**	1.1776

5. Risk and risk management

M&C Saatchi plc have identified specific categories of business risk and developed policies for their management and control. These policies are kept under constant review as risk and risk perceptions change.

Currency risk (see below, and note 23 and 24)	Market risk (see below)
Interest rate risk (note 12)	Credit risk (note 23)
Share price risk (note 27 and 30)	Talent risk (Directors' report)

Income statement currency exposure

The Group's results are presented in sterling and are subject to fluctuation as a result of exchange rate movements. The Group continues to review its exposure to exchange rate movements and considers methods to reduce the exchange rate risk.

2014 profits would have changed as follows, had average exchange rates been changed by:

Exchange rate	Increase/(decrease) in profit before tax £000	Increase/(decrease) in profit after tax £000
+10%	(939)	(646)
(10)%	1,148	790

See note 4 for the income statement translated at prior year exchange rates.

Market risk

The Group does not have a substantial market share in any market. The key risk the Group is exposed to is the loss of clients. The Group has policies to monitor client feedback and act where there are issues.

Largest clients as a % of total revenue	2014 %	2013 %
Top client	**6.5**	7.0
Top 10	**33.3**	34.1
Top 15	**42.0**	41.1
Top 30	**55.6**	53.5

Liquidity risk

Centrally the Group ensures that bank facilities are available to meet the Group's liquidity needs. Liquidity is monitored centrally and managed locally. Spare local cash is released to the centre by way of dividends and loan repayments. In managing its liquidity risk, management considers its net cash and minimises its gearing ratio, and where working capital is utilised to fund the business, management makes sure that the Group has sufficient bank facilities to cope with an unwinding of positive working capital flows and to fund the negative working capital effect of revenue growth. Our bank debt maturity analysis can be seen in note 25 and financial liability maturity analysis can be seen in note 24.

Capital risk

The Group's capital reserves consist of all its equity reserves with the exclusion of the minority interest put option reserve. The Group maintains its capital reserves to safeguard the Group's going concern, as well as providing adequate return to its shareholders. The capital reserves total £48,942k (2013: £67,411k). The Group minimises the amount of debt it uses to finance its activities, to reduce the risk to the shareholders. Excess working capital is used to reduce debt. Excess cash is used to invest or is returned to shareholders by way of dividend or through buying shares into treasury. Our key process for managing capital is regular Board reviews of our capital structure and needs.

Key estimates

Management's estimates of the future profitability of the Group can be significantly affected by single account wins or losses, and to a lesser extent by the estimated phase of a project, exchange rates and underlying economic growth rates. We have therefore based our estimates on the budgets for the coming year and estimated growth rates and margins thereafter.

Changes in these underlying assumptions could give rise to material adjustments as set out in the following notes:
Note 17 – Intangible assets – Goodwill estimation of value in use;
Note 27 – Minority shareholder put options liabilities; and
Note 30 – Share based payments – Conditional share awards.

Sensitivities to accounting estimates

Our results and financial position are sensitive to assumptions made in determining accounting estimates, as set out below. Management are satisfied that the most significant possible changes in key assumptions, which would cause the recoverable amount of any of our CGUs to be below their carrying amount, is if Clear Ideas Ltd and Bang Pty Ltd do not increase their future monthly profitability in line with their forecast, or other CGUs have a significant loss of clients. For all entities except for Clear Ideas Ltd (note 17), management have tested the key assumptions of pre-tax discount rates and management forecasts and projections by adjusting them 50% and 20% respectively, which would not lead to impairment.

Key judgements

Management has made the following key judgements, which have a significant effect: deciding which of its leases are operating and which are finance leases; deciding which of its shareholder contracts are share options and which are put options; deciding to what extent tax losses are recognised as an asset in the balance sheet; useful lives of assets – tangible and intangible; recoverability of amounts receivable, and to use a discount to value an associate when it is created from selling a controlling stake in a subsidiary.

Projections

Projections take account of management's view of the local operations future profitability given expected market growth, inflation, exchange rates and rapidly growing/shrinking markets. They are based on our budgets for 2015.

They are used in calculating the fair value of minority put options, management's assessment of value in use calculations, to identify goodwill impairment indicators and in calculating the value of conditional share awards.

IFRS 13 disclosures with respect of fair value have been detailed in note 34 and relevant notes.

6. Operating costs

Year ended 31 December	Note	2014 £000	Continuing operations 2013 £000	Discontinued operations 2013 £000	Total 2013 £000
Total staff costs	7	**113,696**	105,952	6,082	112,034
Other costs		**50,024**	43,330	3,506	46,836
Operating costs		**163,720**	149,282	9,588	158,870
Other costs include:					
Profit on exchange		**227**	487	–	487
Amortisation of intangibles					
– Acquired intangibles	17	**1,445**	900	–	900
– Capitalised software	17	120	143	–	143
Goodwill impairment	17	**5,573**	–	–	–
Depreciation of plant and equipment	21	2,055	2,058	175	2,233
Loss on disposal of fixed assets		**198**	23	–	23

Year ended 31 December	2014 £000	2013 £000
Operating lease rentals		
Plant	**551**	304
Property	**7,313**	5,699
	7,864	6,003
Property sublease receipts	**(469)**	–
	7,395	6,003

Year ended 31 December	2014 £000	2013 £000
Total commitments		
Plant and equipment		
Commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:		
– Within one year	**642**	660
– Between two and five years	**527**	786
	1,169	1,446
Property		
Commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:		
– Within one year	**7,223**	12,861
– Between one and five years	**23,541**	21,310
– Greater than five years	**14,259**	19,860
	45,023	54,031

7. Staff costs

Staff costs (including Directors) comprise:

Year ended 31 December	2014 £000	2013 £000
Wages and salaries	**94,544**	95,665
Social security costs	**10,632**	10,404
Defined contribution pension scheme costs	**3,020**	2,892
Other staff benefits	**2,742**	2,617
Contingent acquisition cost with leaver provision (note 18)	**2,465**	–
	113,403	111,578
Share based incentive plans		
Cash settled	**93**	166
Equity settled	**200**	290
	293	456
Total staff costs	**113,696**	112,034
Staff cost to revenue ratio	**67%**	69%
Staff cost in respect of discontinued operations	**–**	6,082
Staff numbers		
UK discontinued operations	**–**	117
UK	**773**	646
Europe	**208**	198
Middle East and Africa	**185**	175
Asia and Australia	**532**	530
America	**187**	140
	1,885	1,806

Pensions

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

Payments of £3,001k (2013: £2,931k) were made in the year and charged to the income statement in the period they relate to. At the year end there were unpaid amounts included within accruals totalling £95k (2013: £75k).

Key management remuneration

	2014 £000	2013 £000
Short term employee benefit	**3,591**	4,426
Post employment benefit	**66**	154
Share based payments	**285**	354
Total	**3,942**	4,934

8. Auditors' remuneration

Services provided by the Group's auditors and network firms.

Year ended 31 December	2014 £000	2013 £000
Audit services		
Audit of the Company and its consolidated accounts	**100**	100
Audit of the Company's subsidiaries pursuant to legislation	**187**	187
	287	287
Other services provided by the auditors		
Taxation compliance services	**–**	7
Taxation advisory services	**20**	33
Other advice	**4**	1
	24	41
Total	**311**	328

9. Share of associates and joint ventures

Year ended 31 December	2014 £000	2013 £000
Share of associates' profit before taxation	**1,723**	195
Share of associates' taxation	**(373)**	(32)
	1,350	163

10. Finance income

Year ended 31 December	2014 £000	2013 £000
Bank interest receivable	**256**	173
Other interest receivable	**60**	203
Total interest receivable	**316**	376
In respect of discontinued operations	**–**	117
Total finance income	**316**	493

11. Finance costs

Year ended 31 December	2014 £000	2013 £000
Bank interest payable	**(541)**	(342)
Interest payable on finance leases	**(7)**	(7)
Total interest payable	**(548)**	(349)
Fair value adjustments to minority shareholder put option liabilities (note 27)	**(539)**	(15,503)
Total finance costs	**(1,087)**	(15,852)

12. Interest rate risk

The Group is exposed to interest rate risk on both interest bearing assets and liabilities. The majority of interest paying and earning assets are exposed to UK inter bank rates (non sterling denominated loans are at local inter bank rates). An analysis of net interest by our segmented geographic regions is provided in note 4.

At the year end the Group had a £30.0m bank facility, which expires in April 2017. The facility can borrow in sterling or euros. At 31 December 2014, £18.4m (2013: £0.3m) of this loan was drawn down.

The Group regularly reviews its treasury structures to minimise commercial interest rate margins.

13. Taxation

Year ended 31 December	2014 £000	Continuing operations 2013 £000	Discontinued operations 2013 £000	Total 2013 £000
Current taxation				
Taxation in the year				
– UK	**1,373**	1,945	1,046	2,991
– Overseas	**3,292**	2,756	–	2,756
Withholding taxes payable	**6**	9	–	9
Utilisation of previously unrecognised tax losses	**(108)**	–	–	–
Adjustment for under provision in prior periods	**168**	72	–	72
Total	**4,731**	4,782	1,046	5,828
Deferred taxation				
Origination and reversal of temporary differences	**(658)**	(658)	–	(658)
Recognition of previously unrecognised tax losses	**220**	83	–	83
Effect of changes in tax rates	**–**	–	–	–
Total	**(438)**	(575)	–	(575)
Total taxation	**4,293**	4,207	1,046	5,253

13. Taxation continued

The differences between the actual tax and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

Year ended 31 December	2014 £000	Continuing operations 2013 £000	Discontinued operations 2013 £000	Total 2013 £000
Profit before taxation	**6,232**	(2,556)	11,139	8,583
Taxation at UK corporation tax rate of 21.50% (2013: 23.25%)	**(1,340)**	594	(2,590)	(1,996)
Tax effect of associates	**293**	38	–	38
Non controlling interest share of partnership income	**183**	112	–	112
Expenses not deductible for tax	**(366)**	(125)	(94)	(219)
Option charges not deductible for tax	**(593)**	(50)	–	(50)
Different tax rates applicable in overseas jurisdictions	**(832)**	(685)	–	(685)
Withholding taxes payable	**(6)**	(9)	–	(9)
Utilisation of previously unrecognised tax losses	**108**	–	–	–
Recognition of previously unrecognised tax losses	**220**	83	–	83
Adjustment for current tax under provision in prior periods	**(168)**	(72)	–	(72)
Adjustment for deferred tax over provision in prior periods	**(21)**	–	–	–
Tax losses for which no deferred tax asset was recognised	**(266)**	(489)	–	(489)
Fair value adjustments on minority shareholder put options	**(116)**	(3,604)	–	(3,604)
Non taxable gain on disposal of discontinued operations	–	–	1,638	1,638
Impairment of goodwill and investment in associates	**(1,389)**	–	–	–
Total taxation	**(4,293)**	**(4,207)**	**(1,046)**	**(5,253)**

Year ended 31 December	2014 £000	2013 £000
Headline profit before taxation (note 3)	**17,143**	14,605
Less associates profit	**(1,350)**	(921)
Headline profit before tax and associates	**15,793**	13,684
Taxation at UK corporation tax rate of 21.50% (2013: 23.25%)	**(3,395)**	(3,182)
Non controlling interest share of partnership income	**183**	112
Expenses not deductible for tax	**(365)**	(124)
Option charges not deductible for tax	**(63)**	(50)
Different tax rates applicable in overseas jurisdictions	**(911)**	(706)
Withholding taxes payable	**(6)**	(9)
Utilisation of previously unrecognised tax losses	**108**	–
Recognition of previously unrecognised tax losses	**220**	83
Adjustment for current tax under provision in prior periods	**(168)**	(72)
Adjustment for deferred tax over provision in prior periods	**(21)**	–
Tax losses for which no deferred tax asset was recognised	**(266)**	(489)
Headline taxation (note 3)	**(4,684)**	(4,437)
Headline effective tax rate	**27.3%**	30.4%

14. Deferred taxation

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 liabilities on a net basis.

At 31 December	2014 £000	2013 £000
Deferred tax assets	**1,515**	1,313
Deferred tax liabilities	**(422)**	(486)
Net deferred tax	**1,093**	827

The movement on the net deferred tax asset is as follows:

	2014 £000	2013 £000
At 1 January	**827**	943
Exchange differences	**(99)**	(201)
Income statement credit	**438**	575
Acquisitions	**(60)**	(189)
Disposals	**(13)**	–
Disposed as part of discontinued operations	**–**	(301)
At 31 December	**1,093**	827

There was no 2013 deferred tax movement in relation to discontinued operations.

The following is the deferred tax asset (liability) recognised by the Group and movements in 2014 and 2013:

	Capital allowances and amortisation £000	Tax losses £000	Options and bonus accruals £000	Working capital differences £000	Total £000
At 1 January 2013	(602)	235	109	1,201	943
Exchange differences	(14)	(23)	–	(164)	(201)
Income statement credit/(charge)	461	150	25	(61)	575
Acquisitions	(189)	–	–	–	(189)
Disposed as part of discontinued operations	(301)	–	–	–	(301)
At 31 December 2013	(645)	362	134	976	827
Exchange differences	**(2)**	**(19)**	**–**	**(78)**	**(99)**
Income statement credit/(charge)	**456**	**185**	**(10)**	**(193)**	**438**
Acquisitions	**(60)**	**–**	**–**	**–**	**(60)**
Disposals	**(13)**	**–**	**–**	**–**	**(13)**
At 31 December 2014	**(264)**	**528**	**124**	**705**	**1,093**

Within capital allowances and amortisations, £624k (2013: £933k) relates to intangibles created as part of acquisition accounting.

14. Deferred taxation continued

Unrecognised deferred tax asset in respect of carried forward tax losses:

	Loss £000	Unrecognised deferred tax £000
At 1 January 2014	**11,556**	3,676
Exchange differences	**347**	134
Change in potential tax rates	**–**	–
Disposal of subsidiaries	**(1,565)**	(470)
Losses utilised in year	**(999)**	(225)
Losses in year	**1,770**	637
At 31 December 2014	**11,109**	3,752

Expiry date of losses

	2014 £000	2013 £000
1 to 5 years	**23**	25
5 to 10 years	**1,692**	1,535
10 years or more	**2,037**	2,116
Total	**3,752**	3,676

A deferred tax asset in respect of certain losses in overseas territories has not been recognised as there is insufficient certainty of future taxable profits against which these would reverse.

15. Dividends

Year ended 31 December	2014 £000	2013 £000
2013 final dividend paid 4.24p on 4 July 2014 (2012: 3.85p)*	**2,723**	2,596
2014 interim dividend paid 1.40p on 14 November 2014 (2013: 1.21p)	**947**	825
	3,670	3,421

Proposed final dividend of 4.87p totalling £3,442k. Dividends relate to the profit of the following years:

Year ended 31 December	2014 £000	2013 £000
First interim dividend paid 1.40p on 14 November 2014 (2013: 1.21p)	**947**	825
Final dividends payable 4.87p on 10 July 2015 (2013:4.24p)	**3,442**	2,629
	4,389	3,454
Headline dividend cover	**2.4**	2.4

Headline dividend cover is calculated by taking headline profit after tax attributable to equity shareholders and dividing it by the total dividends that relate to that year's profits. The Group seeks to maintain a long term headline dividend cover of between 2 and 3.

* 2013 dividend has been restated to reflect the number of shares in issue when the dividend was paid, as opposed to the number of shares in existence at 31 December 2013.

16. Discontinued operations

On 28 November 2013 the Group sold its 75.1% of Walker Media Limited.

75.1% of Walker Media Limited was sold for £36.0m cash and a pre-tax and post-tax gain of £7.0m was recorded. At the time of disposal it was stated that the majority of proceeds would be returned to shareholders. On 23 January 2014 the Company completed a tender offer returning £21.2m to shareholders in return for 6,337,800 M&C Saatchi plc shares that were cancelled.

The results of discontinued operations can be seen in note 3 and on face of the income statement.

	11 Months 2013 £000
Net cash used in operating activities	2,072
Net cash used in investing activities	(6)
Net cash from financing activities	(383)
Net increase in cash and cash equivalents	1,683
Cash and cash equivalents at the beginning of the period	15,194
Net cash from discontinued operations	16,877

Effect of the disposals on individual assets and liabilities:

	28 November 2013 £000
Plant and equipment	**211**
Deferred tax assets	**301**
Trade and other receivables	**24,930**
Cash and cash equivalents	**16,877**
Trade and other payables	**(33,501)**
Current tax liabilities	**(1,046)**
Net identifiable assets and liabilities	**7,772**
Consideration received, satisfied in cash, net of expenses	**31,959**
Cash disposed of	**(16,877)**
Net cash inflow	**15,082**

17. Intangible assets

	Goodwill £000	Brand name £000	Customer relationships £000	Software £000	Total £000
Cost					
At 1 January 2013	59,098	3,152	5,244	1,126	68,620
Exchange differences	(60)	(48)	(40)	(62)	(210)
Acquired	–	–	–	133	133
Acquired through business combination	1,076	234	584	–	1,894
Disposal	–	–	–	(107)	(107)
Disposal of subsidiaries (note 20)	(704)	–	–	(40)	(744)
Disposal discontinued operations (note 16)	(26,155)	–	–	–	(26,155)
At 31 December 2013	33,255	3,338	5,788	1,050	43,431
Exchange differences	(377)	(15)	(47)	(29)	(468)
Acquired	–	–	–	73	73
Acquired through business combination	910	82	322	–	1,314
Disposal	–	–	–	(71)	(71)
At 31 December 2014	**33,788**	**3,405**	**6,063**	**1,023**	**44,279**
Accumulated amortisation and impairment					
At 1 January 2013	2,282	213	4,699	886	8,080
Exchange differences	–	(37)	(32)	(41)	(110)
Amortisation charge*	–	344	556	143	1,043
Disposal	–	–	–	(107)	(107)
Disposal of subsidiaries (note 20)	(704)	–	–	(40)	(744)
At 31 December 2013	1,578	520	5,223	841	8,162
Exchange differences	–	(14)	(53)	(27)	(94)
Amortisation charge*	–	1,051	394	120	1,565
Impairment*	5,573	–	–	–	5,573
Disposal	–	–	–	(69)	(69)
At 31 December 2014	7,151	1,557	5,564	865	15,137
Net book value					
At 1 January 2013	56,816	2,939	545	240	60,540
At 31 December 2013	31,677	2,818	565	209	35,269
At 31 December 2014	**26,637**	**1,848**	**499**	**158**	**29,142**

*Charged to income statement.

Goodwill's accumulated amortisation and impairment all relate to impairments all other columns relate to amortisations.

Goodwill is allocated to the Group's cash generating units (CGU). Goodwill is made up of:

Cash generating units (CGU)	Goodwill 31 December 2014 £000	Goodwill 31 December 2013 £000	Segment
M&C Saatchi (UK) Ltd**	**5,977**	5,067	UK
LIDA Ltd	**1,462**	1,462	UK
M&C Saatchi Sport & Entertainment Ltd	**690**	690	UK
M&C Saatchi Export Ltd	**600**	600	UK
M&C Saatchi Mobile Ltd	**1,814**	1,814	UK
M&C Saatchi Merlin Ltd	**539**	539	UK
Clear Ideas Ltd*	**9,530**	14,518	UK
M&C Saatchi Berlin GmbH	**1,205**	1,293	Europe
M&C Saatchi GAD SAS and associates, including Direct One SAS*	**268**	886	Europe
M&C Saatchi Agency Pty Ltd (Australia)	**2,509**	2,658	Asia and Australasia
Bang Pty Ltd (Australia)	**984**	1,012	Asia and Australasia
Samuelson Talbot & Partners Pty Ltd (Australia)	**522**	537	Asia and Australasia
Total of the three CGUs with goodwill less than £0.5m*	**537**	601	Various
Total	**26,637**	31,677	

* Apart from these CGUs, whose movements are described in this note, all other movements are due to exchange.

** £910k of Lean Mean Fighting Machine Ltd goodwill (note 18) is part of M&C Saatchi (UK) Ltd CGU.

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. All recoverable amounts are from future trading and not from sale of unrecognised assets or other intangibles. The 2014 review was undertaken in the last quarter of the year in conjunction with our annual business planning process, £6,452k of goodwill and other intangible asset impairments were identified (2013: nil).

Clear Ideas Ltd goodwill was impaired £5,000k and its brand name amortised £880k, following a review of its past and future performance. The CGU's management forecast would indicate that the impairment should be reduced by £4,520k, however historic forecasts have proved to be optimistic for this CGU, so the impairment reduces the level of this CGU's profitability that is needed to justify the remaining goodwill value to a level that Group management believe is sustainable.

Direct One goodwill was impaired by £558k, leaving its £84k brand name unimpaired. The impairment reflects management change in the organisation, with the implementation of a new strategy while retaining the brand name. India was impaired £14k, reflecting our change in direction in India following the acquisition of an associate (note 20).

Management have approved the forecasts for 2015 and have prepared additional projections based on the 2015 numbers for the next four years. These were used as the basis for determining the recoverable amount of each CGU. In making the forecasts management has reflected on past performance and the present business and economic prospect. Details of uncertainties in our forecasts are described in note 5.

In conducting the review we used a residual growth rate of 3% from year five onwards and a market beta of 1.

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

Management are satisfied, with exception of Bang Pty Ltd and those entities impaired in the year, that no possible changes in key assumptions, apart from a significant loss of clients by a CGU, would cause the recoverable amount of any of our CGUs to be below their carrying amount. Management have tested the key assumptions of pre-tax discount rates and management forecasts and projections by adjusting them individually 50% and 20% respectively as well as comparing management forecasts to historic results. None of these sensitivity tests lead to further impairments.

For the entities impaired in the year the maximum additional potential impairment caused by the key assumption testing is £698k.

In respect of Bang Pty Ltd, the company continues to recover from its major client loss in 2013, by controlling cost; a focused proposition; and a more focused organic investment strategy. Based on present forecasts no impairment is necessary, however the sensitivity analysis would result in 80% of the goodwill being impaired if management plans are not achieved.

17. Intangible assets continued

Key assumptions	Residual growth rates 2013 and 2014 %	Pre-tax discount rates 2014 %	Pre-tax discount rates 2013 %
UK	**3**	**11-12**	14–15
Asia and Australasia	**3**	**12-13**	13–17
Europe	**3**	**12-15**	15–19
Clear	**3**	**11**	14

We do not expect the residual growth rates to exceed the long term growth rates in each location.

Brand name
This is made up of the brands that we acquired with acquisitions.

Brand name	CGU	Year acquired	Cost 2014 £000	Cost 2013 £000	Amortisation period
Clear	Clear Ideas Ltd	2007	**2,640**	2,640	3 years*
Inside Mobile	M&C Saatchi Mobile Ltd	2010	**103**	103	Immediately
Direct One	M&C Saatchi GAD SAS	2010	**84**	91	Infinity
Bang	Bang Pty Ltd (Australia)	2012	**262**	270	3 years
ST&P	Samuelson Talbot & Partners Pty Ltd (Australia)	2013	**48**	48	Immediately
Merlin Elite	M&C Saatchi Merlin Ltd	2013	**186**	186	Immediately
Lean Mean Fighting Machine	M&C Saatchi (UK) Ltd	2014	**82**	–	Immediately
			3,405	3,338	

There is no foreseeable limit to the duration of 'Direct One' brands as we continue to use them for existing and future clients; hence the brand has been treated as having an indefinite life. Inside Mobile, ST&P, Merlin Elite and Lean Mean Fighting Machine were immediately amortised as we stopped using the names in full shortly after acquisition. Bang is amortised over three years as no decision has been made over the long term use of the name.

* With the further integration of Clear Ideas Ltd into the group we reassessed the Clear brand, this has resulted in a change in the estimated useful life so that the Clear brand will be amortised over 3 years, such change in estimate has caused additional amortisation in the year of £880k.

Subsidiaries

The Group's significant subsidiary undertakings included in the consolidation are:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at 2014	2013	Trading / dormant
M&C Saatchi (UK) Ltd	UK	**100%**	100%	Advertising
LIDA Ltd	UK	**100%**	100%	Direct marketing
Talk PR Ltd	UK	**51%**	51%	PR
M&C Saatchi Sport & Entertainment Ltd	UK	**97%**	97%	Sport & Entertainment
Clear Ideas Ltd	UK	**100%**	100%	Brand consulting
M&C Saatchi Mobile Ltd	UK	**90%**	70%	Mobile
M&C Saatchi Agency Pty Ltd	Australia	**100%**	80%	Advertising
M&C Saatchi GAD SAS	France	**100%**	80%	Advertising
M&C Saatchi Berlin GmbH	Germany	**80%**	80%	Advertising

Most of our subsidiaries have different classes of equity so that board representation reflects parties equity splits, and minorities can be protected from right changes, in all other regards our subsidiaries equity ranks pari-passu.

M&C Saatchi plc exists as a holding company with all direct client relationships performed by its indirect subsidiaries. The results of the subsidiaries reflect the result of the Group less the results of M&C Saatchi plc.

18. Acquisitions

With the exception of Lean Mean Fighting Machine Ltd ('LMFM') and Human Digital there were no acquisitions during the year that resulted in a change of control.

Income statement effects of 2014 acquisitions

80% of LMFM was acquired on 17 April 2014, to enhance and grow M&C Saatchi (UK) Ltd digital offering. The results of this acquisition included in the consolidation were revenue of £3,355k and profit before tax of £590k. Between 1 January 2014 and the acquisition date LMFM had revenue of £818k and profit before tax of £3k.

Goodwill on 2014 acquisition

2014	Note	Total £000
Consideration, satisfied by:		
Cash		**1,645**
Total consideration		**1,645**
Less		
– Fair value of net assets made up of:		
Book value of associate		
Intangibles		**404**
Plant and equipment		**48**
Other non current assets		**–**
Cash		**61**
Other current assets		**322**
Deferred tax liability		**(100)**
Fair value charged to income statement		**–**
– Total fair value of net assets		**735**
Goodwill arising	17	**910**

Goodwill relates to value of the business's staff. There is no local tax deduction for goodwill.

As part of the acquisition, put options were negotiated on this acquisition over remaining capital rights associated with digital revenues (note 27). In addition, the shareholders (management) of LMFM are entitled to further payments depending on the future digital performance of M&C Saatchi (UK) Limited. These payments are forfeited upon termination of employment (collective or individual) and therefore have been accounted for within staff costs (note 7) in accordance with IFRS3.

On 31 December 2014, the Group acquired the remaining 75% of the share capital of Human Digital Limited. At the date of acquisition, this company had net liabilities of £414k which largely related to a loan made by the Group to fund the company's activities. The Directors' consider that any intangibles acquired, which include the Human Digital brand, have an immaterial fair value and accordingly have not been recognised. As a result of the accounting for this transaction, a charge of £813K has been recognised in the income statement (including £399k disposal of associate note 20).

Income statement effects of 2013 acquisitions

60% of the shares and voting rights of Merlin Elite Ltd (renamed M&C Saatchi Merlin Ltd) was acquired by M&C Saatchi (UK) Ltd on 17 January 2013 to enable the Group to have a have talent management offering. On 26 September 2013 M&C Saatchi Agency Pty Ltd (Australia) acquired 60% of the share capital of Samuelson Talbot and Partners Pty Ltd to and merged it into its Melbourne office to create a combined CGU.

Goodwill on 2013 acquisition

2013	Note	Merlin Elite Ltd £000	Samuelson Talbot and Partners Pty Ltd £000	Total £000
Consideration, satisfied by:				
Cash		926	420	1,346
Contingent consideration		–	420	420
Total consideration		926	840	1,766
Less				
– Fair value of net assets made up of:				
Intangibles		387	431	818
Plant and equipment		59	27	86
Other non current assets		–	5	5
Cash		474	433	907
Other current assets		(181)	(296)	(477)
Deferred tax liability		(94)	(95)	(189)
Non controlling interests 40% share of assets		(258)	(202)	(460)
– Total fair value of net assets		387	303	690
Goodwill arising	17	**539**	**537**	**1,076**

Goodwill relates to value of the business's staff. There is no local tax deduction for goodwill.

19. Cash consumed by acquisitions

	2014 £000	2013 £000
Cash consideration		
– M&C Saatchi Merlin Ltd (2013: 60%)	–	(926)
– Samuelson Talbot and Partners Pty Ltd (2013: 60%)	(426)	(480)
– Lean Mean Fighting Machine LTD	(1,645)	–
– FCINQ SAS 2% (2013: 2%)	(15)	(12)
– Bang Pty Ltd 10%	(49)	–
– M&C Saatchi Brazil Cominicação LTDA 9.8%	(149)	–
	(2,284)	(1,418)
Less cash and cash equivalents acquired	83	906
Less cash lost on nominal value disposal	(43)	–
	(2,244)	(512)
Purchase of associates	(5,084)	(2,589)
	(7,328)	(3,101)

20. Associates and joint venture

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

The following associates and joint ventures are included in the consolidated financial statements:

Name	Nature of business	Country of incorporation or registration	Investment in associate 2014 £000	Investment in associate 2013 £000	Proportion of voting rights and ordinary share capital held at 2014	Proportion of voting rights and ordinary share capital held at 2013
Walker Media Limited (from discontinued operations, note 16)	Media buying	UK	9,548	9,148	25%	25%
Human Digital Limited**	Social web insight and strategy	UK	–	460	100%	25%
Milk Data Strategy Limited***	Data strategy	UK	173	150	25%	25%
M&C Saatchi Russia Limited	Advertising	UK	45	64	50%	50%
M&C Saatchi S.A. and subsidiaries	Advertising	Spain	–	–	25%	25%
M&C Saatchi SAL*	Advertising	Lebanon	–	–	10%	10%
M&C Saatchi (Hong Kong) Limited	Advertising	China	3,327	3,277	20%	20%
February Communications Private Limited	Advertising	India	210	–	20%	–
Shepardson Stern + Kaminsky LLP	Advertising	USA	5,428	–	33%	–
M&C Saatchi World Services Pakistan (PVT) Ltd (joint venture)	Development marketing	Pakistan	–	–	50%	50%
Total			18,731	13,099		

* Influence exerted through our board membership and contractual relationship, this entity services other countries in the region.
** 75% of equity acquired 31 December 2014 (Note 18).
*** Sold in February 2015.

All shares in associates are held by subsidiary companies, and have no special rights. Where the associate has a right to use our brand name we have right to withdraw the brand name to stop it being lost or protect it from damage. In the case of joint ventures all key decisions have to be jointly agreed. The risk the Group is exposed to from it's associates and joint ventures is our investment, our brand name and to undistributed dividend flows.

During the year the Group invested in February Communications Private Limited to service our clients in India. In November 2014 we acquired an interest in Shepardson Stern + Kaminsky LLP to give us strategic advertising agency mass in the USA and create a spring board for growth, while retaining our other profitable subsidiaries that have a different nature of business or service different regions.

	2014 £000	2013 £000
At 1 January	**13,099**	756
Exchange movements	**(239)**	2
Acquisition of associates	**5,580**	3,214
Transferred from discontinued operations	**–**	8,964
Impairment of associate	**(399)**	–
Dividends	**(660)**	–
Share of profit after taxation	**1,350**	163
At 31 December	**18,731**	13,099

Impairment 2014
On 31 December 2014 the Group acquired the 75% it did not own in Human Digital for £1, this resulted in an impairment of £399k in the existing book value of the Associate prior to acquisition, plus a loss on acquisition of £414k due to the net liabilities acquired. (Note 18)

China transaction 2013
During the year the Group transferred the trade and assets of M&C Saatchi (Hong Kong) Limited to a local entity in China, aeiou. In return the Group received 20% of the combined entity. The fair value of the consideration was deemed to be £3.2m, of which £1.9m was satisfied in cash.

Summarised financial information

	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	2014 £000	2013 £000
Income statement							
Revenue	19,192	2,002	3,098	3,236	1,054	**28,582**	11,062
Operating profit	5,839	(567)	(1,587)	1,066	216	**4,967**	273
Profit before taxation	5,936	(570)	(1,698)	1,009	216	**4,893**	171
Profit after taxation	4,348	(570)	(1,698)	1,115	216	**3,411**	(9)
Our share	1,074	(19)	–	224	71	**1,350**	163

	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	2014 £000	2013 £000
Balance sheet							
Total assets	52,225	1,805	4,157	4,234	8,264	**70,685**	61,607
Total liabilities	(41,666)	(1,954)	(6,403)	(1,381)	(7,609)	**(59,013)**	(51,934)

Human Digital Limited has been included in the income statement table, but due to its acquisition on 31 December 2014 has not been included in the Balance sheet.

The summarised financial information has been aggregated by geography as permitted in IFRS12. Of the UK segment £976k of the £1,074k profit relates to Walker Media Limited, and the entire Americas segment relates to Shepardson Stern + Kaminsky LLP.

21. Plant and equipment

	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2013	5,298	6,210	5,755	151	17,414
Exchange differences	(228)	(208)	(241)	(15)	(692)
Additions	1,438	516	717	36	2,707
Acquisition of subsidiaries	–	63	21	–	84
Disposals	(20)	(279)	(556)	(21)	(876)
Disposal of subsidiaries	(183)	(183)	(456)	0	(822)
Discontinued operations	(218)	(350)	(631)	–	(1,199)
At 31 December 2013	6,087	5,769	4,609	151	16,616
Exchange differences	(50)	(66)	(46)	(6)	(168)
Additions	992	1,570	855	10	3,427
Acquisition of subsidiaries	–	47	–	–	47
Disposals	(383)	(627)	(393)	(29)	(1,432)
Disposal of subsidiary	–	(2)	(14)	–	(16)
At 31 December 2014	**6,646**	**6,691**	**5,011**	**126**	**18,474**
Depreciation					
At 1 January 2013	2,145	3,857	4,121	54	10,177
Exchange differences	(163)	(145)	(211)	(6)	(525)
Depreciation charge	660	633	915	25	2,233
Disposals	(10)	(70)	(739)	(9)	(828)
Disposal of subsidiaries	(197)	(144)	(427)	–	(768)
Discontinued operations	(135)	(396)	(452)	–	(983)
At 31 December 2013	2,300	3,735	3,207	64	9,306
Exchange differences	(33)	(24)	(59)	(5)	(121)
Depreciation charge	752	380	901	22	2,055
Disposals	(300)	(490)	(362)	(9)	(1,161)
Disposal of subsidiary	–	(2)	(12)	–	(14)
At 31 December 2014	**2,719**	**3,599**	**3,675**	**72**	**10,065**
Net book value					
At 1 January 2013	3,153	2,353	1,634	97	7,237
At 31 December 2013	3,787	2,034	1,402	87	7,310
At 31 December 2014	**3,927**	**3,092**	**1,336**	**54**	**8,409**

Net book value of assets, included in the above balances which have been purchased through finance lease arrangements are:

	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
At 1 January 2013	–	168	101	67	336
At 31 December 2013	–	8	48	99	155
At 31 December 2014	**–**	**–**	**169**	**61**	**230**

22. Other non current assets

	2014 £000	2013 £000
Investments*	**1,987**	800
Rent deposits	**1,636**	2,069
Loans to associates**	**2,222**	
Loans to employees***	**–**	2,393
Call option provision	**54**	54
Total other non current assets	**5,899**	5,316

* The Group is engaging in corporate venturing, investing in companies that have technologies that relate to or could enhance the services the Group sells, or when mature will be in industries that will be a heavy user of the Group's services. Under IFRS 13 these items are valued as a level 3 and given they are recent investments they have been recorded at cost. We review the value of these equity investments periodically, however fair value has not been disclosed as it cannot be measured reliably, the value of subsequent funding rounds indicate that when we exit we will realise a profit on our investments. The Group intends to realise its investment over a three to ten year period either through selling the equity or receiving a dividend.

** On acquisition of 33% of Shepardson Stern + Kaminsky LLP, we took over a £2.2m working capital loan, which matured on our investment. The terms of this loan are similar to the maturing loan and reflect an arm's length transaction.

*** This related to the £1.2m and the AUD2.0m loans that the Group lent local management of M&C Saatchi Agency Pty Ltd, in 2010, to enable them to acquire 20% of that business. The loan was repaid as the purchasers no longer had a beneficial interest in the shares of the Australian Group. The loan was unsecured and charged interest at the Bank of England's base rate of interest; interest on the loan compounded annually and was payable on repayment. The carrying value of the loan approximated to fair value.

23. Trade and other receivables

	2014 £000	2013 £000
Trade receivables	**50,760**	42,352
Provision for bad debts	**(184)**	(186)
Net trade receivables	**50,576**	42,166
Prepayments and accrued income	**14,437**	14,186
Amounts due from associates	**515**	624
VAT and sales tax recoverable	**1,101**	1,101
Other debtors	**4,414**	3,401
Total trade and other receivables	**71,043**	61,478

The carrying amount of trade and other receivables approximates to their fair value.

Movement in the bad debt provision

	2014 £000	2013 £000
As at 1 January	**(186)**	(139)
Exchange movements	**–**	19
Charged to the income statement	**(6)**	(126)
Released to income statement	**–**	16
Utilisation of provision	**8**	44
As at 31 December	**(184)**	(186)

23. Trade and other receivables continued

As at 31 December the following trade receivables were past their due date (of 0 to 3 months) but not impaired.
It is management's belief that these debts will be fully repaid.

	2014 £000	2014 %	2013 £000	2013 %
3 to 6 months	**1,547**	**3%**	1,838	4%
Over 6 months	**923**	**2%**	301	1%
Total net trade receivables	**50,576**	**100%**	42,166	100%

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	2014 £000	2014 %	2013 £000	2013 %
Sterling	**33,869**	**48%**	34,194	54%
US dollars	**10,586**	**15%**	4,239	7%
Australian dollars	**5,527**	**8%**	6,300	11%
Malaysian ringgit	**3,923**	**5%**	2,703	4%
Euros	**7,115**	**10%**	7,583	12%
South African rand	**2,516**	**4%**	1,562	3%
Brazilian real	**1,589**	**2%**	1,425	2%
Other	**5,918**	**8%**	3,472	6%
	71,043	**100%**	61,478	100%

Credit risk

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 is reported regularly. Age profiling is monitored both at local customer level and a consolidated entity level. Bad debt provisions are determined locally. There is only local exposure to debt from our significant global clients. Whilst the Group has some exposure to foreign currency risk this is limited by the proportion of debt denominated in sterling. 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.

There are no significant concentrations of credit risk in the Group.

24. Trade and other payables

Amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**(26,414)**	(21,537)
Sales taxation and social security payables	**(8,269)**	(7,253)
Employment benefit accruals	**(1,363)**	(2,143)
Accruals and deferred income	**(36,998)**	(31,474)
Other payables	**(2,951)**	(1,597)
	(75,995)	(64,004)

The carrying amount of trade and other payables approximates to their fair value.

Settlement of trade and other payables is in accordance with our terms of trade established with our local suppliers.

The carrying amount of the Group's trade and other payables are denominated in the following currencies:

Amounts falling due within one year

	2014 £000	2014 %	2013 £000	2013 %
Sterling	**(33,926)**	**45%**	(34,830)	57%
US dollars	**(14,618)**	**19%**	(3,069)	5%
Australian dollars	**(7,959)**	**10%**	(7,116)	10%
Malaysian ringgit	**(3,992)**	**5%**	(4,650)	7%
Euros	**(7,830)**	**10%**	(7,960)	12%
South African rand	**(1,111)**	**2%**	(2,690)	4%
Brazilian real	**(2,105)**	**3%**	(1,227)	2%
Other	**(4,454)**	**6%**	(2,462)	4%
	(75,995)	**100%**	(64,004)	100%

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), and therefore will not reconcile with amounts disclosed on the consolidated balance sheet:

	2014 £000	2013 £000
Non derivatives		
Up to 6 months	**(56,957)**	(48,173)
6–12 months	**(11)**	(8)
Later than 1 year and not later than 5 years	**(19,304)**	(1,031)
	(76,272)	(49,212)
Put options		
Up to 6 months	**(15,835)**	(14,552)
6 months to 1 year	**–**	(8,814)
Later than 1 year and not later than 5 years	**(7,887)**	(15,857)
Greater than 5 years	**(883)**	(598)
	(24,605)	(38,299)
Total derivative and non derivative	**(100,877)**	(89,033)

The value of put options represents the minority shareholder put option liability excluding any discount for time. The majority of these financial instruments will be fulfilled by the issue of equity (note 27).

The above table is an indicator of our liquidity risk. The risk is mitigated by the receipt of cash from trade and other receivables, and in the case of put options, the majority of the liability will be fulfilled by the issue of equity (note 29).

25. Other financial liabilities

Amounts falling due within one year

	2014 £000	2013 £000
Obligations under finance leases	**(22)**	(17)
Other bank loans	**–**	(3)
	(22)	(20)

Amounts falling due after one year

	2014 £000	2013 £000
Obligations under finance leases	**(32)**	(52)
Secured bank loans	**(18,194)**	(304)
	(18,226)	(356)

The carrying value of bank loans approximates to their fair value.

Secured bank loans
The Group has a banking facility of up to £30.0m (2013: £14.5m) plus a one year £0.3m (2013: £0.3m) overdraft facility. The facility has floating rates of interest set at 1.75% above LIBOR and the overdraft has floating rates of interest set at 1.75% above Bank of England base rate. The facility matures on 30 April 2017.

Our operations in India have overdrafts and local short term bank loans that are guaranteed by the Group. The balances outstanding at the year end were £125k (2013: £115k).

	2014 £000	2013 £000
Gross secured bank loans	**(18,410)**	(333)
Capitalised finance costs	**216**	29
Net secured bank loans	**(18,194)**	(304)
Future interest payable on secured bank loans at balance sheet date	**(1,170)**	(30)
Total secured bank loans and future interest	**(19,364)**	(334)

Total secured bank loans and future interest are due as follows:

	2014 £000	2013 £000
In one year or less, or on demand	**(502)**	(10)
In more than one year but not more than five years	**(18,862)**	(324)
	(19,364)	(334)

Obligations under finance leases and hire purchase contracts are due as follows:

	2014 £000	2013 £000
In one year or less, or on demand	**(22)**	(17)
In more than one year but not more than two years	**(32)**	(52)
	(54)	(69)

26. Deferred and contingent consideration

	2014 £000	2013 £000
Amounts falling within one year		
– Contingent (note 18)	**–**	420

	2014 £000	2013 £000
At 1 January	**420**	–
Exchange difference	**6**	–
Charged to income statement	**–**	–
Acquisition	**–**	420
Consideration paid	**(426)**	–
At 31 December	**–**	420

27. Minority shareholder put option liabilities

Some of our subsidiaries' minorities have the right to a put option. The put options give the minorities a right to exchange their minority holdings in the subsidiary into shares in M&C Saatchi plc or cash (as per the agreement).

	2014 £000	2013 £000
Amounts falling due within one year		
– Cash	**(1,031)**	(3,642)
– Equity	**(14,804)**	(18,202)
	(15,835)	(21,844)
Amounts falling due after one year		
– Cash	**(178)**	(684)
– Equity	**(8,530)**	(15,641)
	(8,708)	(16,325)
	(24,543)	(38,169)

	2014 £000	2013 £000
At 1 January	**(38,169)**	(20,482)
Exchange difference	**1**	4
Additions	**(1,653)**	(3,359)
Exercises	**15,817**	1,171
Termination	**–**	–
Income statement charge due to		
– Change in estimates	**(886)**	1,333
– Change in share price	**442**	(16,760)
– Time	**(95)**	(76)
Total income statement charge	**(539)**	(15,503)
At 31 December	**(24,543)**	(38,169)

The movements in the year relating to the minority interest put options that are payable in cash and in equity are as follows:

Cash based	2014 £000	2013 £000
At 1 January	**(4,326)**	(3,297)
Exchange difference	**–**	158
Reclassified from share based	**(291)**	–
Additions	**–**	(684)
Exercises	**2,553**	–
Income statement charge due to		
– Change in estimates	**841**	(136)
– Change in share price	**9**	
– Time	**5**	(367)
At 31 December	**(1,209)**	(4,326)

Equity based	2014 Equity*	2014 £000	2013 £000
At 1 January	**(10,156)**	**(33,843)**	(17,185)
Exchange difference		**1**	(154)
Additions	**(589)**	**(1,653)**	(2,675)
Exercises	**4,852**	**13,264**	1,171
Reclassified to cash based	**33**	**291**	–
Terminations	**–**	**–**	–
Income statement charge due to			
– Change in estimates	**(1,301)**	**(1,727)**	1,469
– Change in share price	**120**	**433**	(16,393)
– Time	**(30)**	**(100)**	(76)
At 31 December	**(7,071)**	**(23,334)**	(33,843)

* The estimated number of M&C Saatchi plc shares that will be issued, in thousands, to fulfil.

27. Minority shareholder put option liabilities continued

Put options are exercisable from:

Subsidiary	Year	% of subsidiaries' shares exchangeable
M&C Saatchi LA Inc**	2015	6.0
M&C Saatchi Marketing Arts Ltd	2015	50.0
M&C Saatchi (M) SDN BHD	2015	20.0
M&C Saatchi Sports & Entertainment Ltd	2015	2.8
Influence Communications Ltd	2015	5.0
M&C Saatchi Europe Holdings Ltd	2015	4.0
M&C Saatchi German Holdings Ltd	2015	4.0
M&C Saatchi Communications Pty Ltd	2015	13.0
M&C Saatchi Berlin GmbH	2015	15.0
Talk PR Audience Ltd	2015	17.0
FCINQ SAS	2015	15.0
Clear Ideas Consulting LLP	2015	12.5
M&C Saatchi PR LLP (US)	2015	35.0
Clear Ideas Consulting LLP	2015	12.5
M&C Saatchi Mobile Ltd*	2015	10.0
M&C Saatchi Sport & Entertainment Pty Ltd	2015	49.0
Talk PR Ltd	2015	49.0
M&C Saatchi UK PR LLP	2015	35.0
M&C Saatchi Corporate SAS	2015	29.8
M&C Saatchi (Switzerland) SA	2016	40.0
Samuelson Talbot and Partners Pty Ltd	2016	31.2
M&C Saatchi Merlin Ltd	2016	22.5
The Source (London) Ltd	2016	30.0
Direct One SAS	2016	10.0
Direct One SAS	2017	10.0
M&C Saatchi Berlin GmbH	2017	5.0
M&C Saatchi Brazil Cominicação LTDA**	2017	40.0
Lean Mean Fighting Machine LTD*	2017	13.3
Lean Mean Fighting Machine LTD*	2018	13.3
Samuelson Talbot and Partners Pty Ltd	2018	8.8
M&C Saatchi Merlin Ltd	2018	22.5
Direct One SAS	2018	10.0
Lean Mean Fighting Machine LTD*	2019	13.3

* New or amended options in 2014.
** Holding changed or shares put in 2014.

At each period end the fair value of the put option liability is calculated in accordance with the shareholders' agreement, and any movement is charged to the income statement. Where the agreement gives a right to convert to a variable number of shares (rather than a value), the number of shares is converted to a value by using the period end share price (2014: 330.0p, 2013: 333.3p).

The liability will vary with our share price and with the results of the subsidiary companies. Current liabilities are determined by our year end share price and the 2013 results of the companies who can exercise in 2014. Non current liabilities are determined by our year end share price and the projected results of the companies who can exercise after 2014. The projected results show management's best estimate of the growth rates and margin of the companies who can exercise after 2014 Given that these companies are small, single account wins/losses can have a significant effect on their results. Such account wins are far more significant than changes to exchange rates and underlying economic growth rates.

The fair value of minority shareholder put option liabilities is measured using some inputs that are not based on observable market data (i.e. IFRS13, Level 3 fair value measurement).

Share price risk

Changes in our year end share price will impact the fair value adjustment to minority shareholder put options. The year end share price was 330.0p (2013: 333.3p). The 2014 charges would have changed as follows, had the share price been:

Share price	Movement %	Increase/ (decrease) in profit before and after tax £000
396.0p	+20%	£(4,939)
363.0p	+10%	£(2,803)
330.0p	–	–
297.0p	(10)%	£2,886
264.0p	(20)%	£5,776

Forecast accuracy

Difference in actual and projected results of the companies could have an impact on the fair value adjustments as follows:

Result	Increase/ (decrease) in profit before and after tax £000
+10%	£(992)
(10)%	£992

28. Other non current liabilities

	2014 £000	2013 £000
Employment benefit provisions*	**(341)**	(222)
Other	**(962)**	(674)
	(1,303)	(896)

* This relates to long term service leave in some locations.

29. Issued share capital

Allotted, called up and fully paid

	Number of shares	1p Ordinary shares £000
At 1 January 2013	64,077,518	641
Fulfilment of options	4,449,180	44
Acquisition of 5.0% of M&C Saatchi GAD SAS	512,295	5
At 31 December 2013	69,038,993	690
Tender offer	(6,337,800)	(63)
Fulfilment of options	825,367	8
Acquisition of 20% M&C Saatchi Agency Pty Ltd	2,398,932	24
Acquisition of 20% M&C Saatchi Mobile Ltd	2,030,131	20
Acquisition of 19.8% of M&C Saatchi GAD SAS	423,006	4
At 31 December 2014	**68,378,629**	**683**

The Group holds 700,000 of the above M&C Saatchi plc shares in treasury.

Tender offer

Following sale of Walker Media Ltd in November 2013 (note 16), the Group returned £21.4m of the proceeds by way of a tender offer on 23 January 2014 at 335p per share.

Capital management

The Group aims to use cash generated from our operations to fund growth. Debt is used to fund short-term investment and working capital cycles.

Long term and major investment obligations are fulfilled by issuing equity e.g. put options (note 27). In this way we reduce the financial risk of debt markets being closed or rationed. The Group will minimise the amount of equity issues when long term and major investment obligations vest by using any available cash instead of equity.

Our long term targets are to be debt free and to minimise the dilution to our shareholders and maximise our organic growth.

30. Share based payments

Share based payments include vested share options and conditional share awards.
Expense recognised in year:

	2014 £000	2013 £000
Equity settled	**200**	290
Cash settled	**93**	166
TOTAL	**293**	456

Vested share options

Year of grant	Description	Exercise price (pence)	Exercise period	2014 number	2013 number
2004	Vested options	1	2009–2014	–	128,495

	Vested options number	LTIP	New LTIP	2012 LTIP	UK growth shares	Total number
At 1 January 2013	128,495	–	3,546,932	–	–	3,675,427
Vested	–	–	–	–	902,248	902,248
Exercised paid in equity*	–	–	(3,546,932)	–	(902,248)	(4,449,180)
At 31 December 2013	128,495	–	–	–	–	128,495
Vested	–	110,759	2,771,736	229,897	641,492	3,753,884
Exercised paid in equity*	(128,495)	(55,380)	–	–	(641,492)	(825,367)
At 31 December 2014	**–**	**55,379**	**2,771,736**	**229,897**	**–**	**3,057,012**

* The average price when these options were excised was 275.5p (2013: 270.0p).

The LTIP were conditional that the employee remains employed by the Group on the day of exercise; the vested options do not have this condition.

The number of shares granted under the UK growth shares and LTIP is dependent on the subsidiaries' and Group's profits. The number of shares granted under the New LTIP and 2012 LTIP is dependent on the Company's share price.

Conditional share awards

UK growth shares

M&C Saatchi (UK) Ltd had classes of equity whose restrictions classify them as share options under IFRS 2. The equity as convertible into M&C Saatchi plc's equity based on a valuation formula. This equity has now been fully acquired by the Group.

During the year, 641,492 (2013: 902,248) M&C Saatchi plc shares were issued in return for subsidiaries' equity. The participants in this share scheme made a £1.8m gain, the highest payment to one person was £0.7m.

The options were valued based on the following assumptions:

Vesting and exercised at end	2011	2010
Share price at grant date	£0.50	£0.50
Vesting period	3 years	2 years
Dividend yield	7.24%	7.24%
Risk free rate	1.47%	1.47%
Fair value of option (per M&C Saatchi plc share issued)	£0.40	£0.43

As these options are nil value options, volatility has no effect on their fair value and there is no maximum term to these options. Valuation method used Black Scholes.

Conditional share awards

LTIP

In 2010 the Group issued new options under its long term incentive plan (LTIP) for senior employees. This results in the issue of up to 110,759 (2013: 110,759) ordinary shares between 2014 and 2020 and a maximum cash settled bonus of £326,880 (based on our 31 December 2014 share price of 330.0p). The number of shares under option varied with the real increase in diluted earnings per share. The maximum award vest as real diluted earnings per share grew by more than 10%.

Grant date	14 October 2010
Share price at grant date	£1.16
Exercise price	£0
Maximum unvested shares under option	110,759
Vesting period (years)	4 to 5
Dividend yield	3.12%
Risk free rate	1.06%
Fair value of option	£1.02

As these options are nil value options volatility has no effect on their fair value. Valuation method used Black Scholes.

New LTIP

In 2010 each of the four participants paid £97,250 for the award, in the form of equity in a subsidiary. This is not refundable if the share price hurdles and a total shareholder return (TSR) conditions are not met.

During the year no M&C Saatchi plc shares were issued equally to the four Directors of the Company in return for subsidiaries' equity (2013: 3,546,932).

The final award vested at the end of 2014, with the Company's average ninety day closing mid-market share price as at 31 December 2014, 296.8p, 97.9p greater than the schemes target of 198.9p and the Company top of the TSR comparator group beating the target of being in top half by 188%. As the conditions were fulfilled the participants are entitled to sell equity in a subsidiary with a value equivalent to ten percent of the Company's increase in market capitalisation above its 31 December 2012 value of £114.9m (i.e. 181.4p share price). This resulted in 2,771,736 M&C Saatchi plc shares being issued in January 2015.

The accounting charge for the New LTIP in 2014 was £156,000 (2013: £156,000).

At exercise the subsidiaries' equity is converted into equity in the Company.

Grant date	14 October 2010
Share price at grant date	£1.16
Vesting period (years)	2 to 4
Dividend yield	3.12%
Risk free rate	1.06%
Volatility	30.77%
Total fair value of option	£1,756,000

Valuation method used Monte Carlo.

30. Share based payments continued

2012 LTIP

The 2012 LTIP was issued on 19 January 2012 when the Company's share price was 123.5p. The participants paid the fair market price for the award of £2,550. The award vested on 31 December 2014 resulting in 229,897 being issued on 23 January 2015. The condition for vesting was that the Company's share price is greater than or equal to 200.0p.

Grant date	14 October 2011
Share price at grant date	£1.24
Vesting period (years)	3
Dividend yield	3.6%
Risk free rate	1.02%
Volatility	50%
Total fair value of option	£0.23

Valuation method used Black Scholes binominal pricing model.

Liability arising from share based payment

The following balances relate to cash based equity payments and employer's tax on share and cash based payments.

	2014 £000	2013 £000
Share based payment liabilities	**207**	312

31. Post balance sheet events

On 16 January 2015 the final awards for 2012 LTIP and New LTIP were fulfilled resulting in 3,001,633 1p ordinary M&C Saatchi plc shares being issued (note 30).

During February 2015 we acquired an associate interest in a Brazilian agency called Santa Clara, and dispossessed of our 25% Interest in Milk Data Strategy Limited, neither transaction had a significant effect on our cash flows.

32. Commitments

Capital commitments

There are no other significant capital commitments contracted for but not provided.

Operating leases

Commitments under operating leases are reported within note 6.

33. Related party transactions

Key management remuneration

Key management remuneration is disclosed in note 7.

Unaudited detail on Directors' remuneration is disclosed in the Remuneration Report on pages 26 and 27.

Other related parties

During the year, the Group entered into the following transactions with related parties:

Tom Dery is a director of Australian Cancer. During the year the Group passed on third party costs to Australian Cancer of £54k (2013: £2k), and charged them £1k (2013: nil) in fees, of which nil (2013: nil) was outstanding at the year end.

Lloyd Dorfman was chairman of Travelex Holdings Ltd. During the year the Group charged subsidiaries of Travelex Holdings Ltd, on an arm's length basis, £139k (2013: £105k) for advertising and marketing services, of which £19k (2013: £34k) was outstanding at the year end.

Lloyd Dorfman is chairman of Doddle Parcel Services Ltd. During the year the Group charged Doddle, on an arm's length basis, third party costs of £306k (2013: nil) and charged them £704k (2013: nil) in fees for advertising and marketing services, of which £587k (2013: nil) was outstanding at the year end.

Lara Hussein has an equity interest in Brand Energy. During the year the Group was charged, on an arm's length basis, by Brand Energy £643k (2013: £833k), of which £178k (2013: £177k) was unpaid at the year end.

To assist Tom Dery and Tom McFarlane (subsidiary directors) in acquiring 20% of M&C Saatchi Agency Pty Ltd in 2010, loans of £1.2m and AUD 2.0m (2013: £1.2m and AUD2.0m) were issued. These loans were repaid in the year (see note 22 for further details).

When Antoine Barthuel was appointed in 2006, an arms length interest bearing €150k loan was issued to him to replace loan made by previous employer. During the year this loan was repaid.

During the year the Group made purchases of £1,750k (2013: £66k) from its associates. At 31 December 2014, there was £1,707k due to associates in respect of these transactions (2013: £48k). During the year, £1,180k (2013: £1,084k) of fees were charged by Group companies to associates. At 31 December 2014, associates owed Group companies £2,603k (2013: £624k).

During the year the Company recharged its subsidiaries and indirect subsidiaries with £824k (2013: £1,006k) of its costs, £210k (2013: £202k) of interest and paid nil (2013: £1k) of interest. The balance outstanding can be seen in note 37 and 38.

34. Accounting policies

Critical accounting policies are set out in note 1.
Additional accounting policies followed by the Group are:

Cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

Basis of consolidation

The M&C Saatchi plc consolidated financial statements incorporate the financial statements of M&C Saatchi plc and entities (including special purpose entities) controlled by M&C Saatchi plc (and its subsidiaries). Control is achieved where M&C Saatchi plc has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where subsidiaries are acquired in the year, their results and cash flows are included from the date that we gain control up to the balance sheet date.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra Group transactions, balances, income and expenses are eliminated on consolidation.

Where a consolidated company is less than 100% owned by the Group, the non controlling interest share of the results and net assets is recognised at each reporting date.

Subsidiary acquisitions

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values of the assets given, liabilities incurred or assumed and the equity instruments issued by the Group in exchange for control. The identifiable assets and liabilities (including contingent liabilities) acquired that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the date of acquisition.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

All acquisition costs are expensed to the income statement in the period that they occur.

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset, being the excess of consideration paid over the interest in the fair value of the identifiable net assets acquired. Cost comprises the fair value of assets given, liabilities assumed (contingent and deferred consideration) and equity instruments issued.

In 2009 and before, where the Group increased its stake in a subsidiary, goodwill equals the difference between the consideration paid and the fair value of the minority interest acquired. In 2010 and beyond, such balances are taken to reserves in accordance with IAS 27. The amendment to the standard did not require retrospective restatement.

Goodwill relating to associates is included within the carrying value of the investment in associates.

Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at net book value as at that date.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication of impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

The impairment test is based on management's projections for the next five years and regional growth rates thereafter.

Goodwill arising from foreign investments is retranslated at the year end rate.

Disposals of subsidiaries' equity that do not affect control

The difference between the consideration received and the credit to the non controlling interest reserve is credited directly to retained earnings. In the event that equity had previously been acquired under this revised standard then such a disposal will result in a release from non controlling interest acquired reserve to retained earnings.

Acquisitions of subsidiaries' equity that do not affect control

From 1 January 2012, acquisitions of subsidiaries' equity that do not affect control have been accounted for using non controlling interest reserve. How the non controlling interest reserve is used is described in note 2.

Corporate venturing investments

Investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

34. Accounting policies continued

Associates and joint ventures

Associates and joint ventures are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 10% and 50% of the voting rights, minority or equal board representation and, in case of shareholdings of between 10% and 20%, the Group treats the entity as an Associate where there are significant minority and contractual protections that allow us to influence dividend and investment flows. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' and joint ventures' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Discontinued operations

Discontinued operations are a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale. Classification as discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

Intangible assets

Separately acquired intangible assets are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition if they arise from contractual or other legal rights, and sufficient information exists to measure the fair value of the asset. Intangible assets that relate to associates are included within the carrying value of the investment in associates. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Intangible assets are stated at historical cost less accumulated amortisation and impairment.

Amortisation is provided to write off the cost of all intangible assets, less estimated residual values, evenly over their expected useful lives.

The charge in the income statement is included in operating costs. Intangible assets are amortised to residual values over the useful economic life of the asset as follows:

Software	– 3 years
Customer relationships	– 1 to 5 years
Brand name	– 0 to infinity

The need for any intangible asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of value in use and fair value less cost to sell.

Plant and equipment

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	– over the period of the lease
Furniture and fittings	– 10% in equal instalments
Computer equipment	– 33% in equal instalments
Other equipment	– 25% in equal instalments
Motor vehicles	– 25% in equal instalments

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of fair value less cost to sell and the value in use.

Cash and cash equivalents

Cash and cash equivalents include, for the purposes of the balance sheet and cash flow statement, cash at bank and in hand and deposits with an original maturity of three months or less, net of legally offsettable overdraft, which are managed as part of cash balances.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease agreements are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Where operating lease agreements include a fixed uplift for rental payments, the expense is straight lined, except in cases where another systematic basis better represents the benefit to us. Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to profit or loss on a straight line basis over the lease term.

Segmental reporting
Segmental reporting reflects how management controls the business. Sales between business units are on an arm's length basis. The assets and liabilities of the segments reflect the assets and liabilities of the underlying companies involved.

Our business is run on an operating unit basis. In accordance with IFRS 8 paragraph 12, we have aggregated our operating units into regional segments.

Employee benefits – pensions
Contributions to personal pension plans are charged to the income statement in the period in which they are due.

UK growth shares
Some of our UK subsidiaries have shares that do not pay a dividend but instead have a right attached to the share allowing them to be exchanged into shares of M&C Saatchi plc via a put/call option. The value of the option, which can be exchanged into M&C Saatchi plc shares, is based on the Group's headline profit after tax multiple and excludes loss making companies. The valuation uses the growth of normalised post-tax profits of the subsidiary company above that company's 2007 profits plus a compounded growth factor. The Group has a nominal value call option in the event that the shareholders are no longer employed. This transaction has been treated as an equity settled transaction under IFRS 2.

The cost of equity settled transactions with these shareholders is measured and accounted for in accordance with the Group's stated policy for equity settled share based compensation.

M&C Saatchi Worldwide Ltd A and B shares
Some of the Company's Directors have purchased M&C Saatchi Worldwide Ltd A and B shares. These shares have rights to be converted into shares of the Company (see note 30). This transaction has been treated as an equity settled transaction under IFRS 2.

Taxation
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.

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. However, deferred tax is not provided for temporary differences that arise: from 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 profits or loss; and on 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 that 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 liabilities on a net basis.

Dividends
Interim dividends are recorded when they are paid and the final dividends are recorded when they become legally payable.

Earnings per share
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. This dilution is reflected in the computation of diluted earnings per share.

Foreign currency
Foreign currency transactions arising from normal trading activities are recorded in functional currency at the rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the year end exchange rate. Where they form part of the net investment in foreign operations the gain or loss is charged directly to the foreign exchange reserve.

Foreign currency gains and losses are credited or charged to the income statement as they arise.

For overseas operations, results are translated at the average rate of exchange and balance sheets are translated at the closing rate of exchange. The average rate of exchange approximates to the rate on the date that the transactions occurred. Exchange differences arising from the translation of foreign subsidiary results are taken to a separate component of equity. Such translation differences will be recognised as income or expense in the period of disposal.

Financial instruments
Financial assets and financial liabilities principally include the following:

Trade receivables
Trade receivables do not carry any interest and are stated at amortised cost. Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable.

34. Accounting policies continued

Trade and other liabilities
Trade and other liabilities are not interest bearing and are stated at their amortised cost.

Classification of financial instruments
The financial assets and liabilities of the Group are classified into the following financial statement captions in accordance with IAS 39 financial instruments:

Loans and receivable
Measured at amortised cost, separately disclosed as cash and cash equivalents; current tax assets; trade and other receivables (with the exclusion of prepayments); and loans to employees within other non current assets.

Financial liabilities at fair value through profit or loss
Separately disclosed as minority shareholder put option liabilities.

Financial liabilities measured at amortised cost
Separately disclosed as trade and other payables; current tax liabilities; other financial liabilities; deferred and contingent consideration; and other non current liabilities.

Bank borrowings
Interest bearing bank loans and overdrafts are initially recorded as the proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares
When the Group reacquires its own equity instruments, those instruments (treasury shares) are debited to treasury reserve. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's treasury shares. Such treasury shares may be acquired and held by other members of the Group. Consideration paid or received is recognised directly in equity.

IFRS 13 hierarchy – Capital structure and finance cost

Level 1
Fair values measured using quoted (unadjusted) prices in active markets for assets and liabilities (e.g. cash, debtors and creditors).

Level 2
Fair values using inputs, other than quoted prices including within Level 1, that are observable for assets or liability either directly or indirectly. The Group does not hold such items at year end, though may hold such items during the year. These items include forward foreign exchange contracts.

Level 3
Fair values measured using inputs for assets or liabilities that are not based on observable market data. Such items include the Group's put option liability, contingent consideration, investments, and some inputs to profit based share options.

Standards effective for the first time this year
A number of new and amended standards became effective for periods beginning on or after 1 January 2014. The Directors consider the impact of these standards on the Group and conclude that none are material to the Group's results and financial position. They include:

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The new standard replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2014).

IFRS 11 Joint arrangements treats accounting of joint ventures the same as associates (effective for accounting periods beginning on or after 1 January 2014).

IFRS 12 Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities (effective for accounting periods beginning on or after 1 January 2014).

Amendments to IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2014).

Amendments to IAS 28 Investment in Associates and Joint Ventures. Changes in interest in associates and joint ventures does not require remeasurement of the retained interest in the investment upon cessation of significant influence or joint control (effective for accounting periods beginning on or after 1 January 2014).

Standards not yet effective
New standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting periods beginning after 1 January 2015 and which the Group has decided not to adopt early. None of these standards have a material effect on our accounts. Those that are relevant to the Group are:

IFRS 15 Revenue from Contracts with customers, replaces IAS 18 Revenue and all other revenue related standards. (Effective for accounting periods beginning on or after 1 January 2017.)*

IFRS 9 Financial Instruments will eventually replace IAS 39 in its entirety. (Effective for accounting periods beginning on or after 1 January 2018.)*

* These standards have not yet been endorsed by the EU.

COMPANY BALANCE SHEET

At 31 December	Note	2014 £000	2013 £000
Fixed assets			
Investments	36	**81,942**	81,942
Current assets			
Cash at bank		**824**	15,008
Debtors			
– due within one year	37	**54,220**	17,898
– due after one year	37	**115**	2,473
		55,159	35,379
Creditors falling due within one year	38	**(31,512)**	(26,007)
Net current liabilities		**23,532**	6,899
Total assets less current liabilities		**105,589**	91,314
Creditors falling due after more than one year	39	**17,884**	–
Total net assets		**87,705**	91,314
Capital and reserves			
Share capital	41	**683**	690
Share premium	41	**16,807**	16,402
Merger reserve	41	**59,294**	48,817
Treasury reserve	41	**(792)**	(792)
Profit and loss account	41	**11,713**	26,197
Shareholders' funds		**87,705**	91,314

These financial statements were approved and authorised for issue by the Board on 25 March 2015 and signed on its behalf by:

Jamie Hewitt
Finance Director
M&C Saatchi plc
Company Number 05114893

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. Included within the consolidated income statement for the year ended 31 December 2014 is a profit after tax of £8,316k (2013: £20,457k).

The notes on pages 80 to 82 form part of these financial statements.

35. Accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable UK accounting standards.

The following principal accounting policies have been applied:

(a) Valuation of investments
Investments held as fixed assets are stated at cost, less any provision for impairment.

(b) Pensions
Contributions to personal pension plans are charged to the profit and loss account in the period in which they are due.

(c) Deferred taxation
Deferred tax balances are recognised for all timing differences that have originated but that have not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

(d) Share based payments
Certain employees receive remuneration in the form of share based payments, including shares or rights over shares. The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted, excluding the impact of any non market vesting conditions (for example, profitability and sales growth targets). The non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the entity revises its estimates of the number of the options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period. Where awards depend on future events we assess the likelihood of these conditions being met and make an appropriate charge at the end of each reporting period. The credit for equity settled transactions is taken to the share option reserve.

The charge for equity settled share based payments is recognised, together with a corresponding increase in equity, over the vesting period of the related share options. The cumulative expense recognised for equity settled share based payments at each reporting date reflects the extent to which the Directors consider, as at the balance sheet date, that the awards will ultimately vest.

For cash settled share based payments, a liability is recognised for the amount payable at the balance sheet date with a corresponding charge being made to the profit and loss account. Where payments depend on future events an assessment is made of the likelihood of these conditions being met in determining the amounts to be recorded. Where cash settled share options are only part of the way through their vesting period, the liability and profit and loss account charge are adjusted to reflect the proportion of the vesting period that has been covered up to the balance sheet date.

Share based payments include options issued to employees and other long term equity linked bonuses. Payments may be in the form of cash or equity. When options are exercised, the cash received for the issued shares is taken to share capital and share premium and the related balance in the share option reserve is taken to the profit and loss reserve.

Where equity settled share options are issued to employees of subsidiary companies, the Company charges the employer (subsidiary) with its employees' share of cumulative expense. This is paid within 30 days.

(e) Dividends
Interim dividends are recorded when they are paid and the final dividends are recorded when they become legally payable.

(f) Treasury shares
When the Company reacquires its own equity instruments, those instruments (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's treasury shares. Such treasury shares may be acquired and held by the Company or by other members of the Group. Consideration paid or received is recognised directly in equity.

36. Investments in subsidiary undertakings

	2014 £000	2013 £000
At 1 January	**81,942**	81,537
Increased investment in subsidiary	–	405
At 31 December	**81,942**	81,942

The significant subsidiary undertakings are listed in note 17 to the consolidated financial statements.

In 2013 the Company increased its investment in M&C Saatchi Worldwide Ltd.

The Company owns a direct interest in 84% of M&C Saatchi Network Ltd (with exercise of 2012 LTIP in January 2015 this direct interest increased to 100%), along with a 25% by nominal value and no votes or dividend interest in M&C Saatchi Worldwide Ltd (with exercise of New LTIP in January 2015 this direct Interest changes to 39% by nominal value, 20% by voting and 0% of dividend flows). Both entities principal place of business is the same as the Company's.

37. Current assets

Amounts due less than one year	2014 £000	2013 £000
Amounts from subsidiary undertakings*	**52,129**	16,914
Prepayments and accrued income	**202**	91
Corporation tax debtor	**1,889**	839
Other debtors	**–**	54
Total trade debtors and other receivables	**54,220**	17,898
Amount due after more than one year		
Deferred tax asset	**115**	80
Loans to employees**	**–**	2,393
Total debtors due after more than one year	**115**	2,473

* Repayable on demand.
** This relates to the nil (2013: £1.2m) and the AUD nil (2013: AUD 2.0m) loans that the Company lent local management of M&C Saatchi Agency Pty Ltd to enable them to acquire 20% of that business. The loan was repaid as the purchasers no longer have a beneficial interest in the shares of the Australian Group. The loan was unsecured and was at the Bank of England's base rate of interest; interest on the loan compounds annually and was payable on repayment.

38. Creditors falling due within one year

	2014 £000	2013 £000
Trade creditors	**(151)**	(243)
Amounts due to subsidiaries*	**(30,540)**	(25,200)
Accruals and deferred income	**(555)**	(207)
Other payables	**(266)**	(357)
	(31,512)	(26,007)

* Repayable on demand.

39. Creditors falling due after more than one year

	2014 £000	2013 £000
Bank loans	**(17,884)**	–

40. Directors' remuneration

	2014 £000	2013 £000
Total for eight Directors:		
Directors' salaries and benefits	**2,050**	2,069
Contribution to money purchase pension schemes	**40**	65
Total remuneration before accounting charges	**2,090**	2,134
Share option charges	**285**	354
	2,375	2,488

	2014 £000	2013 £000
Highest paid Director:		
Directors' salaries and benefits	**404**	427
Contribution to money purchase pension schemes	**24**	1
Total remuneration before accounting charges	**428**	428
Share option charges	**36**	38
	466	466

Unaudited detail on Directors' remuneration is disclosed in the Remuneration Report on pages 26 and 27. These numbers include accounting charges for the LTIP schemes which the Remuneration Report excludes.

During the year, no (2013: 3,546,932) M&C Saatchi plc shares were issued to four Directors, in return for Directors' interest in M&C Saatchi Worldwide Ltd A ordinary shares. Further details including the resulting gains can be found in note 30.

The number of Directors with a money purchase pension scheme was 5 (2013: 5).

41. Capital and reserves

Year of grant	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Profit and loss account £000	Total £000
At 1 January 2013	641	14,625	48,817	(792)	9,422	72,713
Options exercised	44	496			(551)	(11)
Equity settled share based payments	–	–	–	–	290	290
Put options exercised	5	1,281	–	–	–	1,286
Dividends paid	–	–	–	–	(3,421)	(3,421)
Profit for the year	–	–	–	–	20,457	20,457
AT 31 DECEMBER 2013	690	16,402	48,817	(792)	26,197	91,314
Options exercised	8	405			(413)	–
Share option charge	–	–	–	–	200	200
Tender offer	(63)	–	–	–	(21,451)	(21,514)
Put options exercised	48	–	13,011	–	–	13,059
Merger release on impairments	–	–	(2,534)	–	2,534	–
Dividends paid	–	–	–	–	(3,670)	(3,670)
Profit for the year	–	–	–	–	8,316	8,316
AT 31 DECEMBER 2014	**683**	**16,807**	**59,294**	**(792)**	**11,713**	**87,705**

42. Related parties

During the year, the Company charged a management recharge to subsidiaries totalling £824k (2013: £1,006k). £48k (2013: £46k) was due in relation to this management recharge from subsidiaries as at the balance sheet date. Including these amounts the Company also provides short-term working capital loans to and borrows funds from certain subsidiaries, disclosed in Notes 37 and 38.
The amounts due from subsidiary undertakings payable in cash of £52,129k (2013: £16,914k) is net of £4,964k (2013: £7,406k) provisions for doubtful accounts.

Further details of related parties of the Company are provided in note 33.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M&C SAATCHI PLC

We have audited the financial statements of M&C Saatchi plc for the year ended 31 December 2014 set out on pages 28 to 82. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Bennett
(Senior statutory auditor)
For and on behalf of KPMG LLP, statutory auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
United Kingdom

25 March 2015

ADDITIONAL INFORMATION

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www.mcsaatchiplc.com

Country of registration
England and Wales

Company number
05114893

Investor relations website
www.mcsaatchiplc.com

Corporate events

AGM
10 June 2015

Final 2014 dividend paid
10 July 2015

To those on the register on
12 June 2015

Interim 2015 statement
10 September 2015

Interim 2015 dividend paid
13 November 2015

To those on the register on
30 October 2015

Preliminary announcement of 2015 result
Late March 2016

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