M&C SAATCHI PLC

INTERIM RESULTS

SIX MONTHS ENDED
30 JUNE 2018

21 September 2018

M&C SAATCHI PLC
Interim results for the six months ended 30 June 2018

21 September 2018

Strong Gross Profit and Earnings growth

Financial Highlights 2018		Growth versus 2017
Gross Profit	£127.2m	+ 5% (2017: £121.0m)
Like for like Gross Profit		+ 8%
Operating Profit	£15.8m	+ 19% (2017: £13.3m)
Operating margin	12.4%	+1.5% (2017: 10.9%)
Profit Before Tax	£16.7m	+ 26% (2017: £13.3m)
Earnings	£10.7m	+ 18% (2017: £9.1m)
EPS	13.03p	+ 9% (2017: 11.94p)
Dividend	2.45p	+ 15% (2017: 2.13p)

The highlights are headline results, see note on next page for definition.

Operational Highlights

- Successful first half with good gross profit momentum and strong earnings growth
- Global Network performed well:
  - UK: like-for-like gross profit up 10%
  - Europe: like-for-like gross profit up 4%
  - Middle East and Africa: like-for-like gross profit up 27%
  - Asia and Australia: like-for-like gross profit up 10%
  - Americas: like-for-like gross profit flat at 0%
- Solid balance sheet with net cash of £4.4m despite seasonal working capital outflow (£3.9m net debt at 30th June 2017)
- Interim dividend increased 15% to 2.45p

Commenting on the results, David Kershaw, Chief Executive, said:

"The Group recorded good gross profit and strong earnings increases over the first half of 2018.

"In keeping with our established and proven strategy, we continue to start new businesses and open new offices. This will propel growth in future years.

"The second half of 2018 has started well with trading in line with expectations."

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Notes to Editors

Headline results
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 and acquired intangibles, 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; profit and loss on disposal of associates; and income statement impact of put option accounting (whether accounted under IFRS2 or IFRS 9). See Note 5 for reconciliation between the Group's statutory results and the headline results.

Like-for-like
The like-for-like revenue comparisons referred to in this report are stated after excluding the impact of foreign currency movements and corporate acquisitions and disposals.

Operating margin
Operating margin refers to the percentage calculated by dividing operating profit by gross profit.

Net Cash
Net Cash refers to cash and cash equivalents at the end of the period less external borrowings (excluding any capitalised finance cost, finance leases and debt factoring).

Periods compared
This report comments on the unaudited consolidated income statement of M&C Saatchi plc (the "Group") for the six months to 30 June 2018 compared with the unaudited consolidated income statement for the same period in 2017.

SUMMARY OF RESULTS

The first six months of 2018 saw strong gross profit momentum and earnings growth. Actual gross profit grew by 5%, with like-for-like gross profit increasing by 8%. We returned a headline operating margin of 12.4%, up from 10.9% in 2017. The headline profit before tax advanced 26% to £16.7m and headline net earnings rose 18%. Statutory profit before taxation was up 13% from £9.7m to £11.0m.

M&C Saatchi has a unique, differentiated model that continues to deliver market-beating growth. The Group's strategy is overwhelmingly organic, rather than relying on M&A. Ours is a network of best-in-class entrepreneurs motivated to succeed by meaningful minority equity holdings in their businesses. Our client base is broad and diverse, not dependent on pressured multinational goods companies. Our integrated client offering, which delivers greater effectiveness and efficiency to our clients, is not reliant on shrinking media margins. Creativity, which cannot be automated, remains at the core of our approach.

UK

We posted an increase in UK gross profit of 10%, with our Sport & Entertainment and Mobile divisions continuing to trade particularly positively.

The new management within the UK advertising agency are delivering well. We returned a good run of account wins across our group of businesses in the first half, including AXA, Expedia, the Football Association, Foxtons, GambleAware, Heineken, Legal & General, Powerade and Twinings.

M&C Saatchi Sport & Entertainment won Sponsorship of the Year for their NatWest cricket work and M&C Saatchi Mobile won Most Effective Mobile Agency for the second year in a row.

We acquired 51% of two social influencer agencies, Red Hare and Grey Whippet, who have joined M&C Saatchi Merlin's social and talent divisions to form M&C Saatchi Talent Group.

We launched Send Me A Sample, a new proprietary voice-activated product trialling platform.

The UK headline operating profit was up an excellent 42% on 2017 and the headline operating margin increased to 16.5% compared with 2017's 13.2%. These margins exclude the impact of Group costs.

Europe

We made positive progress in Europe with like-for-like gross profit up 4%. Headline operating profit was up 7%, with a headline operating margin of 14.9% (2017: 14.8%).

Sweden won the Centre Party and have launched a social media offering.

Germany had a notable first half, winning projects from NHL, Alior Bank and Granini Limo.

Italy continues to excel with strong creative output.

France had a good first half and won Chaumet and the Champagne Syndicate as well as retaining EDF.

Middle East and Africa

Like-for-like gross profit in the Middle East and Africa was up 27%, with an excellent new business performance across the region. Headline operating profit was up 43%, with a headline operating margin of 6.3% (2017: 5.4%).

Our South African offices were appointed by Lexus, Marriott, Weylandts (homeware stores) and the second-hand car retailer Automark.

UAE performed impressively, winning Jumeirah International and an anti-obesity project from the Ministry of Health and Prevention

Our office in Tel Aviv maintains its good progress and won L.Raphael.

Asia and Australia

In Asia and Australia, like-for-like gross profit was up 10% on the same period last year. The headline regional operating margin was 13.6% (2017: 11.4%), with the headline operating profit up an impressive 25% on the same period last year.

Our Australian offices are doing well, winning Dan Murphy's, the Pharmacy Guild and Plush.

Malaysia won CIMB and retained Axiata, as well as being awarded Social Media Agency of the Year for the second year running.

We acquired 51% of Scarecrow, a first-rate creative agency in Mumbai and have opened offices in Jakarta and Hong Kong.

Americas

Like-for-like gross profit was flat. There was a 10% decrease in operating profit and a headline operating margin before start-up costs dip from 15.8% in 2017 to 14.7%.

Mobile continues to excel and has built a very proficient business in the US.

In New York, SS+K have rebounded after a challenging second half last year and was profitable in the first half of 2018, although much reduced from the first half of 2017. They have won communications strategy work with Commonwealth Bank and Level Forward.

Our Los Angeles office won several technology clients, including Canadian based Element AI and Fabric, a blockchain company. Our Los Angeles Sport & Entertainment business won several Coca-Cola projects.

We launched Majority in Los Angeles, a production company with an all-women Director roster, which has already won three commercial projects.

Balance sheet and cash

Our net cash at the half-year was £4.4m, which compares with £3.9m of net debt at the same stage last year. The Group experienced a seasonal working capital outflow of £11.3m in the first half of 2018. This was in line with the first half of 2017, which improved in the second half of 2017 to a positive working capital movement for the full-year.

Outlook

The Group recorded good gross profit and strong earnings increases over the first half of 2018. In keeping with our established and proven strategy, we continue to start new businesses and open new offices. This will propel growth in future years. The second half of 2018 has started well with trading in line with expectations.

M&C SAATCHI PLC

UNAUDITED CONSOLIDATED INCOME STATEMENT

ENDED 30 JUNE 2018

	Note	**Six months ended 30 June 2018 £000**	**Six months ended 30 June 2017 £000**	Year ended 31 December 2017 £000
BILLINGS		289,219	261,194	535,964
REVENUE		**215,395**	**121,035**	251,481
Cost of sales		(88,197)	–	–
GROSS PROFIT	5	**127,198**	**121,035**	251,481
Operating costs		(116,326)	(115,699)	(246,146)
OPERATING PROFIT	**5**	**10,872**	**5,336**	5,335
Share of results of associates		1,264	531	1,987
Finance income	7	182	4,520	3,326
Finance costs	8	(1,337)	(710)	(1,346)
PROFIT BEFORE TAXATION	**5**	**10,981**	**9,677**	9,302
Taxation on profits	9	(3,341)	(2,023)	(4,736)
PROFIT FOR THE FINANCIAL PERIOD		**7,640**	**7,654**	4,566
Profit attributable to:				
Equity shareholders of the Group	5	6,245	6,838	2,672
Non-controlling interest		1,395	816	1,894
		7,640	**7,654**	4,566
EARNINGS PER SHARE	5			
Basic		7.59p	8.98p	3.43p
Diluted		7.02p	8.74p	3.16p

Reconciliation of the above numbers to the Headline numbers, discussed in the front of this report, can be found in note 5 on pages 23 to 25.

M&C SAATCHI PLC
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
ENDED 30 JUNE 2018

	Six months ended 30 June 2018 £000	**Six months ended 30 June 2017 £000**	Year ended 31 December 2017 £000
Profit for the period	**7,640**	**7,654**	4,556
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Equity investments at FVOCI – net change in fair value	400	–	–
	400	–	–
Items that are or may be reclassified subsequently to the income statement			
Exchange differences on translating foreign operations	(64)	(625)	(1,177)
Total other comprehensive income for the period net of tax	(64)	(625)	(1,177)
Other comprehensive income for the period, net of tax	336	(625)	(1,177)
Total comprehensive income for the period	**7,976**	**7,029**	3,389
Total comprehensive income attributable to:			
Equity shareholders of the Group	6,581	6,213	1,495
Non controlling interests	1,395	816	1,894
	7,976	**7,029**	3,389

M&C SAATCHI PLC
UNAUDITED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2018

	30 June 2018	**30 June 2017**	31 December 2017
	£000	**£000**	£000
NON CURRENT ASSETS			
Intangible assets	51,469	52,681	48,515
Investments in associates	20,781	20,175	19,725
Financial assets at FVOCI	7,115	–	–
Plant and equipment	11,663	11,038	12,269
Deferred tax assets	5,369	3,059	4,797
Other non current assets	3,747	9,018	9,325
	100,144	**95,971**	94,631
CURRENT ASSETS			
Contract assets	33,421	–	–
Trade and other receivables	110,792	107,728	120,096
Current tax assets	4,944	4,164	945
Cash and cash equivalents	36,267	31,638	48,957
	185,424	**143,530**	169,998
CURRENT LIABILITIES			
Bank overdraft	(3,048)	-	–
Trade and other payables	(109,927)	(103,012)	(128,256)
Contract liabilities	(26,089)	–	–
Current tax liabilities	(6,662)	(2,482)	(1,221)
Other financial liabilities	(618)	(4,310)	(3,731)
Deferred and contingent consideration	(348)	–	(377)
Minority shareholder put options liabilities	(12,593)	(13,855)	(14,813)
	(159,285)	**(123,659)**	(148,398)
NET CURRENT ASSETS	**26,139**	**19,871**	21,600
TOTAL ASSETS LESS CURRENT LIABILITIES	**126,283**	**115,842**	116,231
NON CURRENT LIABILITIES			
Deferred tax liabilities	(861)	(100)	(761)
Other financial liabilities	(28,767)	(35,567)	(37,764)
Contingent consideration	(765)	-	(833)
Minority shareholder put options liabilities	(7,363)	(10,529)	(10,316)
Other non current liabilities	(2,613)	(2,390)	(2,487)
	(40,369)	**(48,586)**	(52,161)
NET ASSETS	**85,914**	**67,256**	64,070

M&C SAATCHI PLC

UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2018

	30 June 2018	**30 June 2017**	31 December 2017
	£000	**£000**	£000
EQUITY			
Share capital	866	790	813
Share premium	44,770	31,383	32,095
Merger reserve	31,592	31,592	31,592
Treasury reserve	(792)	(792)	(792)
Minority interest put option reserve	(13,935)	(14,540)	(13,958)
Non controlling interest acquired	(21,317)	(20,421)	(21,040)
Foreign exchange reserve	3,529	4,145	3,593
Fair value OCI reserve	1,000	–	–
Retained earnings	33,993	29,380	25,235
TOTAL SHAREHOLDERS FUNDS	79,706	**61,537**	57,538
NON CONTROLLING INTERESTS	**6,208**	**5,719**	6,532
TOTAL EQUITY	**85,914**	**67,256**	64,070

M&C SAATCHI PLC
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
SIX MONTHS ENDED 30 JUNE 2018

2018 Half year	Share Capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	MI put option reserve £000	Non controlling interest acquired £000	Foreign exchange reserves £000	Fair value OCI reserve £000	Retained earnings £000	Subtotal £000	Non controlling interest in equity £000	Total £000
Balance as at 31 December 2017	**813**	**32,095**	**31,592**	**(792)**	**(13,958)**	**(21,040)**	**3,593**	–	**25,235**	**57,538**	**6,532**	**64,070**
Adjustment on initial application of IFRS 15	–	–	–	–	–	–	–	–	–	–	–	–
Adjustment on initial application of IFRS 9	–	–	–	–	–	–	–	600	–	600	–	600
Adjusted balance at 1 January 2018	**813**	**32,095**	**31,592**	**(792)**	**(13,958)**	**(21,040)**	**3,593**	**600**	**25,235**	**58,138**	**6,532**	**64,670**
Reserve movement for six months ending 30 June 2018												
Exercise of put options	15	5,926	–	–	–	–	–	–	–	**5,941**	–	**5,941**
Acquisitions	17	6,749	–	–	–	(265)	–	–	–	**6,501**	71	**6,572**
Exchange rate movements	–	–	–	–	23	(12)	–	–	–	**11**	(25)	**(14)**
Option exercise	21	–	–	–	–	–	–	–	(21)	**–**	–	**–**
Share option charge	–	–	–	–	–	–	–	–	2,534	**2,534**	–	**2,534**
Dividends	–	–	–	–	–	–	–	–	–	**–**	(1,765)	**(1,765)**
Total transactions with owners	53	12,675	–	–	23	(277)	–	–	2,513	**14,987**	(1,719)	**13,268**
Total comprehensive income for period	–	–	–	–	–	–	(64)	400	6,245	**6,581**	1,395	**7,976**
At 30 June 2018	**866**	**44,770**	**31,592**	**(792)**	**(13,935)**	**(21,317)**	**3,529**	**1,000**	**33,993**	**79,706**	**6,208**	**85,914**

M&C SAATCHI PLC

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

SIX MONTHS ENDED 30 JUNE 2018

2017 Half year	Share Capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	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
At 1 January 2017	749	24,099	31,592	(792)	(20,598)	(13,122)	4,770	15,871	42,569	6,828	49,397
Reserve movement for six months ending 30 June 2017											
Exercise of put options	16	5,788	–	–	6,060	(7,344)	–	–	**4,520**	–	**4,520**
Acquisitions	4	1,496	–	–	–	–	–	–	**1,500**	(230)	**1,270**
Disposals	–	–	–	–	–	–	–	(153)	**(153)**	59	**(94)**
Exchange rate movements	–	–	–	–	(2)	45	–	–	**43**	(106)	**(63)**
Option exercise	21	–	–	–	–	–	–	(21)	**–**	–	**–**
Share option charge	–	–	–	–	–	–	–	6,845	**6,845**	–	**6,845**
Dividends	–	–	–	–	–	–	–	–	**–**	(1,648)	**(1,648)**
Total transactions with owners	41	7,284	–	–	6,058	(7,299)	–	6,671	**(12,755)**	(1,925)	**10,830**
Total comprehensive income for period	–	–	–	–	–	–	(625)	6,838	**6,213**	816	**7,029**
At 30 June 2017	**790**	**31,383**	**31,592**	**(792)**	**(14,540)**	**(20,421)**	**4,145**	**29,380**	**61,537**	**5,719**	**67,256**

M&C SAATCHI PLC

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 2017

2017 Year	Share Capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	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
At 1 January 2017	**749**	**24,099**	**31,592**	**(792)**	**(20,598)**	**(13,122)**	**4,770**	**15,871**	**42,569**	**6,828**	**49,397**
Reserve movement for year ending 31 December 2017											
Acquisitions	4	1,498	–	–	–	–	–	–	**1,502**	235	**1,737**
Acquisitions of minority interest	5	1,587	–	–	–	(1,390)	–	–	**202**	310	**512**
Exercise of put options	55	4,911	–	–	6,640	(6,640)	–	(61)	**4,905**	–	**4,905**
Exchange rate movements	–	–	–	–	–	112	–	–	**112**	(252)	**(140)**
Share option charge	–	–	–	–	–	–	–	13,501	**13,501**	–	**13,501**
Dividends	–	–	–	–	–	–	–	(6,748)	**(6,748)**	(2,483)	**(9,231)**
Total transactions with owners	64	7,996	–	–	6,640	(7,918)	–	6,692	**13,474**	(2,190)	**11,284**
Total comprehensive income for the year	–	–	–	–	–	–	(1,177)	2,672	**1,495**	1,894	**3,389**
At 31 December 2017	**813**	**32,095**	**31,592**	**(792)**	**(13,958)**	**(21,040)**	**3,593**	**25,235**	**57,538**	**6,532**	**64,070**

M&C SAATCHI PLC

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year Ended 31 December 2017 £000
Gross Profit	5	127,198	121,035	251,481
Operating cost		(116,326)	(115,699)	(246,146)
Operating Profit	5	**10,872**	**5,336**	5,335
Adjustments for:				
Depreciation of plant and equipment		1,705	1,348	3,079
Losses on sale of plant and equipment		52	27	57
Losses on sale of software intangibles		60	–	4
Impairment and amortisation on acquired intangible assets		2,007	737	2,021
Impairment of goodwill		–	–	5,214
Amortisation of capitalised software intangible assets		75	44	211
Equity settled share based payment expenses		2,534	6,845	13,501
Operating cash flow before movements in working capital and provisions		**17,305**	**14,337**	29,422
Decrease/(Increase) in trade and other receivables		(7,952)	1,980	(10,806)
Decrease/(Increase) in contract assets		(16,398)	–	–
(Increase)/Decrease in trade and other payables		928	(14,195)	11,665
(Decrease)/Increase in contract assets		5,396	–	–
Cash generated from operations		**(721)**	**2,122**	30,281
Tax paid		(2,256)	(3,881)	(6,727)
Net cash (outflow)/inflow from operating activities		**(2,977)**	**(1,759)**	23,554
Investing activities				
Acquisitions net of cash acquired	11	1,149	(834)	(951)
Acquisition of investments		(355)	(1,140)	(2,024)
Proceeds from sale of plant and equipment		13	4	77
Purchase of plant and equipment		(1,083)	(773)	(3,451)
Purchase of capitalised software		(6)	(85)	(385)
Dividend from associates		(59)	–	1,806
Interest earned		182	166	288
Net cash consumed by investing activities		**(159)**	**(2,662)**	(4,640)
Net cash consumed by operating and investing activities		**(3,136)**	**(4,421)**	18,914

	Six months ended 30 June 2018	**Six months ended 30 June 2017**	Year Ended 31 December 2017
	£000	**£000**	£000
Net cash consumed by operating and investing activities	**(3,136)**	**(4,421)**	18,914
Dividends paid to equity holders of the Company	–	–	(6,748)
Dividends paid to non controlling interest	(1,727)	(1,648)	(2,484)
Issue of shares to minorities	34	–	–
Repayment of finance leases	(14)	(15)	(28)
Movement on invoice discounting	(843)	291	(730)
Inception of bank loans	387	6,315	10,240
Repayment of bank loans	(9,442)	(184)	(359)
Interest paid	(569)	(709)	(1,275)
Net cash generated / (consumed) from financing activities	**(12,174)**	**4,050**	(1,384)
Net decrease in cash and cash equivalents	**(15,310)**	**(371)**	17,530
Effect of exchange rate changes	(426)	(213)	(795)
Cash and cash equivalents at the beginning of the period	48,957	32,222	32,222
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**33,221**	**31,638**	48,957

1. GENERAL INFORMATION

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 36 Golden Square, London W1F 9EE.

The Company has its primary listing on the AIM market of the London Stock Exchange.

This consolidated half-yearly financial information was approved for issue on 20 September 2018.

These results do not constitute the Group's statutory accounts. The information presented in relation to 31 December 2017 is extracted from the statutory financial statements for the year then ended, which have been delivered to the Registrar of Companies. The auditor's report on the statutory financial statements for the year ended 31 December 2017 was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

2. BASIS OF PREPARATION

This consolidated half-yearly financial information for the half-year ended 30 June 2018 has been prepared in accordance with the AIM Rules for companies. The half-yearly consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 4.

4. ACCOUNTING POLICIES

The financial information in these interim results is that of the holding company and all of its subsidiaries (the Group). It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers

Impact of the adoption of *IFRS 15 Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), thereby initially applying this standard at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated, it is presented as previously reported.

The new standard provides a framework which an entity must apply to measure and recognise revenue and the related cash flows. A five-step model is used whereby consideration received or expected to be received is recognised as revenue when contractual performance obligations are satisfied by the transfer of control of the relevant goods or services to the customer.

Adopting IFRS 15 has not had a significant impact on either the timing of the Group's recognition of revenue nor on the Group's equity. There are however two areas where the presentation of the Group's financial statements have been affected.

Agency vs Principal relationships – Certain of the Group activities involve the entity acting as agent for their customer. In these instances third party costs are excluded from revenue, when, however the Group acts as principal with regards services provided to clients these third party costs are included within revenue. IFRS 15 has altered the criteria used for the principal versus agent evaluation. Under IFRS 15 the principal versus agent assessment is based on whether the Group controls the relevant services before they are transferred to the client. As a result of the adoption of IFRS 15 there has been an increase in third party costs included in revenue and cost of sales of £88million. This change in approach of identifying whether transactions are accounted for as principal or agent has had no impact on the Group's result for the period. The varying spend on such third-party costs does not create a profit driver for management who, in terms of KPIs and for internal reporting purposes (and thus IFRS8 segmentation) focus on Gross Profit and not gross revenue.

Prepaid customer expenses – Under certain contractual arrangements the Group makes payments to suppliers on behalf of customers prior to billing. As these amounts do not relate to services provided by the Group under IFRS 15 these are recognised separately to trade receivables and contract assets. An amount totalling £2,589k has therefore been recognised as at 30 June 2018 as another receivable and is included within the consolidated balance sheet balance of Trade and other receivables of £110,792k.

Other than this reclassification, the impact of the adoption of IFRS on the consolidated statement of balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and earnings per share was immaterial.

IFRS 15- Revenue Recognition Policy

Billings comprise the gross amounts billed, or billable, to clients in respect of commission based and fee based income together with the total of other fees earned, in addition to those instances where the Group has made payments on behalf of the customer to third parties.

Revenue comprises commission and fees earned and is stated exclusive of VAT and sales taxes.

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

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

Recognition of revenue – Based on the terms of the contractual arrangements entered into with customers, revenue is typically recognised over time. In the majority of instances this is a result of the assets generated under the terms of a contract having no alternative use to the Group and there being an enforceable right to payment. Exceptions to this are noted below.

Measurement of revenue – Where revenue is recognised over time it is measured based on the proportion of the level of the service performed. Either an output or an input method, depending on the particular arrangement, is used to measure progress for each performance obligation. Where the terms of an agreement are such that the amounts due to be invoiced correspond directly with the value to the customer, then the Group recognises revenue in line with its 'right-to-invoice'. Where this is not the case then an input method based on costs incurred to date is used to measure performance. The primary input of substantially all work performed is represented by labour. As a result of the relationship between labour and cost there is normally a direct correlation between costs incurred and the proportion of the contract performed to date.

Principal vs Agent – When a third-party supplier is involved in fulfilling the terms of a contract then for each performance obligation identified the Group assesses whether they are acting as principal or agent. Where the Group controls the specified services prior to transferring those services to the customer then the Group is acting as principal. The Group considers that control exists where it is primarily responsible for ensuring the service meet the customers' specifications, for integrating products and services into the ultimate deliverable or in cases where it has discretion in establishing pricing.

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

Treatment of costs – Costs incurred in relation to the fulfilment of a contract are either recognised as an asset or treated as an expense. Costs are capitalised when they relate directly to a contract, are expected to be recovered or enhance resources of the Group, which will be used in satisfying future performance obligations of the contract.

Supplier rebates – The Group receives volume rebates from certain suppliers for transactions entered into on behalf of clients that, based on the terms of the relevant contracts and local law, are either remitted to clients or retained by the Group. If amounts are passed on to clients they are recorded as liabilities until settled or, if retained by the Group, are recorded as revenue when earned.

Further details on revenue recognition in terms of the nature of contractual arrangements are as follows:

- Commission based income in relation to media spend – The Group arranges for a third party to provide the related goods and services in the capacity of an agent. Revenue is recognised in relation to the amount of commission the Group is entitled to. Often additional integrated services are provided at the same time with regards to the development and deployment of an overarching media strategy, due to the integrated nature of the services provided under the terms of the contract this is recognised as a single performance obligation. Where there is variability in the overall level of media spend then the Group estimates the variable consideration to which they will be entitled at inception of the contract. This estimate is revised at the earlier of either the completion of the contract or the end of the financial reporting period. The Group considers the commission earned to be reflective of the value to the customer and measures revenue to be recognised as the amount to which they have the 'right-to-invoice'. Although there may be a blend of services, some of which are akin to the Group acting as principal, as there is one performance obligation and as the main feature of the arrangements are the Group acting as an agent, all such revenue is recognised net in line with the Group acting as an agent.
- Commission based income in relation to talent performance – The Group arranges, in the capacity of an agent, for talent, or other third parties, to provide their time in return for a booking fee. Accordingly this booking fee is recognised as the amount of commission to which the Group is entitled. The revenue is typically recognised as the booking or obligation is performed. Where contracts do not have an enforceable right to payment, as editorial oversight for the performance of the talent is held by the customer, revenue continues to be recognised over time.

  In those instances where performance obligations are recognised at a point in time then the Group adopts a milestone approach and recognises revenue at the point in time at which a performance obligation is fully satisfied.
- Retainer fees – Retainer fees relate to arrangements whereby the nature of the Group's contractual promise is to agree to 'stand-ready' to deliver services to the customer for a period of time rather than to deliver the good or services underlying

that promise. Retainer fees are recognised over the period of the relevant assignments or arrangements, typically in line with 'stand-ready' incurred costs. The primary input of all work performed under these arrangements is labour. As a result of the direct relationship between labour and cost there is normally a direct correlation between costs incurred and the proportion of the contract performed to date.

- Project fees and production income – Project fees typically relate to assignments under which a bespoke customer asset is created which has no alternative use to the Group. Where such assignments are carried out under contractual terms which entitle the Group to payment for its performance to date in the event of contract termination, then fees are recognised over the period of the relevant assignments. Revenue is typically recognised in line with the value delivered to the customer which is the amount to which the Group has the 'right-to-invoice'. In instances where amounts eligible for invoice do not correspond directly with the value to the customer then an input method based on costs incurred is used. The primary input of all work performed under these arrangements is labour. As a result of the direct relationship between labour and cost there is normally a direct correlation between costs incurred and the proportion of the contract performed to date.

  Where projects are carried out under contracts the terms of which entitle the Group to payment for its performance only when control passes at a delivery date or a milestone then fees are recognised at the time that payment entitlement occurs.

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Based on the unaudited review, the Group has found on a consolidated basis that IFRS9 has no significant impact on retained earnings or non controlling interests at 1 January 2018. There has however been a recognition of the fair value of certain investments previously held at cost. These are recognised at a fair value of £7.2 million (1 January 2018, £6.4 million).

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair Value through Other Comprehensive Income) – equity investment; or FVTPL(Fair Value through Profit and Loss (the Income statement)). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognised in the Income Statement. Any gain or loss on derecognition is recognised in Income Statement .

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the Income Statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the Income Statement .

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

◦ 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
◦ lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:

◦ – the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
◦ – the financial asset is more than 120 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the income statement.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile, however on transition and in the period the Group identified no further impairments.

5. EARNINGS PER SHARE AND RECONCILIATION BETWEEN HEADLINE AND STATUTORY RESULTS

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

Six Months to 30 June 2018	Reported results £000	Amortisation of acquired intangibles £000	Allocations and dividend paid to conditional share awards	Fair value adjustments to minority put option liabilities £000	Headline results £000
Gross Profit	**127,198**	–	–	–	**127,198**
Operating profit	**10,872**	2,007	399	2,534	**15,812**
Share of results of associates & JV	1,264	–	–	–	1,264
Finance income	182	–	–	–	182
Finance cost	(1,337)	–	–	768	(569)
Profit before taxation	**10,981**	2,007	399	3,302	**16,689**
Taxation	(3,341)	(504)	–	(24)	(3,869)
Profit for the period	**7,640**	1,503	332	3,278	**12,820**
Non controlling interests	(1,395)	(424)	(274)	–	(2,093)
Profit attributable to equity holders of the Group	**6,245**	1,079	125	3,278	**10,727**

BASIC EARNINGS PER SHARE		
Weighted average number of shares (Thousands)	82,302	82,302
Basic EPS	**7.59p**	**13.03p**

DILUTED EARNINGS PER SHARE		
Weighted average number of shares (Thousands) as above	82,302	82,302
Add		
– Conditional shares	2,022	2,022
– Conditional shares with dividend	4,575	4,575
– Contingent consideration	118	118
Total	89,017	89,017
Diluted earnings per share	**7.02p**	**12.05p**

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 and acquired intangibles, 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 associates and investments; profit and loss on disposal of associates; and the income statement impact of put option accounting and share based payment charges.

Six Months to 30 June 2017	Reported results £000	Amortisation of acquired intangibles £000	Allocations and dividend paid to conditional share awards	Fair value adjustments to minority put option liabilities £000	Headline results £000
Gross Profit	**121,035**	–	–	–	**121,035**
Operating profit	**5,336**	737	332	6,845	**13,250**
Share of results of associates & JV	531	–	–	–	531
Finance income	4,520	–		(4,355)	165
Finance cost	(710)	–	–	–	(710)
Profit before taxation	**9,677**	737	332	2,490	**13,236**
Taxation	(2,023)	(245)	–	(600)	(2,868)
Profit for the period	**7,654**	492	332	1,890	**10,368**
Non controlling interests	(816)	(135)	(332)	–	(1,283)
Profit attributable to equity holders of the Group	**6,838**	357	–	1,890	**9,085**

BASIC EARNINGS PER SHARE		
Weighted average number of shares (Thousands)	76,115	76,115
Basic EPS	**8.98p**	**11.94p**

DILUTED EARNINGS PER SHARE		
Weighted average number of shares (Thousands) as above	76,115	76,115
Add – Conditional shares	2,139	2,139
Total	78,254	78,254
Diluted earnings per share	**8.74p**	**11.61p**

Year ended 31 December 2017	Reported results £000	Amortisation of acquired intangibles £000	Impairment of acquired intangibles £000	Deferred tax on acquired intangible US tax rate change £000	Deferred tax on put options US tax rate change £000	Revaluation of contingent consideration £000	Acquisition related remuneration £000	Put option accounting £000	Headline results £000
Gross Profit	251,481	–	–	–	–	–	–	–	251,481
Operating profit	5,335	2,021	5,214	–	–	40	614	13,501	26,725
Share of results of associates & JV	1,987	–	–	–	–	–	–	–	1,987
Finance income	3,326	–	–	–	–	–	–	(3,037)	289
Finance cost	(1,346)	–	–	–	–	–	–	–	(1,346)
Profit before taxation	9,302	2,021	5,214	–	–	40	614	10,464	27,655
Taxation	(4,736)	(671)	(1,804)	981	392	–	–	(996)	(6,834)
Profit for the year	4,566	1,350	3,410	981	392	40	614	9,468	20,821
Non controlling interests	(1,894)	(365)	–	–	–	–	(591)	–	(2,850)
Profit attributable to equity holders of the Group	2,672	985	3,410	981	392	40	23	9,468	17,971

BASIC EARNINGS PER SHARE	Reported	Headline
Weighted average number of shares (Thousands)	77,999	77,999
Basic EPS	3.43p	23.04p

DILUTED EARNINGS PER SHARE	Reported	Headline
Weighted average number of shares (Thousands) as above	73,193	71,319
Add		
– Conditional shares without dividend rights	2,763	2,763
– Conditional shares with dividend rights	3,829	3,829
– Contingent consideration	108	108
Total	84,699	84,699
Diluted earnings per share	3.16p	21.22p

6. SEGMENTAL INFORMATION

This segmental information is reconciled to the statutory results in Note 5.

Six months to 30 June 2018	**UK £000**	**Europe £000**	**Middle East and Africa £000**	**Asia and Australia £000**	**Americas £000**	**Total £000**
Gross Profit	**46,586**	**17,082**	**7,793**	**32,598**	**23,139**	**127,198**
Operating profit excluding Group costs	7,845	2,583	488	4,599	2,709	18,224
Group costs	(2,188)	(35)	-	(63)	(26)	(2,412)
Operating profit	5,657	2,547	488	4,436	2,684	15,812
Share of results of associates and JV	1,173	(18)	-	161	(51)	1,264
Financial income and cost	(184)	(37)	17	57	(240)	(387)
Profit before taxation	**6,645**	**2,492**	**505**	**4,655**	**2,392**	**16,689**
Taxation	(945)	(1,068)	(91)	(1,285)	(480)	(3,869)
Profit for the period	5,700	1,424	414	3,370	1,912	12,820
Non controlling interests	(981)	(203)	(76)	(693)	(140)	(2,093)
Profit attributable to equity shareholders of the Group	**4,719**	**1,221**	**338**	**2,677**	**1,772**	**10,727**
HEADLINE BASIC EPS						13.03p
Non cash costs included in headline operating profit:						
Depreciation & Amortisation of software	(712)	(163)	(165)	(419)	(157)	(1,616)
Share option charges	(2,534)	-	-	-	-	(2,534)
OFFICE LOCATION	London	Milan Berlin Paris Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Dubai Beirut Tel Aviv	Sydney Melbourne New Delhi Bangalore Islamabad Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Jakarta Singapore	New York Chicago Los Angeles San Francisco Mexico City São Paulo	

Six months to 30 June 2017	**UK £000**	**Europe £000**	**Middle East and Africa £000**	**Asia and Australia £000**	**Americas £000**	**Total £000**
Gross Profit	**42,553**	**16,195**	**6,352**	**31,102**	**24,883**	**121,035**
Operating profit excluding Group costs	5,612	2,433	341	3,717	3,642	15,745
Group costs	(2,247)	(44)	-	(171)	(33)	(2,495)
Operating profit	**3,365**	**2,389**	**341**	**3,546**	**3,609**	**13,250**
Share of results of associates and JV	332	6	-	193	-	531
Financial income and cost	(227)	(35)	24	27	(334)	(545)
Profit before taxation	**3,470**	**2,360**	**365**	**3,766**	**3,275**	**13,236**
Taxation	(393)	(958)	21	(1,048)	(490)	(2,868)
Profit for the period	3,077	1,402	386	2,718	2,785	10,368
Non controlling interests	(642)	(213)	25	(436)	(17)	(1,283)
Profit attributable to equity shareholders of the Group	**2,435**	**1,189**	**411**	**2,282**	**2,768**	**9,085**
HEADLINE BASIC EPS						11.94p
Non cash costs included in headline operating profit:						
Depreciation & Amortisation of software	(552)	(116)	(176)	(305)	(243)	(1,392)
Share option charges	-	-	-	-	-	-
OFFICE LOCATION	London	Milan Berlin Paris Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Dubai Beirut Tel Aviv	Sydney Melbourne New Delhi Islamabad Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Chicago Los Angeles San Francisco São Paulo	

Year ended 31 December 2017	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Gross Profit	94.013	33,492	14,650	64,703	44,623	251,481
Operating profit excluding Group costs	15,149	5,187	1,568	7,733	3,385	33,022
Group costs	(5,821)	(71)	–	(339)	(66)	(6,297)
Operating profit	9,328	5,116	1,568	7,394	3,319	26,725
Share of results of associates and JV	1,633	3	–	351	–	1,987
Financial income and cost	(437)	(69)	11	48	(610)	(1,057)
Profit before taxation	10,524	5,050	1,579	7,793	2,709	27,655
Taxation	(1,478)	(1,604)	(421)	(2,110)	(1,221)	(6,834)
Profit for the year	9,046	3,446	1,158	5,683	1,488	20,821
Non controlling interests	(813)	(721)	(534)	(1,189)	407	(2,850)
Profit attributable to equity shareholders of the Group	8,233	2,725	624	4,494	1,895	17,971
HEADLINE BASIC EPS						23.04p
Non cash costs included in operating profit:						
Depreciation & Amortisation of software	(1,456)	(394)	(382)	(669)	(389)	(3,290)
Share option charges	-	-	-	-	-	-
OFFICE LOCATION	London	Milan Berlin Paris Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Dubai Beirut Tel Aviv	Sydney Melbourne New Delhi Bangalore Islamabad Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Chicago Los Angeles San Francisco São Paulo	

7. FINANCE INCOME

	Six months ended 30 June 2018	**Six months ended 30 June 2017**	Year ended 31 December 2017
	£000	**£000**	£000
Bank interest receivable	154	140	200
Other interest receivable	-	25	89
Total finance income	**154**	**165**	289
Fair value adjustments to minority shareholder put option liabilities	28	4,355	3,037
Total	**182**	**4,520**	3,326

8. FINANCE COSTS

	Six months ended 30 June 2018	**Six months ended 30 June 2017**	Year ended 31 December 2017
	£000	**£000**	£000
Finance costs			
Bank interest payable	(569)	(700)	(1,334)
Other interest payable	-	(10)	(2)
Total interest payable	**(569)**	**(710)**	(1,346)
Fair value adjustments to minority shareholder put option liabilities	(768)	-	-
Total	**(1,337)**	**(710)**	(1,346)

9. TAXATION

Income tax expenses are recognised based on management's estimate of the average annual headline income tax expected for the full financial year.

The estimated headline effective annual tax rate used for the period to 30 June 2018 is 23.2% (30 June 2017: 21.6%). The increase in the headline tax rate is due to exhaustion of brought forward tax losses in USA during 2017.

The estimated effective annual tax rate for the period to 30 June 2018 is 30.4% (30 June 2017: 20.9%). The difference between the headline and statutory tax rates is caused by a difference in the profit before tax due to the impact of fair value adjustments to minority shareholder put option liabilities that have no effect on the tax charge.

10. DIVIDENDS

	Six months ended 30 June 2018 £000	**Six months ended 30 June 2017 £000**	Year ended 31 December 2017 £000
2016 final dividend 6.44p (2015: 5.60p)	-	-	5,033
2017 interim dividend 2.13p (2016: 1.85p)	-	-	1,714
	-	**-**	6,747

The directors propose an interim dividend of 2.45p per share (2017: 2.13p per share) payable on 9 November 2018 to shareholders who are on the register at 26 October 2018. This interim dividend, amounting to £2,062k (2017: £1,714k), along with 2017 final dividend of £6,261k (7.40p) has not been recognised as a liability in this half-yearly financial report.

11. CASH CONSUMED BY ACQUISITIONS

	Six months ended 30 June 2018	**Six months ended 30 June 2017**	Year ended 31 December 2017
	£000	**£000**	£000
Acquisitions			
Initial cash consideration paid	(202)	(1,375)	(2,479)
Cash and cash equivalents acquired	1,351	541	1,528
	1,149	**(834)**	(951)