

M&C SAATCHI PLC

FINAL RESULTS

YEAR ENDED
31 DECEMBER 2016

16 March 2017

M&C Saatchi PLC
Final Results for the year ended 31 December 2016

16 March 2017

Financial Highlights 2016	Growth versus 2015	
Revenue	£225.3m	+ 26% (2015: £178.9m)
Revenue in constant currencies	£213.1m	+ 19%
Like-for-like revenue	£195.6m	+ 9%
Operating Profit	£23.0m	+ 24% (2015: £18.6m)
Profit Before Tax	£23.7m	+ 18% (2015: £20.1m)
Profit After Tax and MI	£15.4m	+ 17% (2015: £13.2m)
EPS	21.07p	+ 13% (2015: 18.57p)
Full-Year Dividend	8.29p	+ 15% (2015: 7.21p)

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

Operational Highlights

- Record results in terms of both revenue and earnings
- The Global network performed well across all geographies:
 - UK: like-for-like revenues up 5%, with CRM, Sport & Entertainment and Mobile continuing to perform particularly positively; operating profit was down 12%, impacted by the previously announced restructuring costs in the advertising agency
 - Europe: like-for-like revenues up 5%, operating profit increased 10%
 - Middle East and Africa: like-for-like revenues up 23%, operating profit up 4%
 - Asia and Australasia: like-for-like revenues up 13%, operating profit was up 37%
 - Americas: constant currency revenues up 97% following New York investments and like-for-like revenues up 18%, operating profit up 118%
- Final dividend increased 15% to 6.44p, full-year dividend up 15% to 8.29p

David Kershaw, Chief Executive, said:

“2016 was an outstanding year for M&C Saatchi. We continue to roll out our proven strategy of winning new business and starting new businesses and see positive momentum across our global network and business channels.

The year has started well and we are confident that we will continue to make good progress in 2017 and beyond.”

For further information please call:

M&C Saatchi +44 (0)20-7543-4500

David Kershaw

Tulchan Communications +44 (0)20-7353-4200

Andrew Grant

Tom Murray

Numis Securities +44 (0)20-7260-1000

Nick Westlake, NOMAD

Charles Farquhar, Corporate Broking

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 associates and investments; profit and loss on disposal of associates; and the income statement impact of put option accounting and share based payment charges. See Note 3 for a 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 during 2016. See Note 4 for for a reconciliation between the Group's headline results and like-for-like results.

SUMMARY OF RESULTS

2016 saw record headline results with both excellent revenue momentum and earnings growth. Actual revenues grew by 26%, with constant currency revenues increasing 19%, whilst we increased like-for-like revenues 9%. We returned a headline operating margin of 10.2%, down from 10.4% in 2015, with the previously announced UK restructuring costs causing the drag. If these are excluded then the 2016 headline operating margin increased to 10.9%. The headline profit before tax advanced 18% to £23.7m and headline net earnings rose 17%.

UK

Like-for-like revenue in the UK was up 5%, with CRM, Sport & Entertainment, PR and Mobile continuing to perform particularly positively. We experienced a commendable run of account wins across our group of businesses in the year, including Virgin Red, the Home Office, NN Investment Partners, E.ON, PHE (Antimicrobial Resistance), the Rail Delivery Group, the Civil Aviation Authority and the Department of Work and Pensions.

M&C Saatchi Mobile was awarded Digital Agency of the Year and Most Effective Media Agency of the Year, whilst M&C Saatchi Sport & Entertainment won Agency of the Year (for the fifth time). We are launching Re, our successful Australian brand identity unit, in the UK in the first quarter of 2017.

The UK headline operating profit was 12% down on 2015 but included previously announced restructuring costs of £1.6m in the advertising agency unit, which if discounted, meant operating profit actually grew 2% on 2015. The headline operating margin decreased to 11.7% compared with 2015's 14.0% but if the restructuring costs are excluded then the margin came in at 13.6%. These margins exclude the impact of Group recharges. The restructure is complete and the new management team is in place and making good progress.

Europe

European like-for-like revenues increased 5% year on year. Headline operating profit was up 10%, with a headline operating margin of 15.1% (2015: 16.1%).

Our Stockholm office kept up its strong new business record and won the TV and broadband supplier Com Hem. Both Germany and Italy continue to shine, with Italy winning E.ON. In France, advertising was still slow but our agency was appointed by YouTube and Google for some projects and continues to grow through diversification.

Our office in Spain is much improved, winning Codorniu and Huawei, and as a consequence we are increasing our shareholding from 24% to 51%. We are starting a sponsorship company in Madrid as well as opening Clear in Berlin.

Middle East and Africa

Like-for-like revenues in the Middle East and Africa were up 23%.

South Africa finished strongly, having lost their Edgars client mid-year but subsequently picked up the Sun International and Strongbow accounts. We are making a small acquisition in Johannesburg of 51% of Levergy, a sport and entertainment company, which will capitalise on the large South African sports market. Abu Dhabi lost Etihad and has subsequently been rebuilding revenues. Our Dubai office is growing steadily, as is Tel Aviv.

Operating profit in the region was up 4% and the headline operating margin dipped to 9.3% from 12.3% in 2015.

Asia and Australia

In Asia and Australia, like-for-like revenue was up 13% year on year.

Australia had another good year, winning Woolworths (without a pitch), BBQ Galore, eBay and Tabcorp. They were awarded 'Most Innovative Communications Company in Australia', reflecting some of their ground breaking and pioneering work for their clients. In February of this year, we acquired 51% of Bohemia, a media buying and planning operation. This add on positions us well for satisfying the needs of our clients, who are increasingly seeking a closer relationship between their media agency and the content and creative providers. We also are launching The Source, our successful UK research operation, in Melbourne.

Our associate in China, aeiou, had a good second half. Malaysia is still excelling and won the KLIA and Pr1ma accounts. Singapore is developing positively and won Shell and Bridgestone.

Our Mobile operation continues to thrive in the region and we added new offices in New Delhi and Bangalore to work alongside our mobile offices in Singapore and Sydney.

The headline regional operating margin was 11.0% (2015: 9.9%), with the headline operating profit ahead an impressive 37% on 2015.

Americas

Constant currency revenues increased 97%, with like-for-like up 18%. With the acquisitions' contribution, there was a very good 118% increase in operating profit to £7.0m and a headline operating margin of 15.4% (2015: 15.2%).

Mobile are performing exceptionally well and building a formidable client base across the US.

The SS+K relationship in New York is thriving. In the light of this outstanding growth, we increased our shareholding in SS+K from 33% to 51% in March of last year and then to 67% in February of this. Also in March last year, we acquired 51% of MCD Partners in New York and Chicago, who specialise in customer digital experience. This business is progressing well.

Our office in Los Angeles lost the UGG account in the first quarter but later in the year won some projects for Reebok and Fox. Brazil's macro-economic factors and trading remained tough, and appropriately we made an impairment charge of £3.7m for our Santa Clara associate.

Both Clear and Sport & Entertainment are planning to open in Los Angeles in the first half and we are looking to open an office in Mexico, where the management of our Madrid office has a strong network of clients and contacts.

Outlook

2016 was an outstanding year for M&C Saatchi. We continue to roll out our proven strategy of winning new business and starting new businesses and see positive momentum across our global network and business channels.

The year has started well and we are confident that we will continue to make good progress in 2017 and beyond.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	Total	
		2016	2015
		£000	£000
Billings	3	458,180	375,107
Revenue	3	225,387	178,928
Operating costs	3	(218,738)	(164,221)
Operating profit	3	6,649	14,707
Share of results of associates and joint ventures	5	1,530	2,017
Finance income	6	440	299
Finance costs	7	(1,828)	(4,477)
Profit before taxation	3	6,791	12,546
Taxation	8	(3,451)	(3,386)
Profit for the year		3,340	9,160
Attributable to:			
Equity shareholders of the Group	3	144	6,474
Non-controlling interests	3	3,196	2,686
Profit for the year	3	3,340	9,160
Earnings per share			
Basic (pence)	3	0.20p	9.08p
Diluted (pence)	3	0.19p	9.04p

Headline results*

Operating profit	23,037	18,578
Profit before tax	23,776	20,123
Profit after tax attributable to equity shareholders of the Group	15,423	13,241
Basic earnings per share (pence)	21.07p	18.57p
Diluted earnings per share (pence)	20.55p	18.49p

* The reconciliation of headline to statutory results above can be found in note 3.

The notes on pages 12 to 21 form part of these preliminary statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December	Total 2016 £000	Total 2015 £000
Profit for the year	3,340	9,160
Other comprehensive income*		
Exchange differences on translating foreign operations before tax	6,754	(1,316)
Other comprehensive income for the year net of tax	6,754	(1,316)
Total comprehensive income for the year	10,094	7,844
Total comprehensive income attributable to:		
Equity shareholders of the Group	6,898	5,158
Non-controlling interests	3,196	2,686
Total comprehensive income for the year	10,094	7,844

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

The notes on pages 12 to 21 form part of these preliminary statements.

CONSOLIDATED BALANCE SHEET

	2016 £000	2015 £000
At 31 December		
Non-current assets		
Intangible assets	51,004	28,286
Investments in associates	19,277	24,811
Plant and equipment	10,619	8,197
Deferred tax assets	3,112	1,476
Other non-current assets	7,455	8,349
	91,467	71,119
Current assets		
Trade and other receivables	109,824	87,692
Current tax assets	1,057	844
Cash and cash equivalents	32,222	32,344
	143,103	120,880
Current liabilities		
Bank overdraft	-	(98)
Trade and other payables	(115,886)	(94,533)
Current tax liabilities	(1,186)	(1,204)
Other financial liabilities	(3,670)	(3,155)
Deferred and contingent consideration	-	(1,792)
Minority shareholder put option liabilities	(20,216)	(16,738)
	(140,958)	(117,520)
Net current assets	2,145	3,360
Total assets less current liabilities	93,612	74,479
Non-current liabilities		
Deferred tax liabilities	(380)	(30)
Other financial liabilities	(28,277)	(23,594)
Minority shareholder put option liabilities	(12,950)	(7,626)
Other non-current liabilities	(2,608)	(1,208)
	(44,215)	(32,458)
Total net assets	49,397	42,021
	2016 £000	2015 £000
At 31 December		
Equity		
Share capital	749	727
Share premium	24,099	17,338
Merger reserve	31,592	31,592
Treasury reserve	(792)	(792)
Minority interest put option reserve	(20,598)	(12,595)
Non-controlling interest acquired	(13,122)	(9,233)
Foreign exchange reserve	4,770	(1,984)
Retained earnings	15,871	12,673
Equity attributable to shareholders of the Group	42,569	37,726
Non-controlling interest	6,828	4,295
Total equity	49,397	42,021

The notes on pages 12 to 21 form part of these preliminary statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	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 2015		683	16,807	27,689	(792)	(13,070)	(7,882)	(668)	9,639	32,406	3,466	35,872
Acquisitions		–	–	–	–	–	–	–	–	–	161	161
Exercise of put options		13	224	3,903	–	1,274	(1,274)	–	(48)	4,092	24	4,116
Office closure		–	–	–	–	–	–	–	(158)	(158)	158	–
Exchange rate movements		–	–	–	–	39	(77)	–	–	(38)	(121)	(159)
Issue of shares to minorities		–	–	–	–	–	–	–	–	–	1,850	1,850
Issue of minority put options		–	–	–	–	(2,190)	–	–	–	(2,190)	–	(2,190)
Reclassification of minority put		–	–	–	–	1,352	–	–	306	1,658	–	1,658
Option exercise		31	307	–	–	–	–	–	(3)	335	(338)	(3)
Share option charge		–	–	–	–	–	–	–	1,125	1,125	–	1,125
Dividends	9	–	–	–	–	–	–	–	(4,662)	(4,662)	(3,591)	(8,253)
Total transactions with owners		44	531	3,903	–	475	(1,351)	–	(3,440)	162	(1,857)	(1,695)
Total comprehensive income for the year		–	–	–	–	–	–	(1,316)	6,474	5,158	2,686	7,844
At 1 January 2016		727	17,338	31,592	(792)	(12,595)	(9,233)	(1,984)	12,673	37,726	4,295	42,021
Acquisitions		–	–	–	–	(10,249)	–	–	–	(10,249)	1,919	(8,330)
Acquisitions of minority interest		4	1,364	–	–	–	(1,222)	–	–	146	–	146
Exercise of put options		18	5,397	–	–	2,366	(2,366)	–	–	5,415	(47)	5,368
Disposals		–	–	–	–	–	–	–	–	–	(10)	(10)
Exchange rate movements		–	–	–	–	(120)	(301)	–	–	(421)	627	206
Issue of shares to minorities		–	–	–	–	–	–	–	–	–	14	14
Issue of options		–	–	–	–	–	–	–	515	515	–	515
Share option charge		–	–	–	–	–	–	–	7,997	7,997	–	7,997
Dividends	9	–	–	–	–	–	–	–	(5,458)	(5,458)	(3,166)	(8,624)
Total transactions with owners		22	6,761	–	–	(8,003)	(3,889)	–	3,054	(2,055)	(663)	(2,718)
Total comprehensive income for the year		–	–	–	–	–	–	6,754	144	6,898	3,196	10,094
At 31 December 2016		749	24,099	31,592	(792)	(20,598)	(13,122)	4,770	15,871	42,569	6,828	49,397

The notes on pages 12 to 21 form part of these preliminary statements.

CONSOLIDATED CASH FLOW

Year ended 31 December	2016 £000	2015 £000
Revenue	225,387	178,928
Operating expenses	(218,738)	(164,221)
Operating profit	6,649	14,707
Adjustments for:		
Depreciation of plant and equipment	2,668	2,128
Loss on sale of plant and equipment	542	36
Loss on sale of software intangibles	10	12
Profit on disposal associate	–	(217)
Fair value revaluation of associate on step acquisition	859	–
Impairment and amortisation of acquired intangible assets	2,324	1,940
Impairment of associate and investments	4,389	–
Impairment of goodwill	–	889
Amortisation of capitalised software intangible assets	354	98
Equity settled share based payment expenses	7,997	1,125
Operating cash before movements in working capital	25,792	20,718
Increase in trade and other receivables	(22,334)	(17,192)
increases in trade and other payables	19,342	18,018
Cash generated from operations	22,800	21,544
Tax paid	(4,073)	(5,326)
Net cash from operating activities	18,727	16,218
Investing activities		
Acquisitions of subsidiaries net of cash acquired	(12,822)	(79)
Disposal of subsidiaries net of cash divested	(263)	–
Acquisitions of associates	–	(3,765)
Disposal of associates	–	325
Acquisitions of investments	(1,056)	(1,366)
Proceeds from sale of plant and equipment	32	7
Purchase of intangibles	–	(327)
Purchase of plant and equipment	(3,873)	(1,970)
Purchase of capitalised software	(34)	(158)
Dividends received from associates	177	1,173
Interest received	440	299
Net cash consumed investing activities	(17,399)	(5,861)
Net cash from operating and investing activities	1,328	10,357

The notes on pages 12 to 21 form part of these preliminary statements.

Year ended 31 December	Note	2016 £000	2015 £000
Net cash from operating and investing activities		1,328	10,357
Financing activities			
Dividends paid to equity holders of the Company	9	(5,458)	(4,662)
Dividends paid to non-controlling interest		(3,166)	(3,591)
Issue of shares to minorities		514	15
Repayment of finance leases		(36)	(31)
Inception of invoice discounting		4,455	3,130
Repayment of invoice discounting		(3,943)	-
Inception of bank loans		11,433	6,349
Repayment of bank loans		(7,191)	(968)
Interest paid		(1,230)	(771)
Net cash consumed by financing activities		(4,622)	(529)
Net (decrease)/increase in cash and cash equivalents		(3,294)	9,828
Effect of exchange rate fluctuations on cash held		3,270	(903)
Cash and cash equivalents at the beginning of the year		32,246	23,321
Cash and cash equivalents at the end of the year		32,222	32,246
Bank loans and borrowings*		(28,582)	(23,800)
NET CASH**		3,640	8,446
CAPITAL			
TOTAL MARKET CAPITALISATION (at 31 December: 380.0p; 326.50p)		284,811	237,414
GEARING RATIO**		nil	nil

* Bank loans and borrowings excludes £3,645k (2015: £3,130k) of Invoice discounting.

** Gearing ratio and net cash are not defined under IFRS.

The notes on pages 12 to 21 form part of these preliminary statements.

NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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 is listed on the AIM market of the London Stock Exchange.

These 2016 preliminary statements were approved for issue on 15 March 2017.

The financial information set out below does not constitute the company's statutory accounts for 2015 or 2016. Statutory accounts for the years ended 31 December 2015 and 31 December 2016 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for 2015 and 2016 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2016 will be delivered to the Registrar in due course.

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. 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. Note 3 reconciles reported to headline results.

Our segmental reporting (note 4) reflects our headline results in accordance with IFRS 8.

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. See Note 3 for a reconciliation between the Group's statutory results and the headline results.

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

2. ACCOUNTING POLICIES

The financial information set out in these final results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these final results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2016. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2015.

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

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 2016	Note	2016 £000	Amortisation of acquired intangibles £000	Impairment of associate £000	Provision against investments £000	Revaluation of an associate on acquisition £000	Acquisition related remuneration	Put option accounting* £000	Headline results £000
Billings	4	458,180	–	–	–	–	–	–	458,180
Revenue	4	225,387	–	–	–	–	–	–	225,387
Operating profit	4	6,649	2,324	3,738	651	859	819	7,997	23,037
Share of results of associates and JV	5	1,530	–	–	–	–	–	–	1,530
Finance income	6	440	–	–	–	–	–	–	440
Finance cost	7	(1,828)	–	–	–	–	–	597	(1,231)
Profit before taxation	4	6,791	2,324	3,738	651	859	819	8,594	23,776
Taxation	8	(3,451)	(659)	–	–	–	–	–	(4,110)
Profit for the year		3,340	1,665	3,738	651	859	819	8,594	19,666
Non-controlling interests		(3,196)	(256)	–	–	–	(540)	(251)	(4,243)
Profit attributable to equity holders of the Group		144	1,409	3,738	651	859	279	8,343	15,423

* These values represent share based payment charges (£7,997k) and fair value adjustments to minority put option liabilities (£597k), the non-controlling interest charge is the additional charge had the put option not been accounted for under IFRS2 conditional share awards.

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

3. Headline results and earnings per share continued

Year ended			Amortisation	Acquisition of	Impairment	Acquisition	Put option	Headline
31 December 2015	Note	2015	of acquired	remaining	of Goodwill	related	accounting*	results
		£000	intangibles	shares in loss	£000	remuneration	£000	£000
			£000	associate		£000		
Billings	4	375,107	–	–	–	–	–	375,107
Revenue	4	178,928	–	–	–	–	–	178,928
Operating profit	4	14,707	1,940	(217)	889	134	1,125	18,578
Share of results of associates and JV	5	2,017	–	–	–	–	–	2,017
Finance income	6	299	–	–	–	–	–	299
Finance cost	7	(4,477)	–	–	–	–	3,706	(771)
Profit before taxation	4	12,546	1,940	(217)	889	134	4,831	20,123
Taxation	8	(3,386)	(541)	71	–	–	–	(3,856)
Profit for the year		9,160	1,399	(146)	889	134	4,831	16,267
Non-controlling interests		(2,686)	(162)	–	(178)	–	–	(3,026)
Profit attributable to equity holders of the Group		6,474	1,237	(146)	711	134	4,831	13,241

* These values represent share based payment charges (£1,125k) and fair value adjustments to minority put option liabilities (£3,706k).

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

3. Headline results and earnings per share *continued*

Basic and diluted earnings per share are 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	2016	Headline 2016
31 December 2016	£000	£000
Profit attributable to equity shareholders of the Group	144	15,423
Basic earnings per share		
Weighted average number of shares (thousands)	73,193	73,193
Basic EPS	0.20p	21.07p
Diluted earnings per share		
Weighted average number of shares (thousands) as above	73,193	73,193
Add		
– Conditional shares	1,867	1,867
Total	75,060	75,060
Diluted earnings per share	0.19p	20.55p

Year ended	2015	Headline 2015
31 December 2015	£000	£000
Profit attributable to equity shareholders of the Group	6,474	13,241
Basic earnings per share		
Weighted average number of shares (thousands)	71,319	71,319
Basic EPS	9.08p	18.57p
Diluted earnings per share		
Weighted average number of shares (thousands) as above	71,319	71,319
Add		
– Conditional shares	300	300
Total	71,619	71,619
Diluted earnings per share	9.04p	18.49p

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

4. Segmental information

Segmental and headline income statement

Year ended 31 December 2016	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Billings	154,844	38,504	22,810	88,665	153,357	458,180
Revenue	88,504	26,685	11,673	52,531	45,994	225,387
Operating profit excluding Group costs	10,398	4,028	1,085	5,754	7,119	28,384
Group costs	(4,879)	(87)	–	(343)	(38)	(5,347)
Operating profit	5,519	3,941	1,085	5,411	7,081	23,037
Share of results of associates and JV	1,323	(3)	–	290	(80)	1,530
Financial income and cost	(343)	(43)	43	124	(572)	(791)
Profit before taxation	6,499	3,895	1,128	5,825	6,429	23,776
Taxation	(811)	(1,350)	(362)	(1,458)	(129)	(4,110)
Profit for the year	5,688	2,545	766	4,367	6,300	19,666
Non-controlling interests	(1,320)	(494)	(326)	(844)	(1,259)	(4,243)
Profit attributable to equity shareholders of the Group	4,368	2,051	440	3,523	5,041	15,423
Headline basic EPS						21.07p
Non-cash costs included in headline operating profit:						
Depreciation	1,364	242	185	329	548	2,668
Amortisation of software	(268)	(62)	(9)	(13)	(2)	(354)
Share option charges	–	–	–	–	–	–
Office location	London	Paris Milan Berlin 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	

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.

NOTES TO THE PRELIMINARY STATEMENTS

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4. Segmental information continued

Segmental and headline income statement

Year ended 31 December 2015	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Billings	155,226	37,668	18,965	68,140	95,108	375,107
Revenue	84,159	22,745	8,549	42,103	21,372	178,928
Operating profit excluding Group costs	11,782	3,668	1,049	4,187	3,253	23,939
Group costs	(4,970)	(83)	–	(308)	–	(5,361)
Operating profit	6,812	3,585	1,049	3,879	3,253	18,578
Share of results of associates and JV	809	25	–	325	858	2,017
Financial income and cost	(527)	(60)	(17)	69	63	(472)
Profit before taxation	7,094	3,550	1,032	4,273	4,174	20,123
Taxation	(506)	(1,190)	(268)	(1,209)	(683)	(3,856)
Profit for the year	6,588	2,360	764	3,064	3,491	16,267
Non-controlling interests	(1,169)	(658)	(372)	(477)	(350)	(3,026)
Profit attributable to equity shareholders of the Group	5,419	1,702	392	2,587	3,141	13,241
Headline basic EPS						18.57p
Non-cash costs included in headline operating profit:						
Depreciation	(1,269)	(208)	(145)	(242)	(267)	(2,131)
Amortisation of software	(9)	(51)	(16)	(18)	(4)	(98)
Share option charges	(5)	–	–	–	–	(5)
Office location	London	Paris Milan Berlin Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Beirut Tel Aviv	Sydney Melbourne New Delhi Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Los Angeles San Francisco São Paulo	

NOTES TO THE PRELIMINARY STATEMENTS

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4. Segmental information continued

Segmental income statement translated at 2015 exchange rates

It is normal practice in our industry to provide like-for-like results and constant currency results. In the year, we have 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 2016 results been translated at 2015 exchange rates then our constant currency results would have been:

Year ended	UK	Europe	Middle East and Africa	Asia and Australia	Americas	Total
31 December 2016	£000	£000	£000	£000	£000	£000
Revenue	88,504	23,766	11,356	47,418	42,106	213,150
Operating profit excluding Group costs	10,398	3,573	1,095	5,298	6,800	27,164
Group costs	(4,885)	(78)	–	(308)	(38)	(5,309)
Operating profit	5,513	3,495	1,095	4,990	6,762	21,855
Share of results of associates and JV	1,323	(5)	–	273	(72)	1,519
Financial income and cost	(393)	(43)	44	113	(510)	(789)
Profit before taxation	6,443	3,447	1,139	5,376	6,180	22,585
Taxation	(799)	(1,197)	(371)	(1,337)	(65)	(3,769)
Profit for the year	5,644	2,250	768	4,039	6,115	18,816
Increase/(decrease) in 2016 results caused by translation differences	44	295	(2)	328	185	850

Had our 2016 results been translated at 2015 exchange rates, with the companies we owned in 2015, then our like-for-like results would have been:

Year ended	UK	Europe	Middle East and Africa	Asia and Australia	Americas	Total
31 December 2016	£000	£000	£000	£000	£000	£000
Revenue	88,504	23,766	10,557	47,418	25,294	195,539
Operating profit excluding Group costs	10,398	3,573	1,095	5,298	3,934	24,298
Group costs	(4,885)	(78)	–	(308)	(38)	(5,309)
Operating profit	5,513	3,495	1,095	4,990	3,896	18,989
Share of results of associates and JV	1,323	(5)	–	273	555	2,146
Financial income and cost	(393)	(43)	44	113	(454)	(733)
Profit before taxation	6,443	3,447	1,139	5,376	3,997	20,402
Taxation	(799)	(1,197)	(371)	(1,337)	123	(3,581)
Profit for the year	5,644	2,250	768	4,039	4,120	16,821
Increase/(decrease) in 2016 results caused by translation and acquisition differences	44	295	(2)	328	2,180	2,845

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

	2016	2015
US dollar	1.3558	1.5282
Malaysian ringgit	5.6104	5.9695
Australian dollar	1.8247	2.0354
South African rand	19.9843	19.5022
Brazilian real	4.7442	5.0952
Euro	1.2244	1.3780

NOTES TO THE PRELIMINARY STATEMENTS

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5. Share of associates and joint ventures

	2016	2015
Year ended 31 December	£000	£000
Share of associates' profit before taxation	1,981	2,386
Share of associates' taxation	(451)	(369)
	1,530	2,017

6. Finance income

	2016	2015
Year ended 31 December	£000	£000
Bank interest receivable	338	181
Other interest receivable	102	118
Total finance income	440	299

7. Finance costs

	2016	2015
Year ended 31 December	£000	£000
Bank interest payable	(1,227)	(766)
Interest payable on finance leases	(4)	(5)
Total interest payable	(1,231)	(771)
Fair value adjustments to minority shareholder put option liabilities	(597)	(3,706)
Total finance costs	(1,828)	(4,477)

8. Taxation

	2016	2015
Year ended 31 December	£000	£000
Current taxation		
Taxation in the year		
– UK	891	817
– Overseas	3,700	3,919
Withholding taxes payable	(49)	5
Adjustment for over provision in prior periods	(104)	(526)
Total	4,438	4,215
Deferred taxation		
Origination and reversal of temporary differences	106	(46)
Recognition of previously unrecognised tax losses*	(1,093)	(788)
Effect of changes in tax rates	-	5
Total	(987)	(829)
Total taxation	3,451	3,386

* Recognised to reflect the probable future corporation tax that we can reclaim.

NOTES TO THE PRELIMINARY STATEMENTS

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9. Dividends

	2016	2015
Year ended 31 December	£000	£000
2015 final dividend paid 5.60p on 8 July 2016 (2014: 4.87p)*	4,084	3,504
2016 interim dividend paid 1.85p on 11 November 2016 (2015: 1.61p)	1,374	1,158
	5,458	4,662

The 2016 proposed final dividend of 6.44p, totalling £4,876k. Subject to shareholders approval at 7 June 2017 AGM, the dividend is payable on 7 July 2017 to shareholders on the register 9 June 2017.

The dividends relate to the profit of the following years:

	2016	2015
Year ended 31 December	£000	£000
Interim dividend paid 1.85p on 11 November 2016 (2015: 1.61p)	1,374	1,158
Final dividends payable 6.44p on 7 July 2017 (2015: 5.60p)	4,876	4,033
	6,250	5,191
Headline dividend cover	2.5	2.6

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. Retained profits are used to reinvest in the long term growth of the Group through funding working capital and Investing activities; and to repaying bank debt.

* 2015 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 2015.