Unaudited Non-statutory Financial Statements

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Preparation

These are the Group's non-statutory unaudited financial statements ("the financial statements") and do not constitute the Group's statutory financial statements for 2019 or 2020. The Group's financial statements for the year ended 31 December 2020 currently remain unaudited.

No statutory financial statements dealing with the year ended 31 December 2020 have been delivered to the Registrar of Companies. The comparative figures for the year ended 31 December 2019 included in the non-statutory financial statements are extracted from the published Annual Report and Financial Statements which were approved by the Board on 7 December 2020 and delivered to the Registrar of Companies.

Basis of preparation
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), in conformity with the requirements of the Companies Act 2006.

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

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

The Board have concluded that under the most likely going concern scenarios which have been modelled and they have reviewed, the Group will have sufficient liquidity to continue to operate for a period of not less than a year from approving the financial statements.

The Board have formed their opinion after evaluating three different forecast scenarios extending to 31 December 2022, comprising:

1. The base case;
2. A severe but plausible case; and
3. A reverse stress test case

The severe but plausible case factors in a decline in Profit before Tax of £10.1m compared to the base case plan for the cumulative two year period ending 31 December 2022: a £4m decline in Profit before Tax in 2021 and £6.1m Profit before Tax decline in 2022. This decline arises from the continued uncertainty surrounding the impact of the Covid-19 pandemic and other factors more specific to the Group.

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

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

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

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

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

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

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

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

Significant accounting policies
The significant accounting policies applied in the preparation of these consolidated financial statements are largely consistent with the accounting policies set out in the 2019 financial statements. These policies have been applied consistently to both years and further details will be included in the full annual report.

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

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

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

Put option accounting (IFRS 2 and IFRS 9)
It is common for equity partners in the Group's subsidiaries to hold put options over their equity such that they can require the Group to purchase their non-controlling interest for either a variable number of M&C Saatchi plc shares or cash. Dependent on the terms and substance of the underlying agreement, these options are either recognised as a put option liability under IFRS 9 (note 18) or as a conditional share award under IFRS 2 (note 19).

Under the IFRS 9 approach, a put option liability is recognised in terms of the expected future issue of a variable number of shares. This liability is held at amortised cost at inception of the agreement and remeasured at the end of each reporting period. Both the amortisation of these instruments and any change in the underlying valuation of the amortised cost (driven by changes in either the Company's quoted share price or underlying business performance) is recognised in the income statement as profit or loss.

The majority of instruments accounted for under IFRS 2 are equity settled with the cost of the transaction measured at fair value on the grant date. The majority of these instruments also have non-market conditions and have the fair value of the award re-measured annually. The fair value is recognised over the vesting period of the award and accumulated within equity. Where the instruments are considered to be cash settled then the fair value is recalculated in full at each balance sheet date.

Headline results
The Directors believe that the Headline results and Headline earnings per share (see note 1) provide additional useful information on the underlying performance of the business. The Headline results reflect the underlying profitability of the business units by excluding all effects of buying and selling equity by the Group; and the accounting effects of management equity holdings in the subsidiaries they run. This results in accounting charges and credits to the income statement for the Group's fair value liability of its local management's equity conversion rights, but does not account for the increase in value of the businesses.

In addition, the Headline results are used for internal performance management and to calculate minority shareholder put option liabilities. The term 'Headline' is not a defined term in IFRS. Note 1 reconciles Statutory results to Headline results.

The segmental reporting (note 3) reflects Headline results in accordance with IFRS 8.

The items that are excluded from Headline results are the exceptional items; 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 investments in associates and right-of-use assets; gain or loss on disposal of associates and subsidiaries; revaluation of investments in Saatchinvest and their related costs; and the income statement impact of put option accounting and share-based payment charges. Exceptional items include restructuring and costs relating to the accounting misstatements identified in 2019.

Unlisted investments

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

Significant accounting judgements and key sources of estimation uncertainty

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

Significant accounting judgements

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

Minority interest put option accounting – IFRS 2 or IFRS 9

As noted on page 4, accounting for Minority Interest (MI) put options is a critical accounting policy. Ascertaining whether such put options should be accounted for under IFRS 9 or whether the awards fall within the scope of IFRS 2 is a key management judgement.

The key feature of the awards made to MI (who hold an equity share in subsidiary enterprises) is whether the awards are given beneficially as a result of employment. Where there is an explicit service condition, if the award is given to an existing employee, or, if the employee is being paid below market value or there are other indicators that the award is a reward for employment, then the awards are accounted for as share-based payment in exchange for employment services under IFRS 2. If the scheme is intended to be settled in equity, then the award is accounted for as an equity settled share-based payment and the value is recognised as an expense in the income statement over the shorter of the vesting period or the period of required employment. If the scheme is intended to be settled in cash, then the award is accounted for as a cash-settled share-based payment and a liability is recognised to reflect the future cash outgoings from the business. Otherwise, where the holder held shares prior to the Group acquiring the subsidiary or gained the equity to start a subsidiary using their unique skills, and there are no indicators it should be accounted for under IFRS 2, then the award is recognised as a liability held at amortised cost under IFRS 9.

The valuation of these awards represents sources of estimation uncertainty which are discussed below.

Impairment – assessment of CGUs and assessment of indicators of impairment

Where possible, impairment is assessed at the level of individual assets. When, however, this is not possible, then the Cash Generating Unit ('CGU') level is used. A CGU is the smallest identifiable asset or group of assets that generates independent cash flows. Judgement is applied to identify the Group's CGUs; however, they typically comprise the underlying entities (both trading subsidiaries and associates) which make up the Group. This is on the basis that each of these entities represents a stand-alone operating business, none of which holds a cluster of assets which could constitute a CGU in their own right. Goodwill is always allocated to a CGU and never considered in isolation.

External and internal factors are monitored for indicators of impairment. In terms of such indicators, management typically consider adverse changes in the economy or political situation of the geographic locale in which the underlying entity operates, in addition to risk of client loss or gain and internal reporting suggesting that an entity's future economic performance is better or worse than expected.

Where management have concluded that such an indication of impairment exists, then the recoverable amount of the asset is assessed (see "Significant estimates and assumptions").

Significant estimates and assumptions

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

Impairment

Management's approach for determining the recoverable amount of an individual asset or CGU is based on their value in use. Value in use calculations are compared with the carrying value of the CGU assets. The carrying value of the CGUs also include the Right of Use Assets under IFRS 16. Generally, discounted cash flow models, based on the Group's 2021 budget, the 5 year financial plan (presented at the Capital Markets day in January 2021) and a long-term growth rate, are used to determine the recoverable amount of CGUs. The appropriate estimates and assumptions used require judgement and there is significant estimation uncertainty. The results of impairment reviews conducted at the end of the year are reported in note 11 for those relating to Goodwill and note 12 for those relating to Associates. The variables used in the assessment of the recoverable amount include:

- Budgets, 5 year financial plans and estimated growth rate;
- discount rate used to calculate present value of future cash flows.

In addition, impairments have been recorded for the right of use asset in note 14 and property, plant, and equipment in note 13.

Fair value measurement of financial instruments

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

(i) Equity investments at FVTPL in non-listed limited companies (note 15); and

(ii) and certain contingent consideration (note 10).

The equity investments comprise early-stage companies and small equity holdings in a client received in exchange for services rendered in lieu of monetary based remuneration. No formal market exists to trade these financial instruments and, therefore, their fair value is measured by the most appropriate valuation techniques available, which vary based on the nature of the instruments. The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, judgement is required in establishing fair values.

Share-based incentive arrangements

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

Details of awards made in the year are shown in note 19.

Leasing estimates

We have elected to apply the practical expedient C3 to not reassess whether a contract is, or contains, a lease at the date of initial application. Refer to Note 14 for further detail. Within IFRS 16 there are two estimates and such items continue to be significant this year for the recognition of new leases, along with amendments made to existing leases. These relate to (i) determining the interest rate used for discounting of future cash flows, and (ii) the length of the lease term.

Derivation of the interest rate used for discounting future cash flows

The discount rate used in the calculation of the lease liability involves estimation. Discount rates are calculated on a lease-by-lease basis. This involves an estimate of incremental borrowing costs. These will depend on the territory of the relevant lease and hence territory risk (which comprises both the currency used and the risk-free rates of that country), the date of lease inception and the lease term. The spread of interest rates used to derive the appropriate quantum of asset and liability to be recognised at the inception of each lease is reflective of the diversity of the Group's lease portfolios.

Anticipated length of lease term

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee is reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group takes a view at inception as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable, current trading, future trading forecasts and the level and type of any planned capital investment. The assessment of whether the option will be taken is reassessed in each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and a material adjustment to the associated balances.

Unaudited consolidated income statement

Year ended 31 December	Note	Year ended 31 December 2020 Before exceptional items £000	Exceptional items (note 2) £000	Total £000	Year ended 31 December 2019 Before exceptional items £000	Exceptional items (note 2) £000	Total £000
Billings (unaudited)	1	**454,504**	–	**454,504**	**561,426**	–	**561,426**
Revenue	1	**323,250**	–	**323,250**	**381,025**	–	**381,025**
Project cost / direct cost		**(97,861)**	–	**(97,861)**	**(124,590)**		**(124,590)**
Net revenue		225,389	–	225,389	256,435	–	256,435
Staff costs	5	(170,056)	(1,661)	(171,717)	(189,783)	(4,211)	(193,994)
Depreciation	13,14	(11,659)	–	(11,659)	(12,449)	–	(12,449)
Amortisation	11	(2,275)	–	(2,275)	(2,865)	–	(2,865)
Impairment charges	11,13,14	(3,217)	–	(3,217)	(5,874)	–	(5,874)
Other operating charges		(38,324)	(311)	(38,635)	(50,155)	(1,955)	(52,110)
Other gains / losses	15	(2,818)	–	(2,818)	(96)	–	(96)
Operating loss	1	**(2,960)**	**(1,972)**	**(4,932)**	**(4,787)**	**(6,166)**	**(10,953)**
Share of result of and gain on disposal of associates and joint ventures	12	(113)	–	(113)	13,210	–	13,210
Gain on disposal of subsidiaries	9	1,432	–	1,432	–	–	–
Impairment of associate investment	12	(895)	–	(895)	(5,210)	–	(5,210)
Finance income	6	364	–	364	613	–	613
Finance expense	6	(4,363)	–	(4,363)	(6,233)	–	(6,233)
Loss before taxation	1	**(6,535)**	(1,972)	**(8,507)**	(2,407)	(6,166)	(8,573)
Taxation	7	(1,893)	482	(1,411)	(4,268)	1,012	(3,256)
Loss for the year		**(8,428)**	(1,490)	**(9,918)**	(6,675)	(5,154)	(11,829)
Attributable to:							
Equity shareholders of the Group	1	**(8,407)**	(1,490)	(9,897)	(6,642)	(5,154)	(11,796)
Non-controlling interests	1	(21)	–	(21)	(33)	–	(33)
Loss for the year	1	**(8,428)**	(1,490)	**(9,918)**	**(6,675)**	**(5,154)**	**(11,829)**
Loss per share							
Basic (pence)	1	(7.73)p		(9.10)p	(7.36)p		(13.06)p
Diluted (pence)	1	(7.73)p		(9.10)p	(7.36)p		(13.06)p

Headline results*

Operating profit	1	**11,970**	19,451
Profit before taxation	1	**8,328**	17,161
Profit after tax attributable to equity shareholders of the Group	1	**1,650**	6,952
Basic earnings per share (pence)	1	**1.52p**	7.70p
Diluted earnings per share (pence)	1	**1.31p**	7.20p

*Refer to Note 1 for reconciliation from Statutory to Headline results. 2019 Headline profit restated (reduced) by £1.2m as a result of put option schemes being reclassified as bonuses, previously reported as equity settled schemes. Refer to Note 19 of the unaudited consolidated non-statutory financial statements.

The notes on pages 3 to 7 and 16 to 40 form part of these unaudited consolidated non-statutory financial statements.

Unaudited consolidated statement of other comprehensive income

	2020	2019
Year ended 31 December	**£000**	**£000**
Loss for the year	(9,918)	(11,829)
Other comprehensive loss		
Exchange differences on translating foreign operations	(289)	(3,281)
Other comprehensive loss for the year net of tax	**(289)**	**(3,281)**
Total comprehensive loss for the year	**(10,207)**	**(15,110)**
Total comprehensive loss attributable to:		
Equity shareholders of the Group	(10,186)	(15,077)
Non-controlling interests	(21)	(33)
Total comprehensive loss for the year	**(10,207)**	**(15,110)**

The notes on pages 3 to 7 and 16 to 40 form part of these unaudited consolidated non-statutory financial statements.

Unaudited consolidated balance sheet

At 31 December	Note	2020 £000	2019 re-stated* £000
Non-current assets			
Intangible assets	11	36,523	38,207
Investments in associates and JV	12	2,829	3,780
Plant and equipment	13	7,157	9,455
Right-of-use assets	14	34,006	46,542
Other non-current assets		3,494	3,923
Deferred tax assets		8,301	5,285
Financial assets at fair value through profit or loss	15	11,410	14,851
		103,720	**122,043**
Current assets			
Trade and other receivables*		88,262	107,849
Current tax assets		2,621	5,956
Cash and cash equivalents		76,295	68,981
		167,178	**182,786**
Current liabilities			
Trade and other payables*		(124,510)	(134,721)
Provisions		(666)	(2,989)
Current tax liabilities		(2,019)	(1,014)
Borrowings	16	(41,083)	(52,212)
Lease liabilities	14	(6,250)	(10,770)
Deferred and contingent consideration	10	(1,679)	(445)
Minority shareholder put option liabilities	18	(978)	(3,183)
		(177,185)	**(205,334)**
Net current liabilities		**(10,007)**	**(22,548)**
Total assets less current liabilities		**93,713**	**99,495**
Non-current liabilities			
Deferred tax liabilities		(405)	(371)
Borrowings	16	(2,199)	(162)
Lease liabilities	14	(40,171)	(44,000)
Contingent consideration	10	–	(313)
Minority shareholder put option liabilities	18	(1,804)	(3,918)
Other non-current liabilities		(4,773)	(1,130)
		(49,352)	**(49,894)**
Total net assets		**44,361**	**49,601**

At 31 December	Note	2020 £000	2019 re-stated* £000
Equity			
Share capital	20	1,159	936
Share premium		44,607	44,607
Merger reserve		37,554	33,400
Treasury reserve		(550)	(550)
Minority interest put option reserve		(4,953)	(4,953)
Non-controlling interest acquired		(29,190)	(32,239)
Foreign exchange reserve		1,210	1,181
(Accumulated losses) / retained earnings		(5,709)	6,854
Equity attributable to shareholders of the Group		44,128	49,236
Non-controlling interest		233	365
Total equity		**44,361**	**49,601**

* Within the 2019 figures we identified amounts that needed reclassification between trade and other receivables and trade and other payables of £5.3million; therefore, we have reclassified for comparative purposes.

The notes on pages 3 to 7 and 16 to 40 form part of these unaudited consolidated non-statutory financial statements.

Unaudited 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 / (accumulated losses) £000	Subtotal £000	Non-controlling interest in equity £000	Total £000
At 31 December 2018		**876**	**41,734**	**30,150**	**(792)**	**(15,082)**	**(22,081)**	**4,462**	**28,718**	**67,985**	**932**	**68,917**
Adjustment on initial application of IFRS 16		–	–	–	–	–	–	–	(5,364)	**(5,364)**	–	**(5,364)**
Adjusted balance at 1 January 2019		876	41,734	30,150	(792)	(15,082)	(22,081)	4,462	23,354	**62,621**	932	**63,553**
Acquisitions of minority interest		–	–	–	–	–	(44)	–	–	**(44)**	–	**(44)**
Exercise of minority interest put options	18	26	2,873	3,766	–	10,114	(10,114)	–	–	**6,665**	–	**6,665**
Exercise of share-based payment schemes	19	34	–	–	242	–	–	–	(5,881)	**(5,605)**	–	**(5,605)**
Exchange rate movements		–	–	–	–	15	–	–	–	**15**	(5)	**10**
Issue of shares to minorities		–	–	–	–	–	–	–	–	**–**	309	**309**
Tax credit on fully charged options		–	–	–	–	–	–	–	208	**208**	–	**208**
Reserve transfer following impairment of goodwill		–	–	(516)	–	–	–	–	516	**–**	–	**–**
Share option charge	19	–	–	–	–	–	–	–	10,266	**10,266**	–	**10,266**
Dividends	8	–	–	–	–	–	–	–	(9,813)	**(9,813)**	(838)	**(10,651)**
Total transactions with owners		60	2,873	3,250	242	10,129	(10,158)	–	(4,704)	**1,692**	(534)	**1,158**
Total comprehensive loss for the year		–	–	–	–	–	–	(3,281)	(11,796)	**(15,077)**	(33)	**(15,110)**
At 31 December 2019		**936**	**44,607**	**33,400**	**(550)**	**(4,953)**	**(32,239)**	**1,181**	**6,854**	**49,236**	**365**	**49,601**
Exercise of Minority Interest put options	18	82	–	4,154	–	–	–	–	–	4,236	–	4,236
Exercise of Share-based payment schemes	19	141	–	–	–	–	–	–	–	141	–	141
Disposal of subsidiaries		–	–	–	–	–	3,049	318	(3,367)	–	40	40
Share option charge	19	–	–	–	–	–	–	–	701	701	–	701
Dividends	8	–	–	–	–	–	–	–	–	–	(151)	(151)
Total transactions with owners		**223**	**–**	**4,154**	**–**	**–**	**3,049**	**318**	**(2,666)**	**5,078**	**(111)**	**4,967**
Total loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,897)**	**(9,897)**	**(21)**	**(9,918)**
Total other comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(289)**	**–**	**(289)**	**–**	**(289)**
At 31 December 2020		**1,159**	**44,607**	**37,554**	**(550)**	**(4,953)**	**(29,190)**	**1,210**	**(5,709)**	**44,128**	**233**	**44,361**

The notes on pages 3 to 7 and 16 to 40 form part of these unaudited consolidated non-statutory financial statements.

Unaudited Consolidated cash flow statement and analysis of net debt

Year ended 31 December	Note	2020 £000	2019 £000
Operating loss		**(4,932)**	**(10,953)**
Adjustments for:			
Depreciation of plant and equipment	13	2,555	3,390
Depreciation of right-of-use assets	14	9,104	9,059
Impairment of right-of-use assets	14	2,651	–
Loss on sale of plant and equipment		640	122
Impairment of plant and equipment	13	374	–
Loss on sale of software intangibles		433	266
Revaluation of financial assets at FVTPL	15	3,315	346
Gain on disposal of financial assets at FVTPL	15	(497)	–
Revaluation of contingent consideration	10	446	–
Amortisation of acquired intangible assets	11	1,686	2,471
Impairment of associate and investments		–	–
Impairment of goodwill and other intangibles	11	–	5,874
Impairment and amortisation of capitalised software intangible assets	11	781	394
Exercise of share-based payment schemes with cash		–	(5,605)
Equity settled share-based payment expenses	19	701	10,266
Operating cash before movements in working capital		**17,257**	**15,630**
Decrease in trade and other receivables		10,052	39,874
Increase / (decrease) in trade and other payables		10,316	(22,733)
(Decrease) / increase in provisions		(2,323)	2,989
Cash generated from operations		**35,302**	**35,760**
Tax paid		(1,645)	(7,767)
Net cash from operating activities		**33,657**	**27,993**
Investing activities			
Acquisitions of subsidiaries net of cash acquired		–	(635)
Disposal of associate or subsidiary (net of cash disposed of)	9	(4,114)	23,264
Acquisition of associates	12	(1)	–
Acquisitions of unlisted investments	15	(713)	(964)
Proceeds from sale of unlisted investments		1,233	–
Proceeds from sale of plant and equipment		387	30
Purchase of plant and equipment	13	(3,184)	(4,091)
Purchase of capitalised software	11	(502)	(1,710)
Dividends received from associates	12	–	2,928

Interest received		364	632
Net cash (consumed by) / generated from investing activities		**(6,530)**	**19,454**
Net cash from operating and investing activities		**27,127**	**47,447**
Financing activities			
Dividends paid to equity holders of the Company	8	–	(9,813)
Dividends paid to non-controlling interest		(151)	(838)
Proceeds from issue of shares to non-controlling interests		–	9
Cash consideration for non-controlling interest acquired		(204)	(3,269)
Payment of lease liabilities	14	(7,224)	(10,638)
Repayment of invoice discounting (net)		–	(2,001)
Proceeds from bank loans	16	3,471	15,038
Repayment of bank loans	16	(8,900)	(17,318)
Borrowing costs		(517)	–
Interest paid	6	(1,751)	(1,485)
Interest paid on leases	14	(2,471)	(1,837)
Net cash consumed by financing activities		**(17,747)**	**(32,152)**
Net increase in cash and cash equivalents		**9,380**	**15,295**
Effect of exchange rate fluctuations on cash held		246	(857)
Cash and cash equivalents at the beginning of the year		52,749	38,311
Total cash and cash equivalents at the end of the year		**62,375**	**52,749**
Cash and cash equivalents**		76,295	68,981
Bank overdrafts*	16	(13,920)	(16,232)
Total cash and cash equivalents at the end of the year		**62,375**	**52,749**
Bank loans and borrowings***	16	(29,400)	(36,179)
Net cash		**32,975**	**16,570**

* These overdrafts are legally offset against balances held in the UK; however, they have not been netted off in accordance with the requirements of IAS32.42.
** Cash and cash equivalents of £644k (2019: £1,657k) are held in a country with restrictions on remittances, but where the balances could be used to repay subsidiaries' expected future third party liabilities.
*** Bank loans and borrowings are defined in note 16; they exclude our lease liability of £46,421k (2019 £54,770k) (note 14)

The notes on pages 3 to 7 and 16 to 40 form part of these unaudited consolidated non-statutory financial statements.

Unaudited Notes

1. 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 2020	Note	Statutory 2020 £000	Exceptional items (note 2) £000	Amortisation of acquired intangibles (note 11) £000	Impairment of non-current assets (notes 11, 13 and 14) £000	Gain on disposal of subsidiaries and associates (note 9) £000	FVTPL investments under IFRS 9 (note 15) £000	Revaluation of contingent consideration (note 10) £000	Dividends paid to IFRS2 put holders (note 5)* £000	Put option accounting (note 17 and 18) £000	Headline results £000
Billings (unaudited)		**454,504**	–	–	–	–	–	–	–	–	**454,504**
Revenue		**323,250**	–	–	–	–	–	–	–	–	**323,250**
Net revenue		**225,389**	–	–	–	–	–	–	–	–	**225,389**
Staff costs	5	**(171,717)**	1,661	–	–	–	–	–	4,728	3,300	**(162,028)**
Depreciation	13,14	**(11,659)**	–	–	–	–	–	–	–	–	**(11,659)**
Amortisation	11	**(2,275)**	–	1,686	–	–	–	–	–	–	**(589)**
Impairments	11,13,14	**(3,217)**	–	–	3,025	–	–	–	–	–	**(192)**
Other operating charges		**(38,635)**	311	–	–	–	(232)	446	–	–	**(38,110)**
Other (losses) / gains	15	**(2,818)**	–	–	–	–	1,977	–	–	–	**(841)**
Operating (loss)/profit		**(4,932)**	**1,972**	**1,686**	**3,025**	**–**	**1,745**	**446**	**4,728**	**3,300**	**11,970**
Share of results of associates and JV		**(113)**	–	–	–	–	–	–	–	–	**(113)**
Gain on disposal of subsidiaries	9	**1,432**	–	–	–	(1,432)	–	–	–	–	**–**
Impairment of associate investment	12	**(895)**	–	–	895	–	–	–	–	–	**–**
Finance income	6	**364**	–	–	–	–	–	–	–	–	**364**
Finance expense	6	**(4,363)**	–	–	–	–	350	–	–	120	**(3,893)**
(Loss)/profit before taxation	7	**(8,507)**	**1,972**	**1,686**	**3,920**	**(1,432)**	**2,095**	**446**	**4,728**	**3,420**	**8,328**
Taxation	7	**(1,411)**	(482)	(405)	(575)	**–**	(398)	–	–	(24)	**(3,295)**
(Loss)/profit for the year		**(9,918)**	**1,490**	**1,281**	**3,345**	**(1,432)**	**1,697**	**446**	**4,728**	**3,396**	**5,033**
Non-controlling interests		21	–	–	–	**–**	–	–	(3,404)	–	(3,383)
(Loss)/profit attributable to equity holders of the Group**		**(9,897)**	**1,490**	**1,281**	**3,345**	**(1,432)**	**1,697**	**446**	**1,324**	**3,396**	**1,650**

* Details of this breakdown can be found in note 5, Staff costs. The non-controlling interest charge is moved to operating profit due to underlying equity being defined as a conditional share award.

** Headline earnings are profit attributable to equity holders of the Group after adding back the adjustments noted above. The increase is calculated as the difference between 2020 and 2019 measures. Headline operating margin is calculated as: Headline operating profit divided by net revenue.

1. Headline results and earnings per share continued

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

Year ended 31 December 2019	Note	Statutory 2019 £000	Exceptional items (note 2) £000	Amortisation of acquired intangibles (note 11) £000	Impairment of non-current assets (note 13 and 14) £000	Loss on disposal of subsidiaries and associates £000	FVTPL investments under IFRS 9 (note 15) £000	Revaluation of contingent consideration (note 10) £000	Dividends paid to IFRS2 put holders (note 5)* £000	Put option accounting (note 17 and 18) re-stated*** £000	Headline results re-stated*** £000
Billings (unaudited)		**561,426**	–	–	–	–	–	–	–	–	**561,426**
Revenue		**381,025**	–	–	–	–	–	–	–	–	**381,025**
Net revenue		**256,435**	–	–	–	–	–	–	–	–	**256,435**
Staff costs***	5	**(193,994)**	4,211	–	–	–	–	–	5,841	9,487	**(174,455)**
Depreciation	13,14	**(12,449)**	–	–	–	–	–	–	–	–	**(12,449)**
Amortisation	11	**(2,865)**	–	2,471	–	–	–	–	–	–	**(394)**
Impairments	11,13,14	**(5,874)**	–	–	5,874	–	–	–	–	–	**–**
Other operating charges		**(52,110)**	1,955	–	–	–	92	127	–	–	**(49,936)**
Other (losses) / gains	15	**(96)**	–	–	–	–	346	–	–	–	**250**
Operating (loss)/profit		**(10,953)**	**6,166**	**2,471**	**5,874**	**–**	**438**	**127**	**5,841**	**9,487**	**19,451**
Share of results of associates and JV	9	**13,210**	–	–	–	(12,980)	–	–	–	–	**230**
Impairment of associate investment	12	**(5,210)**	–	–	5,210	–	–	–	–	–	**–**
Finance income	6	**613**	–	–	–	–	–	–	–	–	**613**
Finance expense	6	**(6,233)**	–	–	–	–	279	–	–	2,821	**(3,133)**
(Loss)/profit before taxation	7	**(8,573)**	**6,166**	**2,471**	**11,084**	**(12,980)**	**717**	**127**	**5,841**	**12,308**	**17,161**
Taxation	7	**(3,256)**	(1,012)	(620)	–	(281)	(139)	–	–	6	**(5,302)**
(Loss)/profit for the year		**(11,829)**	**5,154**	**1,851**	**11,084**	**(13,261)**	**578**	**127**	**5,841**	**12,314**	**11,859**
Non-controlling interests		33	–	(247)	–	–	–	–	(4,693)	–	**(4,907)**
(Loss)/profit attributable to equity holders of the Group**		**(11,796)**	**5,154**	**1,604**	**11,084**	**(13,261)**	**578**	**127**	**1,148**	**12,314**	**6,952**

* Details of this breakdown can be found in note 5, Staff costs. The non-controlling interest charge is moved to operating profit due to underlying equity being defined as a conditional share award.
** Headline earnings are profit attributable to equity holders of the Group after adding back the adjustments noted above. The increase is calculated as the difference between 2019 and 2018 measures. Headline operating margin is calculated as: Headline operating profit divided by net revenue.
***During FY20 two put option schemes were reclassified as bonus schemes, refer to Note 18 for further detail.

1. Headline results and earnings per share continued

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. Anti-dilutive potential ordinary shares are excluded. The dilutive effect of unvested outstanding options is calculated based on the number that would vest had the balance sheet date been the vesting date.

Year ended 31 December 2020	**Before exceptionals 2020**	**2020**	**Headline 2020**
(Loss) / profit attributable to equity shareholders of the Group (£000)	**(8,407)**	**(9,897)**	**1,650**
Basic earnings per share			
Weighted average number of shares (thousands)	108,783	108,783	108,783
Basic EPS	**(7.73)p**	**(9.10)p**	**1.52p**
Diluted earnings per share			
Weighted average number of shares (thousands) as above	108,783	108,783	108,783
Add			
– Conditional shares	–	–	11,963
– Put option	–	–	3,356
– Contingent consideration	–	–	1,757
	–	–	17,076
Total	**108,783**	**108,783**	**125,859**
Diluted earnings per share	**(7.73)p**	**(9.10)p**	**1.31p**

Year ended 31 December 2019	**Before exceptionals 2019**	**2019**	**Headline re-stated 2019**
Loss attributable to equity shareholders of the Group (£000)	**(6,642)**	**(11,796)**	**6,952**
Basic earnings per share			
Weighted average number of shares (thousands)	90,253	90,253	90,253
Basic EPS	**(7.36)p**	**(13.06)p**	**7.70p**
Diluted earnings per share			
Weighted average number of shares (thousands) as above	90,253	90,253	90,253
Add			
– Conditional shares	–	–	3,650
– Put option	–	–	2,316
– Contingent consideration	–	–	281
	–	–	6,247
Total	**90,253**	**90,253**	**96,500**
Diluted earnings per share	**(7.36)p**	**(13.06)p**	**7.20p**

2. Exceptional items

Policy
Exceptional items relate to restructuring and costs relating to the accounting misstatements identified in 2019. This process started in 2019 and has continued in 2020. In addition, within exceptional items for 2020 we have recognised the furlough money received that was repaid subsequent to year end. Exceptional items are shown separately and are excluded from Headline profit to give a better understanding as to the underlying results of the Group.

Exceptional items for the year ended 31 December 2020 comprise the following:

	Operating costs £000	Staff cost £000	Taxation £000	After tax total £000
Restructuring	–	2,637	(608)	2,029
Legal fees	311	–	(59)	252
Furlough salary expense	–	(976)	185	(791)
Total exceptional items	**311**	**1,661**	**(482)**	**1,490**

Exceptional items for the year ended 31 December 2019 comprise the following:

	Operating costs £000	Staff cost £000	Taxation £000	After tax total £000
Strategic review and restructuring	–	4,211	(783)	3,428
PwC forensic fees	710	–	(135)	575
Legal fees	147	–	–	147
Professional fees	798	–	(94)	704
Other costs relating to misstatements	300	–	–	300
Total exceptional items	**1,955**	**4,211**	**(1,012)**	**5,154**

Strategic review and restructuring
As explained in last year's annual report, the Board commenced a strategic review of the Group in 2019 to improve the long-term profitability of the business. The restructuring of operations continued into 2020 and was extended due to the effects of the Covid-19 pandemic with the principal cost being staff redundancy.

Legal fees and other costs relating to misstatements
The Group continued to incur fees for legal and regulatory advice it has received relating to the consequences of the accounting misstatements identified in 2019.

3. Segmental information

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

The Group's operating segments are aligned to those business units that are evaluated regularly by the chief operating decision maker ("CODM"), namely, the Board, in making strategic decisions, assessing performance and allocating resources. The operating segments comprise individual country entities, the financial information of which is provided to the CODM and is aggregated into specific geographic regions on a headline basis, with each geographic region considered a reportable segment. Each country included in that region has similar economic and operating characteristics and those products and services provided by entities in a geographic region are all related to marketing communication services, and which generally offer complementary products and services to their customers.

From 2021, as part of the Group's ongoing strategic review, we are evaluating alternative ways of analysing and presenting financial information to the CODM, over and above the geographic segmentation.

Year ended 31 December 2020	UK **£000**	Europe **£000**	Middle East and Africa **£000**	Asia and Australia **£000**	Americas **£000**	Head office and consolidation adjustments **£000**	Total **£000**
Billings (unaudited)*	**245,227**	**53,336**	**25,896**	**89,299**	**40,746**	**–**	**454,504**
Revenue*	**134,357**	**40,158**	**25,781**	**81,500**	**41,454**	**–**	**323,250**
Net revenue	**88,931**	**28,414**	**15,578**	**57,896**	**34,570**		**225,389**
Staff costs	(54,520)	(21,877)	(11,866)	(41,492)	(25,487)	(6,786)	**(162,028)**
Depreciation	(4,159)	(1,503)	(835)	(3,367)	(1,795)	–	**(11,659)**
Amortisation	(388)	–	(43)	(158)	–	–	**(589)**
Impairment charges	–	–	–	(192)	–	–	**(192)**
Other operating charges	(13,350)	(3,551)	(2,162)	(9,722)	(4,782)	(4,543)	**(38,110)**
Other (losses)/gains	(114)	–	–	(727)	–	–	**(841)**
Operating profit/(loss)	**16,400**	**1,483**	**672**	**2,238**	**2,506**	**(11,329)**	**11,970**
Share of results of associates and JV	–	–	–	(33)	(80)	–	**(113)**
Financial income	788	–	32	141	106	(703)	**364**
Financial expense	(1,849)	(148)	(390)	(515)	(989)	(2)	**(3,893)**
Profit/(loss) before taxation	**15,339**	**1,335**	**314**	**1,831**	**1,543**	**(12,034)**	**8,328**
Taxation	**(3,072)**	**(719)**	**(307)**	**(1,079)**	**(380)**	**2,262**	**(3,295)**
Profit/(loss) for the year	**12,267**	**616**	**7**	**753**	**1,163**	**(9,772)**	**5,033**
Non-controlling interests	**(2,703)**	**(212)**	**79**	**(162)**	**(385)**	**–**	**(3,383)**
Profit/(loss) attributable to equity shareholders of the Group	**9,564**	**404**	**86**	**590**	**778**	**(9,772)**	**1,650**
Headline basic EPS							**1.52p**

* These items were not regularly reviewed by the chief operating decision maker in the year.

No revenues were derived from an individual customer with a net revenue contribution of greater than 10% of the total recognised during either 2020 or 2019.

Year ended 31 December 2019	UK re-stated*** £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Head office and consolidation adjustments £000	Total re-stated*** £000
Billings (unaudited)*	**266,488**	**52,714**	**36,126**	**144,980**	**61,118**	**–**	**561,426**
Revenue*	**158,786**	**45,924**	**33,906**	**90,160**	**52,249**	**–**	**381,025**
Net revenue	**103,221**	**30,510**	**16,563**	**64,533**	**41,608**	**–**	**256,435**
Staff costs**	(62,497)	(22,273)	(11,337)	(45,093)	(28,752)	(4,503)	(174,455)
Depreciation – non lease	(1,357)	(334)	(349)	(811)	(539)	–	(3,390)
Depreciation – lease	(2,705)	(1,087)	(601)	(2,606)	(2,060)	–	(9,059)
Amortisation	(201)	(22)	(52)	(119)	–	–	(394)
Other operating charges	(22,928)	(3,776)	(2,718)	(10,244)	(7,402)	(2,868)	(49,936)
Other gains / (losses)	–	–	–	–	250	–	250
Operating profit/(loss)	**13,533**	**3,018**	**1,506**	**5,660**	**3,105**	**(7,371)**	**19,451**
Share of results of associates and JV	–	(3)	–	(124)	357	–	230
Financial income	226	15	52	210	122	(12)	613
Financial expense	(910)	(233)	(494)	(407)	(980)	(109)	(3,133)
Profit/(loss) before taxation	**12,849**	**2,797**	**1,064**	**5,339**	**2,604**	**(7,492)**	**17,161**
Taxation	(2,576)	(1,135)	(219)	(1,655)	(1,099)	1,382	(5,302)
Profit/(loss) for the year	**10,273**	**1,662**	**845**	**3,684**	**1,505**	**(6,110)**	**11,859**
Non-controlling interests	**(2,821)**	**(259)**	**(338)**	**(1,284)**	**(205)**	**–**	**(4,907)**
Profit/(loss) attributable to equity shareholders of the Group	**7,452**	**1,403**	**507**	**2,400**	**1,300**	**(6,110)**	**6,952**
Headline basic EPS							**7.70p**

* These items were not regularly reviewed by the chief operating decision maker in the year.
** During FY20 two put option schemes were reclassified as bonus schemes, refer to Note 19 for further detail.
***2019 Headline profit restated (reduced) by £1.2m as a result of put option schemes being reclassified as bonuses, previously reported as equity settled schemes. Refer to Note 19 of the unaudited consolidated non-statutory financial statements.

4. Revenue from contracts with customers

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

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

5. Staff costs

Policy
Staff costs (including Directors) comprise:

Year ended 31 December	2020 **£000**	2019 **£000 re-stated**
Wages and salaries	138,157	153,729
Social security costs	16,360	18,216
Other pension costs	2,617	2,217
Other staff costs*	6,555	4,504
	163,689	178,666

*Other staff costs include redundancy costs, insurance and other staff benefits.

Dividends paid to holders of IFRS 2 put options		2020 **£000**	2019 **£000 re-stated**
Allocations and dividends paid to conditional share award holders	1	4,728	5,841
		4,728	5,841
Share based incentive plans			
Cash settled	18	25	342
Equity settled	18	3,275	9,145
Total share based incentive plans		3,300	9,487
Total staff costs		171,717	193,994

Staff numbers		
UK	687	702
Europe	357	335
Middle East and Africa	373	346
Asia and Australia	778	807
America	255	302
	2,450	2,492

These staff numbers are based on the average number of monthly staff.

6. Net finance income/(expense)

Year ended 31 December	2020 £000	2019 £000
Bank interest receivable	215	285
Other interest receivable	78	237
Sublease finance income	71	91
Financial income	364	613
Bank interest payable	(1,468)	(1,325)
Other interest payable	(304)	(250)
Interest on lease liabilities	(2,471)	(1,837)
Amortisation adjustment to minority shareholder put option liabilities (Note 18)	(120)	(2,821)
Financial expense	(4,363)	(6,233)
Net finance expense	**(3,999)**	**(5,620)**

7. Taxation

Year ended 31 December	2020 £000	2019 £000
Taxation in the year		
– UK	(8)	(330)
– Overseas	3,765	3,280
Withholding taxes payable	7	38
Adjustment for over provision in prior periods	1,312	(538)
Total	**5,076**	**2,450**
Deferred taxation		
Origination and reversal of temporary differences	(3,100)	431
Adjustment for under provision prior periods	(565)	370
Effect of changes in tax rates	–	5
Total	**(3,665)**	**806**
Total taxation	**1,411**	**3,256**

8. Dividends

Year ended 31 December	2020 £000	2019 £000
No 2019 Final dividend paid (2018 final dividend, paid 2019: 8.51p)	–	7,566
No 2020 Interim dividend paid (2019 interim dividend, paid 2019: 2.45p)	–	2,247
	–	**9,813**

The dividend policy was reviewed as part of the Group's recent strategic review. We concluded that the Group's priority is to return the business to pre-pandemic levels of profitability and earnings and, thereafter, to grow in line with the targets set out at the Capital Markets Day held in January 2021. Assuming a return to normal trading conditions, we would expect to reinstate dividends from 2022.

Year ended 31 December	2020 £000	2019 £000
No 2020 Interim dividend paid (2019: 2.45p)	–	2,247
No 2020 Final dividend payable (2019: nil)	–	–
	–	2,247
Statutory dividend cover	–	loss
Headline dividend cover	–	3.6

Dividend cover is calculated by taking profit after tax attributable to equity shareholders and dividing it by the total dividend that relates to that year's profits. The Group has historically aimed 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 repay bank debt.

9. Disposals

The Group embarked on a Board approved process of eliminating loss-making businesses as a one-off programme, as part of a broad strategic review of the Group which was communicated to the market and to the shareholders. As a result, a total of 20 entities were either closed, merged or our interest in those entities was divested.

As part of this process, the Group sold/reduced its majority stakes in 15 subsidiaries on or before 31 December 2020. The Group classifies non-current assets held for sale when the carrying amount will be principally recovered through its disposal as opposed to continued use. For this to be the case the asset must be available for immediate sale and the sale must be highly probable. The entities that were not disposed of before year-end will be closing down in 2021. The carrying amount for these entities will not be recovered through the disposal; therefore, they are not classified as non-current assets held for sale.

The legal entities that we sold, or our interest was divested are M&C Saatchi Tel Aviv Ltd, M&C Saatchi Brasil Comunicação Ltda, M&C Saatchi Gad SAS, FCINQ SAS, Cometis SARL, M&C Saatchi Little Stories SAS, M&C Saatchi the Loop SARL, Moonlike M&C Saatchi SARL, Paris Gad Holding SAS, Tataprod SARL, M&C SAATCHI ONE SAS, M&C Saatchi Madrid SL, M&C Saatchi Sponsorship SL, Media By Design Spain S.A. and Send Me A Sample Ltd.

In addition, to the entities sold/divested, the Group closed or merged a further 5 legal entities. These comprised M&C Saatchi LA Inc, The Source LA, LIDA Australia PTY LTD, LIDA US LLP and Clear KL.

These entities had contributed £4m of losses to the 2020 results.

The Group sold/reduced its majority stakes in 15 subsidiaries on or before 31 December 2020. Cash held by those subsidiaries at the date of disposal was £5,093,697.

The gain on disposal of subsidiaries as of 31 December 2020 is calculated as follows:

	£000
Consideration received in cash and cash equivalents*	979
Share consideration receivable*	444
Deferred consideration payable**	(536)
Total consideration	**887**
Add net liabilities	**545**
Gain on disposal of subsidiaries	**1,432**

* M&C Saatchi International Holdings B.V. sold its stake in M&C Saatchi GAD SAS to Australie for a total cash consideration of €1,100,000 and for 1,707 shares of Australie's share capital, i.e., 10% of the entire and fully diluted Australie's share capital. The Group recognised a deferred consideration receivable in the amount of €500k, representing 1,707 ordinary shares of Australie. We have valued the investment using our best estimate and all information presently available. However, as an unlisted, illiquid asset in which we hold only a minority stake, our estimate of the valuation is subject to uncertainty and risk. The deferred consideration receivable amount is included within other non-current assets. On receipt of the shares, this asset will be reclassified as an unlisted equity investment.

** £536k paid to M&C SAATCHI BRASIL PARTICIPACOES LTDA (the holding company of M&C Saatchi F&Q Brasil Comunicacao LTDA) to settle liabilities of the subsidiary company.

The legal entities that were closed or will be closed post year-end comprise Creative Spark (Pty) Ltd, M&C Saatchi PR LLP, M&C Saatchi Marketing Arts Ltd and Create Collective PTE.

10. Deferred and contingent consideration

	2020 £000	2019 £000
Current		
Deferred consideration*	(1,227)	–
Contingent consideration	(452)	(445)
Total current	**(1,679)**	**(445)**
Non-current		
Contingent consideration	–	(313)
Total current and non-current	**(1,679)**	**(758)**

*Made up of £536k paid to M&C SAATCHI BRASIL PARTICIPACOES LTDA (the holding company of M&C Saatchi F&Q Brasil Comunicacao LTDA) in April 2021 and £691k paid to Levergy Marketing Agency (Pty) in January and February 2021.

	2020 £000	2019 £000
At 1 January	(758)	(1,266)
Exchange differences	61	–
Deferred consideration due on disposals	(536)	–
Charged to the income statement**	(446)	(127)
Conditional consideration paid in cash	–	635
Total	**(1,679)**	**(758)**

**Made up of £536k paid to M&C SAATCHI BRASIL PARTICIPACOES LTDA (the holding company of M&C Saatchi F&Q Brasil Comunicacao LTDA) in April 2021, £374k revaluation of Scarecrow Communications Ltd contingent consideration and £72k revaluation of Levergy Marketing Agency (Pty) deferred consideration.

£536k of deferred consideration is payable to M&C Saatchi Brasil Participacoes Ltda from the holding company M&C Saatchi International Holdings BV whilst the remaining £1,144k of deferred and contingent consideration is payable from the parent company and held as a liability in the company's own balance sheet.

11. Intangible assets

	Goodwill £000	Brand name £000	Customer relationships £000	Software and film rights** £000	Total £000
Cost					
At 1 January 2019	58,448	8,946	14,371	2,225	83,990
Exchange differences	(1,343)	(177)	(281)	(51)	(1,852)
Acquired	–	–	–	1,710	1,710
Disposal	–	–	–	(286)	(286)
At 31 December 2019	**57,105**	**8,769**	**14,090**	**3,598**	**83,562**
Exchange differences	12	(17)	(173)	185	7
Acquired	–	–	–	502	502
Disposals	(2,809)	(1,404)	(2,766)	(776)	(7,755)
Reclassification*	–	–	–	850	850
At 31 December 2020	**54,308**	**7,348**	**11,151**	**4,359**	**77,166**
Accumulated amortisation and impairment					
At 1 January 2019	**18,146**	**7,293**	**11,003**	**1,076**	**37,518**
Exchange differences	(481)	(126)	(242)	(33)	(882)
Amortisation charge	–	924	1,547	394	2,865
Impairment	5,874	–	–	–	5,874
Disposal	–	–	–	(20)	(20)
At 31 December 2019	**23,539**	**8,091**	**12,308**	**1,417**	**45,355**
Exchange differences	131	5	(162)	175	143
Amortisation charge	–	335	1,351	589	2,275
Impairment	–	–	–	192	192
Disposal	(2,809)	(1,404)	(2,766)	(343)	(7,322)
At 31 December 2020	**20,855**	**7,027**	**10,731**	**2,030**	**40,643**
Net book value					
At 31 December 2018	40,302	1,653	3,368	1,149	46,472
At 31 December 2019	33,566	678	1,782	2,181	38,207
At 31 December 2020	**33,453**	**321**	**420**	**2,329**	**36,523**

*Reclassifications are between property, plant and equipment, and intangible assets. Relates to software previously classified within computer equipment and leasehold improvements.

**Software and film assets include an amount of NBV £910k (2019: £955k) relating to a film asset, Leandre, in the Group's Australian entity, This Film Studio. The film is expected to be released in cinemas in Australia in the second half of 2021 and in the rest of the world following that. We consider the NBV to be recoverable.

Cash generating units (CGUs)	Goodwill 31 December 2020 £000	Goodwill 31 December 2019 £000	Segment
M&C Saatchi Sport & Entertainment Ltd	1,184	1,184	UK
M&C Saatchi Mobile Ltd	4,283	4,283	UK
M&C Saatchi Merlin Ltd	765	765	UK
Talk PR Ltd	625	625	UK
M&C Saatchi Social Ltd	2,612	2,612	UK
Clear Ideas Ltd	5,031	5,008	Europe
M&C Saatchi Advertising GmbH	1,392	1,317	Europe
M&C Saatchi Middle East Fz LLC (Dubai)	677	699	Middle East and Africa
Levergy Marketing Agency (PTY) Ltd (South Africa)*	882	956	Middle East and Africa
M&C Saatchi Agency Pty Ltd (Australia)	2,860	2,740	Asia and Australia
Bohemia Group Pty Ltd (Australia)	1,907	1,792	Asia and Australia
Shepardson Stern + Kaminsky LLP	5,321	5,491	Americas
LIDA NY LLP (MCD)	5,145	5,309	Americas
Scarecrow Communications Ltd	663	700	Asia and Australia
Total of the four CGUs with goodwill less than £0.5m	106	85	Various
Total	**33,453**	**33,566**	

All movements in the table above are due to foreign exchange differences.

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 the sale of unrecognised assets or other intangibles (i.e., their value in use).

The 2020 review of Goodwill was undertaken as at 31/12/2020 with no impairment identified for FY20.

The Group has recognised a total impairment charge of £3,217k in the year (2019: £5,874k). None of this amount relates to CGU impairment (2019: £nil), £192k relates to Intangibles (2019: £5,874k), £2,651k relates to the Right of Use Assets (2019: £nil) and £374k (2019: £nil) relates to plant and equipment (note 13).

All CGU impairment reviews have been performed such that the recoverable amounts have been calculated based on value in use calculations. The value in use calculations have been based on the forecast profitability of each CGU based on the 2021 Board approved budget and 5-year plans (presented at the Capital Markets day in January 2021), with a residual growth rate of 1.5% p.a. applied thereafter. This forecast data is based on past performance and current business and economic prospects. This data is then applied within a discounted future cash flow forecast (DCF) for each CGU, which forms the basis for determining the recoverable amount of each CGU.

If the DCF of a CGU is not in excess of its carrying amount (that includes the value of its fixed assets (note 13) and ROU Assets (note 14)), then an impairment loss would be recognised. None were identified as part of the FY20 impairment calculation.

In conducting the review, a residual growth rate of 1.5% has been used for all countries. Market betas of 1.0 for UK, 1.09 for Europe, 1.0 for Americas and 1.2 for rest of the world have been utilised.

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

Key assumptions	Residual growth rates 2020 %	Residual growth rates 2019 %	Pre-tax discount rates 2020 %	Pre-tax discount rates 2019 %
UK	1.5	1.5	11-14	12-15
Asia and Australia	1.5	1.5	12-13	14-17
Middle East	1.5	1.5	12-13	12
India	1.5	1.5	18	17
South Africa	1.5	1.5	24	23-24
Europe	1.5	1.5	12	11-13
Americas	1.5	1.5	12-14	12-13

The key inputs to the Goodwill impairment reviews are the annual profit forecasts and the discount rates applied to measure the present value of the future forecast cash flows. The sensitivity of the CGUs held as at 31 December 2020, showing the impairment required at the reduced profit level / increased discount rate are presented below:

	Annual profit forecast reduced by			
Discount rates increased by	**0%**	**10%**	**20%**	**30%**
0%	–	–	73	166
1%	–	41	128	254
3%	66	168	396	662
5%	297	494	758	1,024

12. Investments in associates and joint ventures

December 31	2020 £000	2019 £000
Investments intended to be held in the long-term	2,829	3,780
Investments categorised as held-for-sale	-	-
Total equity accounted investments	**2,829**	**3,780**

			Investment in associate		Proportion of voting rights	
			2020	**2019**	**2020**	**2019**
Region & Name	**Nature of business**	**Country of incorporation or registration**	**£000**	**£000**		
Europe						
M&C Saatchi Istanbul	Advertising	Turkey	-	14	25%	25%
Asia and Australia						
M&C Saatchi (Hong Kong) Ltd*	Advertising	China	2,365	2,258	40%	40%
February Communications Private Ltd	Advertising	India	18	24	20%	20%
M&C Saatchi Ltd	Advertising	Japan	2	24	10%	10%
Love Frankie Ltd	Advertising	Thailand	185	157	25%	25%
Americas						
Technology, Humans and Taste LLC	Advertising	USA	3	1,089	30%	30%
Santa Clara Participacoes Ltda*	Advertising	Brazil	256	214	25%	25%
Total			**2,829**	**3,780**		

* In February 2021 the Group took a controlling stake in both these entities. We had committed to these acquisitions at the year-end but their execution was delayed.

The Group also holds a 10% equity stake in a Lebanese associate, M&C Saatchi SAL along with 50% equity in a Pakistan joint venture. As at the end of the year the carrying value of both entities was £NIL (2019: £NIL). The above associates have the following subsidiaries: CSZ Comunicação Ltda, M&C Mena Ltd, Al Dallah For Creativity & Design LLC & M&C Saatchi Advertising (Shanghai) Ltd. In addition, on 31 December 2020, following the disposal of the Group's French subsidiary, M&C Saatchi Little Stories SAS became a 5% associate. In February 2021 we increased our interest in this entity to 25%.

All shares in associates are held by subsidiary companies and have no special rights. Where an associate has the right to use our brand name, we hold the right to withdraw such use to prevent it being lost and protect it from damage.

Split of income statement	Note	2020 £000	2019 £000
Profit net of cost of disposal	9	-	12,980
Share of profit after taxation		(113)	230
At 31 December		**(113)**	**13,210**
Movements in the balance sheet			
At 1 January		3,780	22,589
Exchange movements		56	(617)
Acquisition of associates		1	–
Impairment of associate*		(895)	(5,210)
Dividends		–	(2,928)
Disposal		–	(10,284)
Share of profit after taxation		(113)	230
At 31 December		**2,829**	**3,780**

*£880k of the carrying value of Technology, Humans and Taste LLC impaired in 2020.

13. Plant and equipment

	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2019	8,822	5,527	5,621	108	20,078
Exchange differences	(215)	(170)	(149)	(4)	(538)
Additions	2,166	409	1,489	27	4,091
Disposals	(474)	(379)	(852)	(65)	(1,770)
At 31 December 2019	10,299	5,387	6,109	66	21,861
Exchange differences	(1,080)	551	136	11	(382)
Additions	1,442	826	916	–	3,184
Reclassifications*	–	–	(88)	–	(88)
Disposals	(2,171)	(2,743)	(2,228)	(60)	(7,202)
At 31 December 2020	**8,490**	**4,021**	**4,845**	**17**	**17,373**
Depreciation					
At 31 December 2018	4,282	3,501	3,217	14	11,014
Exchange differences	(119)	(133)	(127)	(1)	(380)
Depreciation charge	1,265	850	1,245	30	3,390
Disposals	(598)	(241)	(739)	(40)	(1,618)
At 31 December 2019	4,830	3,977	3,596	3	12,406
Exchange differences	(856)	381	201	6	(268)
Depreciation charge	1,046	551	941	17	2,555
Impairment*	374	–	–	–	374
Reclassifications**	–	–	762	–	762
Disposals	(1,310)	(2,264)	(2,015)	(24)	(5,613)
At 31 December 2020	**4,084**	**2,645**	**3,485**	**2**	**10,216**
Net book value					
At 31 December 2018	4,540	2,026	2,404	94	9,064
At 31 December 2019	5,469	1,410	2,513	63	9,455
At 31 December 2020	**4,406**	**1,376**	**1,360**	**15**	**7,157**

*Leasehold improvement impairment relates to the impairment of the right of use assets, refer to Note 14 for further detail.

**Reclassifications are between property, plant and equipment, and intangible assets. Relates to software previously classified within computer equipment and leasehold improvements.

14. Leases

Impairment of non-current assets - right-of-use property assets
During the pandemic, the Group reviewed its global property portfolio in the wake of the move to a more flexible working environment. We determined that approximately 17,000 square feet or 30% of the Group's real estate in London is now surplus to requirements and we are actively marketing the space. The key assumptions used for the calculation in relation to the current rental market are the length of the period where the properties are expected to be empty and the rent achievable if a sublease is agreed. Accordingly, we have taken an impairment of £2.7m as at 31 December 2020 against the carrying value of our right-of-use property assets.

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

Right-of-use assets	Land & Buildings **£000s**	Computer equipment **£000s**	Motor vehicles **£000s**	Total **£000s**
At 1 January 2019	**33,121**	**831**	**–**	**33,952**
Additions	22,234	118	122	22,474
Sublease	(165)	–	–	(165)
Depreciation	(8,721)	(315)	(23)	(9,059)
Foreign exchange	(630)	(27)	(3)	(660)
At 1 January 2020	**45,839**	**607**	**96**	**46,542**
Additions	1,097	426	51	1,574
Modifications	640	–	–	640
Sublease	(259)	–	–	(259)
Disposals	(30)	–	–	(30)
Depreciation	(8,705)	(328)	(71)	(9,104)
Impairment	(2,651)	–	–	(2,651)
Subsidiary disposals	(2,661)	–	–	(2,661)
Foreign exchange	(62)	11	6	(45)
At 31 December 2020	**33,208**	**716**	**82**	**34,006**

Lease liabilities	Land & Buildings £000s	Computer equipment £000s	Motor vehicles £000s	Total £000s
At 1 January 2019	**42,752**	**987**	**–**	**43,739**
Additions	22,234	118	122	22,474
Accretion of interest	1,798	37	2	1,837
Payments	(11,996)	(455)	(24)	(12,475)
Foreign exchange	(774)	(28)	(3)	(805)
At 1 January 2020	**54,014**	**659**	**97**	**54,770**
Additions	1,097	426	51	1,574
Modifications	640	–	–	640
Covid modifications	(600)	(59)	–	(659)
Disposals	(30)	–	–	(30)
Accretion of interest	2,428	38	5	2,471
Payments	(9,328)	(289)	(78)	(9,695)
Dilapidations	211	–	–	211
Subsidiary Disposals	(2,810)	–	–	(2,810)
Foreign exchange	(49)	(8)	6	(51)
At 31 December 2020	**45,573**	**767**	**81**	**46,421**

Of lease payments made in the year of £9.7m (2019: £12.5m), £7.2m (2019: £10.7m) related to payment of principal on the corresponding lease liabilities and the balance to payment of interest £2.5m (2019: £1.8m) due on the lease liabilities.

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

The unlisted equity investments held by the Group principally relate to 26 (2019: 22) early-stage companies. In addition, investments are held by two of the overseas businesses. These latter investments relate to client equity stakes provided as consideration for services rendered to those clients.

With regards to the early-stage non-client investments, the most we have invested in any one company over time is £0.7m and the least £0.1m. The Group invests in these companies for long-term return and to gain knowledge and insight into developing sectors and trends.

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

	2020 £000	2019 £000
1 January total	**14,851**	**14,041**
Additions	713	1,160
Disposals	(736)	–
Revaluations	(3,315)	(346)
Foreign exchange	(103)	(4)
At 31 December	**11,410**	**14,851**

Additions include £713k (2019: £964k) paid in cash, with the residual as consideration for services provided to early-stage companies. From the total revaluations, £2,474k relates to the unlisted investments held by SaatchInvest Ltd. The cash consideration received for the disposals was £1,233k which resulted a gain on disposal of £497k. The Group disposed of the majority of its investment in M&C Saatchi Madrid SL, but has retained a 10% shareholding. This is an unlisted investment valued at nil. The Group also holds an unlisted investment in Send Me A Sample Ltd., which is also valued at nil.

16. Borrowings

In response to the Covid-19 pandemic, the US Government established the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), administered by the U.S. Small Business Administration ("SBA"). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans provided by local lenders, which supports payroll, rent and utility expenses ("qualified expenses"). If the loan proceeds are fully utilised to pay qualified expenses over the covered period, as further defined by the PPP, the full principal amount of the PPP loan may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organisation during the covered period as compared to a baseline period.

During 2020, the Company received proceeds of £2.4m under the PPP loan scheme. These are reported within local bank loans.

Amounts due within one year

At 31 December	2020 £000	2019 £000
Overdrafts*	(13,920)	(16,232)
Local bank loans	(158)	(340)
Secured bank loans**	(27,005)	(35,640)
	(41,083)	**(52,212)**

* These unsecured overdrafts are legally offsetable with a net balance of £NIL (2019: £Nil). However, they have not been netted off in accordance with IAS32.42.
** £21.6million relates to the parent company

Amounts due after one year

At 31 December	2020 £000	2019 £000
Local bank loans*	(2,199)	(162)
	(2,199)	**(162)**

* The local bank loans for FY20 consist of the PPP loans as described above. Movement from £2.4m is due to FX.

17. Potentially issuable shares

This disclosure note summarises information relating to all share schemes disclosed in notes 18 and 19 and is not a Statutory requirement.

In the table below we present the total number of shares expected to be issued in the future for put option schemes based on the 2020 year-end share price of 83.6p and the estimated future business performance for each business unit through to the point at which the put option schemes first become exercisable. These forecasts are based on the Group's five-year plans developed as part of the strategic review exercise and presented at the Capital Markets Day in January 2021.

Total future expected share issues as at 31 December 2020

		Potentially issuable					
At 83.6p	**Issued in 2021 '000**	**2021 '000**	**2022 '000**	**2023 '000**	**2024 '000**	**2025 '000**	**Total issued and issuable '000**
IFRS2 Schemes	673	10,095	6,886	4,465	2,852	686	25,657
IFRS9 Schemes	476	537	1,860	138			3,011
Committed associate acquisitions	5,443						5,443
Deferred and contingent consideration	660	708					1,368
	7,252	11,340	8,746	4,603	2,852	686	35,479
Share price change to issue date	(425)						
Issued shares	6,827						

The same data from the table above is presented in the table below, but in this analysis the expected total number of shares to be issued in the future for put option schemes is based on a range of different potential future share prices.

Effect of a change in share price

		Potentially issuable						
Shares total by year	**Issued in 2021 '000**	**2021 '000**	**2022 '000**	**2023 '000**	**2024 '000**	**2025 '000**	**Total issued and issuable '000**	**% Potentially issuable share dilution***
At 83.6p	7,252	11,340	8,746	4,603	2,852	686	35,479	23%
At 100p	6,827	10,511	7,881	4,313	2,820	737	33,089	21%
At 135p	6,827	9,430	6,860	3,950	2,914	855	30,836	20%
At 150p	6,827	9,158	6,601	3,861	2,993	908	30,348	19%
At 200p	6,827	8,545	6,019	3,661	3,334	1,089	29,475	19%
At 250p	6,827	8,178	5,670	3,541	3,742	1,272	29,230	18%
At 300p	6,827	7,933	5,437	3,461	4,182	1,456	29,296	18%

*based on the current issued share capital of 122,743,435 and taking into consideration all potentially issuable shares.

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

Share issued to signing date in 2021

Since 1 January 2021, a total of 6,827k shares have been issued to fulfil deferred consideration, Associate, IFRS 2 and IFRS 9 put option schemes (put options). These shares were issued at an average share price of 90.8p. Had these put options been issued at the year-end share price of 83.6p, 7,252k shares would have been issued.

18. Minority shareholder put option liabilities

As at 31 December	2020 **£000**	2019 **£000**
Amounts falling due within one year	(978)	(3,183)
Amounts falling due after one year, but less than three years	(1,804)	(3,918)
	(2,782)	**(7,101)**

	2020 **£000**	2019 **£000**
At 1 January	(7,101)	(13,764)
Exchange difference	–	(188)
Exercises	4,440	9,672
Income statement charge due to:		
– Change in profit estimates	1,671	(2,512)
– Change in share price	(1,732)	(237)
– Amortisation of discount	(59)	(72)
Total income statement charge	(120)	(2,821)
At 31 December	**(2,781)**	**(7,101)**

Put options exercised in year	2020 **£000**	2019 **£000**
Paid in equity	4,236	6,665
Paid in cash	204	3,265
Exchange difference	–	(258)
Total	**4,440**	**9,672**

The estimated number of M&C Saatchi plc shares that will be issued to fulfil these options at 83.6p is 3,011,432 shares (2019: 124.0p is 5,726,613 shares).

At each period end, the amortised cost of the put option liability is calculated in accordance with the put option agreement to determine a best estimate of the future value of the expected award. Resultant movements in the amortised cost of these instruments 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 (2020: 83.6p; 2019: 124.0p).

The put option liability will vary with both our share price and the subsidiary enterprises' performance. Current liabilities are determined by our year-end share price and the 2020 results of the companies who can exercise in 2021. Non-current liabilities are determined by our year-end share price and the projected results of the companies who can exercise after 2021. The projected results use management's best estimate of the growth rates and margin of the companies who can exercise after 2021.

Put options are exercisable from year ended 31 December:

Subsidiary	Year	% of subsidiaries shares exercisable
M&C Saatchi Little Stories SAS*	2020	19.9
M&C Saatchi (Switzerland) SA	2020	20.0
M&C Saatchi Merlin Ltd	2020	15.0
Resolution Design Pty Ltd	2020	15.0
Bohemia Group Pty Ltd	2021	25.9
This Film Studio Pty Ltd	2022	30.0

* Option exercised in 2020, M&C Saatchi plc shares issued 10 February 2021.

19. Share-based payments

During the year, two put option schemes which had previously been reported as equity settled schemes were reclassified as bonuses. The reclassification had no P&L impact, but reduced equity by £1.1m and increased trade and other payables by £1.1m at the start of the year. However, it increased 2019 Headline staff costs by £1.1m so the 2019 comparative numbers in notes 1,3 and 5 have been adjusted and 2019 Headline profit has reduced accordingly. The directors do not consider the reclassification requires an adjustment to prior period financial statements. This is because the magnitude of the balances in equity and trade and other payables is sufficiently large that it would not alter the view of a user of the financial statements of the strength of the consolidated balance sheet. Due to this change we have removed these schemes items we exclude from our Headline Profits. If such items are removed in all years the equity expense recognised in the year is:

	2020	**2019 re-stated**
	£000	**£000**
Equity settled	3,275	9,145
Cash settled SA*	25	342
Total	**3,300**	**9,487**

Cash settled share-based payments

The movement in the liability required to be recognised at the end of each reporting period is as detailed below.

	2020 **£000**	2019 **£000**
1 January total	(571)	(1,086)
Revaluations	(25)	(342)
Settled	–	864
Foreign exchange	51	(7)
At 31 December	**(545)**	**(571)**

This relates to South Africa, of this cash balance, £545k had fully vested (2019: £571k).

20. Issued share capital

Allotted, called up and fully paid

	Number of shares	1p Ordinary shares **£000**
At 31 December 2018	**87,603,553**	**876**
Exercise of M&C Saatchi Mobile share options	1,785,527	18
Acquisition of 10% of M&C Saatchi SPA	825,755	8
Acquisition of 10% of M&C Saatchi Merlin Ltd	131,501	1
Acquisition of 33% of Shepardson Stern & Kaminsky LLP*	1,048,747	11
Acquisition 10% M&C Saatchi (M) SDN. BHD	408,115	4
Acquisition 17% of Bohemia Group Pty Ltd	1,397,613	14
Acquisition of M&C Saatchi Sports & Entertainment smaller shareholders	395,949	4
At 31 December 2019	**93,596,760**	**936**
Exercise of M&C Saatchi Mobile share options	13,671,602	137
Final payment for acquisition of 33% of Shepardson Stern & Kaminsky LLP*	8,295,033	82
Acquisition 22% M&C Saatchi Social Ltd	353,195	4
At 31 December 2020	**115,916,590**	**1,159**

* Shares were issued by M&C Saatchi plc to enable the acquisition by M&C Saatchi Agency Inc. of this equity.

The Group holds 485,970 (2019: 485,970) of the above M&C Saatchi plc shares in treasury.

21. Post balance sheet events

On 31 May 2021, the Company entered into a revolving multicurrency facility agreement with National Westminster Bank Plc and Barclays Bank PLC for up to £47m (the "Facility"). The Facility includes a £2.5m overdraft and the ability to draw up to £3m as performance bonds. The Facility is provided on a three-year term (with two optional one-year extensions). The Facility replaces the Company's existing £33m revolving credit facility and £5m overdraft which were due to terminate on 30 June 2021.

On 1 January 2021, the Board appointed Moray MacLennan as Chief Executive Officer. On 3 March 2021, the Board appointed Vinodka (Vin) Murria as a Non-Executive Director.

On 10 February 2021, the Group acquired a controlling interest in its Hong Kong associate, M&C Saatchi (Hong Kong) Ltd and its Brazilian associate, Santa Clara Participacoes Ltda. On 12 March 2021, the Group acquired a 10% shareholding in Australie SAS, France. The initial accounting for these transactions is incomplete at the time the financial statements are authorised for issue, therefore the IFRS 3 disclosure is not presented in the Annual Report.

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.

Additional information

Glossary

Billings	Billings comprise all gross amounts billed, or billable to clients in respect of commission-based and fee-based income, whether acting as agent or principal, together with the total of other fees earned, in addition to those instances where the Group has made payments on behalf of customers to third parties. It is stated exclusive of VAT and sales taxes. This is a non-Statutory number and is unaudited.
Headline	The Directors believe that the Headline results and headline earnings per share measures 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. Headline results represent the underlying trading profitability of the Group, excluding all accounting charges related to equity and investments. The items that are excluded from Headline results are the exceptional items; 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 investments in associates and right-of-use assets; gain or loss on disposal of associates and subsidiaries; revaluation of investments in Saatchinvest and their related costs; and the income statement impact of put option accounting and share-based payment charges. Exceptional items include restructuring and costs relating to the accounting misstatements identified in 2019.
Company	M&C Saatchi Plc, a company incorporated and domiciled in England and Wales, listed on the AIM Market of the London Stock Exchange plc.
Group	The Company and its subsidiaries.
Net debt	Net debt at a period end is calculated as the sum of the net borrowings of the Group, derived from the cash ledgers and accounts in the balance sheet. Net debt excludes lease liabilities.
Net revenue	Net revenue is equal to revenue less project cost / direct cost. It is not an IFRS defined term. It is, however, used as a key performance indicator by the Group.
Minority interests and non-controlling interest	Within the Group, there are a number of subsidiary companies and partnerships in which employees hold a direct interest in the equity of those companies. These employees are referred to as minority shareholders. Of these subsidiary companies and partnerships, the majority account for the shareholding of their minority shareholders as a management incentive (through the award of conditional shares) and are 100% consolidated in the Group's financial statements. The remaining seven subsidiary companies (including one without a put option) account for their minority shareholders as non-controlling interests, a defined IFRS term, with their share of the Group's profits being shown separately on the Income Statement.

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