M&C SAATCHI PLC

(the "Company", "M&C Saatchi" or the "Group")

Unaudited preliminary results for the year ended 31 December 2023 ("FY 23")

Material profit improvement in H2 and encouraging Q1 like-for-like momentum
Significant progress on transformation programme
Strengthened foundations for future growth

Zillah Byng-Thorne, Executive Chair, said:

"*2023 was a year of strategic progress. We have begun to transform into a leaner and more agile business laying the groundwork for sustained growth and improved profitability ahead. There is much more to do on simplifying how we interact with our clients and evolving our go-to-market strategy. With strengthened cash generation, we expect to re-invest in value accretive opportunities to enhance shareholder returns.*

"I am delighted that Zaid Al-Qassab joins as CEO in May to lead M&C Saatchi on its next phase of growth, building on a simplified operating model and supported by our exceptional leaders.

"We are encouraged by our performance in the start to the year, and while macro-economic uncertainty across our markets remains, our continuing transformation, which is already delivering, underpins our confidence that we will meet expectations."

Financial headlines

	Headline results				Statutory results		
	FY23 £m	**FY22** £m	**Change**	**LFL**	**FY23** £m	**FY22** £m	**Change**
Revenue	453.9	462.5	(2)%		453.9	462.5	(2)%
Net revenue	252.8	271.1	(7)%	(2)%			
EBITDA	41.5	45.2	(8)%				
Operating profit	32.4	35.4	(8)%		7.3	10.5	(31)%
Profit before taxation	28.7	31.8	(10)%	(1)%	0.7	5.4	(87)%
Earnings per share (EPS)	15.2p	14.8p	3%		(2.9)p	0.1p	
Operating profit margin	12.8%	13.1%					
Dividends per share	1.6p	1.5p	6%				

Note throughout: Headline results reflect the underlying profitability of the business units, by excluding a number of items that are not part of routine expenses. Note 1 of the financial statements reconciles Statutory results to Headline results.
A like-for-like basis (LFL) applies constant foreign exchange rates and removes entities discontinued during 2023.

- Net revenue £252.8m (FY22: £271.1m) down 2% excluding the impact of the non-core businesses exited in H2 (LFL)
- Headline operating profit £32.4m (FY22: £35.4m) with H2 growing 30% on the prior H2 as a result of actions including:
  - £3.9m of annualised cost savings as we accelerated the global efficiency programme
  - Exited non-core businesses representing c.£9m of revenue and c.£3m of operating losses in FY23
- Operating margin 12.8% (FY22: 13.1%) with significant improvement in the H2 margin to 16.9% compared with 8.3% in H1
- Headline profit before tax £28.7m (FY22 £31.8m), down 1% LFL
- Headline EPS 15.2p (FY22 14.8p) up 3% reflecting the reduction in put option liabilities
- Net cash £8.3m (FY22: £30.0m), with liquidity headroom of £55m, largely reflecting the settlement of put option cash liabilities with minority interests now 13% of Headline profits (FY22: 25%)
- Proposed increased final dividend of 1.6p (FY22 1.5p) reflecting our earnings performance

Operational performance

- Challenging market dynamics for Advertising, Consultancy and Media, however, our actions on costs and progress in rationalising the portfolio helped the H2 performance
- Strong performances from Issues and Passions contributed to an increase in their proportion of the portfolio to 34% of net revenue (FY22 27%), demonstrating continuing diversification
- 119 awards and 216 new business wins including World Health Organization, Porsche, adidas, Nike, Revlon, and McDonalds

Transformation programme

- Significant progress made in delivering our efficiency and transformation plans including annualised cost efficiencies of £3.9m achieved in FY23
- New operating model and go-to-market strategy, bringing us closer to clients and better aligning our global capabilities with their needs
- Strengthened and simplified leadership structures led by Zillah Byng-Thorne whose appointment as Executive Chair was effective from 1 September 2023
- Appointment of Zaid Al-Qassab as CEO, effective 13 May 2024; he brings an extensive track record of advertising and market leadership, managing global teams and brand-building expertise
- New roles of Chief People and Operations Officer to deliver the transformation programme and Global Chief Creative Officer to be appointed to deliver the new operating model

Current trading and outlook

- Our confidence in meeting FY24 expectations is underpinned by encouraging Q1 momentum, despite continuing macroeconomic uncertainty
- Improved free cash generation in 2024 with the expected settlement of the majority of the remaining put option liabilities
- We are confident that the structural changes we are making to our cost base alongside our new operating model are increasing our operational leverage potential which will help support future margin expansion

PRELIMINARY ANNOUNCEMENT

This preliminary announcement was approved by the Board on 9 April 2024. It is not the Group's statutory accounts. Copies of the Group's audited statutory accounts for the year ended 31 December 2023 will be available on the Company's website in the coming days, and a printed version will be dispatched to shareholders thereafter.

2023 RESULTS PRESENTATION

An in-person presentation will be held today at 9:00am at 36 Golden Square, London, W1F 9EE, hosted by Zillah Byng-Thorne, Executive Chair, and Bruce Marson, Chief Financial Officer.
Please email mcsaatchi@headlandconsultancy.com to register to attend.

A webcast is available for those not able to attend in person:
https://events.teams.microsoft.com/event/cdbcb755-3135-400f-a7bb-e8f4ee9eec2e@bd5a0452-9909-41d4-9092-cf358a7950c5

A replay will be also available on the Company's website following the event https://mcsaatchiplc.com/

FURTHER INFORMATION

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014.

EXECUTIVE CHAIR STATEMENT

2023 was a year of significant progress for M&C Saatchi. Our financial results not only reflect the challenging market environment our businesses operate in, but also the considerable progress that has been made in shaping the Group to best deliver sustainable growth in the future.

We delivered a materially better financial performance in the second half of the year, following the more challenging start to the year. This was partly led by impressive contributions from Issues and Passions. The biggest drivers of improvement were our own proactive actions on costs, accelerating our structural transformation, and closing or divesting a number of loss-making businesses which drove operating margin up from 8.3% in the first half to 16.9% in the second half.

Although much has already been achieved in transforming our Group, there is more to do and 2024 will deliver further progress. The market environment remains challenging, but 2024 will also benefit from the full-year impact of the actions we have already undertaken and the planned actions we are yet to deliver. This report will cover what we have been doing to improve our Group and lay the foundations for what we all believe will be an exciting future for the Company and all of its stakeholders.

PERFORMANCE

Market backdrop

2023 was a challenging year across our industry, particularly in the first half. However, as we indicated at the interims, we had already accelerated our global efficiency programme and were taking action on the loss-making, non-core businesses within our portfolio. As a result, we were able to arrest the decline and significantly improve profitability in the second half.

The early signs we noted at the half year, that pressure was easing on client marketing budgets pointing to an improving market backdrop, are being realised. Nevertheless, looking at the year overall, the more cyclically exposed parts of our businesses felt pressure throughout the year. As a result of this, Advertising, Media and Consulting were the most heavily affected (particularly where they were exposed to large technology clients), while Issues and Passions, which are less exposed to the broader marketing spend cycle, continued to deliver strong growth and healthy margins, underpinning the benefit of our diversified business model.

Operational performance

The resilience that our diversified portfolio lends the Group is evident in this year's performance.

Advertising

- Represented 42% of the Group net revenue, down from 46% in 2022.
- 2023 was a challenging year encompassing a broad range of outcomes across our geographical breadth, with the US and the UAE outperforming Asia and Europe.
- Advertising was most affected by business exits and excluding these, like-for-like (LFL) net revenue declined 8% (a 12% decline in the first half and a 5% decline in the second half). Net revenue overall declined 15% in the full-year, ahead of the 16% decline at the half year.
- Market sentiment has shown signs of improvement, but we remain cautious on the outlook. Our self-help measures, including strengthened leadership and internal improvements from operating as integrated, simpler agencies, will be the key drivers of performance in 2024.

Issues

- Represented 20% of Group net revenue, up from 15% in 2022.
- Characterised by a global client base of both commercial and non-commercial entities and multi-year engagements, which is less cyclical and has been a strong contributor to the Group over the last two years.
- Delivered 21% net revenue growth; 22% on a LFL basis.
- The outlook for 2024 remains positive.

Passions

- Represented 14% of Group net revenue, up from 12% in 2022. In FY23, PR's results are included in Advertising, but will be included in Passions & PR from FY24 reflecting the consolidation taking place.
- This specialism encompasses our award-winning Sport & Entertainment and Talent businesses. It is also characterised by multi-year client engagements and benefits from the growing desire of brands to partner and engage through consumer events and non-traditional channels.
- Passions delivered 8% net revenue growth; 10% on a LFL basis.
- The outlook for 2024 remains positive, and we expect to invest further in this business to drive growth.

Consultancy

- Represented 14% of Group net revenue, in line with 2022.
- Broader market challenges in the consultancy sector were evident and net revenue declined by 9%; 6% on a LFL basis.
- We acted on costs within this specialism, and re-aligned our business structures and leadership. In addition, we have simplified our proposition, launching M&C Saatchi Consulting, in order to make it simpler for our clients to access our services.
- 2024 has started on a firmer footing than 2023, but we remain cautious about market conditions.

Media

- Represented 10% of Group net revenue, down from 13% in 2022.
- This was the most challenged specialism in 2023 with a 23% decline in net revenue; 21% decline on a LFL basis, notwithstanding a number of good client wins. The decline was 30% in the first half and 12% in the second).
- Most impacted by the macro factors at the start of 2023 including the reduction in spend from technology clients in the first half, coupled with changes relating to privacy regulations.
- We have addressed costs in this business during the year and have strengthened leadership to enable a focus on strategic growth.
- While we remain cautious about the structural headwinds the paid media market faces in the short term, the outlook for 2024 is more promising. We have seen a stronger start to the year compared to 2023.

PROGRESS ON SENIOR MANAGEMENT AND THE BOARD

Executive management

2023 was a year of significant change from a senior management and Board perspective.

I would like to thank Moray MacLennan, who stepped down as a director at the end of September 2023 following his intention to retire as Chief Executive Officer, for his longstanding contribution and commitment to our Group. Moray was instrumental in seeing the business return to a sound footing after a particularly challenging period and laying the groundwork for its subsequent growth.

We were delighted to announce the appointment of Zaid Al-Qassab as our new Chief Executive Officer, joining in May 2024. I will then step back from my interim role as Executive Chair to fulfil the role of Non-Executive Chair. Not only does Zaid bring significant marketing industry experience with him, he also brings a client perspective that will be critical to our customer-led growth journey.

Over the course of the year, a key priority has been to streamline and rebalance our Executive Leadership Team, resulting in a number of internal promotions and external appointments. The new role of Chief Operations Officer, with responsibility for the delivery of our global transformation project, has been taken by Mark Dickinson-Keen in addition to his Chief People role. We expect to announce the appointment of a Global Chief Creative Officer shortly. This role will be critical as we roll out our new operating model, providing a central focal point for the Group's creative ambition and activities.

The Board

During the year Gareth Davis, my predecessor as Chair, and Lisa Gordon, Senior Independent Director, stood down. I would like to thank both Gareth and Lisa for the support and contribution to the Company over their tenure.

In January 2024, we welcomed Dame Heather Rabbatts to the Board as our new Senior Independent Director. Dame Heather brings her experience across a range of industries, including local government, infrastructure, media and sport. Dame Heather has held a number of executive and non-executive roles.

We also welcomed Chris Sweetland to the Board as a non-independent Non-Executive Director. Chris is the nominated representative of AdvancedAdvT Limited and Vinodka Murria, who hold in aggregate 22.2% of the Company's issued share capital. Chris brings substantial relevant experience as previous Deputy Group Finance Director of WPP Group and is an excellent addition to our Board.

PROGRESS ON TRANSFORMATION

The transformation of our business is multi-phased with significant progress made in 2023.

1. The initial phase has focused on securing short-term efficiency and cost savings and reviewing the loss-making businesses within our Group. This is now well underway and we have made very tangible progress.

2. In the next stage, we will focus on shaping our business for the future and what that means for the structure of our Group.

1. Cost savings and portfolio rationalisation

The purpose of initial phase was three-fold:

- To deliver a structural and long-term improvement to our Group operating margin.
- To simplify our Group structure and ensure that all the businesses within Group are wholly aligned with our new operating model and go-to-market strategy.
- To free up the capital required to support these businesses and allow this capital to be re-invested where longer-term growth opportunities are more attractive.

At our interim results we announced that we would be accelerating and refocusing our global efficiency programme. We have made good progress, exceeding our 2023 target with £3.9m of fully annualised cost savings delivered by the year-end. We remain on course to deliver an additional £6.1m of annualised savings by the end of 2024 totalling c £10m.

In 2023 we incurred £3.3m of exceptional costs relating to our global efficiency programme, of which £1.1m was cash and £2.2m represented property impairment charges. For 2024, we expect a higher level of costs to be incurred but we still expect the total cost of this programme, both cash and accounting costs, to be in line with our previous guidance of 0.5x to 1.0x the level of annualised cost savings delivered.

Where we focused our efforts in 2023:

- People. Focus primarily on our Group head office and functions where roles are no longer necessary or likely to be duplicated.
- Property. Rationalising and optimising our UK, Australian and US property portfolios.
- Procurement. Seeking greater efficiency around our use of service suppliers and internal cost centres such as travel.

Looking forward to 2024, we see further material gains to be made from:

- Optimising and rationalising our group support functions including Finance, IT and HR to create shared service centres to support the Group on a global basis.
- Further gains from our property portfolio with more efficient use of our UK property.
- Rationalising our IT service provision through group-wide deployments.
- Focus on creation of centres of excellence for our middle office functions and common capabilities, specifically production, data and analytics and social media.

Business portfolio rationalisation:

Above and beyond the operational cost savings we are making, we have also been actively reviewing our portfolio, in particular a number of non-core or loss-making businesses. Significant progress has been made and we have exited from businesses that, in aggregate, represented a consolidated c.£9m of revenue and c.£3m of operating losses in 2023, including:

- Sweden. We reduced our interest from 70% to 30%, with the management team acquiring our interest.
- Asia. We have closed, wound down, or exited through local management buy-outs, a number of our smaller offices across this region, including in China, Hong Kong, Indonesia and Singapore. We have also consolidated our regional structure into a unified regional headquarters for APAC.
- UK. We have exited several of our smaller, non-core businesses and have merged our agencies into an integrated new UK Agency.

For a number of the businesses that have been disposed of, we have entered into future relationship agreements that enable these businesses to continue to use the M&C Saatchi brand. In return for the use of our brand rights, and to remain connected to our global network, these businesses will pay an ongoing licence fee to the Group. This allows us to continue to share in their success as independent businesses, albeit not solely at the equity level, and transforms them into a profit centre for the Group rather than a cost centre.

In the first quarter of 2024, the Group divested of its shareholdings in its three French associate investments, for €1m. More recently on 9 April 2024, the Group announced the divestment of its shares in the M&C Saatchi South Africa Group for £5.6m. Once completed, these transactions mean that we will have materially completed the simplification of our business portfolio.

2. Shaping of the business for the future

Building on our creative heritage
Creativity is a word that has often been associated with M&C Saatchi, and with good reason. Our position in the market has been hard won over the years through a dedication to creativity to empower our clients by cutting through a crowded and competitive brand landscape. M&C Saatchi has always been a business that has dared to be different.

However, creativity must have a purpose and be accompanied, supported, and enhanced by other skills and specialisms that fit the broader and evolving needs of our clients. M&C Saatchi exemplifies exactly that exciting breadth of skills and passions.

The challenge is not whether we have the capability, it is how best to align these capabilities with our customers. This is about removing the internal barriers to growth that our historic approach had put in place to reflect the changing needs of our clients.

Regional first
We solve the problem of client complexity and proximity by going towards, and becoming closer to, our clients and presenting a clear and integrated solution to them. Our existing regional presence already places us close to our clients but rather than presenting a narrow, regional set of solutions to them, we will open up the full range of capabilities that exist within our global specialisms.

We also need to recognise the client opportunities that this model is ideally suited for. These are the regional champions that need the full suite of our capabilities but have yet to go fully global themselves. These are the businesses that we can grow with over the long term and deliver a meaningful impact to. We recognise that we have a core competency in helping the businesses that are ambitious, that are at an inflection point facing competitive or market challenges that we can deliver solutions to.

Global specialism delivery
A regional first focus does not imply no global client mandates. Our specialisms already work with a wide array of global clients on a global basis, and we do not see this changing. Instead, a regional first focus means that our global specialist teams will be exposed to a broader array of clients. We want our global specialisms to be busier. We see this as the fastest route to bring our unique suite of skills closer to more of our clients.

Supported by global shared services and an integrated agency model
Critical to the success of this regional first, global specialism delivery model is a group and agency structure that will enable delivery on this basis and remove internal barriers.

- Global shared services. This is about efficiency and the speeding up of client delivery. By creating global service centres that deliver Group-wide support and back-office functions, we can streamline and increase the agility of our client-facing regional hubs. Not only will this enhance our margins by removing duplicated functions and reducing procurement costs, it will also decrease complexity, and increase our flexibility and speed of response.

- Integrated agency model. We reduce the complexity of our client offer by reducing the number of distinct, and often disconnected, faces we present to them. Our clients need to see us as a partner that can deploy the requisite skills at the right time to solve the issues they face.

Our Australian businesses are an integrated agencies into a single, go-to-market proposition. We have created a new integrated agency in the UK and we will see further integration as the year progresses. This is about recognising that the template for success already exists within the Group and ensuring that we make this our uniform approach.

The simplification of our structure, coupled with the simplification of our balance sheet will liberate the capital, both fixed and working, that will be needed to deliver this new operating model across the Group.

CAPITAL ALLOCATION

M&C Saatchi is capable, over the medium-term, of converting at least 80% of its operating profits into cash, although each future year will undoubtedly see some degree of variability through the cycle. Putting aside the one-off impacts on cash generation in 2023, our streamlined portfolio of businesses, our new operating model and go-to-market strategy give us a high degree of confidence in the potential for sustainable and growing free cash generation.

Our strategy to evolve and grow M&C Saatchi will require investment. Aligned to our regional first, global delivery-led approach, we will seek to re-invest to drive long-term growth and to add capability, capacity and scale in the parts of the Group that will generate the greatest return. We will remain open to opportunities to accelerate that through selective M&A. We expect that the majority of acquisitions would be bolt-on in nature and address gaps in our client-facing capabilities and regional coverage.

Our confidence in the Group’s ability to generate sustainable and growing free cash underpins our view on capital allocation. We are comfortable operating with a net debt to EBITDA ratio not exceeding 1.5 times, although we would allow for a temporary spike in the case of a material acquisition.

By simplifying our Group, good execution, re-investing in growth, and selective bolt-on acquisitions, we believe we can deliver a compelling proposition of returns to shareholders including capital growth, a progressive dividend, and a robust, optimal balance sheet.

OUTLOOK

Over the last 12 months, there have been many changes at M&C Saatchi against a background of significant market volatility. The Board has materially changed, including the appointment of a new Chair and Chief Executive Officer designate while our markets have been challenging, particularly in the technology sector. As such, we have taken the decision to no longer provide long-term targets and will, instead, provide nearer-term guidance.

2024 has started with renewed energy and focus and encouraging first quarter momentum. While our end markets continue to be affected by macro-economic uncertainty, we expect Headline profit before tax for 2024 to be in line with expectations. We are confident that the structural changes we are making to our cost base alongside our new operating model are increasing our operational leverage potential which will help support future margin expansion.

We have evolved the senior leadership team increasing capabilities and alignment. Zaid Al-Qassab's arrival as our new Chief Executive Officer is at the core of this process and sets the scene for our delivery over the coming years.

We are well progressed on building a simplified operating model which places our regional focus and global specialist expertise at the heart of everything we do. This will ensure we can continue to be unashamedly bold, creative, entrepreneurial and fearless in the work we do with our clients.

Our focus is on growing returns for our shareholders by investing in capabilities and driving the Group forward with renewed purpose. We have a marked advantage in being able to operate at scale with the agility of a start-up, allowing us to move at pace.

FINANCIAL REVIEW

£m	Headline results FY23	FY22	*Movement*	Statutory results FY23	FY22	*Movement*
Revenue	453.9	462.5	*(2)%*	453.9	462.5	*(2)%*
Net revenue*	252.8	271.1	*(7)%*	–	–	–
EBITDA*	41.5	45.2	*(8)%*	–	–	–
Operating profit	32.4	35.4	*(8)%*	7.3	10.5	*(31)%*
Profit before taxation	28.7	31.8	*(10)%*	0.7	5.4	*(87)%*
Profit/(loss) for the year	21.3	24.0	*(11)%*	(2.8)	0.2	–
Earnings/(loss)**	18.5	18.1	*2%*	(3.5)	0.1	–
Earnings/(loss) per share	15.2p	14.8p	*3%*	(2.9)p	0.1p	–
Operating profit margin %	12.8%	13.1%	*(0.3) pts*	–	–	–
Dividends per share	1.6p	1.5	*6%*			

The Group generated £252.8m of net revenue in 2023, 7% lower than last year, but with strong growth in our Issues business (+21%) and in our Passions business (+8%). The downturn in the technology sector and client hesitancy to commit to new projects affected Media (-23%), Advertising (-15%) and Consultancy (-9%).

Headline operating profit for the Group in 2023 was £32.4m, £3.0m lower than last year, with the full impact of our cost actions benefitting the second half of the year (H2 operating profit of £22.4m, £5.1m (30%) higher than last year). Headline operating profit margin for the full year was 12.8% (0.3 pts lower than last year), with H2 margin of 16.9% (4.7 pts higher than last year).

£m	H1 Headline results H123	H122	*Movement*	H2 Headline results H223	H222	*Movement*
Net revenue	120.4	129.4	*(7)%*	132.4	141.7	*(7)%*
Operating profit	10.0	18.1	*(45)%*	22.4	17.3	*30%*
Profit before taxation	8.8	16.0	*(45)%*	19.9	15.8	*26%*
Earnings	5.5	7.8	*(30)%*	12.6	10.3	*22%*
Operating profit margin	8.3%	14.0%	*(5.7) pts*	16.9%	12.2%	*4.7 pts*

Headline profit before tax in 2023 for the Group was £28.7m (2022: £31.8m). Excluding Advertising, the other specialisms contributed £29.8m of profit before tax (2022: £31.6m), driven by ongoing growth and margin improvement in Issues, offset by lower revenue and margin declines in Media and Consulting, with Passions delivering similar profit to last year. Advertising contributed £6.2m of profit before tax (2022: £9.9m), with profit growth in the UK, South Africa and the UAE offset by declines in Australia, Asia, Europe and the US. The Group's central costs reduced by £2.3m to £7.4m, due to lower bonuses and audit fees.

Exceptional costs relating to our global efficiency programme amounted to £3.3m of which £1.1m was cash and £2.2m represented property impairment charges. For 2024, we expect a higher level of exceptional costs to be incurred but we still expect the total cost of this programme, both cash and accounting items, to remain in line with our previous guidance of 0.5x to 1.0x the level of annualised cost savings delivered.

On a statutory basis, the Group delivered operating profit of £7.3m (2022: £10.5m) and a profit before tax of £0.7m (2022: £5.4m profit).

Due to the exercise of put options in the year, minority interests have diminished to 13% of Headline profits (2022: 25%), which results in Headline earnings of £18.5m, 2% higher than last year. Headline earnings per share has grown 3% to 15.2p (2022: 14.8p). Statutory earnings per share were (0.6p) (2022: 0.1p).

The Group remains in a net cash position of £8.3m (2022: £30.0m), after £15.4m of put option payments and a £14.5m of working capital absorption (driven by £8m reduction in bonus accruals, a £3m reduction in minority interest profit share liabilities and £3m relating to changing revenue mix). Our net cash position at the end of the first quarter showed an improvement compared with December.

Segmental review
Advertising remains the largest specialism, comprising 42% of total net revenue (2022: 46%). The other four specialisms have increased their share of total net revenue to 58% (2022: 54%). This shift away from Advertising continues to improve our overall operating margin mix, as these other specialisms have an average operating profit margin of 22%, compared to Advertising with an operating profit margin of 8%.

There has been a marked shift in revenue between the different specialisms over recent years as shown by the table below, with Issues, Passions and Consulting all increasing their contribution to the Group since 2020.

Net revenue share	Advertising	Issues	Passions	Consulting	Media	Total
2023	42%	20%	14%	14%	10%	**100%**
2022	46%	15%	12%	14%	13%	**100%**
2021	51%	14%	10%	12%	13%	**100%**
2020	61%	13%	8%	8%	10%	**100%**

The Group's net revenue decreased 7% in 2023. However, the reduction was 2% on a LFL basis, if we exclude those entities the Group disposed of, closed or wound down through the course of 2023, and the impact of foreign exchange movements. During the year, the Group disposed of Clear Deutschland, and more recently M&C Saatchi Spencer Hong Kong Limited, and reduced its interest in M&C Saatchi Sweden AB. The Group also announced in 2023 that it was in negotiations to divest of M&C Saatchi Holdings Asia Pte. Limited, which is now complete. During 2023 the decision was made to wind down a number of smaller, non-core businesses in Advertising and Consulting. No businesses were acquired in 2023.

Net revenue by specialism	Reported		Like-for-like	
	FY23 £m	***Movement versus 2022***	**FY23 £m**	***Movement versus 2022***
Advertising	105.5	*(15)%*	97.4	*(8)%*
Issues	51.1	*21%*	51.1	*22%*
Passions	36.2	*8%*	36.2	*10%*
Consulting	33.7	*(9)%*	33.1	*(6)%*
Media	26.3	*(23)%*	26.3	*(21)%*
Group	**252.8**	***(7)%***	**244.1**	***(2)%***

Note: A like-for-like basis applies constant foreign exchange rates and removes entities discontinued during 2023.

Due to the tougher trading conditions in Advertising, cost actions were taken which reduced operating costs by 13% in 2023. This helped maintain operating Advertising profit margins at 8% (2022: 9%).

Operating costs outside of Advertising grew 3% in 2023, driven by the growth of Issues and Passions, partially offset by cost reduction actions in Media and Consulting in reaction to their lower client spend. The net result was a slight reduction in our non-Advertising specialisms operating margin to 22% (2022: 24%).

The impact of our global efficiency programme reduced our Group central operating costs by £3.7m (33%). This helped the Group maintain its overall operating margin of 13%.

FY23	Advertising £m	Other specialisms £m	Group central costs £m	Total £m
Net revenue	105.5	147.3	–	252.8
Operating costs	(97.5)	(115.2)	(7.7)	(220.4)
Operating profit / (loss)	8.0	32.1	(7.7)	32.4
Operating profit margin	8%	22%	–	13%
Profit / (loss) before tax	6.2	29.8	(7.3)	28.7

FY22	Advertising £m	Other specialisms £m	Group central costs £m	Total £m
Net revenue	124.3	146.8	–	271.1
Operating costs	(112.6)	(111.8)	(11.3)	(235.7)
Operating profit / (loss)	11.7	35.0	(11.3)	35.4
Operating profit margin	9%	24%	–	13%
Profit / (loss) before tax	9.9	31.6	(9.7)	31.8

Regional review

On a geographic basis, the UK remains our biggest region, supported by the significant growth of Issues, which offsets the contraction of UK Advertising. Following the decision to discontinue many of the Asia businesses, we have merged Asia and Australia into a new APAC region, managed from Australia. Also, given the growth and prospects in the Middle East and our new executive leadership structure, we have split out Middle East and Africa. However, we retain a good geographic mix of businesses. The recent shifts in share of revenue by region can be seen in the table below:

Net revenue share	UK	APAC	Americas	Africa	Europe	Middle East	Total
2023	40%	26%	19%	6%	6%	3%	**100%**
2022	36%	29%	20%	6%	6%	2%	**100%**
2021	39%	30%	17%	6%	6%	2%	**100%**
2020	39%	26%	15%	5%	13%	2%	**100%**

Net revenue by region	Reported		Like-for-like	
	FY23 £m	***Movement versus 2022***	**FY23 £m**	***Movement versus 2022***
UK	102.3	*0%*	101.2	*1%*
APAC	65.6	*(17)%*	60.7	*(10)%*
Americas	46.9	*(10)%*	46.9	*(8)%*
Africa	16.1	*(6)%*	16.1	*8%*
Europe	14.4	*(5)%*	11.7	*18%*
Middle East	7.5	*18%*	7.5	*19%*
Group	**252.8**	***(7)%***	**244.1**	***(2)%***

Note: A like-for-like basis applies constant foreign exchange rates and removes entities discontinued during 2023.

Discontinued businesses

At the end of 2023, it was decided to dispose, wind-down or close a number of non-core businesses in Advertising (Hong Kong, Singapore, Indonesia, China, Sweden, Majority and Accelerator) and in Consulting (Thread Innovation and M&C Saatchi Life). In 2023, these businesses contributed £8.7m in net revenue and a loss before tax of £3.1m. The Group's 2023 net revenue excluding these discontinued operations would have been £244.1m (2% lower than last year) and the Group's 2023 profit before tax would have been £31.8m (1% lower than last year), with an operating profit margin of 14.2% (0.2 pts higher than last year).

	Headline results			Like-for-like		
£m	**FY23**	**FY22**	***Movement***	**FY23**	**FY22**	***Movement***
Net revenue	252.8	271.1	*(7)%*	244.1	249.9	*(2)%*
Operating profit	32.4	35.4	*(8)%*	34.6	35.1	*(1)%*
Profit before taxation	28.7	31.8	*(10)%*	31.8	32.0	*(1)%*
Operating profit margin %	12.8%	13.1%	*(0.3 pts)*	14.2%	14.0%	*0.2 pts*

Key movements between Statutory to Headline results

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

	FY23 £000	**FY22 £000**
Statutory profit before taxation	**715**	**5,423**
Separately disclosed items	7,652	13,352
Put option accounting – IFRS 9 and IFRS 2	6,316	2,233
FVTPL investments under IFRS 9	5,067	1,587
Impairment of intangible assets	4,794	564
Dividends paid to IFRS 2 put option holders	2,499	7,811
Impairment of non-current assets	2,004	–
Amortisation of acquired intangibles	537	597
Revaluation of contingent consideration	–	266
Revaluation of associates on disposal	(133)	–
Gain on disposal of subsidiaries and associates	(782)	–
Headline profit before taxation	**28,669**	**31,833**

Financial income and expense
The Group's financial income and expense includes bank interest, lease interest and fair value adjustments to minority shareholder put option liabilities (IFRS 9).

Bank interest payable for the year was £2.3m (2022: £1.2m) due to higher interest rates on the Company's revolving multicurrency credit facility agreement and increased drawdown on the facility during the year.

The interest on leases decreased to £2.9m (2022: £3.0m) due to leases ending in 2022.

The fair value adjustment of put option liabilities created a charge of £2.1m (2022: charge of £1.1m). This increase is due to increased profitability in the agencies where there are outstanding IFRS 9 put option arrangements.

Tax
Headline tax
Our Headline tax rate has increased from 24.5% to 25.6%. The increase is primarily due to the increase in the effective UK corporation tax rate from 19.0% to 23.5%.

Statutory tax
The Statutory tax rate changed from 96% in 2022 to 492% in 2023. We expect large variations in Statutory tax rates, because items such as share-based payments (option charges) and put options arising from investments in subsidiaries are non-deductible against corporation tax due to their being capital in nature.

Non-controlling interests (minority interests)
On a Headline basis, the non-controlling interest share of the Group's profit represents the minority shareholders' share of each of the Group's subsidiaries' profit or loss for the year. In 2023, the share of profits attributable to non-controlling interests reduced to £2.8m (2022: £5.9m) representing a reduction in minority interests to 13% of profit after tax (2022: 25%). This reflects a reduction during the year in the minority interest shareholdings in several Group entities, as a result of the settlement of put options, to the value of £15.4m.

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

Dividends
The Company paid a 2022 dividend of £1.8m (1.5p per share) to its shareholders in 2023 (2022: £nil). We understand the importance of returning capital to shareholders, and, given the earnings performance during the year, the Board is recommending the payment of an increased final dividend of 1.6 pence per share.

Subject to shareholder approval at the Annual General Meeting, to be held on 16 May 2024, the dividend will be paid on 24 June 2024 to shareholders on the register at 10 May 2024. The shares will go ex-dividend on 9 May 2024.

Cash flow
Total gross cash (excluding bank overdrafts) at 31 December 2023 was £24.3m (2022: £41.5m). Cash net of bank borrowings (net cash) was £8.3m, compared to £30.0m in 2022.

In 2023, the Group generated operating cash from trading (before working capital) of £31.5m (2022: £40.3m) before dividends to IFRS 2 put option holders (£2.5m) and £15.4m of payments to acquire non-controlling interests (2022: £12.1m). There was a £14.5m net outflow from working capital (2022: £4.8m inflow), driven by £8m reduction in bonus accruals, £3m reduction in minority interest profit share liabilities, and £3m relating to changing revenue mix. The Company made £9.1m of lease payments (2022: £10.3m). In addition, £1.8m of tangible and intangible fixed assets and investments were purchased in 2023 (compared to £5.6m in 2022, which was primarily due to the one-off investment in the new office in Sydney, Australia).
Net operating cash flow (operating cash generated from operating (excluding put option payments and non-Headline cash costs) net of purchases of intangible / tangible fixed assets and the principal payment on leases) for the year was £17.3m which represents a cash conversion from Headline operating profit of 53% (2022: 106%).

The following table sets out the key movements in net cash during 2023:

Movement in net cash	FY23 £m	FY22 £m
Net cash at the beginning of the year	**30.0**	**34.4**
Increase in cash from trading	31.5	40.3
Cash consideration for non-controlling interest acquired	(15.4)	(12.1)
Decrease in cash from working capital movements	(14.5)	4.8
Payment of lease liabilities	(9.1)	(10.3)
Tax paid	(4.2)	(6.7)
Dividends paid to IFRS 2 put option holders	(2.5)	(7.8)
FX movement on cash held	(2.2)	2.7
Purchases of intangible/tangible fixed assets	(1.8)	(5.6)
Dividends paid to Company shareholders	(1.8)	–
Net interest paid	(1.5)	(0.8)
Costs associated with the takeover defence	–	(10.8)
Other movements	(0.2)	1.9
Net cash at the end of the year	**8.3**	**30.0**

Banking arrangements
On 7 March 2024, the Company entered into a new revolving multicurrency facility agreement with National Westminster Bank Plc, HSBC UK Bank plc and Barclays Bank PLC for up to £50m (the "New Facility"), with a further £50m extension if required for strategic acquisitions.

The New Facility is provided on a three-year term with two one-year extensions. This New Facility is to refinance the existing £47m facility with National Westminster Bank Plc and Barclays Bank PLC (the "Old Facility") which would have matured on 31 May 2024. At 31 December 2023, the Group had up to £47.0m (2022: £47.0m) of funds available under the Old Facility.

The primary purpose of the New Facility is to provide the Group with additional liquidity headroom to support any variations in working capital and provide funding for bolt-on acquisitions. At 31 December 2023, £16.0m was drawn on the Old Facility compared to £7.0m at 31 December 2022.

Capital expenditure
Total capital expenditure in 2023 (including software acquired) decreased to £1.8m (2022: £5.6m). This included £0.7m on furniture, fittings and other equipment (2022: £1.7m), £0.6m on computer equipment (2022: £1.6m), £0.5m on leasehold improvements (2022: £1.1m), and £0.0m on software and film rights (2022: £1.0m).

SUMMARY

Our performance in 2023 was mixed in several ways. A challenging first half was followed by a more encouraging second half and we saw strong revenue growth in Issues and Passions, while fighting difficult market conditions in Advertising, Media and Consulting. As we look ahead, the Group has started 2024 with renewed energy and focus. While our end markets continue to be affected by macro-economic uncertainty, we expect Headline profit before tax for 2024 to be in line with expectations. We are confident that the structural changes we are making to our cost base alongside our new operating model are increasing our operational leverage potential which will help support future margin expansion.

UNAUDITED CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2023 Total £000	2022 Total £000
Billings (unaudited)	4	526,013	597,520
Revenue	4	**453,913**	**462,533**
Project cost / direct cost		(201,148)	(191,393)
Net revenue	4	**252,765**	**271,140**
Staff costs	5	(187,621)	(198,765)
Depreciation	17,18	(8,816)	(9,326)
Amortisation	15	(841)	(1,060)
Impairment charges	15,18	(6,798)	(564)
Other operating charges		(36,876)	(48,522)
Other (losses) / gains	20	(4,898)	(1,403)
Loss allowance	21	(422)	(952)
Gain on disposal of subsidiaries	11	782	–
Operating profit		**7,275**	**10,548**
Share of results of associates and joint ventures	16	121	(10)
Finance income	7	831	391
Finance expense	7	(7,512)	(5,506)
Profit before taxation		**715**	**5,423**
Taxation	8	(3,517)	(5,178)
(Loss)/Profit for the year		**(2,802)**	**245**
Attributable to:			
Equity shareholders of the Group		(3,529)	90
Non-controlling interests		727	155
(Loss)/Profit for the year		**(2,802)**	**245**
Profit per share			
Basic (pence)	1	(2.89)p	0.07p
Diluted (pence)	1	(2.89)p	0.07p

Headline results			
Operating profit	1	32,436	35,388
Profit before taxation	1	28,669	31,833
Profit after tax attributable to equity shareholders of the Group	1	18,545	18,105
Basic earnings per share (pence)	1	15.17p	14.81p
Diluted earnings per share (pence)	1	14.38p	13.47p
EBITDA	1	41,544	45,167

The notes form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December	**2023 £000**	**2022 £000**
(Loss)/Profit for the year	**(2,802)**	**245**
Other comprehensive (loss)/profit*		
Exchange differences on translating foreign operations	(4,287)	4,785
Other comprehensive (loss)/profit for the year net of tax	**(4,287)**	**4,785**
Total comprehensive (loss)/profit for the year	**(7,089)**	**5,030**
Total comprehensive profit attributable to:		
Equity shareholders of the Group	(7,816)	4,785
Non-controlling interests	727	155
Total comprehensive (loss)/profit for the year	**(7,089)**	**5,030**

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

The notes form part of these financial statements.

UNAUDITED CONSOLIDATED BALANCE SHEET

At 31 December	Note	2023 £000	2022 £000
Non-current assets			
Intangible assets	15	34,593	41,968
Investments in associates and JV	16	138	191
Plant and equipment	17	7,007	8,310
Right-of-use assets	18	33,772	43,992
Investment properties	13	2,369	–
Other non-current assets	19	2,302	1,107
Deferred tax assets	9	6,036	5,131
Financial assets at fair value through profit or loss	20	7,227	11,986
Deferred and contingent consideration	14	738	914
		94,182	**113,599**
Current assets			
Trade and other receivables	21	123,686	132,067
Current tax assets		4,321	3,909
Cash and cash equivalents		24,326	41,492
		152,333	**177,468**
Assets held for sale	12	**780**	**–**
		153,113	**177,468**
Current liabilities			
Trade and other payables	22	(133,850)	(155,547)
Provisions	23	(1,050)	(1,056)
Current tax liabilities		(743)	(481)
Borrowings	24	(15,943)	(4,430)
Lease liabilities	18	(5,751)	(6,448)
Minority shareholder put option liabilities	27/28	(9,891)	(18,419)
		(167,228)	**(186,381)**
Net current liabilities		**(14,115)**	**(8,913)**
Total assets less current liabilities		**80,067**	**104,686**
Non-current liabilities			
Deferred tax liabilities	9	(1,235)	(1,245)
Corporation tax liabilities	9	–	(856)
Borrowings	24	–	(6,802)
Lease liabilities	18	(43,692)	(49,122)
Minority shareholder put option liabilities	27/28	(3,525)	(4,429)
Other non-current liabilities	25	(2,079)	(4,046)
		(50,531)	**(66,500)**
Total net assets		**29,536**	**38,186**

At 31 December	Note	2023 £000	2022 £000
Equity			
Share capital	29	1,227	1,227
Share premium		50,327	50,327
Merger reserve		37,554	37,554
Treasury reserve		(550)	(550)
Minority interest put option reserve		(2,506)	(2,896)
Non-controlling interest acquired		(33,168)	(32,984)
Foreign exchange reserve		2,351	6,638
Accumulated losses		(26,232)	(21,303)
Equity attributable to shareholders of the Group		29,003	38,013
Non-controlling interest		533	173
Total equity		**29,536**	**38,186**

Reserves are defined in Note 36 of the financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 9 April 2024 and signed on its behalf by:

Bruce Marson

Chief Financial Officer

M&C Saatchi plc

Company number 05114893

The notes form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Merger reserve	Treasury reserve	MI put option reserve	Non-controlling interest acquired	Foreign exchange reserves	Retained earnings / (accumulated losses)	Sub total	Non-controlling interest in equity	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 December 2021		**1,227**	**50,327**	**37,554**	**(550)**	**(6,615)**	**(29,190)**	**1,853**	**(22,122)**	**32,484**	**373**	**32,857**
Share option charge	28	–	–	–	–	–	–	–	1,229	**1,229**	–	**1,229**
Amounts paid on settlement of LTIP	28	–	–	–	–	–	–	–	(500)	**(500)**	–	**(500)**
Exercise of put options	27	–	–	–	–	3,719	(3,794)	–	–	**(75)**	75	**–**
Dividends	10	–	–	–	–	–	–	–	–	**–**	(430)	**(430)**
Total transactions with owners		–	–	–	–	3,719	(3,794)	–	729	**654**	(355)	**299**
Total profit for the year		–	–	–	–	–	–	–	90	**90**	155	**245**
Total other comprehensive income for the year		–	–	–	–	–	–	4,785	–	**4,785**	–	**4,785**
At 31 December 2022		**1,227**	**50,327**	**37,554**	**(550)**	**(2,896)**	**(32,984)**	**6,638**	**(21,303)**	**38,013**	**173**	**38,186**
Share option charge	28	–	–	–	–	–	–	–	434	**434**	–	**434**
Exercise of put options	27	–	–	–	–	390	(184)	–	–	**206**	(206)	–
Dividends	10	–	–	–	–	–	–	–	(1,834)	**(1,834)**	(161)	**(1,995)**
Total transactions with owners		–	–	–	–	390	(184)	–	(1,400)	**(1,194)**	(367)	**(1,561)**
Total profit for the year		–	–	–	–	–	–	–	(3,529)	**(3,529)**	727	**(2,802)**
Total other comprehensive income for the year		–	–	–	–	–	–	(4,287)	–	**(4,287)**	–	**(4,287)**
At 31 December 2023		**1,227**	**50,327**	**37,554**	**(550)**	**(2,506)**	**(33,168)**	**2,351**	**(26,232)**	**29,003**	**533**	**29,536**

The notes form part of these financial statements.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Note	**2023** £000	**2022 Restated*** £000
Operating profit		**7,275**	**10,548**
Adjustments for:			
Depreciation of plant and equipment	17	2,573	2,480
Depreciation of right-of-use assets	18	6,243	6,846
Impairment of right-of-use assets	18	1,884	–
Loss on sale of plant and equipment		271	165
Impairment of plant and equipment	17	132	–
Loss on sale of software intangibles		–	175
Revaluation of financial assets at FVTPL	20	4,722	1,403
Revaluation of contingent consideration	14	176	266
Amortisation and impairment of acquired intangible assets	15	1,764	597
Impairment of goodwill and other intangibles	15	3,733	556
Impairment and amortisation of capitalised software intangible assets	15	138	635
Exercise of share-based payment schemes with cash	27	–	(500)
Exercise of put options*	28	(14,637)	(9,607)
Equity settled share-based payment expenses	28	841	1,229
Operating cash before movements in working capital		**15,115**	**14,793**
Decrease/(Increase) in trade and other receivables		9,924	(4,187)
(Decrease)/Increase in trade and other payables		(24,437)	9,104
(Decrease) / Increase in provisions		(6)	(137)
Cash (consumed by)/generated from operations		**596**	**19,573**
Tax paid		(4,156)	(6,712)
Net cash from operating activities		**(3,560)**	**12,861**
Investing activities			
Disposal of associate or subsidiary (net of cash disposed of)	11	(209)	–
Investment loans	20	(608)	–
Proceeds from sale of unlisted investments	20	49	918
Purchase of plant and equipment	17	(1,827)	(4,383)
Purchase of capitalised software	15	(19)	(1,192)
Interest received	7	831	391
Net cash consumed by investing activities		**(1,783)**	**(4,266)**
Net cash from operating and investing activities		**(5,343)**	**8,595**
Financing activities			
Dividends paid to equity holders of the Company		(1,834)	–
Dividends paid to non-controlling interest		(161)	(430)
Cash consideration for non-controlling interest acquired and other options*	27	(785)	(2,497)
Payment of deferred consideration		–	(1,250)
Payment of lease liabilities	18	(6,228)	(7,307)
Proceeds from bank loans	24	9,000	–
Repayment of bank loans	24	(164)	(13,410)
Interest paid	7	(2,318)	(1,200)
Interest paid on leases	18	(2,876)	(2,970)
Net cash consumed by financing activities		**(5,366)**	**(29,064)**
Net decrease in cash and cash equivalents		**(10,709)**	**(20,469)**
Effect of exchange rate fluctuations on cash held		(2,186)	2,711
Cash and cash equivalents at the beginning of the year		37,221	54,979
Total cash and cash equivalents at the end of the year		**24,326**	**37,221**

Net debt reconciliation			
Cash and cash equivalents		24,326	41,492
Bank overdrafts***	24	–	(4,271)
Total cash and cash equivalents at the end of the year		**24,326**	**37,221**
Bank loans and borrowings**	24	(16,043)	(7,212)
Net cash		**8,283**	**30,009**

* The cashflow statement for 2022 has been restated (Note 28 of the financial statements).
**Bank loans and borrowings are defined in Note 24 of the financial statements; they exclude the lease liability of £53,735k (2022: £55,570k) (Note 18 of the financial statements).
*** These overdrafts can be legally offset with other cash balances. They have not been netted off in accordance with IAS32.42 in 2022 as there was no intention to settle on a net basis. However, they have been netted off in 2023 as the cash balance and the overdraft balance is with the same bank and there is intention to settle this on a net basis.
The notes form part of these financial statements.

PREPARATION

Preliminary announcement
This preliminary announcement was approved by the board of directors on 9 April 2024. It is not the Group's statutory accounts. Copies of the Group's audited statutory accounts for the year ended 31 December 2023 will be available at the company's website in the coming days, and a printed version will be dispatched to shareholders thereafter.

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

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

Going concern
These financial statements have been prepared on the going concern basis, as discussed in the Directors' Report and the Report of the Audit & Risk Committee.

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

The Board has formed its opinion after evaluating four different severe but plausible forecast scenarios and a reverse stress test, extending to 31 December 2025. The four scenarios comprise:

1. A significant reduction in new business wins.
2. A significant increase in wage inflation.
3. A significant number of top clients are lost.
4. A significant economic downturn.

These severe but plausible scenarios are assumed to materialise from Q1 2024 onwards. The estimated decline in EBITDA ranges from £11m to £24m compared to the base case plan for the cumulative period ending 31 December 2025, including a £5m to £14m decline in EBITDA in 2024.

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

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

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

Consolidation

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

Material accounting policies

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

Revenue recognition

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

See Note 4 of the financial statements for a full listing of the Group's revenue accounting policies.

Put option accounting (IFRS 2 and IFRS 9)

It is common for equity partners in the Group's subsidiaries to hold put options over their equity, such that they can require the Group to purchase their non-controlling interest for either a variable number of the Company shares or cash. Dependent on the terms and substance of the underlying agreement, these options are either recognised as a put option liability under IFRS 9 (Note 27 of the financial statements) or as a put option under IFRS 2 (Note 28 of the financial statements) – see significant judgements below.

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

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

See Note 28 of the financial statements for a full description of the Group's accounting policy for IFRS 2 put options.

Headline results

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

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

Note 1 reconciles Statutory results to Headline results and the segmental reporting (Note 3 of the financial statements) reflects Headline results, in accordance with IFRS 8.

The items that are excluded from Headline results are:

- Exceptional separately disclosed items that are one-off in nature and are not part of running the business.
- Acquisition-related costs.
- Revaluation of associates on transition to assets held for sale.
- Impairment of right-of-use assets, leasehold improvements, acquired intangibles and goodwill.
- Gains or losses generated by disposals of subsidiaries.
- Fair value adjustments to unlisted equity investments, acquisition-related contingent consideration and put options.
- Dividends paid to IFRS 2 put option holders. However, in non-controlling interest, we deduct profit share attributable to IFRS 2 put option holders.

Unlisted investments

The Group holds certain unlisted equity investments which are classified as financial assets at FVTPL (see Note 20 of the financial statements). 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 financial statements.

Impairment – assessment of CGUs and assessment of indicators of impairment

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

The Group assesses whether an impairment is required by comparing the carrying value of the CGU assets (including the right-of-use assets under IFRS 16) to their value in use. Discounted cash flow models, based on the Group's latest budget and three year financial plan, and a long-term growth rate, are used to determine the recoverable amount for the CGUs. The appropriate estimates and assumptions used require judgement and there is significant estimation uncertainty. The results of impairment reviews conducted at the end of the year are reported in Note 15 (Intangible Assets) of the financial statements, Note 16 (Investments in associates and joint ventures) of the financial statements, and Note 18 (Leases) of the financial statements.

The Group has recognised a total impairment charge of £6,798k in the year (2022: £564k), of which £4,794k relates to Intangibles (2022: £728k) and £1,884k relates to the impairment of right-of-use assets (2022: reversal of £164k). There was a £132k impairment in the year of plant and equipment (2022: £nil). There was no impairment in the year of associate investments (2022: nil).

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

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

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

Significant estimates and assumptions

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

Deferred tax assets

The Group assesses the future availability of carried forward losses and other tax attributes, by reference to jurisdiction-specific rules around carry forward and utilisation, and it assesses whether it is probable that future taxable profits will be available against which the attribute can be utilised. Changes in such estimates would allow unrecognised deferred tax to be recognised and vice versa. Analysis of deferred tax can be seen in Note 9 of the financial statements.

Fair value measurement of financial instruments

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

i. Equity investments at FVTPL in non-listed limited companies (Note 20 of the financial statements).
ii. Certain contingent consideration (Note 14 of the financial statements).

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

The basis of calculation of the estimated fair value of these financial instruments (in addition to sensitivity analyses on the estimates' salient inputs) is detailed in Note 30 of the financial statements.

Share-based incentive arrangements

Share-based incentives are valued at the date of the grant, using stochastic Monte Carlo pricing models with non-market vesting conditions. Typically, the value of these awards is directly related to the performance of a particular entity of the Group in which the employee holds a minority interest. The key inputs to the pricing model are risk-free interest rates, share price volatility and expected future performance of the entity to which the award relates. Management applies 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 28 of the financial statements.

Leasing estimates

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

NOTES TO THE FINANCIAL STATEMENTS

1. Headline results, earnings per share and EBITDA

Year ended 31 December 2023	Note	Statutory 2023 £000	Separately disclosed items (Note 2) £000	Gain/loss on disposal of subsidiaries £000	Revaluation of associates on transition to assets held for sale £000	Amortisation of acquired intangibles (Note 15) £000	Impairment of intangible assets (Note 15) £000	Impairment of non-current assets (Note 17, 18) £000	FVTPL investments under IFRS 9 (Note 20) £000	Dividends paid to IFRS 2 put holders (Note 5)* £000	Put option accounting (Note 27 & 28) £000	Headline results £000
Billings (unaudited)		526,013	–	–	–	–	–	–	–	–	–	**526,013**
Revenue		**453,913**	–	–	–	–	–	–	–	–	–	**453,913**
Net revenue		**252,765**	–	–	–	–	–	–	–	–	–	**252,765**
Staff costs	5	(187,621)	6,908	–	–	–	–	–	–	2,499	4,203	(174,011)
Depreciation	17,18	(8,816)	–	–	–	–	–	–	–	–	–	(8,816)
Amortisation	15	(841)	–	–	–	537	–	–	–	–	–	(304)
Impairments	15,18	(6,798)	–	–	–	–	4,794	2,004	–	–	–	–
Other operating charges		(37,298)	744	–	–	–	–	–	(644)	–	–	(37,198)
Other losses	20	(4,898)	–	–	–	–	–	–	4,898	–	–	–
Gain on disposal of subsidiaries		782	–	(782)	–	–	–	–	–	–	–	–
Operating profit		**7,275**	**7,652**	**(782)**	–	**537**	**4,794**	**2,004**	**4,254**	**2,499**	**4,203**	**32,436**
Share of results of associates and JV	16	121	–	–	(133)	–	–	–	–	–	–	(12)
Finance income	7	831	–	–	–	–	–	–	–	–	–	831
Finance expense	7	(7,512)	–	–	–	–	–	–	813	–	2,113	(4,586)
Profit before taxation	8	**715**	**7,652**	**(782)**	**(133)**	**537**	**4,794**	**2,004**	**5,067**	**2,499**	**6,316**	**28,669**
Taxation	8	(3,517)	(1,821)	–	–	(198)	(28)	(536)	(1,178)	–	(65)	(7,343)
Profit for the year		**(2,802)**	**5,831**	**(782)**	**(133)**	**339**	**4,766**	**1,468**	**3,889**	**2,499**	**6,251**	**21,326**
Non-controlling interests		727	–	–	–	–	–	–	–	2,054	–	2,781
Profit attributable to equity holders of the Group**		**(3,529)**	**5,831**	**(782)**	**(133)**	**339**	**4,766**	**1,468**	**3,889**	**4,553**	**6,251**	**18,545**

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

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

1. Headline results, earnings per share and EBITDA continued

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

Year ended 31 December 2022	Note	Statutory 2022 £000	Separately disclosed items (Note 2) £000	Amortisation of acquired intangibles (Note 15) £000	Impairment of non-current assets (Note 15 & 18) £000	FVTPL investments under IFRS 9 (Note 20) £000	Revaluation of contingent consideration (Note 14) £000	Dividends paid to IFRS 2 put holders (Note 5)* £000	Put option accounting (Note 27 & 28) £000	Headline results £000
Billings (unaudited)		597,520	–	–	–	–	–	–	–	**597,520**
Revenue		**462,533**	–	–	–	–	–	–	–	**462,533**
Net revenue		**271,140**	–	–	–	–	–	–	–	**271,140**
Staff costs	5	(198,765)	3,412	–	–	–	–	7,811	1,119	(186,423)
Depreciation	17,18	(9,326)	–	–	–	–	–	–	–	(9,326)
Amortisation	15	(1,060)	–	597	–	–	–	–	–	(463)
Impairments	15,18	(564)	–	–	564	–	–	–	–	–
Other operating charges		(49,474)	9,940	–	–	(272)	266	–	–	(39,540)
Other losses	20	(1,403)	–	–	–	1,403	–	–	–	–
Operating profit		**10,548**	**13,352**	**597**	**564**	**1,131**	**266**	**7,811**	**1,119**	**35,388**
Share of results of associates and JV	16	(10)	–	–	–	–	–	–	–	(10)
Finance income	7	391	–	–	–	–	–	–	–	391
Finance expense	7	(5,506)	–	–	–	456	–	–	1,114	(3,936)
Profit before taxation	8	**5,423**	**13,352**	**597**	**564**	**1,587**	**266**	**7,811**	**2,233**	**31,833**
Taxation	8	(5,178)	(1,982)	(174)	–	(409)	–	–	(47)	(7,790)
Profit for the year		**245**	**11,370**	**423**	**564**	**1,178**	**266**	**7,811**	**2,186**	**24,043**
Non-controlling interests		(155)	–	–	–	–	–	(5,783)	–	(5,938)
Profit attributable to equity holders of the Group**		**90**	**11,370**	**423**	**564**	**1,178**	**266**	**2,028**	**2,186**	**18,105**

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

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

1. Headline results, earnings per share and EBITDA continued
Earnings per share

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

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

Year ended 31 December 2023	**2023**	**Headline 2023**
Profit attributable to equity shareholders of the Group (£000)	**(3,529)**	**18,545**
Basic earnings per share		
Weighted average number of shares (thousands)	122,257	122,257
Basic EPS	**(2.89)p**	**15.17p**
Diluted earnings per share		
Weighted average number of shares (thousands) as above		
Add		
– LTIP	–	1,500
– Put options	–	5,247
Total	122,257	129,004
Diluted EPS	**(2.89)p**	**14.38p**
Excluding the put options (payable in cash)	–	(5,247)
Weighted average number of shares (thousands) including dilutive shares	122,257	123,757
Diluted EPS – excluding items the Group intends and is able to pay in cash	**(2.89)p**	**14.99p**

As 2023 Basic EPS is negative, no adjustment has been made for LTIP and put options in the Dilutive EPS calculation, as these would be anti-dilutive, i.e. would increase EPS had they been included.

Year ended 31 December 2022	**2022**	**Headline 2022**
Profit attributable to equity shareholders of the Group (£000)	**90**	**18,105**
Basic earnings per share		
Weighted average number of shares (thousands)	122,257	122,257
Basic EPS	**0.07p**	**14.81p**
Diluted earnings per share		
Weighted average number of shares (thousands) as above	122,257	122,257
Add		
– LTIP	905	905
– Put options (payable in cash)	11,302	11,302
Total	**134,464**	**134,464**
Diluted EPS	**0.07p**	**13.47p**
Excluding the put options (payable in cash)	**(11,302)**	**(11,302)**
Weighted average number of shares (thousands) including dilutive shares	**123,162**	**123,162**

Diluted EPS – excluding items the Group intends and is able to pay in cash	**0.07p**	**14.70p**

Headline EBITDA

	2023 **£000**	**2022** **£000**
Profit Before Tax (Headline)	**28,669**	**31,833**
Add back:		
Headline depreciation & amortisation (incl. IFRS 16)	9,120	9,789
Headline finance expense (incl. IFRS 16)	4,586	3,936
Headline finance income	(831)	(391)
EBITDA	**41,554**	**45,167**

2. Separately disclosed items

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

Analysis
Separately disclosed items for the year ended 31 December 2023 comprise of the following:

2023	**Staff costs £000**	**Operating costs £000**	**Taxation £000**	**After tax total £000**
Restructuring – discontinued businesses	1,481	18	(340)	1,159
Restructuring – ongoing businesses	3,200	85	(810)	2,475
Restructuring – global efficiency programme	438	251	(160)	529
CEO/Executive Chair compensation	1,514	–	(355)	1,159
Transformation project costs	275	390	(156)	509
Total separately disclosed items	**6,908**	**744**	**(1,821)**	**5,831**

The Group has been pursuing a strategy to simplify its operating structure and improve efficiency across the Group. In 2023, three programmes of restructuring have been undertaken:

- The Group has shut down certain loss-making overseas and UK subsidiaries and incurred redundancy costs as part of the agreement with the disposed or closed businesses. This programme will continue into 2024.
- The Group's global efficiency programme has also started to identify and reduce specific central HQ roles, which will no longer be required in the Group. This programme will continue into 2024.
- Local businesses within the Group have reviewed their own future, permanent operational structures, following market changes, which has resulted in staff redundancy costs in the period across 28 ongoing businesses across the Group. The restructuring costs are treated as separately disclosed items only when a role has been permanently eliminated from the business (there should be no intention for the role to be replaced in the next 12 months). These local programmes have been completed, but new programmes may be undertaken in future, depending on local market conditions.

The staff costs associated with these restructuring programmes have been treated as an exceptional non-Headline cost, as they are one-off exit costs relating to compensation to employees for periods not worked. The operating costs mainly relate to the future rates and service charges for the 30 Great Pulteney Street office in London, which has now been vacated (£233k).

CEO compensation relates to the 12 months of staff costs relating to the gardening leave of the former CEO, which has not been worked. These have been treated as an exceptional non-Headline cost, as these costs are legally committed by the business, but with no benefit to the business.

The Executive Chair has fulfilled the CEO role, which triggered the loss of future compensation from her previous employment, which the Company has agreed to bear. These have been treated as an exceptional non-Headline cost, as these costs relate to the Executive Chair's performance in another business.

In the second half of 2022, the Group commenced a global efficiency programme, with the assistance of PricewaterhouseCoopers LLP (PwC). PwC's professional fees (£390k) and the staff costs of the project team dedicated to this transformation project (£275k) have been classified as separately disclosed items in line with the treatment in 2022, as this is a strategic, one-off project with a finite end that is not part of the underlying operations of the business. PwC have completed its work, but the project team will continue to manage the project through to conclusion in 2025.

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

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

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

In 2022, PwC's professional fees in relation to the global cost efficiency programme were classified as non-Headline (£992k). In addition, within three of the agencies in the Group, a strategic review resulted in staff redundancy costs in the year (£1,789k).

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

3. Segmental information

Headline segmental income statement

Segmental results are reconciled to the income statement in Note 1 of the financial statements. The Board reviews 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 have historically comprised of individual country entities, the financial information of which is provided to the CODM and is aggregated into specific geographic regions on a Headline basis, with each geographic region considered a reportable segment. Each country included in that region has similar economic and operating characteristics. The products and services provided by entities in a geographic region are all related to marketing communications services and generally offer complementary products and services to their customers.

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

Segmental Information by Geography

Year Ended 31 December 2023	**UK** £000	**Americas** £000	**Asia Pacific (APAC)** £000	**Africa** £000	**Europe** £000	**Middle East** £000	**Group Central Costs** £000	**Total** £000
Net revenue	102,709	46,933	64,959	16,080	14,575	7,509	–	**252,765**
Operating profit / (loss)	20,867	6,608	7,816	1,869	1,570	1,343	(7,637)	**32,436**
Operating profit margin	20%	14%	12%	12%	11%	18%	–	**13%**
Profit / (loss) before tax	19,235	5,542	6,776	1,753	1,459	1,294	(7,390)	**28,669**

Year Ended 31 December 2022	**UK** £000	**Americas** £000	**Asia Pacific (APAC)** £000	**Africa** £000	**Europe** £000	**Middle East** £000	**Group Central Costs** £000	**Total** £000
Net revenue	98,241	55,205	79,010	17,012	15,316	6,356	–	**271,140**
Operating profit / (loss)	19,528	9,970	12,768	2,000	1,852	625	(11,355)	**35,388**
Operating profit margin	19%	18%	16%	14%	12%	10%	–	**13%**
Profit / (loss) before tax	17,416	8,278	11,726	1,655	1,832	625	(9,699)	**31,833**

Included within the Group's revenues is a customer that makes up more than 10% of total revenue, contributing £43.1m (2022: £32.8m). This is included within the UK, Americas and within the High Growth Specialisms.

Segmental Information by Division

Year Ended 31 December 2023	Advertising £000	Specialisms £000	Group Central Costs £000	Total £000
Net revenue	105,456	147,309	–	252,765
Operating profit / (loss)	8,011	32,062	(7,637)	32,436
Operating profit margin	8%	22%	–	13%
Profit / (loss) before tax	6,238	29,821	(7,390)	28,669

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

Non-current assets other than excluded items:

As at 31 December	2023 £000	2022 £000
UK	40,386	41,293
Asia Pacific (APAC)	16,127	26,342
Americas	15,315	17,131
Europe	4,735	6,136
Africa	2,696	3,782
Middle East	1,660	884
Total non-current assets other than excluded items	**80,919**	**95,568**
Non-current assets excluded from analysis above:		
Deferred tax assets	6,036	5,131
Other financial assets	7,227	11,986
Total non-current assets per balance sheet	**94,182**	**112,685**

Allocation of non-current assets by country is based on the location of the business units. Items included comprise fixed assets, intangible assets, IFRS 16 assets and equity accounted investments.

4. Revenue from contracts with customers

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

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

Revenue recognition policies

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

Performance obligations

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

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

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

Measurement of revenue

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

Principal vs agent

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

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

Treatment of costs

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

Disaggregation of revenue

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

Revenue	Reported		
	2023	2022	*2023 vs 2022*
Specialism	**£m**	**£m**	***Movement***
Advertising	205.0	221.8	*(8)%*
Issues	111.4	92.7	*20%*
Passions	69.5	65.5	*6%*
Consulting	38.7	45.9	*(16)%*
Media	29.3	36.6	*(20)%*
Group	**453.9**	**462.5**	***(2)%***

Revenue	Reported		
	2023	2022	*2023 vs 2022*
Region	**£m**	**£m**	***Movement***
UK	199.1	139.3	*43%*
Asia Pacific (APAC)	101.7	128.5	*(21)%*
Americas	72.7	116.8	*(38)%*
Africa	33.8	32.8	*(3)%*
Europe	29.4	24.9	*18%*
Middle East	17.3	20.2	*(15)%*
Group	**453.9**	**462.5**	***(2)%***

Assets and liabilities related to contracts with customers

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

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

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

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

The Group operates a standard 30 day credit terms policy. All contract liabilities and contract assets (other receivables per Note 21 of the financial statements) brought forward have been realised in the current period.

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

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

Provision of advertising and marketing services

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

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

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

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

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

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

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

Commission based income in relation to media spend

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

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

Commission based income in relation to talent performance

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

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

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

5. Staff costs

Policy

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

Staff costs (including Directors)

Year ended 31 December	Note	2023 £000	2022 £000
Wages and salaries**		152,647	156,476
Social security costs		14,600	16,152
Pension costs		8,393	8,833
Other staff costs*		4,205	5,832
Total		**179,845**	**187,293**
Allocations and dividends paid to holders of IFRS 2 put options	1	**2,499**	**7,811**
Share based incentive plans:			
Cash settled	28	4,843	2,432
Equity settled	28	434	1,229
Total share based incentive plans		**5,277**	**3,661**
Total staff costs		**187,621**	**198,765**

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

Staff numbers	2023	2022
UK	769	772
Europe	182	166
Middle East	76	73
Africa	368	348
Asia Pacific (APAC)	969	1,035
Americas	342	340
Total	**2,706**	**2,734**

These staff numbers are based on the average number of staff throughout the year in 2023.

Pensions

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

Compensation for key management personnel and Directors

Key management remuneration	2023 £000	2022 £000
Wages and salaries	1,750	2,214
Pension costs	53	53
Share based payments*	–	381
Total	**1,803**	**2,648**

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

Key management personnel include the Directors and employees responsible for planning, directing and controlling the activities of the Group. Refer to the Directors' Remuneration Report for details of the Directors' remuneration, including the highest paid Director.

6. Auditors' remuneration

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

Year ended 31 December	2023 £000	2022 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	1,450	1,506
Fees payable to associates of the Company's auditor for the audit of the accounts of subsidiaries	205	174
Audit fees relating to the prior period	154	300
	1,809	**1,980**
Other services provided by the auditors:		
Other assurance services – interim agreed upon procedures	8	25
Corporate finance services	3	499
Taxation compliance services	149	168
Taxation advisory services	73	176
	233	**868**
Total	**2,042**	**2,848**

7. Net finance expense

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

Analysis

Year ended 31 December	2023 £000	2022 £000
Bank interest receivable	412	331
Other interest receivable	414	55
Sublease finance income	5	5
Financial income	**831**	**391**
Bank interest payable	(2,318)	(1,200)
Amortisation of loan costs	(190)	(222)
Other interest payable	(14)	–
Interest on lease liabilities	(2,876)	(2,970)
Valuation adjustment to IFRS 9 put option liabilities (Note 27)	(2,114)	(1,114)
Financial expense	**(7,512)**	**(5,506)**
Net finance expense	**(6,681)**	**(5,115)**

8. Current taxation

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

Analysis

Income statement charge for year ended 31 December	2023 £000	2022 £000
Taxation in the year		
UK	1,955	730
Overseas	3,832	3,020
Withholding taxes payable	54	14
Adjustment for (over) / under provision in prior periods	(606)	(986)
Total	**5,235**	**2,778**
Deferred taxation		
Recognition of temporary differences	(1,320)	1,719
Adjustment for under / (over) provision in prior periods	253	709
Recognition of previously unrecognised deferred tax	(548)	–
Effect of changes in tax rates	(103)	(28)
Total	**(1,718)**	**2,400**
Total taxation	**3,517**	**5,178**

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

Year ended 31 December	2023 £000	*2023* *%*	2022 £000	*2022* *%*
Profit before taxation	715		5,423	
Taxation at UK corporation tax rate of 23.50% (2022: 19.00%)	**168**	***23.5%***	**1,030**	***19.0%***
Option charges not deductible for tax	1,724	*241.8%*	1,070	*19.7%*
Impairment with no tax credit	1,099	*154.2%*	138	*2.5%*
Tax losses for which no deferred tax asset was recognised	962	*134.9%*	834	*15.4%*
Expenses not deductible for tax	627	*88.0%*	1,314	*24.2%*
Different tax rates applicable in overseas jurisdictions	140	*19.6%*	1,081	*20.0%*
Withholding taxes payable	54	*7.6%*	14	*0.3%*
Tax effect of associates	3	*0.4%*	2	*0.0%*
Disposal of associate on which no tax is charged	(72)	*-10.1%*	–	–
Effect of changes in tax rates	(103)	*-14.4%*	–	–
Disposal of subsidiaries on which no tax is charged	(184)	*-25.8%*	–	–
Adjustment for tax (over)/under provision in prior periods	(353)	*-49.5%*	(277)	*-5.1%*
Recognition of previously unrecognised deferred tax	(548)	*-76.9%*	–	–
Effect of changes in tax rates on deferred tax	–	–	(28)	*-0.5%*
Total taxation	**3,517**	***493.3%***	**5,178**	***95.5%***
Effective tax rate	***493.3%***		**95.5%**	

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

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

- Option charges include dividends paid to those shareholders in the subsidiary companies that also have a put option arrangement in place within that entity, which are not deductible for tax: The Group's share-based payment schemes mostly relate to equity held in subsidiary companies. The Group generally receives no tax benefit on the exercise of these put options nor on the payment of the dividends.
- Impairment with no tax credit: On most of the acquisitions no tax benefit was received from the acquisition of goodwill. During the period some of the goodwill was impaired with no future tax benefit of such impairments. Expenses not deductible for tax: In 2022 two parties tried to acquire the Company and a proportion of the defence costs was disallowable due to them being capital in nature. This increased the non-deductible expenses in 2022 that has not been repeated in 2023.
- The net effect of the adjustment for current and deferred tax in prior periods is a release of an over provision of £353k (2022: £277k over provision) of total tax charge.
- Due to restructuring, we were able to recognise £548k (2022: £nil) of unrecognised deferred tax.
- Different tax rates applicable in overseas jurisdictions. The Group operates in multiple locations round the world where tax rates are higher than the UK, e.g., Australia (30%) and the US (between 21% to 28%), the difference reduced in the year as the UK tax rate increased from 19% to 25% in April 2023.

Tax on Headline profits

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

Our Headline tax rate has increased from 24.5% to 25.6%. The key movements in the Headline tax rates are as follows:

- Tax losses for which no deferred tax asset is recognised and recognition of historic unprovided deferred tax caused a net (1.6)% reduction in taxation. We continue to explore ways to recognise our historic unrecognised tax. Our disposals will reduce the number potential entities with tax losses that we have no certainty on future profits.
- Our acquisition of partnership interest has boosted tax by 1.6% although this is offset by reduced minority share (this is because partnership share of profits are received by minorities without tax deduction).
- There was an increase in our historical overprovision of tax causing a net (0.4)% reduction in tax rates.
- The increase in the UK tax rates offset by a reduced difference to overseas tax rates increased our tax charge by 1.8%.
- Other movements (0.3)%.

Year ended 31 December	2023 £000	2023 %	2022 £000	2022 %
Headline profit before taxation (Note 1)	**28,669**		31,833	
Taxation at UK corporation tax rate of 23.50% (2022: 19.00%)	6,737	*23.5%*	**6,048**	**19.0%**
Tax losses for which no deferred tax asset was recognised	693	2.4%	683	2.1%
Expenses not deductible for tax	627	*2.2%*	781	2.5%
Different tax rates applicable in overseas jurisdictions	439	*1.5%*	1,297	4.1%
Withholding taxes payable	54	*0.2%*	14	0.0%
Tax effect of associates	3	0.0%	2	0.0%
Effect of changes in tax rates	(24)	*-0.1%*	–	–
Non-controlling interest share of partnership income	(285)	*-1.0%*	(818)	-2.6%
Adjustment for tax (over)/under provision in prior periods	(353)	*-1.2%*	(246)	-0.8%
Recognition of unprovided for deferred tax	(548)	*-1.9%*	–	–
Effect of changes in tax rates on deferred tax	-	–	29	0.1%
Headline taxation (Note 1)	**7,343**	**25.6%**	**7,790**	**24.5%**
Headline effective tax rate	**25.6%**		**24.5%**	

9. Deferred taxation

Policy

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the Group intends to settle its current tax assets and current tax liabilities on a net basis. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Analysis

At 31 December	2023 £000	2022 £000
Deferred tax assets	6,036	5,131
Deferred tax liabilities	(1,235)	(1,245)
Net deferred tax	**4,801**	**3,886**

The deferred tax asset is recoverable against future profits, and future corporation tax liabilities. The following table shows the deferred tax asset / (liability) recognised by the Group and movements in 2023 and 2022.

	Intangibles £000	Capital allowances £000	Tax losses £000	Purchased investments £000	Working capital differences £000	Total £000
At 31 December 2021	**(977)**	**1,377**	**3,777**	**(1,232)**	**3,055**	**6,000**
Exchange differences	124	(15)	(198)	–	375	286
Income statement (charge) / credit	484	581	(1,561)	238	(2,142)	(2,400)
At 31 December 2022	**(369)**	**1,943**	**2,018**	**(994)**	**1,288**	**3,886**
Exchange differences	154	207	(322)	–	(820)	(781)
Income statement (charge) / credit	(1,040)	243	51	994	1,470	1,718
Disposals	–	–	(23)	–	1	(22)
At 31 December 2023	**(1,255)**	**2,393**	**1,724**	–	**1,939**	**4,801**

Based on the 2024 budget and three-year plans, approved by the Board, the Group has reviewed the deferred tax asset created by tax losses for their recoverability. Where the Group believes such losses may not be recoverable, they have not been recognised on the balance sheet and have been included in unrecognised deferred tax assets.

Within the local entities £711k (2022: £1,556k) of deferred tax has been naturally offset. Disregarding this offset, the split of deferred tax is as follows:

	Intangibles £000	Capital allowances £000	Tax losses £000	Purchased investments £000	Working capital differences £000	Total £000
At 31 December 2022						
Deferred tax assets	706	1,943	2,304	–	1,734	6,687
Deferred tax liabilities	(1,075)	–	(286)	(994)	(446)	(2,801)
Net deferred tax	**(369)**	**1,943**	**2,018**	**(994)**	**1,288**	**3,886**
At 31 December 2023						
Deferred tax assets	197	2,441	1,724	–	2,385	6,747
Deferred tax liabilities	(1,452)	(48)	–	–	(446)	(1,946)
Net deferred tax	(1,255)	2,393	1,724	–	1,939	4,801

The working capital differences mostly relate to the tax effects of working capital in Australia, which calculates tax on a cash basis rather than the accruals basis used in other countries, along with the continuing tax effects of the adoption of IFRS16 (Leases); and tax provision on any long-term deferred bonuses.
The unrecognised deferred tax assets in respect of certain losses in overseas territories, referred to in the tables above, have not been recognised as there is insufficient certainty of future taxable profits against which these would reverse. An unrecognised deferred tax asset in respect of carried forward tax losses is shown below:

	Interest £000	Capital revaluation £000	Losses £000	Total £000	Deferred tax impact* £000
At 1 January 2023	–	–	10,633	10,633	2,145
Exchange differences	–	–	(356)	(356)	(60)
Written off in year	–	–	(3,499)	(3,499)	(863)
Previously unrecognised	5,589	–	–	5,589	1,174
Losses utilised in year	(732)	–	(1,878)	(2,610)	(548)
Losses in year	–	228	3,464	3,692	962
At 31 December 2023	4,857	228	8,364	13,449	2,810

* At local tax rates.

Expiry date of unrecognised deferred tax:

	2023 £000	2022 £000
One to five years	89	24
Five to ten years	3	565
Ten years or more	2,718	1,556
Total	**2,810**	**2,145**

10. Dividends

Policy

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

No interim dividends were declared in 2022 or 2023.

A final dividend for 2022 of 1.5 pence per share was approved at the Company's Annual General Meeting on 14 June 2023, which was a total amount of £1,834k. This was paid on 12 July 2023 to all shareholders on the Company's register of members as at 9 June 2023. The ex-dividend date for the shares was 8 June 2023.

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

A final dividend for 2023 of 1.6 pence per share has been recommended by the Board, which is a total amount of £1,956k. The final dividend, if approved at the Company's Annual General Meeting on 16 May 2024, will be paid on 24 June 2024 to all shareholders on the Company's register of members as at 10 May 2024. The ex-dividend date for the shares is 9 May 2024.

	2023 £000	**2022 £000**
2022 final dividend paid 1.5p on 12 July 2023	1,834	–
Total	**1,834**	**–**

11. Disposals

Policy

Disposals of entities in the Group are accounted for in accordance with IFRS 10:25. When the parent's ownership of a subsidiary company changes and results in the parent’s loss of control of a subsidiary within the Group, the parent:

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

Analysis

The Group divested of certain overseas subsidiaries in line with its strategy to simplify its operating structure and improve efficiency across the Group. M&C Saatchi AB and M&C Saatchi Spencer Hong Kong Limited predominately formed part of Advertising and were acquired by the existing local leadership teams. Clear Deutschland GmbH formed part of Consulting and was acquired by the existing local leadership teams.

The Group disposed its entire shareholding in M&C Saatchi Spencer Hong Kong Limited for nil consideration and in Clear Deutschland GmbH for a consideration of €102k.

The Group reduced its interest in M&C Saatchi AB from 70% to 30% with the management team and directors of M&C Saatchi AB, acquiring the Company's interest for nominal consideration. M&C Saatchi AB became an equity accounted investment.

The total cash outflow relating to the disposal of these subsidiaries was £209k.

The Headline results of the entities disposed in 2023, which have been included in the results for the year, were as follows:

Year ended 31 December 2023	**Europe £000**	**APAC £000**	**Total £000**
Revenue	3,502	2,059	5,561
Project cost / direct cost	(834)	**(1,346)**	(2,180)
Net revenue	**2,668**	**713**	**3,381**
Staff costs	(2,358)	(862)	(3,220)
Depreciation	(137)	(94)	(231)
Other operating charges	(442)	(230)	(672)
Operating (loss) / gain	**(269)**	**(473)**	**(742)**
Finance expense	(67)	(43)	(110)
(Loss) / profit before taxation	**(336)**	**(516)**	**(852)**

There were no disposals in 2022.

The gain on disposal of the subsidiaries is calculated as follows:

	2023 **£000**	**2022** **£000**
Consideration received in cash and cash equivalents	88	–
Total consideration	**88**	**–**
Plant and equipment	6	–
Right-of-use assets	321	–
Other non-current assets	22	–
Deferred tax assets	23	–
Trade and other receivables	2,370	–
Current tax assets	52	–
Cash and cash equivalents	297	–
Trade and other payables	(2,934)	–
Current tax liabilities	(52)	–
Lease liabilities	(327)	–
Less net liabilities	**310**	**–**
Reversal of put option liability*	472	
Gain on disposal of subsidiaries	**782**	**–**

* As part of the disposals, all put option obligations have been rescinded.

12. Assets held for sale

Policy

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

The following conditions must be met for an asset to be classified as held for sale (IFRS 5.6-8):

- Management is committed to a plan to sell.
- The asset is available for immediate sale.
- An active program to locate the buyer is initiated.
- The sale is highly probable, within 12 months of classification as held for sale.
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value.
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.
- The assets need to be disposed of through sale.

Measurement

- At the time of classification as held for sale: immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRSs. Resulting adjustments are also recognised in accordance with applicable IFRSs (IFRS 5.18).
- After classification as held for sale: non-current assets that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. (IFRS 5.15-15A).

Analysis

Investments in subsidiaries

The Group sold its shares in PT MCS Saatchi Indonesia to the company's founder for a consideration of £500k on 16 January 2024. The investment was held at nil value in December 2023.

Investments in associates and financial assets at fair value through profit or loss

The Group owns a 10% shareholding in Australie SAS (France) that was acquired in March 2021. This investment is held as financial assets at fair value through profit or loss in the consolidated balance sheet. The Group owns 49% in Cometis SARL and 25% in M&C Saatchi Little Stories SAS. These investments are held as Investments in associates in the consolidated balance sheet. The sale process of these investments commenced in the last quarter of 2023 and completed on 28 March 2024 for consideration of €1m.

The investment in Australie, the investment in our associates in France and the investment in PT MCS Saatchi Indonesia, were reclassified to Assets held for sale as of December 2023 according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

	2023 **£000**	**2022** **£000**
At 1 January	**–**	**–**
Reclassification from investment in associates (Note 16)	172	–
Reclassification from FVTPL (Note 20)	608	–
At 31 December	**780**	**–**

13. Investment property

Policy

IAS 40 Investment property applies to the accounting for property (land and/or buildings, or part of a building, or both) held (by the owner, or by the lessee, under a finance lease) to earn rentals or for capital appreciation (or both).

Investment property is initially measured at cost and subsequently at fair value with any change recognised in profit or loss.

Up to the date when an owner-occupied property becomes an investment property carried at fair value, an entity depreciates the property (or the right-of-use asset) and recognises any impairment losses that have occurred. The entity treats any difference at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and its fair value in the same way as a revaluation in accordance with IAS 16.

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Analysis

At times, entities of the Group will sublet certain of their properties when their underlying business requirements change.

Investment property compromises one floor in our London (UK) office valued at £802k and one floor in our Sydney (Australia) office valued at £1,568k. We moved out from these floors in November and in December 2023 respectively.

These properties are currently on the market with the aim to sublet them.

The investment property value represents the estimated rental income that the Group could get in the current market by renting out these spaces.

	2023 £000	2022 £000
At 1 January	**–**	**–**
Reclassification from Right-of-use assets (Note 18)	2,369	–
Foreign exchange	–	–
At 31 December	**2,369**	**–**

14. Deferred and contingent consideration

Policy

Certain acquisitions made by the Group include contingent or deferred consideration, the quantum of which is dependent on the future performance of the acquired entity. Such consideration is recorded at fair value in line with IFRS 13 (Note 30 of the financial statements).

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

Analysis

Assets	**2023** **£000**	**2022** **£000**
Non-current		
Contingent consideration		
Saatchinvest Ltd	738	914
Total non-current	**738**	**914**

Liabilities	**2023** **£000**	**2022** **£000**
Current		
Contingent consideration		
Scarecrow M&C Saatchi Ltd*	–	–
Total current	**–**	**–**

*There is contingent consideration owed to shareholders of Scarecrow M&C Saatchi Limited, however, due to its present level of profitability it is currently valued at £nil (2022: £nil).

Movements in liabilities in the year	**2023** **£000**	**2022** **£000**
At 1 January	**–**	**(984)**
Exchange differences	–	–
Charged to the income statement *	–	(266)
Conditional consideration paid in cash **	–	1,250
Conditional consideration paid in equity	–	–
At 31 December	**–**	**–**

* £266k revaluation of deferred consideration due to Levergy Marketing Agency (Pty) Limited on payment
** £1,250k paid to Levergy Marketing Agency (Pty) Limited.

Movements in assets in the year	2023 £000	2022 £000
At 1 January	**914**	–
Reclassification from financial assets at fair value through profit or loss (Note 20) ***	–	914
Revaluation	(176)	–
At 31 December	**738**	**914**

*** The £914k of contingent consideration relates to the sale of Dataseat Ltd ("Dataseat"), one of the entities in the Group's portfolio of unlisted companies, in which it held a 5.18% shareholding. The sale to Verve Group took place in July 2022, and £779k of cash was received as initial consideration. Verve Group is part of Media and Games Invest Se ("MGI"), a Swedish company which is listed on the Nasdaq Market in Stockholm and in the Scale segment of the Frankfurt Stock Exchange. Two further tranches of consideration may be received, on which the Group has undertaken a probability assessment in determining the value recognised:
Tranche 2:
Up to £534k to be received as cash or MGI shares. The exact amount to be received will be reduced proportionately based on:

1) one or both of the two Dataseat founders leaving the employment of Dataseat before July 2025,

2) if they leave, the terms and timing of their departures,

3) whether the consideration is paid in cash or shares. Receiving shares results in a maximum consideration of £534k rather than £485k, and the minimum is 0.

We received the £485k cash on 27 February 2024.

Tranche 3:

Up to £924k to be received as cash or MGI shares as part of an earn-out calculation. The earn-out consideration is dependent on Dataseat's 2024 net revenue and must be paid by August 2025. The contingent consideration was calculated following a review of Dataseat's future prospects and potential net revenues and involved sensitivity analysis of different revenue scenarios. Receiving any earn-out consideration is also dependent on the two founders remaining employed by Dataseat until July 2025. The maximum consideration which could be received for tranche 3 is £1,458k and the minimum is 0, this has been valued at £253k after discounting the remaining receivable amount.

15. Intangible assets

Policy

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

Goodwill

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

Other intangibles acquired as part of a business combination

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

Software and film

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

Amortisation

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

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

The Group has no indefinite life intangibles other than goodwill.

Impairment

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

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

The value in use calculations have been based on the forecast profitability of each CGU, using the 2024 budget and three-year plans approved by the Board, with a residual growth rate of 1.5% p.a. applied thereafter. This forecast data is based on past performance and current business and economic prospects. Revenue growth rates by year and geography were determined using PwC's 2023 Global Entertainment and Media Outlook report, and operating cost growth was limited to a % of revenue growth aligned with current margins and improvements driven by Project Forward.

A discount rate is then applied to create a discounted future cash flow forecast (DCF) for each CGU, which forms the basis for determining the recoverable amount of each CGU. If the DCF of a CGU is not in excess of its carrying amount (that includes the value of its fixed assets and right-of-use assets), then an impairment loss would be recognised.

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

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

Key assumptions used for impairment review	Residual growth rates 2023	Residual growth rates 2022	Pre-tax discount rates 2023	Pre-tax discount rates 2022
Market	**%**	**%**	**%**	**%**
UK	1.5	1.5	17	16-18
Asia and Australia	1.5	1.5	15-18	15-18
Middle East	1.5	1.5	15	15
South Africa	1.5	1.5	27	27
Americas	1.5	1.5	14-26	14-16

Analysis

	Goodwill £000	Brand name £000	Customer relationships £000	Software and film rights £000	Total £000
Cost					
At 31 December 2021	**58,436**	**8,194**	**14,051**	**3,232**	**83,913**
Exchange differences	2,258	169	355	145	2,927
Acquired	–	–	200	992	1,192
Disposal	–	–	–	(678)	(678)
At 31 December 2022	**60,694**	**8,363**	**14,606**	**3,691**	**87,354**
Exchange differences	(1,836)	(10)	25	(411)	(2,232)
Acquired	–	–	–	19	19
Reclassified*	–	–	–	(636)	(636)
Disposal	–	–	–	(120)	(120)
Disposal of subsidiaries (including no longer in use)	–	–	–	–	–
At 31 December 2023	**58,858**	**8,353**	**14,631**	**2,543**	**84,385**
Accumulated amortisation and impairment					
At 31 December 2021	**22,460**	**7,129**	**11,495**	**2,330**	**43,414**
Exchange differences	489	28	57	113	687
Amortisation charge	–	104	493	463	1,060
Impairment	556	–	–	172	728
Disposal	–	–	–	(503)	(503)
At 31 December 2022	**23,505**	**7,261**	**12,045**	**2,575**	**45,386**
Exchange differences	(855)	(33)	(28)	(193)	(1,109)
Amortisation charge	–	136	567	138	841
Impairment	3,733	295	766	–	4,794
Disposal	–	–	–	(120)	(120)
At 31 December 2023	**26,383**	**7,659**	**13,350**	**2,400**	**49,792**
Net book value					
At 31 December 2021	35,976	1,065	2,556	902	40,499
At 31 December 2022	37,189	1,102	2,561	1,116	41,968
At 31 December 2023	**32,475**	**694**	**1,281**	**143**	**34,593**

* Relates to assets reclassified from intangible assets to assets held at fair value through profit and loss (Note 20 of the financial statements), following the spinoff of our investment to DragnDrop Limited.

Goodwill Cash generating units (CGUs)	Balance held 31 December 2023 £000	Headroom 31 December 2023 %	Balance held 31 December 2022 £000	Headroom 31 December 2022 %	Region	Specialism
Shepardson Stern + Kaminsky LLP	5,649	36%	5,899	120%	Americas	Advertising
LIDA NY LLP (MCD)	5,573	24%	5,821	49%	Americas	Consulting
Clear Ideas Ltd	5,031	266%	5,031	282%	Europe	Consulting
M&C Saatchi Mobile Ltd	4,283	618%	4,283	1248%	UK	Media
M&C Saatchi Agency Pty Ltd (Australia)	2,790	249%	2,863	237%	Asia Pacific (APAC)	Various
M&C Saatchi Social Ltd	2,612	41%	2,612	87%	UK	Passions
Bohemia Group Pty Ltd (Australia)	1,768	76%	1,904	36%	Asia Pacific (APAC)	Media
M&C Saatchi Sport & Entertainment Ltd	1,184	1351%	1,184	839%	UK	Passions
M&C Saatchi Merlin Ltd	765	701%	765	867%	UK	Passions
Levergy Marketing Agency (PTY) Limited (South Africa)	743	65%	860	30%	Africa	Passions
M&C Saatchi Middle East Fz LLC (Dubai)	734	332%	765	515%	Middle East	Advertising
Santa Clara Participações Ltda	649	45%	624	4%	Americas	Advertising
M&C Saatchi Talk Ltd	625	615%	625	630%	UK	Advertising
M&C Saatchi (M) SDN BHD	69	1987%	71	2748%	Asia Pacific (APAC)	Advertising
M&C Saatchi (Hong Kong) Limited*	–	0%	2,506	0%	Asia Pacific (APAC)	Advertising
M&C Saatchi Advertising GmbH*	–	0%	1,376	94%	Europe	Advertising
Total	**32,475**	**253%**	**37,189**	**276%**		

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

During the year goodwill balances were fully impaired in relation to M&C Saatchi (Hong Kong) Limited £2,357k (2022: £396k) when a decision was made to exit this market; and M&C Saatchi Advertising GmbH £1,376k (2022: £nil) after the agency lost its main client during the year.

Based on the considerations above, impairments were also made in relation to brand name £295k (2022: £nil) and customer relationships £766k (2022: £nil) held by M&C Saatchi (Hong Kong) Limited.

The 2023 review of goodwill was undertaken as at 31 December, and resulted in no further impairments of goodwill.

A sensitivity analysis has been performed, showing the impact required if the profit forecasts reduced by 20% and the discount rates increase by 10% across the Group. This would give rise to an impairment in six CGUs (2022: eight) and a total impairment of £16,993k (2022: £21,603k).

16. Investments in associates and joint ventures

Policy

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

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

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

Analysis

Region & Name	Nature of business	Country of incorporation or registration	Investment in associates 2023 £000	Investment in associates 2022 £000	Proportion of ownership interest held at 31 December 2023	Proportion of ownership interest held at 31 December 2022
Europe						
Cometis SARL	Advertising	France	–	56	49%	49%
M&C Saatchi Little Stories SAS	PR	France	–	–	25%	25%
M&C Saatchi SAL	Advertising	Lebanon	–	–	10%	10%
M&C Saatchi AB*	Advertising	Sweden	–	–	30%	70%
APAC						
Love Frankie Ltd	Advertising	Thailand	138	135	25%	25%
February Communications Private Limited	Advertising	India	–	–	20%	20%
M&C Saatchi Limited	Advertising	Japan	–	–	10%	10%
Total			**138**	**191**		

* In December 2023, the Group sold majority of its shares in M&C Saatchi AB and only retained 30%.

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

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

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

The sale process of these investments commenced in the last quarter of 2023 and is expected to be completed in the first quarter of 2024 for a consideration of €1 million.

The sale process of the French associates, 49% in Cometis SARL and 25% in M&C Saatchi Little Stories SAS, commenced in the last quarter of 2023 and completed on 28 March 2024. Therefore these investments were reclassified to Assets held for sale as of December 2023 according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Balance sheet value as at 31 December	2023 £000	2022 £000
Investments intended to be held in the long term	138	191
Investments categorised as held-for-sale	133	–
Total associate investments	**271**	**191**

Balance sheet movements	2023 £000	2022 £000
At 1 January	191	202
Exchange movements	(1)	(1)
Revaluation of associates on transition to assets held for sale	133	–
Transferred to assets held for sale (Note 12)	(172)	–
Acquisition of associates	–	–
Impairment of associate	–	–
Share of (loss) / profit after taxation	(13)	(10)
At 31 December	**138**	**191**

Income statement	2023 £000	2022 £000
Share of (loss) / profit after taxation	(13)	(10)
Revaluation of associates on transition to assets held for sale	133	–
Other movements	1	–
Share of result of associates and joint ventures	**121**	**(10)**
Impairment of associate investment	–	–
Year to 31 December	**121**	**(10)**

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

Income statement	2023 APAC £000	2023 Europe* £000	2023 Total £000	2022 APAC £000	2022 Europe £000	2022 Total £000
Revenue	3,181	1,201	**4,382**	4,006	712	**4,718**
Operating profit / (loss)	874	23	**897**	765	165	**930**
Profit / (loss) before taxation	(565)	29	**(536)**	(201)	143	**(58)**
Profit / (loss) after taxation	(547)	23	**(524)**	(208)	113	**(95)**
Group's share	**5**	**(18)**	**(13)**	**(65)**	**55**	**(10)**
Dividends received	–	–	–	–	–	–

Balance sheet	2023 APAC £000	2023 Europe* £000	2023 Total £000	2022 APAC £000	2022 Europe £000	2022 Total £000
Total assets	932	2,762	**3,694**	1,557	151	**1,708**
Total liabilities	(987)	(2,683)	**(3,670)**	(1,088)	(38)	**(1,126)**
Net assets / (liabilities)	(55)	79	**24**	469	113	**583**
Our share	(14)	24	**10**	117	56	**173**
Losses not recognised	(142)	–	**(142)**	13	–	**13**
Goodwill	294	(24)	**270**	5	–	**5**
Total	**138**	–	**138**	**135**	**56**	**191**

*Income statement includes the YTD results for France. The investment in France has been reclassified to Assets held for sale as of 31 December 2023, therefore no balance sheet included for France. The Balance sheet includes M&C Saatchi AB net assets. The company became an associate on 21 December 2023, therefore no YTD results included in the income statement disclosure.

17. Plant and equipment

Policy

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

Depreciation is calculated at the following annual rates:

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

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

Analysis

Cost	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
At 31 December 2021	**7,296**	**3,918**	**5,832**	**78**	**17,124**
Exchange differences	324	121	259	4	708
Additions	1,145	1,674	1,551	13	4,383
Disposals	(1,596)	(1,066)	(404)	–	(3,066)
At 31 December 2022	**7,169**	**4,647**	**7,238**	**95**	**19,149**
Exchange differences	(207)	126	(733)	5	(809)
Additions	515	666	637	9	1,827
Disposals	(429)	(155)	(501)	(28)	(1,113)
At 31 December 2023	**7,048**	**5,284**	**6,641**	**81**	**19,054**
Accumulated depreciation and impairment					
At 31 December 2021	**4,030**	**2,655**	**4,090**	**16**	**10,791**
Exchange differences	230	53	183	3	469
Depreciation charge	990	381	1,087	22	2,480
Disposals	(1,579)	(926)	(396)	–	(2,901)
At 31 December 2022	**3,671**	**2,163**	**4,964**	**41**	**10,839**
Exchange differences	(492)	643	(857)	51	(655)
Depreciation charge	1,143	225	1,203	2	2,573
Impairment (Note 1)	101	31	–	–	132
Disposals	(358)	(127)	(334)	(23)	(842)
At 31 December 2023	**4,065**	**2,935**	**4,976**	**71**	**12,047**
Net book value					
At 31 December 2021	3,266	1,263	1,742	62	6,333
At 31 December 2022	3,498	2,484	2,274	54	8,310
At 31 December 2023	**2,983**	**2,349**	**1,665**	**10**	**7,007**

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

	Note	2023 £000	2022 £000
From plant and equipment	17	2,573	2,480
From right-of-use assets	18	6,243	6,846
		8,816	**9,326**

18. Leases

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

Policy

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

Right-of-use assets and lease liabilities

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

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

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

Lease term

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

Lease payments

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

Lease modifications

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

Subleases

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

Up to the date when an owner-occupied property becomes an investment property carried at fair value, an entity depreciates the property (or the right-of-use asset) and recognises any impairment losses that have occurred. The entity treats any difference at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and its fair value in the same way as a revaluation in accordance with IAS 16.

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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

Short-term leases and leases of low-value assets

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

Estimates relating to leases

The Group has made estimates in determining the interest rate used for discounting of future cash flows, and the lease term. Details relating to these estimates can be found in the basis of preparation note.

Analysis

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

Right-of-use assets	**Land & Buildings** £000	**Computer equipment** £000	**Motor vehicles** £000	**Total** £000
At 1 January 2022	**43,892**	**422**	**83**	**44,397**
Additions	3,966	395	134	4,495
Modifications	950	–	24	974
Disposals	(96)	(116)	(49)	(261)
Depreciation	(6,495)	(267)	(84)	(6,846)
Reversal of impairment	164	–	–	164
Sublease	(164)	–	–	(164)
Foreign exchange	1,203	29	1	1,233
At 1 January 2023	**43,420**	**463**	**109**	**43,992**
Additions	1,761	12	–	1,773
Modifications	592	6	5	603
Disposals	(243)	(2)	(11)	(256)
Depreciation	(5,991)	(189)	(63)	(6,243)
Impairment (Note 1)**	(1,872)	–	–	(1,872)
Reclassification to investment property (Note 13)*	(2,369)	–	–	(2,369)
Foreign exchange	(1,835)	(19)	(2)	(1,856)
At 31 December 2023	**33,463**	**271**	**38**	**33,772**

* Investment property compromises one floor in our London (UK) office valued at £802k and one floor in our Sydney (Australia) office valued at £1,568k. We moved out from these floors in November and in December 2023 respectively. These properties are currently on the market with the aim to sublet them. The investment property value represents the estimated rental income that the Group could get in the current market by renting out these spaces.
** The impairment amount of £1872k consists of:
£992k - M&C Saatchi Agency Pty Ltd: 99 Macquarie Street, Sydney, Australia (we moved out from this floor in December 2023),
£364k - M&C Saatchi Worldwide Ltd: 36 Golden Square, London, UK (we moved out from this floor in November 2023),
£463k - M&C Saatchi Worldwide Ltd: 30GPS 1st floor, London, UK (fully impaired in H1 2023),
£26k - M&C Saatchi Asia Hong Kong Ltd (due to the closure of the Asia HQ),
£27k - M&C Saatchi World Services (Singapore) PTE LTD (due to move to a new, bigger office in the year).

Lease liabilities	Land & Buildings £000	Computer equipment £000	Motor vehicles £000	Total £000
At 1 January 2022	**56,332**	**445**	**68**	**56,845**
Additions	3,966	395	134	4,495
Modifications	260	–	24	284
Disposals	(132)	(94)	(50)	(276)
Accretion of interest	2,945	21	4	2,970
Payments	(9,889)	(308)	(80)	(10,277)
Foreign exchange	1,508	20	1	1,529
At 1 January 2023	**54,990**	**479**	**101**	**55,570**
Additions	1,761	12	–	1,773
Modifications	–	6	5	11
Disposals	(254)	(2)	(9)	(265)
Accretion of interest	2,852	21	3	2,876
Payments	(8,831)	(213)	(60)	(9,104)
Foreign exchange	(1,396)	(19)	(3)	(1,418)
At 31 December 2023	**49,122**	**284**	**37**	**49,443**

The additions in 2023 predominately relate to the new offices in Dubai (the UAE) and Singapore.

The Group signed a lease agreement for a new office space in New York in August 2023. Due to extensive renovation work we did not move into that office until January 2024. We recognised the right-of-use asset and the lease liability of £3.8m in the consolidated balance sheet in January 2024.

Of lease payments made in the year of £9,105k (2022: £10,277k), £6,208k (2022: £7,307k) related to payment of principal on the corresponding lease liabilities and the balance to payment of interest £2,897k (2022: £2,970k) due on the lease liabilities.

Lease liabilities	Land & Buildings £000	Computer equipment £000	Motor vehicles £000	Total £000
Amounts due within one year	5,620	108	23	5,751
Amounts due after one year	44,156	176	13	44,345
At 31 December 2023	**49,776**	**284**	**36**	**50,096**
Amounts due within one year	6,196	196	56	6,448
Amounts due after one year	48,794	283	45	49,122
At 31 December 2022	**54,990**	**479**	**101**	**55,570**

Income statement charge	2023 £000	2022 £000
Depreciation of right-of-use assets	(6,243)	(6,846)
Short-term lease expense	31	(505)
Low-value lease expense	240	(68)
Short-term sublease income	–	–
Right-of-use asset impairment*	(1,872)	164
Charge to operating profit	**(7,844)**	**(7,255)**
Sublease finance income	5	5
Lease liability interest expense	(2,897)	(2,970)
Lease charge to profit before tax	**(10,736)**	**(10,220)**

*In 2022 there was a reversal of an impairment from 2020, as the impaired asset was sublet during the year.

The Group does not face a significant liquidity risk with regard to its lease liabilities and manages them in line with its approach to other month-to-month liquidity matters, as described in Note 31 of the financial statements.

The cash payment maturity of the lease liabilities held as at 31 December 2023, net of sublease receipts, is as follows:

Future cash payments	**2023** £000	**2022** £000
Period ending 31 December:		
2024	8,748	8,149
2025	8,742	7,870
2026	7,745	6,935
2027	7,271	6,415
2028	6,761	6,019
Later years	28,448	25,344
Gross future liability before discounting	**67,715**	**60,732**

Of the future lease payments post-2028, £21.8m relates to a single office lease which expires in 2034. This lease agreement was entered into in December 2019.

The Group signed a lease agreement for a new office space in New York in August 2023. Due to extensive renovation work we did not move into that office until January 2024. We recognised the right-of-use asset and the lease liability of £3.8m in the consolidated balance sheet in January 2024. The future cash payments include the payments of this lease.

19. Other non-current assets

At 31 December	2023 £000	2022 £000
Other debtors including rent deposits	1,262	1,107
Long term loans receivable*	1,040	–
Total other non-current assets	**2,302**	**1,107**

*This balance relates to £607k convertible loan to DragNDrop Limited, and €500k M&C Saatchi Madrid loan provision reversal.

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

Policy

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

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

Analysis

The Group's unlisted equity investments consist of:

Investments held by Saatchinvest Ltd, mainly relating to 18 (2022: 18) early-stage companies.

A £636k convertible investment in DragNDrop Limited (which has built an end-to-end advertising design tool to help small businesses with their marketing), following its spinoff from the Group in 2023.

A 2.86% shareholding in Sesión Tequila Holdings Pty Ltd (Australia).

A 10% shareholding in M&C Saatchi Madrid SL (Spain).

A 10% shareholding of 59A Limited.

A 10% shareholding in Australie SAS (which has been reclassified as an asset held for sale).

The closing balance of the equity investments held at FVTPL consists of: Saatchinvest (£6,441), DragNDrop Limited (£636k) and Sesión Tequila Holdings Pty Ltd (£151k). The Group's 10% shareholdings in M&C Saatchi Madrid SL and 59A Limited are all valued at nil.

With regard to DragNDrop , the Group paid £636k in respect of the development of the DragNDrop IP. The Group invested a further £607k in DragNDrop Limited in a form of a convertible loan, which is included in other non-current assets in the balance sheet.

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

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

	2023 £000	2022 £000
At 1 January	**11,986**	**15,183**
Disposals	(49)	(918)
Gain/(loss) on disposal	–	1,168
Impairment	–	(2,863)
Revaluation upwards	176	3,016
Revaluation downwards	(4,898)	(2,724)
Reclassification from intangible assets (Note 15)	636	–
Reclassification to assets held for sale (Note 12)	(608)	–
Reclassification to contingent consideration (Note 14)	–	(914)
Foreign exchange	(16)	38
At 31 December	**7,227**	**11,986**

Other gains/(losses) in income statement	2023 £000	2022 £000
Revaluations	(4,722)	292
Gain/loss on disposal	–	1,168
Impairment	–	(2,863)
Total	**(4,722)**	**(1,403)**

Saatchinvest

As well as the potential for making gains when selling these assets in the future, the strategy for making these investments originally envisaged synergies from exposure to, and contact with, such high potential companies. This portfolio is not strategically important and we will not be adding to it in the future.

In 2023, there were no additions, but the investment in Citymapper was disposed of in the year.

The £4,898k revaluation downwards included £1,909k relating to Ometria, £1,114k relating to Picasso Labs, £765k relating to Kyra and £546k relating to Touchcast.

The following summary shows the material investments held by Saatchinvest and quantitative information about the significant unobservable inputs used for fair value measurements:

Company	Closing Fair Value 31 December 2023 £000	Quantitative information for fair value measurements
Ometria	1,500	10% performance discount, 66% discount based on time elapsed since last price-point, 10% discounting for liquidation preference shares held by other shareholders
Picasso Labs/Creative X	875	10% performance discount, 10% discounting for liquidation preference shares held by other shareholders, 56% discount based on time elapsed since last price-point
Kindred	732	10% discounting for liquidation preference shares held by other shareholders
Metomic	560	10% discounting for liquidation preference shares held by other shareholders
Farewill	531	10% discounting for liquidation preference shares held by other shareholders
Touchcast	528	50% performance discount,
ThingThing	513	10% discounting for liquidation preference shares held by other shareholders
Other 10 investments (each below £500k)	1,202	
Total	**6,441**	

Australie

The £176k revaluation upwards relates to the unlisted investments held by M&C Saatchi International Holdings B.V. in Australie SAS.

A sale process of this investment commenced in the last quarter of 2023 and completed on 28 March 2024. Consequently, the 10% investment in Australie was reclassified to Assets held for sale as of December 2023, according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

21. Trade and other receivables

Policy

Trade receivables

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

Impairment - Expected credit losses

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

	2023 £000	2022 £000
Trade receivables	87,853	97,431
Loss allowance	(2,251)	(1,829)
Net trade receivables	85,602	95,602
Prepayments	6,226	4,890
Amounts due from associates	271	38
VAT and sales tax recoverable	160	167
Accrued income	12,238	12,716
Contract assets	2,845	2,180
Other receivables*	16,344	16,474
Total trade and other receivables	**123,686**	**132,067**

*Other receivables comprises unbilled media receivables balances of £14.2m (31 December 2022: £12.3m) and other amounts receivable of £2.1m (31 December 2022: £4.3m). There is no additional ECL recorded in relation to these amounts.

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

	2023 £000	2022 £000
As at 1 January	(1,829)	(877)
Release / (increase) for expected losses during the year	115	96
Movement in forward looking provision for specific bad debts:		
– Charge during the year	(574)	(1,469)
– Released during the year	24	421
– Utilisation of provision	–	–
Foreign exchange movement	13	–
Year-end provision	**(2,251)**	**(1,829)**

The information about credit exposures is disclosed in Note 31 of the financial statements.

22. Trade and other payables

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

	2023 £000	2022 £000
Trade creditors	35,176	50,437
Contract liabilities*	17,683	20,502
Sales taxation and social security payables	4,855	3,495
Accruals	63,336	67,601
Other payables	12,800	13,512
Total trade and other payables	**133,850**	**155,547**

* Contract liabilities relates to deferred income of £17.6m (2022: £20.5m). This has decreased in line with the decrease in revenue, as customers reduced budgets and cut spending throughout the year. The amount of the 2022 balance was recognised within revenue in the current year.

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

23. Provisions

Policy

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

The year-end provision of £1.1m (2022: £1.1m) comprises of costs relating to income protection schemes of £0.1m (2022: £0.5m); £0.2m (2022: £0.3m) in relation to property dilapidations; and £0.8m (2022: £nil) in relation to retrospective rent reviews.

	2023 £000	**2022 £000**
At 1 January	(1,056)	(1,193)
Charged to the income statement:		
- Overseas sales taxation and social security liabilities	–	(92)
- Income protection provision	–	(92)
- Provision for retrospective rent reviews	(800)	–
Utilised or released in the year		
- Lease dilapidations	10	21
- Release income protection provision	402	–
- Release of overseas tax provision	327	–
- Release of other provisions	67	–
- Release associated with the FCA investigation	–	300
At 31 December	**(1,050)**	**(1,056)**

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

24. Borrowings

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

Analysis
Amounts due within one year

At 31 December	2023 £000	2022 £000
Overdrafts*	–	(4,271)
Secured** bank loans	(15,900)	–
Local bank loans	(43)	(159)
	(15,943)	**(4,430)**

*These overdrafts can be legally offset with other cash balances.They have not been netted off in accordance with IAS32.42 in 2022 as there was no intention to settle on a net basis. However, they have been netted off in 2023 as the cash balance and the overdraft balance is with the same bank and there is intention to settle this on a net basis.
** Bank loans are secured on share charges & debentures for England & Wales Incorporated Guarantors and share charges only for non England & Wales Incorporated Guarantors

Amounts due after one year

At 31 December	2023 £000	2022 £000
Local bank loans	–	(52)
Secured bank loans	–	(6,750)
	–	**(6,802)**

Secured bank loans

On 7 March 2024, the Company entered into a new revolving multicurrency facility agreement with National Westminster Bank plc, HSBC UK Bank plc and Barclays Bank PLC for up to £50m (the "New Facility"), with a further £50m extension if required for strategic acquisitions. The New Facility is provided on a three-year term with two one year extensions. Interest is charged based on a reference rate plus a margin, which is based on the current leverage of the Group (margin ranges from 2.25% to 3.25%, as at Q1 2024). This New Facility is to refinance the existing £47m facility with National Westminster Bank plc and Barclays Bank PLC (the “Old Facility”) which would have matured on 31 May 2024. At 31 December 2023, the Group had up to £47.0m (2022: £47.0m) of funds available under the Old Facility with £16.0m drawn (2022: £7.0m).

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

Old Facility

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

New Facility

1. Interest cover – EBIT for the previous 12 months must exceed 5 times the net finance charge (external debt interest, excluding IFRS16 finance lease interest payments) for the previous 12 months.
2. Leverage – total indebtedness at the period end must not exceed 2.75 times EBITDA for the previous 12 months (adjusted for acquisitions and disposals). This increases to 3.25 times for a six month period after an acquisition.

The Company has been compliant with the covenants in the Old Facility throughout the period. The actual calculation is based on Headline results, though with specific additional addbacks defined by the bank.

At 31 December	2023 £000	2022 £000
Gross secured bank loans	(16,000)	(7,000)
Capitalised finance costs	100	250
Total secured bank loans	**(15,900)**	**(6,750)**

Total secured bank loans are due as follows:

At 31 December	2023 £000	2022 £000
In one year or less, or on demand	(15,900)	–
In more than one year but not more than five years	–	(6,750)
	(15,900)	**(6,750)**

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

	Gross secured bank loans £000	Local bank loans £000	Total bank loans* £000
At 31 December 2021	**(20,000)**	**(590)**	**(20,590)**
Cash movements	13,000	410	13,410
Non-cash movements			
– Foreign exchange	–	(32)	(32)
At 31 December 2022	**(7,000)**	**(212)**	**(7,212)**
Cash movements	(9,000)	164	(8,836)
Non-cash movements			
– Foreign exchange	–	5	5
At 31 December 2023	**(16,000)**	**(43)**	**(16,043)**

* The borrowing used to calculate net cash.

25. Other non-current liabilities

31 December	2023 £000	2022 £000
Employment benefits*	875	1,846
Long term bonuses	414	1,362
Other**	790	838
	2,079	**4,046**

*This relates to long term service leave in some locations, deferred contributions to pension schemes and long-term bonus plans. In addition, a termination indemnity plan in Italy of £524k (2022: £535k), this liability is for the 13th month salary accrual for all Italian employees to be paid to them when they leave the Company.

**The main items include a contractual make good liability in relation to the Australia office lease of £653k (2022: £690k).

26. Equity related liabilities

This disclosure note summarises information relating to all share schemes disclosed in Notes 14, 27 and 28 of the financial statements.

In the case of contingent consideration (Note 14 of the financial statements), IFRS 9 minority shareholder put option liabilities (Note 27 of the financial statements), and IFRS 2 put option schemes (Note 28 of the financial statements), the Group has a choice to pay in cash or equity. The Board made the decision during 2021 that put options would, from then on, be settled in cash, where the Group has cash resources to do so. In the case of the LTIP schemes, it is the Board's intention that an ESOP trust is set up to acquire the shares and fulfil these schemes using the acquired equity.

In the table below, potential cash payments are presented, based on the 2023 year-end share price of the Company of 160.0 pence and the estimated future business performance for each business unit. The payments are stated in the year at which the put option schemes first become exercisable. The forecasts are based on the Group's three-year plans, developed as part of the budget cycle, and assume all TSR targets are fulfilled, and that equity is bought by the ESOP Trust in the year of vesting at a Company share price of 160.0 pence. The table also shows the amount of these potential cash payments that has been recognised as a liability as at 31 December 2023, with the % of the related employment services not yet delivered to the Group at that date.

Total future expected liabilities as at 31 December 2023

	Potentially payable							Services not yet delivered as at 31 Dec 2023	Balance sheet liability as at 31 Dec 2023
At Company share price of 160.0p	**2024 £000**	**2025 £000**	**2026 £000**	**2027 £000**	**2028 £000**	**2029 £000**	**Total £000**	**%***	**£000**
IFRS 9 put option schemes	3,050	–	2,675	–	–	–	5,725	9%	5,184
IFRS 2 put option schemes	6,833	1,283	216	301	83	–	8,716	5%	8,232
LTIPs	1,948	2,574	2,546	–	–	–	7,068	79%	–**
	11,831	3,857	5,437	301	83	–	21,509		

*Share based payments (Note 28) charge liability to income statement over period of vesting i.e., as the employee fulfils their time obligation to earn the put option.
**LTIPs are accounted for as equity-settled, and thus do not create a balance sheet liability. The Total value of £7,068k relates to the LTIPs issued and outstanding at 31 December 2023.

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

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

Effect of a change in share price

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

	Potentially payable						
Future Company share price	**2024 £000**	**2025 £000**	**2026 £000**	**2027 £000**	**2028 £000**	**2029 £000**	**Total £000**
At 140p	£10,939	£3,363	£5,091	£263	£73	–	£19,729
At 160p	£11,831	£3,857	£5,437	£301	£83	–	£21,509
At 175p	£12,503	£4,228	£5,695	£329	£91	–	£22,846
At 200p	£13,547	£4,770	£6,234	£376	£104	–	£25,031
At 225p	£14,536	£5,258	£7,013	£423	£117	–	£27,347
At 250p	£15,524	£5,745	£7,792	£470	£130	–	£29,661
At 300p	£17,262	£6,720	£9,351	£564	£156	–	£34,053

Total put option liability

	2023 Company Total £000	**2023 Group Total £000**	**2022 Company Total £000**	**2022 Group Total £000**
Put options liability (IFRS 2)	(17)	(8,232)	(7,002)	(18,992)
Put options liability (IFRS 9)	–	(5,184)	–	(3,856)
Total	**(17)**	**(13,416)**	**(7,002)**	**(22,848)**
Current - Minority shareholder put option liabilities	(17)	(9,891)	(7,002)	(18,419)
Non-current - Minority shareholder put option liabilities	–	(3,525)	–	(4,429)
Total	**(17)**	**(13,416)**	**(7,002)**	**(22,848)**

27. Minority shareholder put option liabilities (IFRS 9)

Policy

See below but also basis of preparation note.

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

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

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

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

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

Analysis

IFRS 9 put options exercisable from year ended 31 December 2023:

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

It is the Group's option to fulfil these options in equity or cash and it is the Group's present intention to fulfil the options in cash (if available). However, if they are fulfilled in equity, the estimated number of the Company shares that will be issued to fulfil these options at 160.0p is 3,239,556 shares (2022: at 151.0p, 2,553,018 shares).

Liability as at 31 December	**2023 £000**	**2022 £000**
Amounts falling due within one year	(3,050)	(2,584)
Amounts falling due after one year, but less than three years	(2,134)	(1,272)
	(5,184)	**(3,856)**

Movement in liability during the year	2023 £000	2022 £000
At 1 January	**(3,855)**	**(5,238)**
Exchange difference	–	(1)
Exercises	785	2,497
Income statement charge due to:		
– Change in profit estimates	(2,142)	(970)
– Change in Company share price	198	406
– Amortisation of discount	(170)	(550)
Total income statement charge (Note 7)	**(2,114)**	**(1,114)**
At 31 December	**(5,184)**	**(3,856)**

Put options exercised in year	2023 £000	2022 £000
Paid in equity	–	–
Paid in cash	785	2,497
Total	**785**	**2,497**

During the year a put option arrangement for a 10% shareholding of M&C Saatchi Merlin Limited was exercised by the put option holder, and the equity was acquired by the Group.

28. Share-based payments (IFRS 2)

Policy

See below but also Basis of Preparation note.

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

Equity-settled share-based payment schemes

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

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

Cash-settled share-based payment schemes

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

Conversion from equity-settled to cash-settled

Up to 21 September 2021, the Group accounted for these put options as equity-settled. From 21 September 2021, the Group accounted for these put options as cash-settled.

If a put option existed at 21 September 2021 and is still unvested and the Company's share price multiple (the market condition) at the inception of the option is higher than the current Company's share price multiple, then the difference is charged to the income statement.

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

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

Summary of schemes

The Group has the following share-based payment schemes:

- Put options – from 21 September 2021 these put options have been accounted for as cash settled.
- South African equity purchased with non-recourse loans – some of the South African subsidiaries have sold equity to staff with non-recourse loans that are repaid out of dividends and from the proceeds of selling the equity to other employees, with the entity that has issued the equity acting as an intermediary. The equity does not have any put rights, so there is no obligation to acquire the equity, however the South African entities lent Rand 16,082k (2022 Rand 14,009k) to acquire the liability (netted against the fair value of the award) is at risk.
- Cash awards – these are long term cash schemes that were historically treated as a share-based scheme. These awards were fulfilled in the year.
- 2021 LTIP awards - on 28 September 2021 and 21 December 2021, the Company awarded equity-settled LTIPs to senior executive managers. This scheme grants a future award of the Company's shares, dependent on the achievement of certain future performance conditions:
  - Company's total shareholder return (TSR) versus the total shareholder return (TSR) of the FTSE Small Cap Index over the three years from December 2020 to December 2023 (70% of the award).
  - Company's full year Headline PBT performance in 2023 versus target (30% of the award).
- 2022 LTIP awards - on 12 December 2022, the Company awarded equity-settled LTIPs to senior executive managers. This scheme grants a future award of the Company's shares, dependent on the achievement of certain future performance conditions:
  - Company's total shareholder return (TSR) versus the total shareholder return (TSR) of the FTSE Small Cap Index over the three years from December 2021 to December 2024 (50% of the award).
  - Company's full year Headline PAT performance per share in 2024 versus target (50% of the award).
- 2023 LTIP awards - on 2 August 2022, the Company awarded equity-settled LTIPs to senior executive managers. This scheme grants a future award of the Company's shares, dependent on the achievement of certain future performance conditions:
  - Company's total shareholder return (TSR) versus the total shareholder return (TSR) of the FTSE Small Cap Index over the three years from December 2022 to December 2025 (50% of the award).
  - Company's full year Headline PAT performance per share in 2025 versus target (50% of the award).

For the LTIPs, an Employee Benefit Trust (EBT) has been set up to acquire the shares to fulfil these schemes in equity; thus the schemes are accounted for as equity settled. The inputs to Monte Carlo models used to calculate the fair value of these share awards granted during the year are as follows:

	2023 LTIP	**2022 LTIP**	**2021* LTIP**	**2021 LTIP**
Issue date	02/08/2023	12/12/2022	21/12/2021	28/09/2021
Vesting date	02/08/2026	31/05/2025	21/12/2024	28/09/2024
Share price at grant	£1.34	£1.48	£1.63	£1.56
Expected volatility	55%	76%	80%	81%
Risk free rate	5.15%	3.32%	0.67%	0.51%
Dividend yield	0%	0%	0%	0%
Fair value of award per share	£1.34	£1.47	£1.62	£1.55
TSR element against FTSE Small Cap index:				
Expected volatility	268%	291%	147%	158%
Fair value of award per share	£0.21	£0.63	£0.72	£0.67

*During 2023, the last remaining recipient of this reward left the Group's employment, and nothing will now vest under this scheme.

Income statement charge
Group

	2023 Equity £000	2023 Cash £000	2023 Total £000	2022 Equity £000	2022 Cash £000	2022 Total £000
Put options	(407)	4,349	**3,942**	580	432	**1,012**
South Africa non-recourse loan scheme	–	261	261	–	107	**107**
Total not affecting Headline results (Note 1)	(407)	4,610	**4,203**	580	539	**1,119**
LTIPs	841	–	**841**	438	–	**438**
Restrictive share awards	–	–	**–**	211	–	**211**
Cash awards	–	233	**233**	–	1,893	**1,893**
Total	**434**	**4,843**	**5,277**	1,229	2,432	**3,661**

Cash-settled liability

Group
The movement in the liability by scheme is detailed below:

	Put options £000	South Africa non-recourse loan scheme £000	Cash awards £000	Total £000
At 1 January 2022	**(27,122)**	**(468)**	**(326)**	**(27,916)**
(Charge) / credit to income statement				
– Straight-line recognition	(963)	–	(1,893)	(2,856)
– Change in subsidiary profit estimates	(1,858)	(231)	–	(2,089)
– Change in Company multiple	2,389	124	–	2,513
Total income state (charge) / credit	(432)	(107)	(1,893)	(2,432)
Settled*	8,553	–	1,054	9,607
Foreign exchange	9	(23)	–	(14)
At 31 December 2022	**(18,992)**	**(598)**	**(1,165)**	**(20,755)**
(Charge) / credit to income statement				
– Straight-line recognition	(366)	(261)	(233)	(860)
– Change in subsidiary profit estimates	(203)	–	–	(203)
– Change in Company multiple	(3,780)	–	–	(3,780)
Total income statement charge	(4,349)	(261)	(233)	(4,843)
Disposed	472	–	–	472
Settled	14,637	–	1,398	16,035
Foreign exchange	–	65	–	65
At 31 December 2023	**(8,232)**	**(794)**	–	**(9,026)**

* Following a review of the Group's 2022 financial statements by the Financial Reporting Council's Corporate Reporting Review Team (CRRT), the Group has reclassified these settlements of cash liabilities in the cash flow statement as operating activities, instead of financing activities. The correction of this error resulted in the net cash from operating activities for 2022 reducing by £9,607k from £22,468 to £12,861k, with cash from financing activities increasing by the same amount. The FRC has confirmed that the matter is now closed. The Group recognises that the FRC's review was based on the Company's Annual Report and Accounts for the year ended 31 December 2022 and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Therefore, given the scope and inherent limitations of their review, it would not be appropriate for the Company or any third party, including but not limited to investors and shareholders, to infer any assurance from the FRC's review that the Company's 2022 Annual Report and Accounts were correct in all material respects.

Company

The movement in the liability by scheme is detailed below:

	Total £000
At 1 January 2022	**(11,850)**
Settled	**871**
Revaluation of investment	**3,977**
At 31 December 2022	**(7,002)**
Settled	**469**
Revaluation of investment	**6,516**
At 31 December 2023	**(17)**

Put options

	Vesting	**% Entity subject to the put option**
Clear Ideas (Singapore) Ltd	Vested	10.00%
Clear LA LLC	Vested	12.00%
LIDA NY LLP (MCD)	Vested	24.50%
M&C Saatchi (Hong Kong) Limited	Vested	20.00%
M&C Saatchi Agency Pty Ltd	Vested	10.00%
M&C Saatchi Fluency Limited	2026	7.50%
M&C Saatchi Fluency Limited	2027	10.00%
M&C Saatchi Fluency Limited	2028	2.50%
M&C Saatchi Holdings Asia Pte Ltd (Indonesia)*	2024	27.40%
M&C Saatchi Holdings Asia Pte Ltd (Indonesia)*	2026	22.50%
M&C Saatchi Merlin Ltd	Vested	14.20%
M&C Saatchi Middle East Holdings Ltd	Vested	20.00%
M&C Saatchi Social Ltd	Vested	5.00%
M&C Saatchi Sport & Entertainment NY LLP	2024	12.50%
M&C Saatchi Sport & Entertainment NY LLP	2025	5.00%
M&C Saatchi Talk Ltd	Vested	39.00%
M&C Saatchi Talk Ltd	Vested	10.00%
M&C Saatchi, S.A. DE C.V.	Vested	40.00%
RE Worldwide UK Ltd	Vested	15.0%
Scarecrow M&C Saatchi Ltd	Vested	49.00%
The Source (W1) LLP	Vested	10.00%
The Source Insight Australia Pty Ltd	2025	35.00%

*In the case of M&C Saatchi Holdings Asia Pte Ltd (Indonesia) this entity was disposed during January 2024 and the £0.5m put option liability was extinguished.

At any point in time, the valuation of certain put option schemes may be in dispute with the put option holders who have challenged the valuation of the schemes. We believe we have taken a prudent position in assessing the liabilities, and therefore consider any adverse outturn to be unlikely. As at 31 December 2023, the maximum aggregate liability that is not accrued amounts to £1.2m (2022: £2.4m), which is approximately 10% of the put option liability.

LTIP

Shares issuable

During the year the Company also awarded LTIPs.
The table below shows the number of shares that the Company will issue at the Company's share price at 31 December 2023 of 160.0 pence (2021: 151.0 pence) assuming all awards under the LTIPs are held to their vesting date and fully vest.

Number of Shares	**LTIP '000**
At 1 January 2023	**3,275**
Forfeited on departure	**(629)**
Granted	**1,771**
At 31 December 2023	**4,417**

Shares issuable used in these accounts

	Note	2023 Number of shares '000	2023 Share price used	2022 Number of shares '000	2022 Share price used
Per EPS calculation	1	1,500	155	905	163p
Share based payments	28	4,417	134p-162p	3,275	147p-162p

The share-based payments calculation (Note 28 of the financial statements) uses the number of shares that could be issued at the first possible vesting date after the year-end. The EPS calculation (Note 1 of the financial statements) uses the average share price for the year, calculating the number of shares to be issued using its formula value had it been possible to exercise on the year-end date, and takes a deduction for any remaining uncharged share option charge at start of year and the share of profits that is allocatable to the equity during the year. Where the scheme has been issued for part of the year (and is not converted from an existing cash-based scheme) the shares are reduced by the proportion of the year that they are in issue. The EPS calculation is thus attempting to show the dilutive effect rather than the likely shares that will be issued and is income statement focused rather than the true future position.

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

Policy

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

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

Analysis

	Number of shares	1p ordinary shares £000
At 31 December 2021	**122,743,435**	**1,227**
No issue of shares	–	–
At 31 December 2022	**122,743,435**	**1,227**
No issue of shares	–	–
At 31 December 2023	**122,743,435**	**1,227**

The Company holds 485,970 (2022: 485,970) of its own shares in treasury.

30. Fair value measurement

Policy

See also basis of preparation note.

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

The fair value of an asset or liability is the price that would be received from selling the asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

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

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

– Level 3: unobservable inputs for the asset or liability.

The Group holds both assets and liabilities which are measured at fair value on a recurring basis and those which are measured at fair value on a non-recurring basis. Items measured at fair value on a non-recurring basis typically relate to non-financial assets arising as a result of business combinations as accounted for under the acquisition method. In this regard, during the year, the Group did not recognise additions to intangible assets (brand names and customer lists) (2022: £200k).

In addition, the Group also calculates the fair value of certain non-financial assets when there is the need to conduct an impairment review. These calculations also fall within Level 3 of the IFRS 13 hierarchy and, where applicable, are described in Note 15 of the financial statements.

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

The following table shows the levels within the hierarchy of assets and liabilities measured at fair value on a recurring basis at 31 December 2023 and 31 December 2022:

At 31 December 2023	Level 1 £000	Level 2 £000	Level 3 £000
Assets			
Equity investments at FVTPL	–	–	7,227
Investment property	–	–	2,369
Contingent consideration	–	–	738
Total	**–**	**–**	**10,334**

At 31 December 2022	Level 1 £000	Level 2 £000	Level 3 £000
Assets			
Equity investments at FVTPL	–	–	11,986
Contingent consideration	–	–	914
Total	**–**	**–**	**12,900**

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

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

	Equity instruments at FVTPL £000	Investment property £000	Total £000
At 1 January 2023	**12,900**	–	**12,900**
Disposals	(49)	–	(49)
Revaluations	(4,898)	–	(4,898)
Reclassification from intangible assets	636	–	636
Reclassification to assets held for sale	(608)	–	(608)
Reclassification from right-of-use assets (Note 18)	–	2,369	2,369
Foreign exchange	(16)	–	(16)
At 31 December 2023	**7,965**	**2,369**	**10,334**

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

The equity instruments at FVTPL relate to unlisted equity investments as detailed in Note 20 of the financial statements. Management bases its primary assessment of their fair values on the share price from the last funding round but also incorporates discounts depending on performance, long-term inactivity, more senior shareholdings held by other investors and the possibility of future dilution due to the presence of convertible loan notes. Fluctuations in the share price would change the fair value of the investments recognised at year-end as follows, assuming a 10% uplift or downwards movement in the price:

Adjusted share price	Increase/ (decrease) in fair value of asset 2023 £000	Increase/ (decrease) in fair value of asset 2022 £000
+10%	797	1,290
-10%	(797)	(1,290)

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

Risk adjusted sales price	Decrease in fair value of asset 2023 £000	Decrease in fair value of asset 2022 £000
-30% sales discount due to illiquid nature*	(2,390)	(3,870)
-12% risk discount for unwilling market place**	(956)	(1,084)
Value after discounts	**6,988**	**7,946**

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

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

31. Financial risk management

Principal financial instruments

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

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

Financial assets

	Fair value through profit or loss		Amortised cost	
	2023	**2022**	**2023**	**2022**
At 31 December	**£000**	**£000**	**£000**	**£000**
Trade and other receivables	–	–	120,841	129,887
Contract assets	–	–	2,845	2,180
Cash and cash equivalents	–	–	24,326	41,492
Equity instruments	7,227	11,986	–	–
Total financial assets	7,227	11,986	**148,012**	**173,559**

31.1 – General objective, policies and processes

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

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

31.2 – Market risk

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

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

31.3 – Foreign exchange risk

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

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

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

	Increase/ (decrease) in profit before tax 2023	**Increase/ (decrease) in profit after tax 2023**	**Increase/ (decrease) in profit before tax 2022**	**Increase/ (decrease) in profit after tax 2022**
Exchange rate	**£000**	**£000**	**£000**	**£000**
USD +10%	697	591	848	727
USD -10%	(634)	(537)	(771)	(661)
AUD +10%	378	212	490	321
AUD -10%	(344)	(193)	(446)	(292)

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

	Year-End Rate		**Average Rate**	
Currency	**2023**	**2022**	**2023**	**2022**
USD	1.27	1.21	1.26	1.20
AUD	1.87	1.77	1.90	1.77

The Group assumes that currencies will either be freely convertible, or the currency can be used in the local market to pay for goods and services, which the Group can sell to clients in a freely convertible currency. Within the 2023 year-end cash balances the Group holds £323k in Indian rupees; £605k in Libyan dinars; and £3,401k in South African rand.

31.4 – Interest rate risk

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

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2023 would (decrease)/increase by £(113)k / £113k (2022: £(35)k / £35k). This is principally attributable to the Group's exposure to interest rates on its floating rate loan.

31.5 – Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and, when appropriate, principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as and when they fall due. The Group's debt instruments carry interest at SONIA + 3.0%. This will change in 2024 under the new revolving facility to a margin grid based on the Company's leverage.

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

The Board receives current year cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group had sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The Group breached no banking covenants during the year.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities, all of which are held at amortised cost:

Group

At 31 December 2023	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2 to 5 years £000	over 5 years £000
Trade and other payables*	(82,375)	(14,146)	(2,940)	961	(12)
Lease liabilities	(2,187)	(6,561)	(8,742)	(21,777)	(29,101)
Loans and borrowings	(15,943)	–	–	–	–
Overdrafts	–	–	–	–	–
IFRS 9 put options	–	(3,050)	–	(2,134)	–
Total	**(100,505)**	**(23,757)**	**(11,682)**	**(22,950)**	**(29,113)**

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

At 31 December 2022	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2 to 5 years £000	over 5 years £000
Trade and other payables*	(93,060)	(34,996)	(2,508)	(976)	(10)
Lease liabilities	(2,256)	(6,770)	(8,149)	(21,220)	(31,363)
Loans and borrowings	(59)	(100)	(6,802)	–	–
Overdrafts	(4,271)	–	–	–	–
IFRS 9 put options	–	(2,584)	–	(1,272)	–
Total	**(99,646)**	**(44,450)**	**(17,459)**	**(23,468)**	**(31,373)**

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

Company

At 31 December 2023	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2 to 5 years £000	over 5 years £000
Trade and other payables	(2,577)	(79)	(68)	–	–
Overdrafts	–	–	–	–	–
Loans and borrowings	(15,900)	–	–	–	–
Total	**(18,477)**	(79)	(68)	–	–

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

31.6 – Credit risk

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

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

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

Impairment

The Group has one principal class of assets in scope for expected credit loss test, trade receivables. Contract assets are also included in the review, but the impairment in relation to these assets is not material.

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

The expected loss rates for each business are based on the payment profiles of sales at least over a period of 24 months before 31 December 2023 or 31 December 2022 respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables.

The expected credit loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables under IFRS 15.

	Trade receivables					
31 December 2023	**Not past due**	**0 – 30 days past due**	**31 – 90 days past due**	**91 – 120 days past due**	**> 120 days past due**	**Total**
Expected loss rate (%)	0.0%	0.0%	0.0%	0.2%	0.8%	
Trade receivables (£000's)	59,744	17,373	4,906	2,541	3,289	**87,853**
Calculated expected credit loss provision (£000's)	3	1	1	4	40	**49**
Specific further loss allowances (£000's)					2,202	**2,202**
Total loss allowance (£000's)	**3**	**1**	**1**	**4**	**2,242**	**2,251**

	Trade receivables					
31 December 2022	**Not past due**	**0 – 30 days past due**	**31 – 90 days past due**	**91 – 120 days past due**	**> 120 days past due**	**Total**
Expected loss rate (%)	0.02%	0.01%	0.02%	0.51%	3.55%	
Trade receivables (£000's)	70,673	25,496	9,333	2,701	4,124	**112,327**
Calculated expected credit loss provision (£000's)	11	3	2	14	146	**176**
Specific further loss allowances (£000's)	–	–	–	–	1,653	**1,653**
Total loss allowance (£000's)	**11**	**3**	**2**	**14**	**1,799**	**1,829**

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

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

31.7 – Share price risk

The Group has used put option awards to incentivise certain local key management. The value of these awards is in part dependent upon the Company's share price.

31.8 – Equity price risk

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and by placing limits on individual and total equity investment securities. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board reviews and approves all equity investment decisions. The basis of the fair value calculations and the sensitivity of these calculations to the key inputs are detailed in Note 30 of the financial statements.

31.9 – Capital management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 24 of the financial statements, cash and cash equivalents as disclosed in the cash flow statement and equity attributable to equity holders of the parent as disclosed in the statement of changes in equity.

32. Group companies

Key

* This subsidiary company is exempt from the requirements relating to the audit of individual accounts for the year ended 31 December 2023 by virtue of Section 479A of the Companies Act 2006. M&C Saatchi plc (the Company) will guarantee the debts and liabilities of the subsidiary company in accordance with Section 479C of the Companies Act 2006.

** Entities where all equity is directly held by the Company, all other subsidiary companies' equity is either in part or wholly held via subsidiaries of the Company.

*** Subsidiaries of subsidiaries with minorities at multiple levels in which we have control.

As at 31 December 2023	Country	Company Number	Registered Office Address	Specialism	Effective % ownership 2023
United Kingdom					
LIDA (UK) LLP*	United Kingdom	OC395890	36 Golden Square, London, W1F 9EE	Advertising	100
LIDA Limited*	United Kingdom	03860916	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi (UK) Limited*	United Kingdom	03003693	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Accelerator Limited*	United Kingdom	09660056	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Export Limited*	United Kingdom	03920028	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi PR Limited*	United Kingdom	07280464	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi PR UK LLP*	United Kingdom	OC362334	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Talk Limited*	United Kingdom	04239240	36 Golden Square, London, W1F 9EE	Advertising	51
The Source (London) Limited*	United Kingdom	07140265	36 Golden Square, London, W1F 9EE	Advertising	100
The Source (W1) LLP*	United Kingdom	OC384624	36 Golden Square, London, W1F 9EE	Advertising	90
This Is Noticed Limited*	United Kingdom	11843904	36 Golden Square, London, W1F 9EE	Advertising	68.5
Clear Ideas Consultancy LLP*	United Kingdom	OC362532	36 Golden Square, London, W1F 9EE	Consulting	100
Clear Ideas Limited*	United Kingdom	04529082	36 Golden Square, London, W1F 9EE	Consulting	100
M&C Saatchi Fluency Limited*	United Kingdom	12853921	36 Golden Square, London, W1F 9EE	Consulting	80
M&C Saatchi Life Limited*	United Kingdom	14338008	36 Golden Square, London, W1F 9EE	Consulting	100

Re Worldwide Ltd*	United Kingdom	10503044	36 Golden Square, London, W1F 9EE	Consulting	77.5
Thread Innovation Limited*	United Kingdom	13510974	36 Golden Square, London, W1F 9EE	Consulting	100
Alive & Kicking Global Limited*	United Kingdom	11250736	36 Golden Square, London, W1F 9EE	Dormant	100
Human Digital Limited*	United Kingdom	07510403	36 Golden Square, London, W1F 9EE	Issues	100
M&C Saatchi World Services LLP*	United Kingdom	OC364842	36 Golden Square, London, W1F 9EE	Issues	100
M&C Saatchi WS .ORG Limited*	United Kingdom	10898282	36 Golden Square, London, W1F 9EE	Issues	100
Tricycle Communications Limited*	United Kingdom	07643884	36 Golden Square, London, W1F 9EE	Issues	100
M&C Saatchi Network Limited* & **	United Kingdom	07844657	36 Golden Square, London, W1F 9EE	Group Central Costs	100
Saatchinvest Ltd*	United Kingdom	07498729	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M&C Saatchi International Holdings B.V.	United Kingdom	24295679 (FC024340)	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M&C Saatchi European Holdings Limited*	United Kingdom	05982868	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M&C Saatchi German Holdings Limited*	United Kingdom	06227163	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M&C Saatchi International Limited*	United Kingdom	03375635	36 Golden Square, London, W1F 9EE	Local Central Costs	100
M&C Saatchi Middle East Holdco Limited*	United Kingdom	09374189	36 Golden Square, London, W1F 9EE	Local Central Costs	80
M&C Saatchi Worldwide Limited*	United Kingdom	02999983	36 Golden Square, London, W1F 9EE	Local Central Costs	100
FYND Media Limited*	United Kingdom	10104986	36 Golden Square, London, W1F 9EE	Media	100
M&C Saatchi Mobile Limited*	United Kingdom	05437661	36 Golden Square, London, W1F 9EE	Media	100
M&C Saatchi Merlin Limited*	United Kingdom	03422630	36 Golden Square, London, W1F 9EE	Passions	85.8
M&C Saatchi Social Limited* & **	United Kingdom	09110893	36 Golden Square, London, W1F 9EE	Passions	95
M&C Saatchi Sport & Entertainment Limited*	United Kingdom	03306364	36 Golden Square, London, W1F 9EE	Passions	100
M&C Saatchi Football Limited*	United Kingdom	14970667	36 Golden Square, London, W1F 9EE	Dormant	51

Europe					
M&C Saatchi (Switzerland) SA	Switzerland	660-0442009-4	Boulevard Des Promenades 8, 1227, Carouge, Geneva, Switzerland	Advertising	76
M&C Saatchi Advertising GmbH	Germany	95484	Munzstrasse 21-23, 10178, Berlin, Germany	Advertising	100
M&C Saatchi Digital GmbH	Germany	137809	Munzstrasse 21-23, 10178, Berlin, Germany	Advertising	100
M&C Saatchi PR S.r.L	Italy	IT08977250961	V.Le Monte Nero 76, Milano, 20135, Italy	Advertising	100
M&C Saatchi SpA	Italy	IT07039280966	V.Le Monte Nero 76, Milano, 20135, Italy	Advertising	100
M&C Saatchi Sport & Entertainment Benelux B.V.	Netherlands	860734560	Keizersgracht, 81015CN, Amsterdam	Passions	100
M&C Saatchi Sport & Entertainment GmbH	Germany	142905	Munzstrasse 21-23, 10178, Berlin, Germany	Passions	100
Middle East and Africa					
Black & White Customer Strategy (Pty) Limited	South Africa	211/005859/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.6
Creative Spark Interactive (Pty) Limited**	South Africa	2010/016508/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1
Dalmatian Communications (Pty) Limited**	South Africa	2015/396439/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1
M&C Saatchi Abel (Pty) Limited	South Africa	2009/022172/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.5
M&C Saatchi FZ LLC	United Arab Emirates	177	PO Box: 77932, Abu Dhabi, United Arab Emirates	Advertising	80
M&C Saatchi Middle East FZ LLC	United Arab Emirates	30670	M&C Saatchi, Penthouse, Building 1, Twofour54, PO Box 77932, Abu	Advertising	80

			Dhabi, United Arab Emirates		
Razor Media (Pty) Limited	South Africa	2017/177757/07	9 8th Street, Houghton, Johannesburg, Gauteng, 2198, South Africa	Advertising	49
M&C Saatchi Bahrain W.L.L	Bahrain	74157	51,122,1605,316, Manama Centre	Dormant	100
M&C Saatchi Connect (Pty) Limited**	South Africa	2013/037737/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town, South Africa	Media	53.8
Levergy Marketing Agency (Pty) Limited**	South Africa	2005/021589/07	9 8th Street, Houghton, Johannesburg, Gauteng, 2198, South Africa	Passions	70
World Services Middle East FZ-LLC	United Arab Emirates	102798	309, Third Floor, Thuraya 1, Dubai, UAE	Issues	100
Asia					
Design Factory Sdn Bhd	Malaysia	201001034805	No. 15B, 2nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor Darul Ehsan, Malaysia	Advertising	100
M&C Saatchi Advertising (Shanghai) Limited	China	91310000740556813A	Room 248, Floor 2, Unit 5, No.11, Wanghang Road, New Lingang Area, China (Shanghai) Pilot Free Trade Zone, China	Advertising	80
M&C Saatchi (Hong Kong) Limited	Hong Kong	509500	Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point, Hong Kong	Advertising	80
M&C Saatchi Communications Pvt Limited	India	U74300DL2005PTC141682	Flat No.270-D, Pocket C Mayur Vihar Phase II, New Delhi, 110091, India	Advertising	94.8
Scarecrow M&C Saatchi Limited**	India	U22190MH2008PLC188548	2nd Floor, Kamani Chambers 32 Ramjibhai Kamani Marg, Ballard Estate Mumbai, Mumbai City, MH 400038 IN, India	Advertising	51
PT. MCS Saatchi Indonesia	Indonesia	576/1/IU/PMA/2018	Dea Tower 1 Mezanine Floor, Jl. Mega Kuningan Kav.e4.3 No.1-2, Kuningan Timur,	Advertising	50.1

			Setiabudi, Jakarta Selatan, 12920, Indonesia		
M&C Saatchi (M) Sdn Bhd	Malaysia	606116-D	No.15b, 2nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor, Malaysia	Advertising	100
M&C Saatchi Source (M) SDN BHD	Malaysia	1313653-D	No.15b, 2nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor, Malaysia	Advertising	100
Watermelon Production Sdn Bhd	Malaysia	1083441-M	No.15b, 2nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor, Malaysia	Advertising	100
M&C Saatchi World Services Pakistan (Pvt) Ltd	Pakistan	0081911	48m, Block 6, P.Ec.H.S, Karachi, Pakistan	Issues	51
M&C Saatchi (S) Pte Limited	Singapore	199504816C	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Advertising	100
Clear Ideas (Singapore) Pte Limited	Singapore	201020335R	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Consulting	90
Clear Asia Limited	Hong Kong	1289028	6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong	Dormant	100
M&C Saatchi World Services (Singapore) Pte Limited	Singapore	202104508W	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Issues	100
M&C Saatchi Asia Limited	Hong Kong	1959819	Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point, Hong Kong	Local Central Costs	100
M&C Saatchi Holdings Asia Pte Limited	Singapore	20172 5519K	1 Coleman Street, #05-06a, The Adelphi, 179803 Singapore	Local Central Costs	50.1
M&C Saatchi Mobile India LLP	India	AAK-8869	141b First Floor, CI House Shahpur Jat, New Delhi, 110049, India	Media	100

M&C Saatchi Mobile Asia Pacific Pte Limited	Singapore	201410399M	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Media	100
PT MCSaatchi Mobile Indonesia	Indonesia	2212230035592	Epicentrum walk 3rd Floor A 306 - A 307, Kawasan Rasuna Epicentrum Jl. HR. Rasuna Said, Desa/Kelurahan Karet Kuningan, Kec. Setiabudi, Kota Adm. Jakarta Selatan, Provinsi DKI Jakarta, Kode Pos: 12940.	Media	100
Australia					
1440 Agency Pty Limited	Australia	100 473 363	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Bellwether Global Pty Limited	Australia	114 615 226	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Brands In Space Pty Limited	Australia	129 800 639	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Elastic Productions Pty Limited	Australia	635 737 861	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Go Studios Pty Limited	Australia	092 941 878	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Greenhouse Australia Pty Limited	Australia	629 584 121	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Hidden Characters Pty Limited	Australia	108 886 291	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	85.5
LIDA Australia Pty Limited	Australia	125 908 009	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
M&C Saatchi Direct Pty Limited	Australia	072 221 811	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
M&C Saatchi Melbourne Pty Limited	Australia	004 777 379	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	89.9
M&C Saatchi Sydney Pty Limited	Australia	637 963 323	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Park Avenue PR Pty Limited	Australia	604 298 071	99 Macquarie Street, Sydney,	Advertising	90

			NSW 2000, Australia		
Resolution Design Pty Limited	Australia	621 985 288	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Saatchi Ventures Pty Limited	Australia	614 007 957	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	54
The Source Insight Australia Pty Limited	Australia	618 841 928	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	58.5
This Film Studio Pty Limited	Australia	624 003 541	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	63
Tricky Jigsaw Pty Limited	Australia	069 431 054	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	88
Ugly Sydney Pty Limited	Australia	618 242 710	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	67.5
Re Team Pty Limited	Australia	105 887 321	99 Macquarie Street, Sydney, NSW 2000, Australia	Consulting	90
Yes Agency Pty Limited	Australia	621 425 143	99 Macquarie Street, Sydney, NSW 2000, Australia	Consulting	90
eMCSaatchi Pty Limited	Australia	089 856 093	99 Macquarie Street, Sydney, NSW 2000, Australia	Dormant	90
World Services (Australia) Pty Limited	Australia	629 191 420	C/O Walker Wayland Services Pty Ltd, Suite 11.01, Leve 11, 60 Castlereagh Street, Sydney NSW, Australia	Issues	90
M&C Saatchi Agency Pty Limited	Australia	069 431 054	99 Macquarie Street, Sydney, NSW 2000, Australia	Local Central Costs	90
M&C Saatchi Asia Pac Holdings Pty Limited	Australia	097 299 020	99 Macquarie Street, Sydney, NSW 2000, Australia	Local Central Costs	100
Bohemia Group Pty Limited	Australia	154 100 562	99 Macquarie Street, Sydney, NSW 2000, Australia	Media	90
M&C Saatchi Sport & Entertainment Pty Limited	Australia	139 568 102	99 Macquarie Street, Sydney, NSW 2000, Australia	Passions	90
Americas					
Agência Digital Zeroacem Ltda***	Brazil	NIRE-3522979148	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao	Advertising	46

			Paolo, 05434-080, Brazil		
CSZ Comunicação Ltda	Brazil	03.910.644/0001-05	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao Paolo, 05434-080, Brazil	Advertising	50.1
Lily Participações Ltda	Brazil	21.188.539/0001-96	Avenida Brigadeiro Faria Lima, 1355, Jardim Paulistano 16 Andar, Sal, Sao Paulo, 01452-919, Brazil	Advertising	100
M&C Saatchi, S.A. DE. C.V	Mexico	N-2017052183	Darwin 74, Piso 1, Miguel Hidalgo, 11590 Ciudad de México, CDMX, Mexico	Advertising	60
USMAJ LLC	USA	5445173	874 Walker Road, Suite C, Dover, Kent, Delaware 19904 USA	Advertising	100
Santa Clara Participações Ltda	Brazil	09.349.720/0001-31	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao Paolo, 05434-080, Brazil	Advertising	50.1
Shepardson Stern + Kaminsky LLP	USA	4656653	80 State Street, Albany, 12207-2543, New York, USA	Advertising	100
Clear USA LLC	USA	20-8599548	138 West 25th Street, Floor 5, New York, 10001, USA	Consulting	100
LIDA NY LLP (MCD PARTNERS)	USA	4902983	138 West 25th Street, Floor 5, New York, NY 10001, USA	Consulting	75.5
Clear LA LLC	USA	6241713	2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, USA	Dormant	95
Clear NY LLP	USA	30-0891764	1209 Orange Street Wilmington, Delaware 19801, USA	Dormant	100
LIDA USA LLP	USA	6333479	251 Little Falls Drive, Wilmington, Delaware, 19808 USA	Dormant	100
World Services US Inc.	USA	C2543767	88 Pine Street, 30th Floor, New York 10005, United States	Issues	100
M&C Saatchi Agency Inc.	USA	13-3839670	304 East 45th Street, New York, 10017, USA	Local Central Costs	100

M&C Saatchi Mobile LLC	USA	45-3638296	2032 Broadway, Santa Monica California, 90404 USA	Media	100
M&C Saatchi Sport & Entertainment LA LLC	USA	6369786	874 Walker Road Suite C, Dover, Kent, Delaware 19904, USA	Passions	100
M&C Saatchi Sport & Entertainment NY LLP	USA	46-5182795	160 Greentree Drive, Suite 101, Dover, Kent, Delaware, 19904, USA	Passions	82.5

Associate Entities

Entities in which the Group holds less than 50% of the share capital and which are accounted for as Associates (Note 16). All subsidiary companies which the Group controls in line with the requirements of IFRS 10 have been included in the consolidated financial statements.

As at 31 December 2023	Country	Company Number	Registered Office Address	Specialism	Effective % ownership 2023
Love Frankie Limited	Thailand	105557000000	571 Rsu Tower, 10th Floor, Soi Sukhumvit 31, Sukhumvit Road, Wattana District, Bangkok, Thailand	Advertising	21
M&C Saatchi SAL	Lebanon	1010949	Quantum Tower, Charles Malek Avenue, St Nicolas, Beirut, Lebanon	Advertising	10
M&C Saatchi Little Stories SAS	France	449386944	32 Rue Notre Dame Des Victoires, 75002 Paris, France	Advertising	25.77
Cometis SARL	France	384769592	14 Rue Meslay, 75003 Paris, France	Advertising	49
M&C Saatchi Limited	Japan	0110-01-060760	1-26-1 Ebisu-Nishi, Shibuya-Ku, Tokyo 150-0021, Japan	Advertising	10
February Communications Pvt Limited	India	U74999DL2012PTC233245	141b First Floor, Cl House Shahpur Jat, New Delhi, 110049, India	Advertising	20
M&C Saatchi AB	Sweden	556902-1792	Skeppsbron 16, 11130, Stockholm, Sweden	Advertising	30
M&C Saatchi Go! AB	Sweden	559076-6076	Skeppsbron 16, 11130, Stockholm, Sweden	Advertising	30
M&C Saatchi PR AB	Sweden	559103-4201	Skeppsbron 16, 11130, Stockholm, Sweden	Advertising	30

UK companies dissolved in January 2024

Influence Communications Limited	United Kingdom	04917646	36 Golden Square, London, W1F 9EE	Consulting	95
M&C Saatchi PR International Limited	United Kingdom	08838406	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi WMH Limited	United Kingdom	03457658	36 Golden Square, London, W1F 9EE	Local Central Costs	100
M&C Saatchi Shop Limited	United Kingdom	09660100	36 Golden Square, London, W1F 9EE	Advertising	100

33. Related party transactions

Key management remuneration

Key management remuneration is disclosed in Note 5 of the financial statements.

Details on Directors' remuneration is disclosed in the Directors' Remuneration Report.

Other related parties

During the year, the Group made purchases of £312k (2022: £84k) from its associates. At 31 December 2023, £45k was due to associates in respect of these transactions (2022: £31k).

During the year, £496k (2022: £127k) of fees were charged by Group companies to associates. At 31 December 2023, associates owed Group companies £271k (2021: £38k).

34. Commitments

Capital commitments

At the year-end, the Group did not have committed costs (2022: £56k) to acquire property plant and equipment.

Other commitments

The Group signed a lease agreement for a new office space in New York in August 2023. Due to extensive renovation work, we did not move into that office until January 2024. We recognised the right-of-use asset and the lease liability of £3.8m in the consolidated balance sheet in January 2024.

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

35. Post-balance sheet events

As part of our simplification strategy, the Group continued to close down small entities including each of Influence Communications Limited, M&C Saatchi PR International Limited, M&C Saatchi WMH Limited and M&C Saatchi Shop Limited.

The Group sold its shares in PT MCS Saatchi Indonesia to the founder for a consideration of £500k on 16 January 2024.

On 28 March 2024, the Group disposed of its 10% shareholding in Australie SAS (France) which it acquired in March 2021, its 49% shareholding in Cometis SARL and its 25% shareholding in M&C Saatchi Little Stories SAS for consideration of €1m.

On 9 April 2024, the Group entered into an agreement to divest of its shareholdings in the Group's subsidiaries forming the South Africa Group, being each of M&C Saatchi Abel (Pty) Limited, M&C Saatchi Connect (Pty) Limited, Dalmatian Communications (Pty) Limited, Levergy Marketing Agency (Pty) Limited, Razor Media (Pty) Limited and Black & White Customer Strategy (Pty) Limited for consideration of £5.6m.

On 7 March 2024, the Company entered into a new revolving multicurrency facility agreement with National Westminster Bank plc, HSBC UK Bank plc and Barclays Bank PLC for up to £50m, with a further £50m extension if required for strategic acquisitions.

The Board is recommending the payment of a final dividend of 1.6pence per share.

The Company announced the appointment of Zaid Al-Qassab as the Company's new Chief Executive Officer. Zaid will be taking up his role in May 2024.

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.

36. Other accounting policies

Reserves

Equity comprises the following:

Share capital

Represents the nominal value of equity shares in issue.

Share premium

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

Other reserves

Merger reserve

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

Treasury reserve

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

Minority interest put option reserve

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

Non-controlling interest acquired reserve

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

Foreign exchange reserve

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

Retained earnings

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

37. New and revised standards issued but not yet effective

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

IFRS 17 and Amendments to IFRS 17 – Insurance Contracts: Changes to international insurance accounting.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies: Application of Materiality.

Amendments to IAS 8 – Definition of Accounting Estimates: Distinguish between accounting policies and estimates.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Recognising deferred tax on leases.

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

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

Amendments to IFRS 16	Leases on sale and leaseback
Amendment to IAS 1	Non-current liabilities with covenants
Amendments to IAS 7 and IFRS 7	Supplier finance
Amendments to IAS 21	Lack of Exchangeability

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