M&C SAATCHI PLC

INTERIM RESULTS

SIX MONTHS ENDED
30 JUNE 2021

21 September 2021

M&C SAATCHI PLC
(the "Company")
Interim results for the six months ended 30 June 2021

A strong first half performance, results ahead of management's initial expectations and profits ahead of H1 2019 pre-pandemic levels

H1 Highlights

Financial

- H1 gross revenue of £171.2million, up 14.7% on H1 2020 and net revenue of £118.1million, up 14.2%
- Like-for-like net revenue up 21.0% (excluding impact of entities divested in 2020 or acquired in 2021)
- Headline operating profit margin increased to 10.5%, up 6.4pts compared to prior year (H1 2020: 4.1%)
- Headline profit before tax of £10.5million up 420.0% compared to £2.0million in H1 2020
- Balance sheet strong, with net cash at 30 June 2021 of £31.8million, compared to £22.4million at 30 June 2020 and £32.7million at 31 December 2020

Operational

- Accelerated digitalisation and data integration across all disciplines and successful launch of data consultancy, Fluency
- Strong client retention, including positive outcomes in all major client reviews
- Strategy of connected and global growth fully operational
    - Relationships deepened with major existing clients, including Reckitt, GSK, Lexus and Sonos. Global platforms developed for new clients, including Uber, Delonghi, Franklin Templeton
- Key personnel now in place to further centralisation, strengthen controls and fuel operations for scalable growth

Current trading and outlook

- Momentum from H1 has continued into H2 with important client retentions and new wins
- Full year profit before tax and earnings expected to be substantially ahead of consensus
- Strong financial governance has enabled Board decision (post period end), to settle put options in cash rather than shares. Eliminates risk of continued substantial share dilution and represents a key turning point for the Group
- Investments in organic start-ups in H2 2021, including digital transformation and ESG consultancies and SaaS content creation platform for SMEs, in line with strategy.

Unaudited Consolidated Headline[1] Income Statement

Half Year To 30 June 2021	2021 £M	2020 £M	Movement[2]	LFL[3]
Net Revenue[1]	118.1	103.4	14.2%	21.0%
Operating profit	12.4	4.2	191.2%	114.3%
Profit before taxation	10.5	2.0	420.0%	202.8%
Earnings[4]	4.0	0.6	549.6%	
Operating profit margin	10.5%	4.1%	+6.4pts	
EBITDA[5]	16.8	10.3	63.9%	
Net cash[1]	31.8	22.4	42.0%	

Unaudited Reported Results

Half Year To 30 June 2021	2021 £M	2020 £M	Movement[2]
Revenue	171.2	149.3	14.7%
Net Revenue[1]	118.1	103.4	14.2%
Operating profit / (loss)	7.0	(1.6)	552.1%
Profit / (loss) before taxation	4.8	(5.6)	185.6%
Earnings[4]	1.5	(5.7)	126.8%
Operating profit margin	6.0%	-1.5%	+7.5pts

[1] Refer to page 12 for the definition of Headline, net revenue and net cash.
[2] Disposed entities are included within the prior period comparatives, therefore distorting the analysis of movements.
[3] Like-for-like growth excluding effect of acquisitions in 2021 and disposals in 2020.
[4] Earnings are calculated after deducting share of profits attributable to non-controlling interests.
[5] EBITDA is calculated excluding the income statement charges relating to IFRS 16.

Moray MacLennan, Chief Executive Officer, said:

"These results mark a key turning point for M&C Saatchi. We have returned to growth with H1 profits not only substantially ahead of 2020, but also surpassing 2019. Our focus on simplification and control, has continued to strengthen both our operating margin and balance sheet, which enables us to successfully pursue our strategy for growth.

We have made rapid progress in the implementation of this strategy, most notably in accelerating M&C Saatchi's proven expertise in providing digital and connected marketing solutions to meet the demands of a growing market.

Our confidence in the future is reflected in the post-period-end decision to settle current put options in cash with the expectation that this continues thereby eliminating dilution for shareholders".

For further information please call:

M&C Saatchi Moray MacLennan, Mickey Kalifa	+44 (0)20-7543-4500
Tulchan Communications Tom Murray, Matt Low, Hollie Ralston	+44 (0)20-7353-4200
Numis Securities Nick Westlake, Hugo Rubinstein, Charles Farquhar	+44 (0)20-7260-1000
Liberum Neil Patel, Benjamin Cryer, Edward Phillips, Will King	+44 (0)20-3100-2000

SUMMARY OF RESULTS

Performance in the first half of 2021 has been strong, well ahead of the first half of 2020 and profits even ahead of the pre-pandemic first half 2019 outcome.

- Net revenues increased by 14.2% to £118.1million (2020: £103.4million)
- On a like-for-like basis, net revenues grew by 21.0% (excluding the contribution from those entities divested in 2020 and those acquired in 2021)
- H1 2021 Headline PBT is £7.1m or 209% ahead of the pre-pandemic H1 2019 outcome.

The increase is a result of a combination of greater activity amongst existing clients and an expansion in new business from new projects and new clients. This follows the successful implementation of our divisional group structure and the increasing focus on digital within our divisions and clients.

Costs continued to be tightly controlled, and although Headline operating costs increased, the increase is well below the rate at which revenue has grown. Operating costs increased by 6.6% to £105.7million (2020: £99.2million) and Statutory operating costs increased by 5.8% to £111.0million (2020: £105.0million). We are now seeing the benefits of the Group’s operating leverage flow through to operating profit margin, which at Headline level has increased by 6.4pts to 10.5% (2020:4.1%).

The Group’s underlying Headline profit before tax increased by 420.0% to £10.5million (2020: £2.0million) and non-Headline or reported results by 185.6% to £4.8million (2020: loss of £(5.6)million).

In 2020, the Group embarked on a large-scale, global restructuring programme, closing or merging 20 operating entities. This has had a strong favourable impact on H1 2021 results. We expect the revenue and operating profit benefits from the 2020 disposal programme to continue to positively impact the second half of the year.

Cash management continues to be a strong area of focus, the result of which has been an increase in net cash to £31.8million from £22.4million at 30 June 2020. On 31 May 2021, the Group agreed a new £47million, three-year joint banking arrangement with Barclays Bank PLC and National Westminster Bank plc, of which £29.5million was drawn at 30 June 2021 compared to £36.0million at 20 June 2020. As at 31 August 2021, the Group’s net cash position had increased to £40.6million. We have sufficient liquidity to now settle put options in cash rather than through issuing equity.

Market Dynamics

A renewed belief in marketing: Whilst the onset of the pandemic created uncertainty around client investment, we are now seeing a renewed belief in marketing as the key lever for growth. Marketing spend levels are increasing as brands take advantage of stronger economic indicators and the recovery in consumer spending.

Around 72% of marketing chiefs said the “importance of marketing” has grown in their companies over the last year (Source: The CMO Survey). This is reflected in forecast growth in worldwide advertising revenue of 10.2% to a record $651 billion in 2021, after falling 4.1% in 2020. (Source: Ad Age)

Digital growth over indexing: Digital transformation continues to accelerate in the long tail of the pandemic. Global digital ad spend is estimated to increase by 17%, reaching US $389 billion in 2021, 14.6% more than the dip in growth in 2020. (Source: eMarketer); alongside a major shift in spend towards digital capabilities (Source: Gartner).

Demand for connected solutions: Whilst pure play digital is showing significant growth, we are also seeing increased demand for connected solutions. Clients increasingly want agencies to combine the whole range of communication channels, delivering optimised solutions that integrate online and offline, brand and experience, and paid, owned and earned media. Currently around one-third of pitches are connected opportunities. Creative bandwidth and data capabilities are critical differentiators here - with both at the heart of our strategy.

The war for talent: In what has been called the Great Reappraisal by HR experts, there is a post-Covid fight for talent. Employees are re-assessing their vocational criteria, and the evidence strongly suggests that strong brands with a clear, noble purpose will become employers of choice.

Acceleration of ESG criticality: Credible ESG policies are increasingly a requirement for agencies competing for significant client contracts. In addition, there is increased demand from clients seeking consultancy and activation support for their own sustainability strategies and the role of marketing in sustainability.

Operational and Strategic Review

H1 saw exceptionally strong client retention, including successful reviews of major government contracts, notably in the UK and US.

New business was strong. We continue to win technology clients including Uber, Google, SoundCloud, TikTok, Tinder, the sport-tech brand Whoop and the Edtech brand Quizlet. Other notable new business wins include launching digital grocery delivery service, Gorillas, in the UK, a digital agency partnership with Beam Suntory spanning 6 south east Asia markets and becoming the lead creative partner for PermataBank in Indonesia, focusing on creating innovative digital banking experiences for its customers. We continued to win new assignments from existing clients such as Reckitt, GSK the UK government and Mercedes Benz.

The new strategy is being implemented at pace and is delivering early benefits to the business. This review covers three areas: greater centralisation and control of the organisation; digital and data acceleration; and continued simplification.

1. Greater centralisation and control

ESG Commitments: We are publishing our People and Planet commitments today. Full details are appended. The business will be net zero in its own operations by 2025 and across its entire supply chain by 2030. We are signed up to the Science Based Target Initiative (SBTi). Our plan also includes our commitment to attract underrepresented talent via our global and ground-breaking Open House Programme.

Key Central Appointments: In the first half we have made four key appointments, all of which will accelerate the strategy of connected growth. These are: Chief People Officer, Group Strategy Director, Group Treasury Director and Chair of the UK Group.

Connected Revenue Growth: The Company’s Executive Committee, supporting the CEO, is now fully operational with incentives aligned to the new strategy.

2. Digital and data acceleration

High-level data consultancy: Fluency offers clients transformational data solutions that power bolder and better decision making. After a successful launch it has extended its client roster to include a wide range of tech companies as well as more traditional companies seeking digital transformation.

Fuel for growth: In addition, we have deepened our data capabilities at the heart of each division. Within the Connected Creativity division specifically, we have successfully blueprinted an embedded data offer for clients which will be rolled out internationally from Q1 2022.

SaaS: H1 saw the development of a minimum viable product for an automated subscription service for SME clients. This will be launched in 2022.

Digital Ventures: This is a digital product and service innovation studio. The talent is secured and signed. It will launch in Q4 2021.

3. Simplification

Internal: We are investing in single global platforms for HR, CRM and finance. We have also continued the rationalisation programme operationally merging several entities into the divisions, including Human Digital into Global and Social Issues.

External: We are reinforcing a single view of the Company, so it has one ‘face’ with multiple disciplines. This will manifest in our website, social channels and new business credentials.

In H1, we have reviewed technology solutions for a global client delivery platform. The decision on which platform will be taken in H2.

Segmental Analysis

Until this year, the Group’s operating segments have exclusively comprised individual country entities and we have reported results on that basis only. From 2021, following the Group’s strategic review, presented at the Capital Markets Day in January 2021, we now also assess the Group’s performance under a new divisional structure comprising five specialist divisions.

We report these in further detail in Note 6.

Specialist Divisions

The five divisions that make up the Group comprise:

- Connected Creativity
- Performance Media
- Global and Social Issues
- Brand, Experience and Innovation
- Passion Marketing

	Net Revenue[1] H1 2021 £000	Net Revenue[1] H1 2020 £000	Movement %	Operating Profit[1] H1 2021 £000	Operating Profit[1] H1 2020 £000	Movement %	Operating Profit Margin[1] H1 2021 %	Operating Profit Margin[1] H1 2020 %	Movement pts
Connected Creativity	59,002	52,647	12.1	7,414	2,367	213.2	12.6	4.5	8.1
All other divisions[2]	56,468	42,754	32.1	15,037	7,748	94.1	26.6	18.1	8.5
Total	**115,470**	**95,401**	**21.0**	**22,451**	**10,115**	**122.0**	**19.4**	**10.6**	**8.8**

Connected Creativity is the largest division by revenue and operating profit, which on an like-for-like basis (excluding the impact of revenue from divested operations and acquisitions in H1 2021) comprises £59.0million (51%) of the Group's net revenue (H1 2020: £52.6million, 55%) and £7.4million, or 33% of the Group's Headline operating profit (H1 2020: £2.4million, 23%). Like-for-like Headline operating profit margins in Connected Creativity increased by 8.1pts to 12.6% from 4.5% in H1 2020. Reported net revenue in the Connected Creativity division of £61.6million increased by £1.2million compared to H1 2020. On a like-for-like basis, net revenue, increased by £6.4million or 12.1%.

The remaining 4 divisions generated a total of 49% of net revenue of the Group compared to 45% of the total in H1 2020 on a like-for-like basis. These 4 divisions make up 67% of the total Headline operating profits of the Group in H1 2021 (H1 2020: 77%). Like-for-like Headline operating profit margins across the remaining 4 divisions averaged 26.6% in H1 2021, growing 8.5pts from 18.1% in H1 2020.

- **Connected Creativity – the application of marketing science and creativity to solve complex problems**

The net revenue increase of £1.2million to £61.6million (2.1%) was driven by the H1 performance of the UK Agency and South Africa. For the UK Agency, revenues from the UK Home Office and Census in the first half of 2021 accounted for the majority of the increase compared to H1 2020. In addition to this, increasing our investment in four companies (moving them to subsidiary status) has resulted in £2.8million of additional consolidated net revenue.

This is offset by the disposals that occurred in the second half of 2020 with revenues in Spain and France, contributing £5.3million in H1 2020, having no comparative in 2021.

- **Performance Media – connecting brands with today's connected customers**

The net revenue increase of £3.7million to £15.0million (33.0%) was largely driven by revenue growth in Asia from the M&C Saatchi Performance group, both from new and existing clients. The media agency, Bohemia in Australia, also reported year-on-year growth in revenue related to new business wins, along with an increase in organic growth with recurring clients.

[1] Like-for-like excluding effect of acquisitions in 2021 and disposals in 2020.
[2] All other divisions excludes central costs.

- **Global and Social Issues – driving critical global and social change. Protecting the planet, transforming lives for the better**

The net revenue increase of £4.3million to £14.7million (41.5%) was driven by World Services, with new assignments in the UK and Australia.

- **Brand, Experience & Innovation – transformative digital experience, design and innovation**

The net revenue increase of £1.7million to £15.2million (12.8%) was primarily due to strong revenue growth in the Re Agency in Australia and Clear consultancy in the US.

- **Passion Marketing – connecting brands direct to consumers through their passions**

The net revenue increase of £3.7million to £11.6million (46.3%) was driven by Sport & Entertainment in the UK and US, along with the Talent group. The sports agencies were hit hard in 2020 due to the severe disruption to the sporting and live events calendar. There was significant uplift in the net revenue of this specialist division as a result of the major sports events taking place in 2021 (including the 2020 Euros and the Olympics).

Geographical

- **UK**

Net revenue in the UK increased by £14.0million or 38% (2021: £50.8million; 2020: £36.8million). Headline operating profit for the first 6 months of the year was up 250% (2021: £11.9million, 2020: £3.4million), with Headline operating costs increasing by 16% to £38.9million.

- **Europe**

Net revenue in Europe declined by £5.5million or 43% (2021: £7.4million; 2020: £12.9 million). Headline operating profit increased by 200% (2021: £0.9million; 2020: £0.3million), with Headline operating costs reducing by 48% to £6.5million.

- **Middle East and Africa**

Net revenue in the Middle East and Africa increased by £2.4million, 31% (2021: £10.1million; 2020: £7.7million). Headline operating profit increased by 950% (2021: £2.1million; 2020: £0.2million), with Headline operating costs increasing by 7% to £8.1million.

- **Asia and Australia**

In Asia and Australia, net revenues increased by £4.5million, 17% (2021: £30.9million; 2020: £26.4million). Headline operating profit increased by 193% (2021: £0.5million; 2020: £1.0million), with Headline operating costs increasing by 20% to £30.4million.

- **Americas**

Net revenues declined by £0.7million, -4% (2021: £18.8million; 2020: £19.5million). Headline operating profit increased by 43% (2021: £3.0million 2020: £2.1million), with Headline operating costs reducing by 9% to £15.8million.

Income Statement

- **Net revenue and operating profit**

The net revenue increase of 14.2% has been explained above in the segmental review. Headline operating costs have increased 6.6% with reported operating costs increasing 5.8%, which is predominately due to an increase in staff costs to service the increased revenues noted above. There continues to be a strong focus on cost control, with the result that costs have increased at a much lower rate than revenues, in turn leading to a significant increase in Headline operating margins to 10.5% in H1 2021 (H1 2020: 4.1%).

The Group is now seeing the positive impact of operating leverage, which we had highlighted in the Capital Markets Day in January 2021.

- **Impairment**

During the first half of 2021 we recognised an impairment relating to an intangible film asset in Australia of £885k. As a result of the prolonged lockdown in Australia and a sluggish movie distribution market across the world, we no longer believe that this intangible asset is recoverable.

- **Other key movements**

Finance costs have decreased year over year partly due to the reduction in debt and the continued focus on cash management as described below, as well as the impact of the decrease in the IFRS 9 charge from £2million in H1 2020 to £0.5million in H1 2021, due to share price movements and exercised put options in 2020.

Balance sheet and cashflow

- **Cash and Borrowings**

Cash net of bank borrowings as at 30 June 2021 was £31.8million, compared to £32.7million of net cash at 31 December 2020 and £22.4million net cash at 30 June 2020. The Group has made great progress in transforming its treasury function and will continue to see the benefits of its increased focus on cash management into 2022. The current net cash position as at 31 August improved since the balance sheet date to £41.4million.

On 31 May 2021, the Group agreed a new three year joint banking arrangement with Barclays Bank plc and National Westminster Bank plc. The new revolving credit facility for £47million (the "Facility"), includes two ancillary facilities: a £2.5million overdraft and a £3million bonding facility, as required. The Facility replaces the Company's previous £33million revolving credit facility and £5million overdraft which were due to terminate on 30 June 2021. As at 30 June 2021, £29.5million of the Facility was drawn.

Operating cash before movements in working capital has increased to £14.8million (H1 2020: £8.6 million). This reflects the extremely positive performance in H1 2021 compared to the previous 18 months, also referred to below.

- **Working Capital Movement**

Net cash from operating activities decreased to £4.7million (£33.7million at 31 December 2020 and £11.8million at 30 June 2020).

Trade and other receivables increased by £23.1million between 31 December 2020 and 30 June 2021. This reflects the strong revenue performance in the first half of the year. Within this, £5.2million of the increase comes from receivables from acquisitions during the first half of 2021, which are detailed in the other key movements note below.

Trade and other payables increased by £13.2million between 31 December 2020 and 30 June 2021. This increase is as a result of a 16% increase in project costs / direct costs, required to service the increase in business in H1 2021. Within this movement, £5.7million of the increase comes from payables from acquisitions during the first half of 2021.

The movements in receivables and payables have resulted in a net working capital movement of £9.9million (excluding the impact of foreign exchange, tax and other non-current assets) and is the outcome of the Group's strong performance in the first half of 2021.

- **Other key movements**

During the first half of the year, we acquired a majority share in 4 entities as a result of management in those entities exercising their put option rights to sell their equity to the Group. These entities comprised M&C Saatchi (Hong Kong) Ltd, M&C Saatchi Advertising (Shanghai) Ltd, Santa Clara Participacoes Ltda and M&C Saatchi World Services Pakistan (Pvt) Ltd. As a result of these transactions, the assets and liabilities within those entities were brought onto the balance sheet during H1 2021. This has resulted in an increase in the intangible assets (£5.5million), trade and other receivables (£5.2million) and trade and other payables (£5.7million). The income statement impact has been identified within the segmental review above, and the cash acquired within the entities' balance sheets is reflected in the cashflow statement (£1.3million). These entities were acquired through the issue of equity as identified in the statement of changes in equity.

Notes to Editors

Company
M&C Saatchi Plc, a company incorporated in England, listed on the AIM Market of the London Stock Exchange plc.

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

Headline results
The Directors believe that the Headline results and Headline earnings per share (see note 4) provide additional useful information on the underlying performance of the business. The Headline results reflect the underlying profitability of the business units by excluding certain items which management considers to be non-operating or non-recurring, as explained below.

In addition, the Headline results are used for internal performance management and to calculate minority shareholder put option liabilities. The term 'Headline' is not a defined term in IFRS. Note 4 reconciles Reported results to Headline results. With explanation for each of the adjustments.

The segmental reporting (note 6) reflects Headline results in accordance with IFRS 8.

Operating profit margin
Operating profit margin refers to the percentage calculated through dividing operating profit by net revenue.

Net cash
Net cash refers to cash and cash equivalents, less external borrowings at the end of the period. Net cash excludes lease liabilities.

Net revenue
Net revenue is equal to revenue less project cost / direct cost. It is not an IFRS defined term. It is, however, used as a key performance indicator by the Group.

EBITDA
EBITDA is equal to the operating profit or loss before depreciation, amortisation, finance expense and taxation, and excludes any charges relating to IFRS 16. It is not an IFRS defined term. It is, however, used as a key performance indicator by the Group.

Periods compared
These statements comment on the unaudited consolidated income statement of the Company for the six months to 30 June 2021 compared with the unaudited consolidated income statement for the same period in 2020.

Billings

Billings comprise all gross amounts billed, or billable to clients in respect of commission-based and fee-based income, whether acting as agent or principal, together with the total of other fees earned, in addition to those instances where the Group has made payments on behalf of customers to third parties. It is stated exclusive of VAT and sales taxes. This is a non-Statutory number.

Unaudited Consolidated income statement

	Note	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
		£000	**£000**	**£000**
Billings		**230,461**	**229,894**	**454,504**
Revenue		**171,230**	**149,322**	**323,250**
Project cost / direct cost		**(53,169)**	**(45,920)**	**(97,861)**
Net revenue		**118,061**	**103,402**	**225,389**
Staff costs		**(85,485)**	(80,003)	(171,717)
Depreciation		**(4,262)**	(6,025)	(11,659)
Amortisation		**(1,684)**	(1,107)	(2,275)
Impairment charges		**(885)**	–	(3,217)
Other operating charges		**(18,696)**	(17,826)	(38,635)
Other gains / (losses)		–	–	(2,818)
Operating profit / (loss)		**7,049**	**(1,559)**	**(4,932)**
Share of results of associates and joint ventures		**27**	(260)	(113)
Gain on disposal of subsidiaries		**65**	–	1,432
Impairment of associate investment		**–**	–	(895)
Finance income		**60**	216	364
Finance costs		**(2,426)**	(3,972)	(4,363)
Profit / (loss) before taxation		**4,775**	**(5,575)**	**(8,507)**
Taxation		**(3,184)**	(139)	(1,411)
Profit / (loss) for the period		**1,591**	**(5,714)**	**(9,918)**
Attributable to:				
Equity shareholders of the Group		**1,525**	(5,692)	(9,897)
Non-controlling interests		**66**	(22)	(21)
Profit / (loss) for the period		**1,591**	**(5,714)**	**(9,918)**
Earnings per share				
Basic (pence)	4	1.27p	(5.58)p	(9.10)p
Diluted (pence)	4	1.19p	(5.58)p	(9.10)p

Headline results

Net revenue		118,061	103,402	225,389
Operating profit	4	12,352	4,242	11,970
Profit before tax	4	10,492	2,019	8,328
Profit after tax attributable to equity shareholders of the Group	4	3,988	1,275	1,650
EBITDA		16,737	10,266	24,105

Unaudited Consolidated statement of comprehensive income

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£000	**£000**	**£000**
Profit / (loss) for the period	**1,591**	**(5,714)**	**(9,918)**
Other comprehensive (loss)/income[1]			
Exchange differences on translating foreign operations before tax	(1,729)	3,601	(289)
Other comprehensive (loss)/income for the period net of tax	**(1,729)**	**3,601**	**(289)**
Total comprehensive loss for the period	**(138)**	**(2,113)**	**(10,207)**
Total comprehensive income/(loss) attributable to:			
Equity shareholders of the Group	(204)	(2,091)	(10,186)
Non-controlling interests	66	(22)	(21)
Total comprehensive loss for the period	**(138)**	**(2,113)**	**(10,207)**

[1] All items in the consolidated statement of comprehensive loss will be reclassified to the income statement.

Unaudited Consolidated balance sheet

	Six months ended 30 June 2021	Six months ended 30 June 2020[1]	Year ended 31 December 2020
	£000	£000	£000
Non-current assets			
Intangible assets	42,894	38,674	36,523
Investments in associates and JVs	547	4,086	2,829
Plant and equipment	6,682	8,843	7,157
Right-of-use assets	33,348	41,902	34,006
Other non-current assets	2,858	4,516	3,494
Deferred tax assets	5,986	5,753	8,301
Financial assets at fair value through profit or loss	11,433	15,735	11,410
	103,748	**119,509**	**103,720**
Current assets			
Trade and other receivables	117,867	104,881	89,262
Current tax assets	460	8,336	2,621
Cash and cash equivalents	73,641	76,214	76,295
	191,968	**189,431**	**168,178**
Current liabilities			
Trade and other payables	(146,630)	(138,201)	(124,740)
Provisions	(877)	(1,385)	(666)
Current tax liabilities	(429)	(4,108)	(2,019)
Borrowings	(41,441)	(53,059)	(41,083)
Lease liabilities	(5,517)	(7,924)	(6,250)
Deferred and contingent consideration	(591)	(445)	(1,679)
Minority shareholder put option liabilities	(421)	(144)	(978)
	(195,906)	**(205,266)**	**(177,415)**
Net current liabilities	**(3,938)**	**(15,835)**	**(9,237)**
Total assets less current liabilities	**99,810**	**103,674**	**94,483**
Non-current liabilities			
Deferred tax liabilities	(352)	(285)	(405)
Borrowings	(353)	(771)	(2,199)
Lease liabilities	(39,495)	(42,900)	(40,171)
Contingent consideration	-	(313)	-
Minority shareholder put option liabilities	(1,926)	(3,724)	(1,804)
Other non-current liabilities	(4,444)	(1,406)	(4,773)
	(46,570)	**(49,399)**	**(49,352)**
Total net assets	**53,240**	**54,275**	**45,131**

[1] The unaudited financial statements for 30 June 2020 were issued before the audited financial statements for the year ended 31 December 2019 were finalised. The numbers for 30 June 2020 have been updated in the unaudited consolidated balance sheet to reflect the relevant changes to the unaudited figures as at 30 June 2020. For further detail refer to note 12.

Unaudited Consolidated balance sheet (continued)

	Six months ended 30 June 2021	Six months ended 30 June 2020[1]	Year ended 31 December 2020
	£000	£000	£000
Equity			
Share capital	1,224	1,160	1,159
Share premium	50,327	44,607	44,607
Merger reserve	37,554	37,554	37,554
Treasury reserve	(550)	(550)	(550)
Minority interest put option reserve	(4,615)	(4,987)	(4,953)
Non-controlling interest acquired	(27,934)	(32,466)	(29,190)
Foreign exchange reserve	(539)	4,782	1,210
Retained earnings	(2,526)	3,875	(4,939)
Equity attributable to shareholders of the Group	**52,941**	**53,975**	**44,898**
Non-controlling interest	**299**	**300**	**233**
Total equity	**53,240**	**54,275**	**45,131**

[1] The unaudited financial statements for 30 June 2020 were issued before the audited financial statements for the year ended 31 December 2019 were finalised. The numbers for 30 June 2020 have been updated in the unaudited consolidated balance sheet to reflect the relevant changes to the unaudited figures as at 30 June 2020.

Unaudited Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	MI put option reserve £000	Non-controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings £000	Subtotal £000	Non-controlling interest in equity £000	Total £000
At 31 December 2020	**1,159**	**44,607**	**37,554**	**(550)**	**(4,953)**	**(29,190)**	**1,210**	**(4,939)**	**44,898**	**233**	**45,131**
Acquisitions	57	5,045	–	–	–	1,256	–	–	**6,358**	–	**6,358**
Exercise of minority interest put options	5	419	–	–	338	–	–	–	**762**	–	**762**
Issue of shares	3	256	–	–	–	–	–	–	**259**	–	**259**
Disposal of subsidiaries	–	–	–	–	–	–	(20)	20	**–**	–	–
Share option charge	–	–	–	–	–	–	–	868	**868**	–	868
Total transactions with owners	**65**	**5,720**	**–**	**–**	**338**	**1,256**	**(20)**	**888**	**8,247**	–	**8,247**
Total profit for the period	–	–	–	–	–	–	–	1,525	**1,525**	66	**1,591**
Total other comprehensive income for the period	–	–	–	–	–	–	(1,729)	–	**(1,729)**	–	**(1,729)**
At 30 June 2021	**1,224**	**50,327**	**37,554**	**(550)**	**(4,615)**	**(27,934)**	**(539)**	**(2,526)**	**52,941**	**299**	**53,240**

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	MI put option reserve £000	Non-controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings £000	Subtotal £000	Non-controlling interest in equity £000	Total £000
At 31 December 2019	**936**	**44,607**	**33,400**	**(550)**	**(4,953)**	**(32,239)**	**1,181**	**6,854**	**49,236**	**365**	**49,601**
Acquisitions of minority interest	84	–	4,154	–	–	–	–	–	4,238	–	**4,238**
Exercise of put options	140	–	–	–	–	–	–	(140)	–	–	–
Exchange rate movements	–	–	–	–	(34)	(227)	–	(61)	(322)	(43)	**(365)**
Share option charge	–	–	–	–	–	–	–	2,913	2,913	–	**2,913**
Total transactions with owners	**224**	**–**	**4,154**	**–**	**(34)**	**(227)**	**–**	**2,712**	**6,829**	**(43)**	**6,786**
Total loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,691)**	**(5,691)**	**(22)**	**(5,713)**
Total other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**3,601**	**–**	**3,601**	**–**	**3,601**
At 30 June 2020[1]	**1,160**	**44,607**	**37,554**	**(550)**	**(4,987)**	**(32,466)**	**4,782**	**3,875**	**53,975**	**300**	**54,275**

[1] The unaudited financial statements for 30 June 2020 were issued before the audited financial statements for the year ended 31 December 2019 were finalised. The numbers for 31 December 2019 have been updated in the unaudited consolidated statement of changes in equity to reflect the audited figures and the relevant changes to the unaudited figures as at 30 June 2020.

Unaudited Consolidated cash flow statement

	Six months ended 30 June 2021 £000	Six months ended 30 June 2020 £000	Year ended 31 December 2020 £000
Operating profit / (loss)	**7,049**	**(1,559)**	**(4,932)**
Adjustments for:			
Depreciation of plant and equipment	1,200	1,425	2,555
Depreciation of right-of-use assets	3,062	4,600	9,104
Impairment of right-of-use asset	–	–	2,651
Loss on sale of plant and equipment	40	37	640
Impairment of plant and equipment	–	–	374
Loss on sale of software intangibles	–	39	433
Revaluation of financial assets at FVTPL	–	–	3,315
Gain on disposal of financial assets at FVTPL	–	–	(497)
Revaluation of contingent consideration	–	–	446
Amortisation of acquired intangible assets	1,504	846	1,686
Impairment of goodwill and other intangibles	885	–	–
Impairment and amortisation of capitalised software intangible assets	180	258	781
Exercise of share-based payment schemes with cash	–	–	(683)
Equity settled share-based payment expenses	868	2,913	3,275
Operating cash before movements in working capital	**14,788**	**8,559**	**19,148**
(Increase) / Decrease in trade and other receivables	(23,117)	9,038	9,052
Increase / (Decrease) in trade and other payables	13,178	(7,479)	9,425
(Decrease) in provisions	–	–	(2,323)
Cash generated from operations	**4,849**	**10,118**	**35,302**
Tax (paid)/received	(166)	1,636	(1,645)
Net cash from operating activities	**4,683**	**11,754**	**33,657**
Investing activities			
Acquisitions of subsidiaries equity net of cash acquired	1,324	–	–
Disposal of associate or subsidiary (net of cash disposed of)	(536)	–	(4,114)
Acquisition of associates	–	–	(1)
Acquisitions of unlisted investments	(24)	(670)	(713)
Proceeds from sale of unlisted investments	–		1,233
Proceeds from sale of plant and equipment	7	32	387
Purchase of plant and equipment	(571)	(1,034)	(3,184)
Purchase of capitalised software	–	(122)	(502)
Dividends received from associates	–	(18)	–
Interest received	84	215	364
Net cash generated from/(used in) investing activities	**284**	**(1,597)**	**(6,530)**
Net cash from operating and investing activities	**4,967**	**10,157**	**27,127**

Unaudited Consolidated cash flow statement

	Six months ended 30 June 2021 £000	Six months ended 30 June 2020 £000	Year ended 31 December 2020 £000
Net cash from operating and investing activities	**4,967**	**10,157**	**27,127**
Financing activities			
Dividends paid to non-controlling interest	–	–	(151)
Proceeds from issue of shares to non-controlling interests	259	–	–
Cash consideration for non-controlling interest acquired	–	–	(204)
Payment of lease liabilities	(3,406)	(3,445)	(7,224)
Proceeds from bank loans	31,806	3,265	3,472
Repayment of bank loans	(29,324)	(490)	(8,900)
Borrowing costs	(234)		(518)
Interest paid	(563)	(710)	(1,751)
Interest paid on lease liabilities	(1,202)	(1,453)	(2,471)
Net cash used in financing activities	**(2,664)**	**(2,833)**	**(17,747)**
Net increase in cash and cash equivalents	**2,303**	**7,324**	**9,380**
Effect of exchange rate fluctuations on cash held	(882)	1,021	246
Cash and cash equivalents at the beginning of the year	62,375	52,749	52,749
Total cash and cash equivalents at the end of period	**63,796**	**61,094**	**62,375**
Cash and cash equivalents	73,641	76,214	76,295
Bank Overdrafts[1]	(9,845)	(15,120)	(13,920)
Total cash and cash equivalents at the end of period	**63,796**	**61,094**	**62,375**
Bank loans and borrowings	(31,949)	(38,710)	(29,628)
Net cash	**31,847**	**22,384**	**32,747**

[1] These overdrafts are legally offset against balances held in the UK; however, they have not been netted off in accordance with the requirements of IAS32.42.

Notes to the unaudited consolidated interim financial statements

1. General information

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

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

This consolidated half-yearly financial information was approved for issue on 21 September 2021.

The comparative financial information for the year ended 31 December 2020 in this interim report does not constitute statutory accounts for that year.

The statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies. The auditors' report on those accounts was qualified in respect of the comparability of the M&C Saatchi Group loss and cash flows with the 2019 year-end. The information presented in relation to 31 December 2020 is extracted from the audited statutory financial statements for the year then ended.

2. Basis of preparation

This consolidated half-yearly financial information for the six months ended 30 June 2021 has been prepared in accordance with the AIM Rules for companies.

3. Use of judgements and estimates

In the course of preparing the interim unaudited consolidated half-yearly financial information, management necessarily makes judgements and estimates that can have a significant impact on the interim financial statements. These estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting judgements

Management has considered the following judgements, which have the most significant effect in terms of the amounts recognised, and their presentation, in the interim consolidated financial statements. These are the same accounting estimates and judgements the Group has applied in its financial statements for the year ended 31 December 2020:

- Minority interest put option accounting – IFRS 2 or IFRS 9

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

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

The valuation of these awards represents a source of estimation uncertainty which is discussed below.

- Impairment – assessment of CGUs and assessment of indicators of impairment

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Finite lived assets 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 for indicators of impairment: management typically consider adverse changes in the economy or political situation of the geographic locale in which the underlying entity operates, in addition to risk of client loss or chance of client gain and internal reporting suggesting that an entity’s future economic performance is better or worse than previously expected.
For the interim financial statements, management have concluded that no such an indication of impairment exists other than for Skategoat as detailed on page 10, so the recoverable amount of the asset is not assessed.

Significant estimates and assumptions

The areas of the Group’s interim financial statements subject to key assumptions and other significant sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described below. The Group has based its assumptions and estimates on parameters available when the interim 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. Current forecasts show recovery of substantially all recognised losses within 5 years but there is estimation uncertainty around this assessment, and its impact is material as the Deferred Tax Asset on losses increased by £7m during 2020.

- 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; and
(ii) and certain contingent consideration.

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

- Share-based incentive arrangements

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

Significant accounting estimates that are considered at each reporting period for whether there have been any changes in circumstances:

- Fair value assessment of assets at FVTPL
- Minority interest put option accounting in line with IFRS 2 and IFRS 9
- Impairment review of Goodwill, associates, ROU and other assets in line with IFRS 16: No further indicators were identified in addition to the Skategoat impairment as detailed above.

Notes to the unaudited consolidated interim financial statements (continued)

4. Headline results and earnings per share – 30 June 2021

Period ended 30 June 2021	Reported results £000	Separately disclosed items[1] £000	Gain/loss on disposal of subsidiaries[2] £000	Amortisation of acquired intangibles[3] £000	FVTPL investments under IFRS 9[4] £000	Dividends paid to IFRS2 put holders[5] £000	Put option accounting[5] £000	Headline results £000
Net revenue	**118,061**	**–**	–	**–**	**–**	**–**	**–**	**118,061**
Staff costs	(85,485)	1,250	26	–	–	2,375	–	(81,834)
Depreciation	(4,262)	–	–	–	–	–	–	(4,262)
Amortisation	(1,684)	–	–	1,504	–	–	–	(180)
Impairments	(885)	–	–	–	–	–	–	(885)
Other operating charges	(18,696)	6	94	–	48	–	–	(18,548)
Operating profit	**7,049**	**1,256**	**120**	**1,504**	**48**	**2,375**	–	**12,352**
Share of results of associates and JV	27	–	–	–	–	–	–	27
Gain / Loss on disposal of subsidiaries	65	–	(65)	–	–	–	–	–
Finance income	60	–	–	–	–	–	–	60
Finance expense	(2,426)	–	–	–	–	–	479	(1,947)
Profit before taxation	**4,775**	**1,256**	**55**	**1,504**	**48**	**2,375**	**479**	**10,492**
Taxation	(3,184)	(237)	(21)	(349)	**(9)**	**–**	**–**	(3,800)
Profit for the year	**1,591**	**1,019**	**(34)**	**1,155**	**39**	**2,375**	**479**	**6,692**
Non-controlling interests	(66)	**–**	**–**	**–**	**–**	**(2,638)**	**–**	(2,704)
Profit attributable to equity holders of the Group	**1,525**	**1,019**	**(34)**	**1,155**	**39**	**(263)**	**479**	**3,988**

[1] Refer to note 5
[2] Gain or loss on disposal of associates and subsidiaries, this related to the disposal of Create Collective Singapore.
[3] Amortisation of intangible assets acquired in business combinations (including goodwill and acquired intangibles but excluding software).
[4] The changes to deferred and contingent consideration and other acquisition related charges taken to the income statement.
[5] The income statement impact of put option accounting and share-based payment charges.

Notes to the unaudited consolidated interim financial statements (continued)

4. Headline results and earnings per share (continued) – 30 June 2021

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. 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.

	Reported 2021	Headline 2021
Period ended 30 June 2021	**£000**	**£000**
Profit attributable to equity shareholders of the Group	**1,525**	**3,988**
Basic earnings per share		
Weighted average number of shares (thousands)	**119,983**	**119,983**
Basic EPS	**1.27p**	**3.32p**
Diluted earnings per share		
Weighted average number of shares (thousands) as above	**119,983**	**119,983**
Add		
– Conditional shares[1]	7,738	7,738
– Dilutive put options[2]	–	–
– Contingent consideration[3]	450	450
Total	128,171	128,171
Diluted earnings per share	**1.19p**	**3.11p**

[1] Shares in relation to IFRS 2.
[2] Shares in relation to IFRS 9 put option schemes.
[3] Contingent and deferred liabilities.

Notes to the unaudited consolidated interim financial statements (continued)

4. Headline results and earnings per share (continued) – 30 June 2020

Period ended 30 June 2020	Reported results £000	Separately disclosed items £000	Amortisation of acquired intangibles £000	Dividends paid to IFRS2 put holders £000	Put option accounting £000	Headline results £000
Net revenue	**103,402**	**–**	**–**	**–**	**–**	**103,402**
Staff costs	(80,003)	1,205	–	514	2,913	(75,371)
Depreciation	(6,025)	–	–	–	–	(6,025)
Amortisation	(1,107)	–	849	–	–	(258)
Other operating charges	(17,826)	320	–	–	–	(17,506)
Operating (loss)/profit	**(1,559)**	**1,525**	**849**	**514**	**2,913**	**4,242**
Share of results of associates and JV	(260)	–	–	–	–	(260)
Finance income	216	–	–	–	–	216
Finance expense	(3,972)	–	–	–	1,793	(2,179)
(Loss) / Profit before taxation	**(5,575)**	**1,525**	**849**	**514**	**4,706**	**2,019**
Taxation	(139)	(400)	(205)	**–**	**–**	(744)
(Loss) / Profit for the period	**(5,714)**	**1,125**	**644**	**514**	**4,706**	**1,275**
Non-controlling interests	(22)	**–**	(22)	(617)	**–**	(661)
(Loss) / Profit attributable to equity holders of the Group	**(5,692)**	**1,125**	**622**	**(103)**	**4,706**	**614**

Notes to the unaudited consolidated interim financial statements (continued)

4. Headline results and earnings per share (continued) – 30 June 2020

	Reported 2020	Headline 2020
Period ended 30 June 2020	**£000**	**£000**
(Loss) / Profit attributable to equity shareholders of the Group	**(5,692)**	**614**
Basic earnings per share		
Weighted average number of shares (thousands)	**102,024**	**102,024**
Basic (loss)/earnings per share	**(5.58)p**	**0.60p**
Diluted earnings per share		
Weighted average number of shares (thousands) as above	**102,024**	**102,024**
Add		
– Conditional shares	–	5,654
– Dilutive put options	–	926
– Contingent consideration	–	282
Total	102,024[1]	108,886
Diluted (loss)/earnings per share	**(5.58)p**	**0.56p**

[1] Note that there is no dilution of reported 2020 numbers due to the 'loss' reported.

Notes to the unaudited consolidated interim financial statements (continued)

4. Headline results and earnings per share (continued) – 31 December 2020

Year ended 31 December 2020	Reported results 2020	Separately disclosed items	Amortisation of acquired intangibles	Impairment of non-current assets	Gain on disposal of associates	FVTPL investments under IFRS 9	Revaluation of contingent consideration	Dividends paid to IFRS2 put holders	Put option accounting	Headline results
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net revenue	**225,389**	–	–	–	–	–	–	–	–	**225,389**
Staff costs	**(171,717)**	1,661	–	–	–	–	–	4,728	3,300	**(162,028)**
Depreciation	**(11,659)**	–	–	–	–	–	–	–	–	**(11,659)**
Amortisation	**(2,275)**	–	1,686	–	–	–	–	–	–	**(589)**
Impairments	**(3,217)**	–	–	3,025	–	–	–	–	–	**(192)**
Other operating charges	**(38,635)**	311	–	–	–	(232)	446	–	–	**(38,110)**
Other (gains) / losses	**(2,818)**	–	–	–	–	1,977	–	–	–	**(841)**
Operating (loss) / profit	**(4,932)**	**1,972**	**1,686**	**3,025**	**–**	**1,745**	**446**	**4,728**	**3,300**	**11,970**
Share of results of associates and JV	**(113)**	–	–	–	–	–	–	–	–	**(113)**
Finance income	**537**	–	–	895	(1,432)	–	–	–	–	**–**
Finance expense	**(3,999)**	–	–	–	–	350	–	–	120	**(3,529)**
(Loss) / profit before taxation	**(8,507)**	**1,972**	**1,686**	**3,920**	**(1,432)**	**2,095**	**446**	**4,728**	**3,420**	**8,328**
Taxation	**(1,411)**	(482)	(405)	(575)	**–**	(398)	–	–	(24)	**(3,295)**
(Loss) / profit for the year	**(9,918)**	**1,490**	**1,281**	**3,345**	**(1,432)**	**1,697**	**446**	**4,728**	**3,396**	**5,033**
Non-controlling interests	21	–	–	–	**–**	–	–	(3,404)	–	(3,383)
(Loss) / profit attributable to equity holders of the Group	**(9,897)**	**1,490**	**1,281**	**3,345**	**(1,432)**	**1,697**	**446**	**1,324**	**3,396**	**1,650**

Notes to the unaudited consolidated interim financial statements (continued)

4. Headline results and earnings per share (continued) – 31 December 2020

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

Notes to the unaudited consolidated interim financial statements (continued)

5. Separately disclosed items

Separately disclosed items of £275,000 relate to restructuring. This process started in 2019 and has continued through 2020 and into 2021. In addition, within separately disclosed items for 2021 we have recognised the repayment of the furlough money that was received in 2020. Separately disclosed items are shown separately and are excluded from Headline profit to provide a better understanding of the underlying results of the Group.

Separately disclosed items for the period ended 30 June 2021 comprise the following:

	Operating costs	Staff costs	Taxation	Total
Restructuring	-	275	(52)	**223**
Legal and other fees	6	-	-	**6**
Repayment of furlough money	-	975	(185)	**790**
Total separately disclosed items	**6**	**1,250**	**(237)**	**1,019**

Separately disclosed items for the period ended 30 June 2020 comprise the following:

	Operating costs	Staff costs	Taxation	Total
Strategic review and restructuring	-	1,205	(316)	**889**
Legal and other fees	320	-	(84)	**236**
Total separately disclosed items	**320**	**1,205**	**(400)**	**1,125**

Separately disclosed items for the year ended 31 December 2020 comprise the following:

	Operating costs	Staff costs	Taxation	Total
Restructuring	-	2,637	(608)	**2,029**
Legal fees	311	-	(59)	**252**
Receipt of furlough money	-	(976)	185	**(791)**
Total separately disclosed items	**311**	**1,661**	**(482)**	**1,490**

Notes to the unaudited consolidated interim financial statements (continued)

6. Segmental information – 30 June 2021

The Group's operating segments are aligned to those business units that are regularly evaluated by the chief operating decision maker ("CODM"), namely, the Board, in making strategic decisions, assessing performance and allocating resources.

Until this year, the operating segments have exclusively comprised 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. From 2021, following the Group's strategic review and as presented in the Capital Markets Day event in January 2021, the Board now also assess the Group's performance under a new divisional structure comprising five specialist divisions.

Specialist Division Segmental information[1]

	Connected Creativity	Performance Media	Global and Social Issues	Brand, Experience & Innovation	Passion Marketing	Total
Period ended 30 June 2021	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net revenue	**61,593**	**14,971**	**14,738**	**15,202**	**11,557**	**118,061**

	Connected Creativity	Performance Media	Global and Social Issues	Brand, Experience & Innovation	Passion Marketing	Total
Period ended 30 June 2020	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net revenue	**60,355**	**11,258**	**10,415**	**13,476**	**7,898**	**103,402**

[1] The segmental reporting reflects Headline results in accordance with IFRS 8.

Notes to the unaudited consolidated interim financial statements (continued)

Geographical Segmental information

The segmental information is reconciled to the reported results in Note 4.

Period ended 30 June 2021	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Head office £000	Total £000
Billings*	**69,244**	**13,311**	**17,523**	**69,885**	**60,498**	**-**	**230,461**
Revenue*	**77,231**	**12,859**	**17,753**	**45,101**	**18,286**	**-**	**171,230**
Net revenue	**50,829**	**7,404**	**10,148**	**30,919**	**18,761**	**-**	**118,061**
Staff costs	(29,341)	(5,496)	(6,602)	(23,426)	(12,816)	(4,153)	(81,834)
Depreciation	(1,567)	(222)	(426)	(1,456)	(591)	-	(4,262)
Amortisation	(156)	-	(23)	(1)	-	-	(180)
Impairment charges	-	-	-	(885)	-	-	(885)
Other operating charges	(7,833)	(793)	(1,008)	(4,644)	(2,404)	(1,866)	(18,548)
Operating profit / (loss)	**11,932**	**893**	**2,089**	**507**	**2,950**	**(6,019)**	**12,352**
Share of results of associates and JV	611	-	-	(576)	(8)	-	27
Financial income	369	-	21	45	17	(392)	60
Financial expense	(923)	(13)	(200)	(132)	(530)	(149)	(1,947)
Profit / (loss) before taxation	**11,989**	**880**	**1,910**	**(156)**	**2,429**	**(6,560)**	**10,492**
Taxation	(2,074)	(465)	(334)	(1,473)	(661)	1,207	(3,800)
Profit / (loss) for the year	**9,915**	**415**	**1,576**	**(1,629)**	**1,768**	**(5,353)**	**6,692**
Non-controlling interests	(1,679)	(74)	(659)	46	(338)	-	(2,704)
Profit / (loss) attributable to equity shareholders of the Group	**8,236**	**341**	**917**	**(1,583)**	**1,430**	**(5,353)**	**3,988**
Headline basic EPS							**3.32p**

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

Notes to the unaudited consolidated interim financial statements (continued)

6. Geographical Segmental information (continued) – 30 June 2020

Period ended 30 June 2020	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Head office £000	Total £000
Billings*	**105,982**	**25,094**	**15,066**	**56,953**	**26,799**	**-**	**229,894**
Revenue*	**54,404**	**21,171**	**14,486**	**33,222**	**26,040**	**-**	**149,322**
Net revenue	**36,812**	**12,941**	**7,732**	**26,404**	**19,514**	**-**	**103,402**
Staff costs	(24,189)	(10,198)	(5,868)	(20,036)	(13,047)	(2,033)	**(75,371)**
Depreciation	(2,175)	(734)	(412)	(1,670)	(1,034)	–	**(6,025)**
Amortisation	(143)	(0)	(25)	(90)	–	–	**(258)**
Other operating charges	(6,934)	(1,682)	(1,265)	(3,649)	(3,289)	(688)	**(17,507)**
Other gains/losses	–	–	–	–	–	–	**–**
Operating profit / (loss)	**3,371**	**327**	**162**	**959**	**2,144**	**(2,721)**	**4,242**
Share of results of associates and JV	–	–	–	(66)	(194)	–	**(260)**
Financial income and cost (excluding leases)	(984)	(97)	(169)	(57)	(450)	(207)	**(1,964)**
Profit / (loss) before taxation	**2,387**	**230**	**(7)**	**836**	**1,500**	**(2,928)**	**2,019**
Taxation	(533)	(83)	–	(240)	(392)	504	**(744)**
Profit / (loss) for the year	**1,854**	**147**	**(7)**	**596**	**1,108**	**(2,423)**	**1,275**
Non-controlling interests	(233)	11	(19)	(492)	72	–	**(661)**
Profit / (loss) attributable to equity shareholders of the Group	**1,621**	**158**	**(26)**	**104**	**1,181**	**(2,424)**	**614**
Headline basic EPS							**0.60p**

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

Notes to the unaudited consolidated interim financial statements (continued)

7. Net finance income / (costs)

	Six months ended 30 June 2021 £000	Six months ended 30 June 2020 £000	Year ended 31 December 2020 £000
Bank interest receivable	9	77	215
Other interest receivable	51	139	78
Sublease finance income	–	–	71
Financial income	60	216	364
Bank interest payable	(732)	(641)	(1,240)
Amortisation of loan costs			(228)
Other interest payable	(16)	(86)	(304)
Interest on lease liabilities	(1,200)	(1,453)	(2,471)
Amortisation adjustment to minority shareholder put option liabilities	(479)	(1,792)	(120)
Financial expense	(2,427)	(3,972)	(4,363)
Net finance income / (costs)	**(2,367)**	**(3,756)**	**(3,999)**

8. Taxation

Income tax expenses are recognised based on management's estimate of the average annual income tax expected for the full financial year. The estimated effective annual tax rate used for the period to 30 June 2021 is 36.3% (30 June 2020: 36.9%) which is consistent year over year.

9. Dividends

No dividends were paid in 2020. No interim dividend is proposed for 2021.
The dividend policy and capital allocation strategy was assessed as part of the Group's recent strategic review. We concluded that the Group's priority is to return the business to pre-pandemic levels of profitability and earnings and, thereafter, to grow in line with the targets set out at the Capital Markets Day held in January 2021. Assuming a return to normal trading conditions, we would expect to reinstate dividends from 2022.

10. Share-based payments

Given the Group's strong cash position, as stated on page 10, the Board has made the decision post period end that all put options will from now on be settled in cash. In recent years, the Group has settled put options through issuing shares in the Company. Since 2018, a total of 34.6million shares have been issued to settle put options, which represents approximately 28.3% of the 122.3million shares currently in issue. This has had a significantly dilutive impact on shareholders.

We expect to pay no more than £9.0million in cash in the next few weeks to settle the most immediate (2021) batch of put options. Thereafter, we expect the total liability for the remaining four years, 2022 to 2025, to be £27.4million. Based on our medium-term profit and cash forecast, we now expect to be able to settle the options in cash as they fall due.

We have, however, retained the optionality to issue shares to settle put options in the future, should circumstances warrant. The table below sets out the number of shares that would be required to be issued to settle put options should we decide to adopt this strategy.

It is important to note that actual valuations may vary from the forecast and certain put option holders may elect to defer the exercise of their options, with the result that the amount of cash to be paid to settle put options or the number of shares to be issued and the dilutive impact may also be different to those we have modelled. Note that put option holders have the right to defer the exercise date indefinitely.

Effect of a change in share price

	Number of potentially issuable shares				
	2022	**2023**	**2024**	**2025**	**Total**
Prevailing share price	**'000**	**'000**	**'000**	**'000**	**'000**
At 83.6p	8,402	4,492	2,826	674	16,394
At 100p	11,245	4,590	2,979	734	19,548
At 135p	10,202	4,263	3,103	858	18,426
At 150p	9,943	4,184	3,192	913	18,232
At 200p	9,362	4,007	3,558	1,099	18,026
At 250p	9,014	3,900	3,983	1,287	18,184
At 300p	8,781	3,829	4,438	1,476	18,524

The decision to settle put options in cash eliminates a sizeable overhang, which if the put options were to be settled with shares in the Company, would result in 20% further dilution for current shareholders. The cash settlement of options eliminates this dilution.

Notes to the unaudited consolidated interim financial statements (continued)

These financial statements have been prepared on the assumption prevailing at the balance sheet date. As the decision to settle put option in cash was made by the Board after 30 June 2021, the half year financial statements have been prepared on the basis that put options were to be settled through the issue of shares in the Company. The accounting impact of settling options in cash as opposed to shares, assuming a 150p share price, would be to increase the liabilities on the balance sheet by £33.4million (being a £36.2million cash liability to settle the put options less £2.8million of put option liabilities already recognised). Where options are settled by issuing shares, there is no impact on net assets as there is no cash liability. In this case, the equity issue is accounted for entirely within reserves, with no impact on net assets.

11. Acquisitions and Disposals

During the first half of 2021, we acquired additional equity in the following entities:

- M&C Saatchi (Hong Kong) Ltd
- M&C Saatchi Advertising (Shanghai) Ltd
- Santa Clara Participacoes Ltda
- M&C Saatchi World Services Pakistan (Pvt) Ltd

The following has been disposed:

- Create Collective Limited

In line with interim reporting requirements, due to the timing of the transactions and the annual budgeting process, the initial accounting for the business combinations is incomplete and we have therefore utilised a preliminary fair value assessment based on the best information available. This will be completed in advance of the 2021 annual report.

12. Restatement of June 2020 results

The unaudited financial statements for 30 June 2020 were issued before the audited financial statements for the year ended 31 December 2019 were finalised. The numbers for 30 June 2020 have been updated in the unaudited consolidated balance sheet to reflect the relevant changes to the unaudited figures as at 30 June 2020. There were no changes to the unaudited consolidated income statement.

Impact of restatements on consolidated balance sheet as at 30 June 2020:

Notes to the unaudited consolidated interim financial statements (continued)

	Six months ended 30 June 2020 As previously reported £000	Restatement impacts £000	Six months ended 30 June 2020 As restated £000
Non-current assets	**119,509**	**-**	**119,509**
Current assets			
Trade and other receivables	107,871	(2,990)	104,881
Current tax assets	8,336	-	8,336
Cash and cash equivalents	76,214	-	76,214
	192,421	**(2,990)**	**189,431**
Current liabilities			
Trade and other payables	(138,581)	380	(138,201)
Provisions	(1,206)	(179)	(1,385)
Current tax liabilities	(4,108)	-	(4,108)
Borrowings	(53,059)	-	(53,059)
Lease liabilities	(7,924)	-	(7,924)
Deferred and contingent consideration	(445)	-	(445)
Minority shareholder put option liabilities	(144)	-	(144)
	(205,467)	**201**	**(205,266)**
Net current liabilities	**(13,046)**	**(2,789)**	**(15,835)**
Total assets less current liabilities	**106,463**	**(2,789)**	**103,674**
Non-current liabilities	**(49,399)**	**-**	**(49,399)**
Total net assets	**57,064**	**(2,789)**	**54,275**
Total adjustment to equity			
Share capital	1,160	-	1,160
Share premium	49,540	(4,933)	44,607
Merger reserve	33,400	4,154	37,554
Treasury reserve	(550)	-	(550)
Minority interest put option reserve	(4,987)	-	(4,987)
Non-controlling interest acquired	(32,437)	(29)	(32,466)
Foreign exchange reserve	4,753	29	4,782
Retained earnings	5,886	(2,011)	3,875
Equity attributable to shareholders of the Group	**56,765**	**(2,789)**	**53,975**
Non-controlling interest	**300**	**-**	**300**
Total equity	**57,065**	**(2,789)**	**54,275**

13. Events after the balance sheet date

The Directors are not aware of any events since June 30 2021 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.

Following consideration and assessment by the Audit Committee, the Board has approved the appointment of BDO LLP as the Company's auditors subject to shareholder confirmation for the financial year ending 31 December 2021. BDO LLP will hold office until the next Annual General Meeting to be held on 18 October 2021 when BDO LLP's appointment will be subject to shareholder approval. PWC has resigned as the Company's auditor and has confirmed to the Company that, in accordance with Section 519 of the Companies Act 2006, there are no circumstances in connection with its resignation which it considers need to be brought to the attention of the Company's members or creditors.