

M&C SAATCHI PLC

FINAL RESULTS

YEAR ENDED
31 DECEMBER 2017

22 March 2018

M&C Saatchi PLC – Preliminary Statement
Final Results for the year ended 31 December 2017

22 March 2018

Financial Highlights 2017		Growth versus 2016
Revenue	£251.5m	+ 12% (2016: £225.4m)
Revenue in constant currencies	£240.9m	+ 7%
Operating Profit	£26.7m	+ 16% (2016: £23.0m)
Profit Before Tax	£27.7m	+ 16% (2016: £23.7m)
Profit After Tax and MI	£18.0m	+ 17% (2016: £15.4m)
EPS	23.04p	+ 9% (2016: 21.07p)
Full-Year Dividend	9.53p	+ 15% (2016: 8.29p)

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

Operational Highlights

- Record results in terms of both revenue and earnings
- The Global network performed well:
 - UK: revenues up 6%, with Sport & Entertainment, PR and Mobile continuing to perform particularly positively; operating profit was up 46% without last year's restructuring costs
 - Europe: revenues up 26%, operating profit increased 30%
 - Middle East and Africa: revenues up 26%, operating profit up 45%
 - Asia and Australia: revenues up 23%, operating profit up 37%
 - Americas: revenues were down 3% following a second half slowdown in New York advertising revenues, operating profit was down 53%. A major restructuring was undertaken, and the agency is profitable in Q1 2018
- Final dividend increased 15% to 7.40p, full-year dividend up 15% to 9.53p

David Kershaw, Chief Executive, said:

“2017 was another record year for M&C Saatchi in terms of both revenue and earnings. Our established strategy of winning new business and starting new businesses continues to deliver.

This year has begun well, and we are confident that we will continue to make good progress in 2018 and beyond.”

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Notes to Editors

Headline results

The term headline is not a defined term in IFRS. The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill and acquired intangibles, but excluding software) acquired in business combinations, changes to deferred and contingent consideration and other acquisition related charges taken to the income statement; impairment of investment in associates; profit/loss on disposal of associates; and income statement impact of put option accounting (whether accounted under IFRS2 or IAS39). See note 3 for reconciliation between the Group's statutory results and the headline results.

SUMMARY OF RESULTS

2017 saw record results in terms of both revenue and earnings. Revenues grew by 12%, with constant currency revenues increasing 7%. Excluding the costs of businesses started in the year, we returned a headline operating margin of 11.3%, up from 10.2% in 2016. The headline profit before tax advanced 16% to £27.7m and headline net earnings also rose 17%. Statutory profit before tax was up 37% from £6.8m to £9.3m.

Our competitive advantages continue to deliver market-beating growth. We have an entrepreneurial culture and ownership structure that motivates our people to deliver exceptional performance. We have a genuine integrated offering that delivers greater effectiveness and efficiency to our clients. We are not dependent upon multinational packaged goods clients, media buying or M&A. We are of a scale and nimbleness where the birth, growth and success of our businesses can mitigate against macro headwinds. Lastly, we start companies with the best talent in attractive geographies and in new growth channels, with 16 new businesses started in 2017.

UK

Revenue in the UK was up 6%, with Sport & Entertainment, PR and Mobile continuing to trade particularly positively. New business wins included Dreams, Visit Britain, Little Dish, Lipton, The Body Shop, Costa Coffee and Clinique.

M&C Saatchi Sport & Entertainment won Large Sponsorship Consultancy of the year, M&C Saatchi PR was awarded Mid-sized PR Agency of the year and M&C Saatchi Mobile won Most Effective Mobile Agency.

Our London advertising agency management team is now complete, incentivised with shares and building good new business momentum.

M&C Saatchi Merlin, our talent management agency, launched a social influencer division in May which has very positive growth potential. We started Re, our successful Australian brand identity unit, in the UK in June.

The UK headline operating profit was up 46% on 2016 without last year's one-off restructuring costs in the London advertising agency. The headline operating margin also benefited from this, increasing to 16.1% compared with 2016's 11.7%. These margins exclude the impact of Group recharges.

Europe

European revenues increased 26% year on year. Headline operating profit was up 30%, with a headline operating margin of 15.3% (2016: 15.1%).

The Stockholm office maintained its dynamic new business performance, winning the property company AMFF, the engineering client PE Consulting and the political party Centerpartiet.

Both Germany and Italy continue to excel. Mobile opened in Berlin whilst Italy was appointed by Sisal, a gaming company, in addition to being reappointed by Unicredit.

France remains challenging but in the second half the Paris office won projects from Casino Supermarkets, the sugar free children's fruit snacks provider Charles & Alice and Bonduelle, the processed vegetable producer.

The Madrid office is much improved, and we started a sponsorship operation there in April.

Middle East and Africa

Revenues in the Middle East and Africa were up 26%.

South Africa converted Windhoek, Heineken Export and the South African Reserve Bank. In January 2018, they picked up Lexus and the second-hand car retailer Automark. We also acquired Johannesburg based sport and entertainment company Levergy.

UAE won the accounts of Aldar Properties, UAE Banks Federation and Unilever's Lipton account. M&C Saatchi PR opened in the UAE and won the Abu Dhabi Motors Rolls Royce account.

Operating profit in the region was up 45% and the headline operating margin increased to 10.7% from 9.3% in 2016.

Asia and Australia

In Asia and Australia, revenues were up 23% year on year.

Australia performed well, benefiting from a full-year of Woolworths. They won some projects from Pfizer, Prudential and Jack Daniels, although one significant account in the year was lost, IAG. In February 2017, we acquired 51% of Bohemia, a media buying and planning operation. This wider offer is

important in this market, where clients are increasingly looking for a tighter relationship between the creative providers and media buying and planning. In March, we launched The Source, our successful UK research operation, in Melbourne.

We opened a new office in Jakarta in January 2018.

The headline regional operating margin was 11.4% (2016: 11.0%), with the headline operating profit ahead 37% on 2016.

Americas

Revenues decreased 3% and headline operating profit was down 53% with a headline operating margin of 7.4% (2016: 15.5%).

Our Mobile operations continue to perform well and are building a potent network across the US.

There was a drag in New York with a slowdown in advertising revenues, which dented the overall region's performance. SS+K's political and charitable project revenues were particularly hard hit in the second half. A major restructuring was undertaken, and the agency is profitable in the first quarter of 2018. LIDA New York opened for business and was appointed by Aston Martin.

Our Los Angeles office had a better year and was appointed by Pacific Life. We unveiled both Clear and Sport & Entertainment there in the first half and our Mexico City office opened its doors in September. This year we launched Majority in Los Angeles, a production company with an initially all-women Director roster.

Outlook

2017 was another record year for M&C Saatchi in terms of both revenue and headline earnings. Our established strategy of winning new business and starting new businesses continues to deliver.

This year has begun well, and we are confident that we will continue to make good progress in 2018 and beyond.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2017 £000	2016 £000
Billings		535,964	458,180
Revenue		251,481	225,387
Operating costs		(246,146)	(218,738)
Operating profit		5,335	6,649
Share of results of associates and joint ventures		1,987	1,530
Finance income		3,326	440
Finance costs		(1,346)	(1,828)
Profit before taxation		9,302	6,791
Taxation		(4,736)	(3,451)
Profit for the year		4,566	3,340
Attributable to:			
Equity shareholders of the Group		2,672	144
Non-controlling interests		1,894	3,196
Profit for the year		4,566	3,340
Earnings per share			
Basic (pence)		3.43p	0.20p
Diluted (pence)		3.31p	0.19p

Headline results*

Operating profit	26,725	23,037
Profit before tax	27,655	23,776
Profit after tax attributable to equity shareholders of the Group	17,971	15,423
Basic earnings per share (pence)	23.04p	21.07p
Diluted earnings per share (pence)	21.22p	20.55p

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

The notes on pages 13 to 22 form part of these preliminary statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December	2017 £000	2016 £000
Profit for the year	4,566	3,340
Other comprehensive income*		
Exchange differences on translating foreign operations before tax	(1,177)	6,754
Other comprehensive income for the year net of tax	(1,177)	6,754
Total comprehensive income for the year	3,389	10,094
Total comprehensive income attributable to:		
Equity shareholders of the Group	1,495	6,898
Non-controlling interests	1,894	3,196
Total comprehensive income for the year	3,389	10,094

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

The notes on pages 13 to 22 form part of these preliminary statements.

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 1 January 2016	727	17,338	31,592	(792)	(12,595)	(9,233)	(1,984)	12,673	37,726	4,295	42,021
Acquisitions	–	–	–	–	(10,249)	–	–	–	(10,249)	1,919	(8,330)
Acquisitions of minority interest	4	1,364	–	–	–	(1,222)	–	–	146	–	146
Exercise of put options	18	5,397	–	–	2,366	(2,366)	–	–	5,415	(47)	5,368
Disposals	–	–	–	–	–	–	–	–	–	(10)	(10)
Exchange rate movements	–	–	–	–	(120)	(301)	–	–	(421)	627	206
Issue of shares to minorities	–	–	–	–	–	–	–	–	–	14	14
Issue of options	–	–	–	–	–	–	–	515	515	–	515
Share option charge	–	–	–	–	–	–	–	7,997	7,997	–	7,997
Dividends	–	–	–	–	–	–	–	(5,458)	(5,458)	(3,166)	(8,624)
Total transactions with owners	22	6,761	–	–	(8,003)	(3,889)	–	3,054	(2,055)	(663)	(2,718)
Total comprehensive income for the year	–	–	–	–	–	–	6,754	144	6,898	3,196	10,094
At 31 December 2016	749	24,099	31,592	(792)	(20,598)	(13,122)	4,770	15,871	42,569	6,828	49,397
Acquisitions	4	1,498	–	–	–	–	–	–	1,502	235	1,737
Acquisitions of minority interest	5	1,587	–	–	–	(1,390)	–	–	202	310	512
Exercise of put options	55	4,911	–	–	6,640	(6,640)	–	(61)	4,905	–	4,905
Exchange rate movements	–	–	–	–	–	112	–	–	112	(252)	(140)
Share option charge	–	–	–	–	–	–	–	13,501	13,501	–	13,501
Dividends	–	–	–	–	–	–	–	(6,748)	(6,748)	(2,483)	(9,231)
Total transactions with owners	64	7,996	–	–	6,640	(7,918)	–	6,692	13,474	(2,190)	11,284
Total comprehensive income for the year	–	–	–	–	–	–	(1,177)	2,672	1,495	1,894	3,389
At 31 December 2017	813	32,095	31,592	(792)	(13,958)	(21,040)	3,593	25,235	57,538	6,532	64,070

The notes on pages 13 to 22 form part of these preliminary statements.

CONSOLIDATED CASH FLOW

Year ended 31 December	2017 £000	2016 £000
Revenue	251,481	225,387
Operating expenses	(246,146)	(218,738)
Operating profit	5,335	6,649
Adjustments for:		
Depreciation of plant and equipment	3,079	2,668
Loss on sale of plant and equipment	57	542
Loss on sale of software intangibles	4	10
Fair value revaluation of associate on step acquisition	–	859
Impairment and amortisation of acquired intangible assets	2,021	2,324
Impairment of associate and investments	–	4,389
Impairment of goodwill	5,214	–
Amortisation of capitalised software intangible assets	211	354
Equity settled share based payment expenses	13,501	7,997
Operating cash before movements in working capital	29,422	25,792
Increase in trade and other receivables	(10,806)	(22,334)
increases in trade and other payables	11,665	19,342
Cash generated from operations	30,281	22,800
Tax paid	(6,727)	(4,073)
Net cash from operating activities	23,554	18,727
Investing activities		
Acquisitions of subsidiaries net of cash acquired	(951)	(12,822)
Disposal of subsidiaries net of cash divested	–	(263)
Acquisitions of investments	(2,024)	(1,056)
Proceeds from sale of plant and equipment	77	32
Purchase of plant and equipment	(3,451)	(3,873)
Purchase of capitalised software	(385)	(34)
Dividends received from associates	1,806	177
Interest received	288	440
Net cash consumed investing activities	(4,640)	(17,399)
Net cash from operating and investing activities	18,914	1,328

The notes on pages 13 to 22 form part of these preliminary statements.

Year ended 31 December	2017 £000	2016 £000
Net cash from operating and investing activities	18,914	1,328
Financing activities		
Dividends paid to equity holders of the Company	(6,748)	(5,458)
Dividends paid to non-controlling interest	(2,484)	(3,166)
Issue of shares to minorities	–	514
Repayment of finance leases	(28)	(36)
Inception of invoice discounting	–	4,455
Repayment of invoice discounting	(730)	(3,943)
Inception of bank loans	10,240	11,433
Repayment of bank loans	(359)	(7,191)
Interest paid	(1,275)	(1,230)
Net cash consumed by financing activities	(1,384)	(4,622)
Net (decrease)/increase in cash and cash equivalents	17,530	(3,294)
Effect of exchange rate fluctuations on cash held	(795)	3,270
Cash and cash equivalents at the beginning of the year	32,222	32,246
Cash and cash equivalents at the end of the year	48,957	32,222
Bank loans and borrowings*	(38,675)	(28,582)
Net cash	10,282	3,640

* Bank loans and borrowings excludes £2,915k (2016: £3,645k) of invoice discounting.

The notes on pages 13 to 22 form part of these preliminary statements.

NOTES TO THE PRELIMINARY STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

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

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

These 2017 preliminary statements were approved for issue on 21 March 2018.

The financial information set out below does not constitute the company's statutory accounts for 2016 or 2017. Statutory accounts for the years ended 31 December 2016 and 31 December 2017 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for 2016 and 2017 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2017 will be delivered to the Registrar in due course.

Headline results

The Directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance of the business. The headline result is used for internal performance management, calculating the value of subsidiary convertible shares and minority interest put options. The term headline is not a defined term in IFRS. Note 3 reconciles reported to headline results.

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

The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill and acquired intangibles, but excluding software) acquired in business combinations, changes to deferred and contingent consideration and other acquisition related charges taken to the income statement; impairment of investment in associates and investments; profit and loss on disposal of associates; and the income statement impact of put option accounting and share based payment charges. See note 3 for a reconciliation between the Group's statutory results and the headline results.

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

2. ACCOUNTING POLICIES

The financial information set out in these final results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these final results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2017. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2016.

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

3. Headline results and earnings per share

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

Year ended 31 December 2017	2017 £000	Amortisation of acquired intangibles £000	Impairment of acquired intangibles £000	Deferred tax on acquired intangible US tax rate change £000	Deferred tax on put options US tax rate change £000	Revaluation of contingent consideration £000	Acquisition related Remuneration* £000	Put option Accounting** £000	Headline results £000
Billings	535,964	–	–	–	–	–	–	–	535,964
Revenue	251,481	–	–	–	–	–	–	–	251,481
Operating profit	5,335	2,021	5,214	–	–	40	614	13,501	26,725
Share of results of associates and JV	1,987	–	–	–	–	–	–	–	1,987
Finance income	3,326	–	–	–	–	–	–	(3,037)	289
Finance cost	(1,346)	–	–	–	–	–	–	–	(1,346)
Profit before taxation	9,302	2,021	5,214	–	–	40	614	10,464	27,655
Taxation	(4,736)	(671)	(1,804)	981	392	–	–	(996)	(6,834)
Profit for the year	4,566	1,350	3,410	981	392	40	614	9,468	20,821
Non-controlling interests	(1,894)	(365)	–	–	–	–	(591)	–	(2,850)
Profit attributable to equity holders of the Group***	2,672	985	3,410	981	392	40	23	9,468	17,971

* The non-controlling interest charge is moved to operating profit due to underlying equity being defined as a conditional share award.

** These values represent put options accounted for as conditional share awards (£13,501k) and fair value adjustments to minority put option liabilities (£3,037k).

*** Headline earnings are profit attributable to equity holders of the Group after adding back the adjustments noted above. The increase is calculated as the difference between 2016 and 2017 measures. Headline operating margin is calculated as: Headline operating profit divided by revenue. Headline operating margin excluding new businesses is calculated as: Headline operating profit after adding back the cost of businesses started divided by revenue. This cost of business started during the year has been calculated as £1.6m (2016: £0.1m).

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

3. Headline results and earnings per share continued

Year ended 31 December 2016	2016 £000	Amortisation of acquired intangibles £000	Impairment of associate £000	Provision against investments £000	Revaluation of an associate on acquisition £000	Acquisition related remuneration £000	Put option accounting £000	Headline results £000
Billings	458,180	–	–	–	–	–	–	458,180
Revenue	225,387	–	–	–	–	–	–	225,387
Operating profit	6,649	2,324	3,738	651	859	819	7,997	23,037
Share of results of associates and JV	1,530	–	–	–	–	–	–	1,530
Finance income	440	–	–	–	–	–	–	440
Finance cost	(1,828)	–	–	–	–	–	597	(1,231)
Profit before taxation	6,791	2,324	3,738	651	859	819	8,594	23,776
Taxation	(3,451)	(659)	–	–	–	–	–	(4,110)
Profit for the year	3,340	1,665	3,738	651	859	819	8,594	19,666
Non-controlling interests	(3,196)	(256)	–	–	–	(540)	(251)	(4,243)
Profit attributable to equity holders of the Group	144	1,409	3,738	651	859	279	8,343	15,423

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

3. Headline results and earnings per share *continued*

Basic and diluted earnings per share are calculated by dividing profit attributable to equity holders of the Group by the weighted average number of shares in issue during the year.

	2017	Headline 2017
Year ended 31 December 2017	£000	£000
Profit attributable to equity shareholders of the Group	2,672	17,971
Basic earnings per share		
Weighted average number of shares (thousands)	77,999	77,999
Basic EPS	3.43p	23.04p
Diluted earnings per share*		
Weighted average number of shares (thousands) as above	77,999	77,999
Add		
– Conditional shares without dividend rights	2,763	2,763
– Conditional shares with dividend rights**	3,829	3,829
– Contingent consideration	108	108
Total	84,699	84,699
Diluted earnings per share	3.16p	21.22p

* All the minority interest put options are non-dilutive as the exercise price approximates fair value of the underlying non-controlling interest.

** Conditional share with dividend rights are excluded from any calculation of conditional share awards that uses diluted EPS growth as a measure.

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

* All the minority interest put options are non-dilutive as the exercise price approximates fair value of the underlying non-controlling interest.

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

4. Segmental information

Segmental and headline income statement 2017

Year ended 31 December 2017	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Billings	169,299	59,037	27,207	132,007	148,414	535,964
Revenue	94,013	33,492	14,650	64,703	44,623	251,481
Operating profit excluding Group costs	15,149	5,187	1,568	7,733	3,385	33,022
Group costs	(5,821)	(71)	–	(339)	(66)	(6,297)
Operating profit	9,328	5,116	1,568	7,394	3,319	26,725
Share of results of associates and JV	1,633	3	–	351	–	1,987
Financial income and cost	(437)	(69)	11	48	(610)	(1,057)
Profit before taxation	10,524	5,050	1,579	7,793	2,709	27,655
Taxation	(1,478)	(1,604)	(421)	(2,110)	(1,221)	(6,834)
Profit for the year	9,046	3,446	1,158	5,683	1,488	20,821
Non-controlling interests	(813)	(721)	(534)	(1,189)	407	(2,850)
Profit attributable to equity shareholders of the Group	8,233	2,725	624	4,494	1,895	17,971
Headline basic EPS						23.04p

Non-cash costs included in headline operating profit:

Depreciation	1,386	357	371	576	389	3,079
Amortisation of software	70	37	11	93	–	211
Office locations	London	Paris Milan Berlin Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Dubai Beirut Tel Aviv	Sydney Melbourne New Delhi Bangalore Islamabad Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Chicago Los Angeles San Francisco Mexico City São Paulo	

Segmental results are reconciled to the income statement in note 3. Our segmental and headline results are one and the same. The above segments reflect the fact that our business is run on an operating unit basis. In accordance with IFRS 8 paragraph 12, we have aggregated our operating units into regional segments.

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

4. Segmental information continued

Segmental and headline income statement 2016

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

Non-cash costs included in headline operating profit:

Depreciation	(1,364)	(242)	(185)	(329)	(548)	(2,668)
Amortisation of software	(268)	(62)	(9)	(13)	(2)	(354)
Office locations	London	Paris Milan Berlin Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Dubai Beirut Tel Aviv	Sydney Melbourne New Delhi Bangalore Islamabad Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Chicago Los Angeles San Francisco São Paulo	

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

4. Segmental information continued

Segmental income statement translated at 2016 exchange rates

It is normal practice in our industry to provide constant currency results.

Had our 2017 results been translated at 2016 exchange rates then our constant currency results would have been:

Year ended 31 December 2017	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Revenue	94,013	31,307	12,649	60,308	42,582	240,859
Operating profit excluding Group costs	15,150	4,833	1,258	7,335	3,381	31,957
Group costs	(5,819)	(66)	–	(315)	(65)	(6,265)
Operating profit	9,331	4,767	1,258	7,020	3,316	25,692
Share of results of associates and JV	1,633	4	–	340	–	1,977
Financial income and cost	(458)	(68)	8	46	(579)	(1,051)
Profit before taxation	10,506	4,703	1,266	7,406	2,737	26,618
Taxation	(1,474)	(1,494)	(322)	(1,987)	(1,162)	(6,439)
Profit for the year	9,032	3,209	944	5,419	1,575	20,179
Increase/(decrease) in 2017 results caused by translation differences	(14)	(237)	(214)	(264)	87	(642)

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

	2017	2016
US dollar	1.2884	1.3558
Malaysian ringgit	5.5370	5.6104
Australian dollar	1.6808	1.8247
South African rand	17.1503	19.9843
Brazilian real	4.1129	4.7442
Euro	1.1417	1.2244

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

5. Share of associates and joint ventures

Year ended 31 December	2017 £000	2016 £000
Share of associates' profit before taxation	2,598	1,981
Share of associates' taxation	(611)	(451)
	1,987	1,530

6. Finance income

Year ended 31 December	2017 £000	2016 £000
Bank interest receivable	200	338
Other interest receivable	89	102
Total interest receivable	289	440
Fair value adjustments to minority shareholder put option liabilities	3,037	–
Total finance income	3,326	440

7. Finance costs

Year ended 31 December	2017 £000	2016 £000
Bank interest payable	(1,344)	(1,227)
Interest payable on finance leases	(2)	(4)
Total interest payable	(1,346)	(1,231)
Fair value adjustments to minority shareholder put option liabilities	–	(597)
Total finance costs	(1,346)	(1,828)

8. Taxation

Year ended 31 December	2017 £000	2016 £000
Current taxation		
Taxation in the year		
– UK	1,689	891
– Overseas	5,286	3,700
Withholding taxes payable	21	(49)
Utilisation of previously unrecognised tax losses*	(817)	–
Adjustment for Under (over) provision in prior periods*	625	(104)
Total	6,804	4,438
Deferred taxation		
Origination and reversal of temporary differences	(3,612)	106
Recognition of previously unrecognised tax losses**	(121)	(1,093)
Effect of changes in tax rates	1,665	–
Total	(2,068)	(987)
Total taxation	4,736	3,451

* In the most part this relates to our US offices.

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

NOTES TO THE PRELIMINARY STATEMENTS

CONTINUED

9. Dividends

Year ended 31 December	2017 £000	2016 £000
2016 final dividend paid 6.44p on 7 July 2017 (2015: 5.60p)	5,032	4,084
2017 interim dividend paid 2.13p on 10 November 2017 (2016: 1.85p)	1,716	1,374
	6,748	5,458

The 2017 proposed final dividend of 7.40p, totalling £5,996,827. Subject to shareholders approval at 8 June 2018 AGM, the dividend is payable on 6 July 2018 to shareholders on the register 8 June 2018.

The dividends relate to the profit of the following years:

Year ended 31 December	2017 £000	2016 £000
Interim dividend paid 2.13p on 10 November 2017 (2016: 1.85p)	1,716	1,374
Final dividends payable 7.40p on 6 July 2018 (2016: 6.44p)	5,997	4,876
	7,713	6,250
Headline dividend cover	2.3	2.5

Headline dividend cover is calculated by taking headline profit after tax attributable to equity shareholders and dividing it by the total dividends that relate to that year's profits. The Group seeks to maintain a long-term headline dividend cover of between 2 and 3. Retained profits are used to reinvest in the long term growth of the Group through funding working capital and Investing activities; and to repaying bank debt.