

# M&C SAATCHI PLC

INTERIM RESULTS

SIX MONTHS ENDED  
30 JUNE 2019

24 September 2019

**M&C SAATCHI PLC**  
Interim results for the six months  
ended 30 June 2019

24 September 2019

£'m	Statutory – 30 June			Headline – 30 June				
	2019	2018 Restated	2018	2019	2018 Restated	2018		
Billings	280.7	289.2	-3.0%	289.2	280.7	289.2	-3.0%	289.2
Revenue	214.2	212.8	0.7%	215.4	214.2	212.8	0.7%	215.4
Net Revenue	117.9	123.0	-4.1%	127.2	117.9	123.0	-4.1%	127.2
Operating profit	0.3	4.9	-93.0%	11.3	4.8	9.4	-48.9%	15.8
Profit before taxation	9.4	5.0	87.7%	11.4	3.4	10.3	-66.9%	16.7
Profit for the period	9.0	2.9	208.8%	7.6	2.5	7.7	-67.4%	12.8
Earnings	8.5	1.5	460.5%	6.2	1.1	5.6	-80.0%	10.7
EPS	9.59p	1.84p	421.2%	7.6p	1.26p	6.80p	-81.5%	13.0p
Interim dividend	2.45p	2.45p	maintained	2.45p				
Operating profit margin	0.2%	2.3%	-2.1pts	5.25%	2.2%	4.4%	-2.2pts	7.3%
Tax rate	3.8%	41.5%	-37.7pts	30.40%	26.4%	25.2%	+1.2pts	23.2%

See note on next page for definition of headline.

2018 Restated. See note 4 for details of the restatement, as well as comments below.

### Highlights

- Increase in Statutory profit due to £11.6m profit on disposal of remaining 24.9% share in Walker Media Ltd for £25m in February 2019

- As previously communicated, year-on-year decline in Headline revenue and profits due to larger number of loss-making entities, particularly start-ups, and the impact of the timing of revenues in 2019 which are expected to fall into the second half
- Independent accounting review by PwC ongoing, expected to conclude by November 2019. The Board expects this to lead to a restatement of 2018 results; H1 2018 results have been restated to reflect misstatements already identified. The specific items result in a net charge of £5.1m
- Solid balance sheet with net cash of £9.5m (£2.2m net debt at 31<sup>st</sup> December 2018)
- Interim dividend maintained at 2.45p
- Full year operating profit and profit before tax forecast to be 5%-10% below expectations (before the impact of exceptional items including office refurbishment costs of £1.4m)
- Full Year earnings and EPS are projected to show a relatively greater decline than operating profits as a result of the changing composition of profits, with a greater share of Group profits currently being made by those companies with a higher proportion of non-controlling interests and operating in higher tax rate jurisdictions

Commenting on the results, David Kershaw, Chief Executive, said:

“Our results in the first half of 2019 have been impacted by the number of new businesses in the Group as well as the weighting of revenues shifting towards the second half of the year.

“Whilst this has had a short term impact on our results, we remain confident in and committed to our strategy of winning new business and investing in new, fast-growing businesses. Looking to the second half, our pipeline of new business is strong across the network, and our newest businesses are performing well and expected to start making a meaningful contribution to the Group.”

For further information please call:

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

David Kershaw

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

Tom Murray

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

Nick Westlake, Hugo Rubinstein, NOMAD

Charles Farquhar, Corporate Broking

Notes to Editors

Headline results

The term headline is not a defined term in IFRS. The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill and acquired intangibles, but excluding software) acquired in business combinations; changes to deferred and contingent consideration and other acquisition related charges taken to the income statement; impairment of investment in associate; profit and loss on disposal of associates; revaluation of investment and their related costs and income statement impact of put option accounting (whether accounted under IFRS2 or IFRS 9). See Note 6 for reconciliation between the Group's statutory results and the headline results.

### Like-for-like

The like-for-like revenue comparisons referred to in this report are stated after excluding the impact of foreign currency movements, corporate acquisitions and disposals and incorporate restated 2018 results (see note 4).

### Operating margin

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

### Net Cash

Net Cash refers to cash and cash equivalents less external borrowings at the end of the period, exclusive of expected future cash outflows relating to lease agreements.

### Periods compared

This report comments on the unaudited consolidated income statement of M&C Saatchi plc (the "Group") for the six months to 30 June 2019 compared with the restated unaudited consolidated income statement for the same period in 2018 (see note 4 for details of the restatement).

## SUMMARY OF RESULTS

### **Factors impacting these results**

As stated in the trading update announced on 16<sup>th</sup> August 2019, two key factors have impacted the Group's results in the first six months of 2019 when compared to the same period in 2018 and prior years.

First, M&C Saatchi has continued to invest in new, start-up businesses which we consider will deliver long term growth. That is reflected in the higher proportion of losses from such ventures in H1 19 compared to H1 18, amounting to a negative impact on profit of £2.6m in H1 19 vs H1 18. Ours is a network of best-in-class entrepreneurs motivated to succeed by holding meaningful minority equity holdings in their businesses. In 2019 the fastest growing businesses in the network and those making the greatest contribution to operating profits have larger minority shareholdings than in prior years and also operate in higher tax rate jurisdictions creating a disproportionate drag on earnings and earnings per share when compared to operating profit.

Second, the timing of a considerable proportion of revenues committed and expected to be delivered in 2019, including recent client wins and additional projects, is such that operating profit will be much more heavily weighted to the second half of the year. This also reflects a more prudent approach to revenue recognition.

Although there were regional changes to net revenues caused by exchange rate movements, at the Group level currency had negligible effect on net revenues.

The first six months of 2019 saw revenues increase by 0.7% compared to H1 2018 (restated). The increased cost of sales due to higher production costs recognised in the period has resulted in a £5 million or 4% reduction in net revenue compared to H1 2018 (restated), leading to a £4.6m or 49% decline in operating profit.

### **Expectations for the second half and full year**

We have seen a shift in the timing of revenues in 2019 away from the first half of the year and expect an increased proportion of profits to be made in the second half of the year. Trading in the second half has been solid, with a strong pipeline of client revenues through to the end of the year expected to convert to improved revenues and profits. As a result, we expect like for like full year operating profit to be 5%-10% below full year 2019 expectations. This is before the impact of any exceptional items including office refurbishment costs of £1.4m. With a change in the composition of those companies in the Group contributing to profits, that is those companies with higher minority shareholdings, and which operate in higher tax rate jurisdictions generating a greater share of operating profit, earnings and EPS are expected to fall by a relatively greater margin than operating profit.

The largest contribution to Group profits in the remainder of the year is expected to come from the following divisions:

- Performance - slow start to the year but has since picked up and has been operating on a monthly run rate consistent with its record of last year
- Australia - heavily skewed towards retail clients with focus on advertising and promotions during the final quarter of the year.
- SS+K – significant project with Commonwealth Bank in the second half of the year
- World Services – significant media activities in the second half of the year
- South Africa - win of Standard Bank with all of this year's revenue in the second half
- China – move from associate to subsidiary in the second half

In addition, and as announced in the Company's 12<sup>th</sup> August statement, as part of the ongoing assessment of the Group's assets, we have decided to take an exceptional cost of £1.4m in the second half of 2019 in respect of property-related assets arising from the UK office refurbishment which is currently taking place.

## **UK**

The UK posted an increase in net revenue of 3% (2019, £43.6million; 2018, £42.3million). Headline operating profit was up 108% (2019, £3.0million, 2018, £1.4million), with headline operating costs increasing 5% (all comparisons are against restated 2018 numbers).

Growth was driven by World Services and the Talent Group, which has benefited from the acquisition of Red Hare and Grey Whippet on 29 June 2018, have traded strongly. M&C Saatchi S&E continues to trade well, winning Heineken, Beko & Ovo Energy.

The UK Group businesses have strengthened compared to H1 2018 and continues to do so winning a New Home Office contract, LNER, Alpro, Vodafone, Revolution Beauty, OPPO, Durasein, Olympia London, McCormick, Trinity College, Cetaphil, Forex.com, Expedia, the Football Association, Foxtons, GambleAware, Heineken, Legal & General, Powerade and Twinings.

Our Talent agencies signed up John Amaechi (OBE), as well as having three contestants performing in Strictly 2019 (Alex Scott (MBE), James Cracknell (OBE) and Saffron Barker) along with other projects.

Performance media spending slowed in H1 during a period of contract renewals. They have however since resumed at 2018 levels.

We made significant investment in start-ups, including in excess of £1million in Send Me A Sample in the first half of the year.

## **Europe**

Like for like net revenues in Europe declined by 16% (2019, £14.2million ; 2018, £17.1million). Headline operating profit was down 84% (2019, £0.4million; 2018, £2.6million), with headline operating costs reducing 5% (all comparisons are against restated 2018 numbers).



France had a poor first half with the loss of La Banque Postale and Mini contributing heavily to reduced performance in Europe. However, the office continued to win business which will translate to much improved second half trading, winning work with Compté, Picard, LVMH, Celio, Lansay, IZI by EF, GERLINEA, Focal, Le Bourget and Ipsos.

Spain and Sweden had a slow start to the year, but stronger H2 results are expected, particularly in Sweden which is becoming a regional hub winning Adidas Euro 2020 (Sweden), Reebok (Norway, Sweden and Denmark), KLM (Norway, Sweden, Denmark and Finland) and Zound Industries (Sweden).

Italy continues to trade strongly with wins including Delonghi and fashion retailers OVS.

Germany had a number of new clients including ING (Banking), Falke (Socks), Vattenfall (Energy) and Uniqfeel (Sports Apparel).

### **Middle East and Africa**

Like for like net revenue in the Middle East and Africa was down 4% (2019, £7.5million; 2018, £7.8million). Headline operating profit was down 85% (2019, £0.1million; 2018, £0.5million), with headline operating costs reducing 2% (all comparisons are against restated 2018 numbers).

The South African business had client losses of Nedbank and SARB impacting H1 2019. This has been countered by winning Standard Bank in the first half, with the work starting in the second half and will be that office's largest ever client.

## **Asia and Australia**

In Asia and Australia, like for like net revenues have increased by 1% (2019, £32.8million; 2018, £32.6million). Headline operating profit was down 48% (2019, £2.3million; 2018, £4.6million), with headline operating costs increasing 6% (all comparisons are against restated 2018 numbers).

Start up investments in Jakarta, Hong Kong and Singapore resulted in H1 losses of £0.8m. This is expected to turn around in H2.

Non-recurring income in Australia for H1 2018 has resulted in lower comparative profits in H1 2019. Spend in H2 2019 is expected to increase due to the strong retail-driven client base (Woolworths, Optus, Lexus, Cricket Australia and Tab).

Clients won in 2019 by the Australian group include AHC (Division of Unilever), SUMO Power, FlexiGroup, Uniting (NSW ACT), Sony Music, AVEO Group, Respire, Racing Victoria, Plush, Yourtown, Ethos Urban, UNSW, Bill Care and SMEG.

## **Americas**

Like for like net revenues have decreased by 14% (2019, £19.9million; 2018, £23.1million). Headline operating profit was down 50% (2019, £1.3million; 2018, £2.7million), with headline operating costs reducing 5% (all comparisons are against restated 2018 numbers).

The Los Angeles office had a poor first half. The office has experienced client reductions, including Epson and Fox Restaurant Concepts, materially impacting our results. Subsequently however the office has won projects for Amazon Music and Origin Hotel.

Performance media spending slowed in H1 during a period of contract renewals. They have however since resumed at 2018 levels.

Investment in start-ups in Mexico & NY (LIDA) has further impacted H1 2019 results.

SS+K continues to trade in line with 2018, with the Commonwealth Bank project generating revenue in H2 2019.

Notable client wins for the region in 2019 which will beneficially impact H2 include Locktons, VIZIO + Apple and Copperstate Farms.

## **Balance sheet and cash**

Net cash at the half-year was £9.5m, which compares with £2.5m of net debt at 2018 year end and £4.5m net cash at the same stage last year. Working capital outflows during the first half year were £3.8 million which compares to a £11.8 million working capital outflow in the 12 months of 2018 (restated). The disposal of Walker Media Ltd generated £23.2m of cash in the first half and this has been absorbed in repaying bank loans and in investing activities.

Opening reserves have been reduced by £6.5m due to the adoption of IFRS16 Leases. This accounting charge will reverse over the life of the leases (see note 5). Initial findings from the ongoing independent accounting review lead us to conclude a restatement of prior year results is necessary, reducing opening reserves by £5.1m (see note 4)

## **Accounting review**

The Group announced in August that we would be taking an exceptional charge of £6.4 million to the Group's 2019 results as result of an internal review of specific subsidiaries in the UK (this comprised of £4.9m of specifically identified items and a contingency of £1.5 million for further items that may subsequently be identified). We have since engaged PwC to conduct an independent accounting review of the whole Group which is expected to be completed by November 2019. Initial indications are that this review will result in the restatement of prior year results (rather than an exceptional charge in 2019). Further analysis has been undertaken and the specific issues identified relate to:

- Overstated accrued income: £2.6m
- Irrecoverable receivables: £1.7m
- Prepayments: £0.9m
- Other debtors: £0.5m
- Impairment of intangible assets: £0.7m
- The above items to be offset by corporation tax receivable: £1.2m

Further detail is included in Note 4 and we will make a further announcement to the market once the findings are confirmed.

Since these issues came to light, our recently appointed Group Finance Director, Mickey Kalifa, has appointed a new Finance Director for the UK division and is in the process of hiring additional senior finance staff.

## Unaudited Consolidated income statement

	Note	Six months ended 30 June 2019 £000	Six months ended 30 June 2018* £000	Year ended 31 December 2018* £000
<b>Billings</b>		<b>280,667</b>	<b>289,219</b>	<b>609,610</b>
<b>Revenue</b>		<b>214,221</b>	<b>212,835</b>	<b>419,844</b>
Third party cost of sales		(96,304)	(89,876)	(168,710)
Overheads		(26,988)	(29,218)	(59,814)
Operating charges		(123,292)	(119,094)	(228,524)
Staff costs		(90,959)	(89,269)	(182,536)
Other gains		371	400	1,584
<b>Operating profit</b>		<b>341</b>	<b>4,872</b>	<b>10,368</b>
Share of results of associates and joint ventures		(115)	1,264	2,825
Gain on disposal of associate	11	11,617	–	–
Finance income	8	200	182	273
Finance costs	8	(2,693)	(1,337)	(2,268)
<b>Profit before taxation</b>		<b>9,350</b>	<b>4,981</b>	<b>11,198</b>
Taxation		(354)	(2,068)	(5,362)
<b>Profit for the period</b>		<b>8,996</b>	<b>2,913</b>	<b>5,836</b>
Attributable to:				
Equity shareholders of the Group		8,509	1,518	3,128
Non-controlling interests		487	1,395	2,708
<b>Profit for the period</b>		<b>8,996</b>	<b>2,913</b>	<b>5,836</b>
Earnings per share				
Basic (pence)	6	9.59p	1.84p	3.71p
Diluted (pence)	6	9.13p	1.71p	3.47p

### Headline results

<b>Revenue</b>		214,221	212,835	419,844
Third party cost of sales		(96,304)	(89,876)	(168,710)
<b>Net revenue</b>		<b>117,917</b>	<b>122,959</b>	<b>251,134</b>
Operating profit	6	4,806	9,412	23,927
Profit before tax	6	3,406	10,289	25,897
Profit after tax attributable to equity shareholders of the Group	6	1,118	5,600	15,969
Basic earnings per share (pence)	6	1.26p	6.80p	18.93p
Diluted earnings per share (pence)	6	1.20p	6.29p	17.69p

# restated (note 4)

## Unaudited Consolidated statement of comprehensive income

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018# £000	Year ended 31 December 2018# £000
<b>Profit for the period</b>	<b>8,996</b>	<b>2,913</b>	<b>5,836</b>
<b>Other comprehensive income*</b>			
Exchange differences on translating foreign operations before tax	(841)	(64)	1,000
<b>Other comprehensive income for the period net of tax</b>	<b>(841)</b>	<b>(64)</b>	<b>1,000</b>
<b>Total comprehensive income for the period</b>	<b>8,155</b>	<b>2,849</b>	<b>6,836</b>
Total comprehensive income attributable to:			
Equity shareholders of the Group	7,668	1,454	4,128
Non-controlling interests	487	1,395	2,708
<b>Total comprehensive income for the period</b>	<b>8,155</b>	<b>2,849</b>	<b>6,836</b>

# restated (note 4)

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

## Unaudited Consolidated balance sheet

Note	Six months ended 30 June 2019 £000	Six months ended 30 June 2018# £000	Year ended 31 December 2018# £000
<b>Non-current assets</b>			
Intangible assets	47,867	50,813	49,124
Investments in associates and JV	7,940	20,781	9,483
Plant and equipment	12,470	11,663	13,274
Right-of-use assets	30,614	–	–
Other non-current assets	6,749	3,747	4,248
Deferred tax assets	7,830	5,369	5,687
Financial assets at fair value through profit or loss	13,469	9,486	12,958
	<b>126,939</b>	<b>101,859</b>	<b>94,774</b>
<b>Current assets</b>			
Trade and other receivables	128,174	138,506	145,197
Current tax assets	4,718	6,217	2,241
Cash and cash equivalents	50,438	36,267	50,065
Non-current assets classified as Held-for-sale	11	–	13,106
	<b>183,330</b>	<b>180,990</b>	<b>210,609</b>
<b>Current liabilities</b>			
Trade and other payables	(120,809)	(136,016)	(142,627)
Current tax liabilities	(746)	(6,671)	(3,318)
Borrowings	(17,636)	(3,666)	(14,060)
Lease liabilities	(10,658)	–	–
Deferred and contingent consideration	(675)	(348)	(752)
Minority shareholder put option liabilities	(22,120)	(12,593)	(12,327)
	<b>(172,644)</b>	<b>(159,294)</b>	<b>(173,084)</b>
<b>Net current assets</b>	<b>10,686</b>	<b>21,696</b>	<b>37,525</b>
<b>Total assets less current liabilities</b>	<b>137,625</b>	<b>123,555</b>	<b>132,299</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	(1,560)	(861)	(1,444)
Borrowings	(23,291)	(28,767)	(38,541)
Lease liabilities	(30,271)	–	–
Contingent consideration	(411)	(765)	(514)
Minority shareholder put option liabilities	(3,773)	(7,363)	(6,063)
Other non-current liabilities	(1,784)	(2,613)	(1,944)
	<b>(61,090)</b>	<b>(40,369)</b>	<b>(48,506)</b>
<b>Total net assets</b>	<b>76,535</b>	<b>83,186</b>	<b>83,793</b>

# restated (note 4)



## Unaudited Consolidated balance sheet

	Six months ended 30 June 2019	Six months ended 30 June 2018#	Year ended 31 December 2018#
	£000	£000	£000
<b>Equity</b>			
Share capital	906	866	876
Share premium	46,667	44,770	46,667
Merger reserve	31,592	31,592	31,592
Treasury reserve	(560)	(792)	(792)
Minority interest put option reserve	(19,240)	(13,935)	(12,954)
Non-controlling interest acquired	(22,463)	(21,317)	(22,464)
Foreign exchange reserve	3,752	3,529	4,593
Retained earnings	30,568	32,265	29,068
<b>Equity attributable to shareholders of the Group</b>	<b>71,222</b>	<b>76,978</b>	<b>76,586</b>
<b>Non-controlling interest</b>	<b>5,313</b>	<b>6,208</b>	<b>7,207</b>
<b>Total equity</b>	<b>76,535</b>	<b>83,186</b>	<b>83,793</b>

# restated (note 4)

## 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 2018	876	46,667	31,592	(792)	(12,954)	(22,464)	4,593	29,068 <sup>#</sup>	76,586	7,207	83,793
Adjustment on initial application of IFRS 16	—	—	—	—	—	—	—	(6,030)	(6,030)	(531)	(6,561)
Adjusted balance at 1 January 2019	876	46,667	31,592	(792)	(12,954)	(22,464)	4,593	23,038	70,556	6,676	77,232
Acquisitions	—	—	—	—	—	—	—	—	0	0	0
Acquisitions of minority interest	—	—	—	—	(6,288)	—	—	—	(6,288)	0	(6,288)
Exercise of put options	30	—	—	232	—	—	—	(2,991)	(2,729)	0	(2,729)
Exchange rate movements	—	—	—	—	2	1	—	—	3	5	8
Deferred consideration	—	—	—	—	—	—	—	—	0	0	0
Issue of shares to minorities	—	—	—	—	—	—	—	—	0	(66)	(66)
Share option charge	—	—	—	—	—	—	—	2,012	2,012	0	2,012
Dividends	—	—	—	—	—	—	—	0	0	(1,789)	(1,789)
Total transactions with owners	30	0	0	232	(6,286)	1	0	(979)	(7,002)	(1,850)	(8,852)
Total comprehensive income for the period	0	0	0	0	0	0	(841)	8,509	7,668	487	8,155
<b>At 30 June 2019</b>	<b>906</b>	<b>46,667</b>	<b>31,592</b>	<b>(560)</b>	<b>(19,240)</b>	<b>(22,463)</b>	<b>3,752</b>	<b>30,568</b>	<b>71,222</b>	<b>5,313</b>	<b>76,535</b>

<sup>#</sup> restated (note 4)

## Unaudited Consolidated statement of changes in equity (continued)

	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 <sup>#</sup> £000	Subtotal £000	Non-controlling interest in equity £000	Total £000
At 31 December 2017	813	32,095	31,592	(792)	(13,958)	(21,040)	3,593	25,235	57,538	6,532	64,070
Adjustment on initial application of IFRS 15	–	–	–	–	–	–	–	28	28	–	28
Adjustment on initial application of IFRS 9	–	–	–	–	–	–	–	2,971	2,971	–	2,971
Adjusted balance at 1 January 2018	813	32,095	31,592	(792)	(13,958)	(21,040)	3,593	28,234	60,537	6,532	67,069
Acquisitions	13	17	6,749	–	–	(265)	–	–	6,501	71	6,572
Acquisitions of minority interest	–	–	–	–	–	–	–	–	–	–	–
Exercise of put options	24	36	5,926	–	–	–	–	(21)	5,941	–	5,941
Exchange rate movements	–	–	–	–	23	(12)	–	–	11	(25)	(14)
Deferred consideration	–	–	–	–	–	–	–	–	–	–	–
Issue of shares to minorities	–	–	–	–	–	–	–	–	–	–	–
Share option charge	25	–	–	–	–	–	–	2,534	2,534	0	2,534
Dividends	12	–	–	–	–	–	–	–	–	(1,765)	(1,765)
Total transactions with owners	53	12,675	–	–	23	(277)	–	2,513	14,987	(1,719)	13,268
Total comprehensive income for the period	–	–	–	–	–	–	(64)	1,518	1,454	1,395	2,849
<b>At 30 June 2018</b>	<b>866</b>	<b>44,770</b>	<b>31,592</b>	<b>(792)</b>	<b>(13,935)</b>	<b>(21,317)</b>	<b>3,529</b>	<b>32,265</b>	<b>76,978</b>	<b>6,208</b>	<b>83,186</b>

<sup>#</sup> restated (note 4)

## Unaudited Consolidated statement of changes in equity (continued)

	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 2017	813	32,095	31,592	(792)	(13,958)	(21,040)	3,593	25,235	57,538	6,532	64,070
Adjustment on initial application of IFRS 15	-	-	-	-	-	-	-	28	28	-	28
Adjustment on initial application of IFRS 9	-	-	-	-	-	-	-	2,971	2,971	-	2,971
Adjusted balance at 1 January 2018	813	32,095	31,592	(792)	(13,958)	(21,040)	3,593	28,234	60,537	6,532	67,069
Acquisitions	18	6,484	-	-	-	-	-	-	6,502	-	6,502
Acquisitions of minority interest	-	-	-	-	-	(319)	-	-	(319)	-	(319)
Exercise of put options	44	7,630	-	-	973	(973)	-	(20)	7,654	-	7,654
Exchange rate movements	-	-	-	-	31	(132)	-	-	(101)	24	(77)
Deferred consideration	1	458	-	-	-	-	-	-	459	-	459
Issue of shares to minorities	-	-	-	-	-	-	-	-	-	551	551
Share option charge	-	-	-	-	-	-	-	6,104	6,104	-	6,104
Dividends	-	-	-	-	-	-	-	(8,378)	(8,378)	(2,608)	(10,986)
Total transactions with owners	63	14,572	-	-	1,004	(1,424)	-	(2,294)	11,921	(2,033)	9,888
Total comprehensive income for the year	-	-	-	-	-	-	1,000	3,128	4,128	2,708	6,836
<b>At 31 December 2018</b>	<b>876</b>	<b>46,667</b>	<b>31,592</b>	<b>(792)</b>	<b>(12,954)</b>	<b>(22,464)</b>	<b>4,593</b>	<b>29,068</b>	<b>76,586</b>	<b>7,207</b>	<b>83,793</b>

# restated (note 4)

## Unaudited Consolidated cash flow statement

Note	Six months ended 30 June 2019 £000	Six months ended 30 June 2018* £000	Year ended 31 December 2018* £000
<b>Net revenue</b>	<b>117,917</b>	<b>122,959</b>	<b>251,134</b>
Overheads	(26,988)	(29,218)	(59,814)
Staff costs	(90,959)	(89,269)	(182,536)
Other gains	371	400	1,584
<b>Operating profit</b>	<b>341</b>	<b>4,872</b>	<b>10,368</b>
<b>Adjustments for:</b>			
Depreciation of plant and equipment and Right-of-use assets	6,609	1,705	3,558
Loss on sale of plant and equipment	11	52	75
Loss on sale of software intangibles	49	60	9
Decrease / (Increase) in financial assets at FVTPL	(371)	(400)	(1,584)
Impairment and amortisation of acquired intangible assets	1,350	2,007	4,427
Impairment of associate and investments	–	–	674
Impairment of goodwill and other intangibles	–	–	2,195
Amortisation of capitalised software intangible assets	168	731	959
Equity settled share based payment expenses	2,012	2,534	6,104
<b>Operating cash before movements in working capital</b>	<b>10,169</b>	<b>11,561</b>	<b>26,785</b>
Decrease / (Increase) in trade and other receivables	9,150	(2,208)	(19,487)
Decrease / (Increase) in contract assets	(1,653)	(16,398)	(679)
Increase / (Decrease) in trade and other payables	(2,276)	928	153
Increase / (Decrease) in contract liabilities	(8,480)	5,396	8,240
Cash generated from operations	6,910	(721)	15,012
Tax paid	(4,017)	(2,256)	(6,018)
<b>Net cash from operating activities</b>	<b>2,893</b>	<b>(2,977)</b>	<b>8,994</b>
<b>Investing activities</b>			
Acquisitions of subsidiaries equity net of cash acquired	(2,978)	1,149	441
Net proceeds from sale of associates	23,284	–	–
Acquisitions of associates	–	–	(904)
Acquisitions of unlisted investments	(714)	(355)	(780)
Proceeds from sale of plant and equipment	32	13	77
Purchase of plant and equipment	(1,302)	(1,083)	(4,597)
Purchase of capitalised software	(23)	(6)	(1,046)
Dividends received from associates	(49)	(59)	428
Interest received	194	182	273
<b>Net cash consumed investing activities</b>	<b>18,444</b>	<b>(159)</b>	<b>(6,108)</b>
<b>Net cash from operating and investing activities</b>	<b>21,337</b>	<b>(3,136)</b>	<b>2,886</b>

\* Restated (note 4)

## Unaudited Consolidated cash flow statement (continued)

Note	Six months ended 30 June 2019 £000	Six months ended 30 June 2018# £000	Year ended 31 December 2018# £000
<b>Net cash from operating and investing activities</b>	<b>21,337</b>	<b>(3,136)</b>	<b>2,886</b>
<b>Financing activities</b>			
Dividends paid to equity holders of the Company	–	–	(8,378)
Dividends paid to non-controlling interest	(1,789)	(1,727)	(2,608)
Proceeds / (payments) of own shares	(110)	34	85
Repayment of finance leases		(14)	(45)
Payment of lease liabilities	(5,834)	–	–
Proceeds / (Repayment) of invoice discounting	(2,001)	(843)	(914)
Proceeds from bank loans	734	387	9,100
Repayment of bank loans	(15,734)	(9,442)	(9,462)
Interest paid	(577)	(569)	(1,355)
Interest paid on leases	(897)	–	–
<b>Net cash consumed by financing activities</b>	<b>(26,208)</b>	<b>(12,174)</b>	<b>(13,577)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,871)</b>	<b>(15,310)</b>	<b>(10,691)</b>
Effect of exchange rate fluctuations on cash held	(84)	(426)	45
Cash and cash equivalents at the beginning of the year	38,311	48,957	48,957
<b>Total cash and cash equivalents at the end of period</b>	<b>33,356</b>	<b>33,221</b>	<b>38,311</b>
Cash and cash equivalents	50,438	36,267	50,065
Bank Overdrafts	(17,082)	(3,046)	(11,754)
<b>Total cash and cash equivalents at the end of period</b>	<b>33,356</b>	<b>33,221</b>	<b>38,311</b>
Bank loans and borrowings	(23,845)	(29,387)	(40,818)
<b>Net cash</b>	<b>9,511</b>	<b>3,834</b>	<b>(2,507)</b>

# Restated (note 4)

## Notes to the unaudited consolidated interim financial statements (continued)

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

This consolidated half-yearly financial information was approved for issue on 23 September 2019.

These results do not constitute the Group's statutory accounts. The information presented in relation to 31 December 2018 is extracted from the statutory financial statements for the year then ended, which have been delivered to the Registrar of Companies, except for the amendments detailed in Note 4. The auditor's report on the statutory financial statements for the year ended 31 December 2018 was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

### 2. BASIS OF PREPARATION

This consolidated half-yearly financial information for the half-year ended 30 June 2019 has been prepared in accordance with the AIM Rules for companies. The half-yearly consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

### 3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note 5.

## Notes to the unaudited consolidated interim financial statements (continued)

### 4. Restatement

As announced on 12 August 2019 the Group has conducted an internal accounting review of several of the UK subsidiaries. Subsequent to the commencement of the internal review, under the oversight of the Audit Committee, PwC were engaged to perform a separate targeted independent forensic review of the entire Group, including the UK subsidiaries that formed part of the internal accounting review. At the date of publication of these Interim financial statements the external review is ongoing.

As a result of these investigations the Board are currently of the belief that there are a number misstatements relating to 2018 which need to be addressed. This is subject to confirmation by the conclusion of all investigations which is expected in November 2019. As at the date of publication of the Interim statement it is impracticable to ascertain definitively whether the corrections, on an individual basis, relate to 2018 or potentially earlier. At this point in time, however the indications point to the corrections relating to 2018, and as such the identified misstatements have been incorporated within the 6 month financial period ending 30 June 2018 in accordance with the requirements of IAS 8.44.

The £6.4 million of adjustments comprise the following corrections: overstatement of revenue of £2.6million, understatement of costs of £3.1million and an inappropriate recognition of intangible assets valued at £0.7million. After the effect of tax, these resulted in an overstatement of equity of £5.1million. These adjustments are restricted to four UK trading entities and the UK shared services company. The precise basis as to how these errors arose is expected to be identified in PwC's review and we will update the market in due course.

### Description of misstatements

(1) – Two of the affected entities under review were noted as having recognised £2.6million of accrued income which under the requirements of IFRS 15 should not have been recognised based on the profile of completion of the related performance obligations as at the end of 2018.

(2) – £1.7million of adjustments relate to a mis-estimation of project progress and estimated costs to completion.

(3) - £0.9million of prepayments held as at the end of 2018 that we now believe had expired during the second half of 2018 have been eliminated from the Balance sheet.

(4) – A balance of £0.5million of Other Debtors as at 31 December 2018 was identified as being unsupportable and requiring to be written out.

(5) – Impairment of intangible assets - £0.7million of intangible assets with no future economic benefits were identified and consequently impaired.

(6) – The impact of the above adjustments in reducing profit previously recognised for 2018 by £6.4million, has resulted in a reduction of corporation tax of £1.3million.

The impact of these misstatements are presented below in tabular format for the Consolidated income statement and Consolidated balance sheet for the financial period ending 31 December 2018 and 30 June 2018 respectively.



## Notes to the unaudited consolidated interim financial statements (continued)

	For the year ended 31 December 2018				For the year ended 31 December 2018				
	As previously reported	Restatement impacts	Ref	As restated	As previously reported	Restatement impacts		As restated	
	£000	£000		£000	£000	£000		£000	
<b>Billings</b>	<b>609,610</b>	–		<b>609,610</b>	<b>95,430</b>	<b>(656)</b>	5	<b>94,774</b>	
<b>Revenue</b>	<b>422,404</b>	<b>(2,560)</b>	1	<b>419,844</b>	<b>Current assets</b>				
Third party cost of sales	(167,031)	(1,679)	2	(168,710)	Trade and other receivables	150,941	(5,744)	1-4	145,197
Overheads	(57,653)	(2,161)	3-5	(59,814)	Current tax assets	968	1,273	6	2,241
Staff costs	(182,536)	–		(182,536)	Cash and cash equivalents	50,065	–		50,065
Other gains / (losses)	1,584	–		1,584	Non-current assets Held-for-sale	13,106	–		13,106
<b>Operating profit</b>	<b>16,768</b>	<b>(6,400)</b>		<b>10,368</b>		<b>215,080</b>	<b>(4,471)</b>		<b>210,609</b>
<b>Profit before taxation</b>	<b>17,598</b>	<b>(6,400)</b>		<b>11,198</b>	<b>Total current liabilities</b>	<b>(173,084)</b>	–		<b>(173,084)</b>
Taxation	(6,635)	1,273	6	(5,362)	<b>Net current assets</b>	<b>41,996</b>	<b>(4,471)</b>		<b>37,525</b>
<b>Profit for the year</b>	<b>10,963</b>	<b>(5,127)</b>		<b>5,836</b>	<b>Total assets less current liabilities</b>	<b>137,426</b>	<b>(5,127)</b>		<b>132,299</b>
Attributable to:		–		0	<b>Total non-current liabilities</b>	<b>(48,506)</b>	–		<b>(48,506)</b>
Equity shareholders of the Group	8,255	(5,127)		3,128	<b>Total net assets</b>	<b>88,920</b>	<b>(5,127)</b>		<b>83,793</b>
Non-controlling interests	2,708	–		2,708	<b>Total adjustment to equity:</b>				
<b>Profit for the year</b>	<b>10,963</b>	<b>(5,127)</b>		<b>5,836</b>	Retained earnings	34,195	(5,127)		29,068
Earnings per share					Other reserves	54,725	–		54,725
Basic (pence)	9.79p	(6.08)p		3.71p		<b>88,920</b>	<b>(5,127)</b>		<b>83,793</b>
Diluted (pence)	9.15p	(5.68)p		3.47p					

## Notes to the unaudited consolidated interim financial statements (continued)

	For the period ended 30 June 2018		
	As previously reported	Restatement impacts	Ref
	£000	£000	As restated £000
<b>Billings</b>	<b>289,219</b>	<b>–</b>	<b>289,219</b>
<b>Revenue</b>	<b>215,395</b>	<b>(2,560)</b>	<b>212,835</b>
Third party cost of sales	(88,197)	(1,679)	(89,876)
Overheads	(27,057)	(2,161)	(29,218)
Staff costs	(89,269)	–	(89,269)
Other gains / (losses)*	400	–	400
<b>Operating profit</b>	<b>11,272</b>	<b>(6,400)</b>	<b>4,872</b>
<b>Profit before taxation</b>	<b>11,381</b>	<b>(6,400)</b>	<b>4,981</b>
Taxation	(3,341)	1,273	(2,068)
<b>Profit for the year</b>	<b>8,040</b>	<b>(5,127)</b>	<b>2,913</b>
Attributable to:		–	0
Equity shareholders of the Group	6,645	(5,127)	1,518
Non-controlling interests	1,395	–	1,395
<b>Profit for the year</b>	<b>8,040</b>	<b>(5,127)</b>	<b>2,913</b>
Earnings per share			
Basic (pence)	8.07p	(6.23)p	1.84p
Diluted (pence)	7.46p	(5.75)p	1.71p

\* Reflecting IFRS9 year end treatment.

	For the period ended June 2018		
	As previously reported	Restatement impacts	Ref
	£000	£000	As restated £000
<b>Total non-current assets</b>	<b>102,515</b>	<b>(656)</b>	<b>5</b>
<b>Current assets</b>			
Trade and other receivables	144,250	(5,744)	1-4
Current tax assets	4,944	1,273	6
Cash and cash equivalents	36,267	–	
Non-current assets Held-for-sale	–	–	
	<b>185,461</b>	<b>(4,471)</b>	<b>180,990</b>
<b>Total current liabilities</b>	<b>(159,294)</b>	<b>–</b>	<b>(159,294)</b>
<b>Net current assets</b>	<b>26,167</b>	<b>(4,471)</b>	<b>21,696</b>
<b>Total assets less current liabilities</b>	<b>128,682</b>	<b>(5,127)</b>	<b>123,555</b>
<b>Total non-current liabilities</b>	<b>(40,369)</b>	<b>–</b>	<b>(40,369)</b>
<b>Total net assets</b>	<b>88,313</b>	<b>(5,127)</b>	<b>83,186</b>
<b>Total adjustment to equity:</b>			
Retained earnings	37,392	(5,127)	32,265
Other reserves	50,921	–	50,921
	<b>88,313</b>	<b>(5,127)</b>	<b>83,186</b>

## Notes to the unaudited consolidated interim financial statements (continued)

### 5. ACCOUNTING POLICIES

The financial information in these interim results is that of the holding company and all of its subsidiaries (the Group). It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### *IFRS 16 Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

#### **Adoption method**

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application being 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised within equity at the date of initial application. Accordingly there is no restatement of the comparative period financial information.

On adoption of IFRS 16 the Group has elected to grandfather the assessment of which arrangements are leases. Contracts not identified as leases under Legacy IFRS were not reassessed for whether there is a lease under IFRS 16. The Group also elected to use the recognition exemptions for lease contracts that, at the application date of IFRS 16, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

#### **Approach to transition**

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases (unless exempt from applying IFRS 16) on its balance sheet. The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases:

- applied the exemption not to recognise right-of-use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of initial application, on a lease-by-lease basis
- relied on previous assessments on whether leases are onerous for impairment of right-of-use assets
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

## Notes to the unaudited consolidated interim financial statements (continued)

- applied the exemption not to separate non-lease components such as service charges from lease rental charges
- used a single discount rate to a portfolio of leases with reasonably similar characteristics

### *Leases previously accounted for as operating leases*

Under the transition rules for leases classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the relevant (i.e. specific to each member of the Group) incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at cost. In the majority of instances this comprised the initial amount of the lease liability adjusted for any lease payments made at or before the adoption date and less any lease incentives received at or before the adoption date.

For a selection of material long-term leases, the Group has however assessed the cost of the Right-of-use asset as if IFRS 16 had always been applied from the original inception date of the lease using the incremental borrowing rate at the date of initial application. Under this method, the difference between the right-of-use asset and lease liability is taken to retained earnings as at 1 January 2019.

### *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. The requirements of IFRS 16 was applied to the leases from 1 January 2019.

## Impact of adoption of IFRS 16

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	Increase / (decrease) £000
<b>Assets</b>	
Right-of-use assets	34,928
Deferred tax assets	1,818
Prepayments	(405)
Finance lease receivable	2,048
<b>Total assets</b>	<b>38,389</b>
<b>Liabilities</b>	
Lease liabilities	45,906
Trade and other payables	(956)
<b>Total liabilities</b>	<b>44,950</b>
<b>Total adjustment to equity</b>	
Retained earnings	(6,030)
Non-controlling interests	(531)
	<b>(6,561)</b>

## Notes to the unaudited consolidated interim financial statements (continued)

The following table reconciles the opening balance for the lease liabilities as at 1 January 2019 based upon the operating lease obligations as at 31 December 2018:

	£000
Operating lease commitments as at 31 12 18	42,006
Short term / low value leases not included in lease liabilities	(1,683)
Extension options reasonably certain to be exercised	10,570
Signed leases not yet commenced	-
<b>Gross lease liabilities at 1/1/19</b>	<b>50,893</b>
Effect of discounting	(4,987)
<b>Lease liabilities at 1/1/19</b>	<b>45,906</b>

The weighted average discount rate as at 1 January 2019 was 3.9%.

### Accounting policies

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

The following sets out the Group's lease accounting policy for all leases with the exception of leases with a term of 12 months or less and those of low value assets, both of which apply the exemption allowable under the standard. These are typically expensed to the income statement as incurred.

#### *Right-of-use assets and lease liabilities*

At the inception of the lease, the Group recognises a right-of-use asset and a lease liability. The value of the lease liability is determined by reference to the present value of the future lease payments as determined at the inception of the lease. A corresponding right-of-use

fixed asset is also recognised at an equivalent amount adjusted for any initial direct costs, payments made before the commencement date (net of lease incentives) and the estimated cost for any restoration costs the Group is obligated to at lease inception. Right-of-use assets are subsequently depreciated on a straight-line basis over the shorter of the lease term or the assets estimated life. Depreciation is included within the line item Overheads in the consolidated income statement.

Under IFRS 16 right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets' when there is an indication of impairment. This replaces the previous requirements relating to onerous leases.

Lease liabilities are disclosed separately on the Balance sheet. These are measured at amortised cost using the effective interest rate method. Lease payments are apportioned between a finance charge and a reduction of the lease liability based on the constant interest rate applied to the remaining balance of the liability. Interest expense is included within the line item net finance costs in the consolidated income statement.

#### *Lease term*

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

#### *Lease payments*

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

## Notes to the unaudited consolidated interim financial statements (continued)

payments due to a renegotiation or market rent review, a change of an index or rate or a reassessment of the lease term.

### *Lease modifications*

Where there are significant changes in the scope of the lease then the arrangement is reassessed to determine whether a lease modification has occurred and, if there is such a modification, what form it takes.

### *Subleases*

At times entities of the Group will sublet certain of their properties when underlying business requirements change. Under IFRS 16, the Group assesses the classification of these subleases with reference to the right-of-use asset, not the underlying asset. This results in certain leases being classified as finance leases under IFRS 16 and recognition of a finance lease receivable (recorded as a financial assets within Trade and other receivables on the consolidated balance sheet).

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

### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (defined by the Group

as being below £3,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### *Significant judgements relating to leases*

The Group has made significant judgements in adopting IFRS 16, these are considered to be; determining the interest rate used for discounting of future cash flows, and the lease term.

## Notes to the unaudited consolidated interim financial statements (continued)

### 6. Headline results and earnings per share – 30 June 2019

Period ended 30 June 2019	Reported results £000	Amortisation of acquired intangibles £000	Impairment of acquired intangibles £000	Disposal of associates £000	FVTPL investments under IFRS 9 £000	Revaluation of contingent consideration £000	Capital gain tax on issue of put options £000	Acquisition related remuneration £000	Put option accounting £000	Headline results £000
<b>Net revenue</b>	<b>117,917</b>	–	–	–	–	–	–	–	–	<b>117,917</b>
<b>EBITDA</b>	<b>8,195</b>	–	–	–	–	–	–	<b>1,376</b>	<b>2,012</b>	<b>11,583</b>
<b>Operating profit</b>	<b>341</b>	<b>1,350</b>	–	–	<b>(273)</b>	–	–	<b>1,376</b>	<b>2,012</b>	<b>4,806</b>
Share of results of associates and JV*	11,502	–	–	(11,617)	–	–	–	–	–	(115)
Finance income	200	–	–	–	–	–	–	–	–	200
Finance cost	(2,693)	–	–	–	–	–	–	–	1,208	(1,485)
<b>Profit before taxation</b>	<b>9,350</b>	<b>1,350</b>	<b>0</b>	<b>(11,617)</b>	<b>(273)</b>	<b>0</b>	<b>0</b>	<b>1,376</b>	<b>3,220</b>	<b>3,406</b>
Taxation	(354)	(343)	–	(281)	79	–	–	–	–	(899)
<b>Profit for the period</b>	<b>8,996</b>	<b>1,007</b>	<b>0</b>	<b>(11,898)</b>	<b>(194)</b>	<b>0</b>	<b>0</b>	<b>1,376</b>	<b>3,220</b>	<b>2,507</b>
Non-controlling interests	(487)	(194)	–	–	–	–	–	(708)	–	(1,389)
<b>Profit attributable to equity holders of the Group</b>	<b>8,509</b>	<b>813</b>	<b>0</b>	<b>(11,898)</b>	<b>(194)</b>	<b>0</b>	<b>0</b>	<b>668</b>	<b>3,220</b>	<b>1,118</b>
<b>Basic earnings per share</b>										
<b>Weighted average number of shares (thousands)</b>	<b>88,707</b>									<b>88,707</b>
<b>Basic EPS</b>	<b>9.59p</b>									<b>1.26p</b>
<b>Diluted earnings per share*</b>										
<b>Weighted average number of shares (thousands)</b>	<b>88,707</b>									<b>88,707</b>
<b>Add</b>										
– Conditional shares without dividend rights	2,240									2,240
– Conditional shares with dividend rights**	1,933									1,933
– Contingent consideration	309									309
<b>Total</b>	<b>93,189</b>									<b>93,189</b>
<b>Diluted earnings per share</b>	<b>9.13p</b>									<b>1.20p</b>

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

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 or loss on disposal of associates; revaluation of investments and their related costs; and the income statement impact of put option accounting and share based payment charges.

## Notes to the unaudited consolidated interim financial statements (continued)

### 6. Headline results and earnings per share (continued) – 30 June 2018

Period ended 30 June 2018	Reported results#	Amortisation of acquired intangibles	Impairment of acquired intangibles	Impairment of associates	FVTPL investments under IFRS 9	Revaluation of contingent consideration	Capital gain tax on issue of put options	Acquisition related remuneration	Put option accounting	Headline results
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Net revenue</b>	<b>122,959</b>	–	–	–	–	–	–	–	–	<b>122,959</b>
<b>EBITDA</b>	<b>8,751</b>	–	–	–	–	–	–	<b>399</b>	<b>2,534</b>	<b>11,684</b>
<b>Operating profit</b>	<b>4,872</b>	<b>2,007</b>	–	–	<b>(400)</b>	–	–	<b>399</b>	<b>2,534</b>	<b>9,412</b>
Share of results of associates and JV	1,264	–	–	–	–	–	–	–	–	1,264
Finance income	182	–	–	–	–	–	–	–	–	182
Finance cost	(1,337)	–	–	–	–	–	–	–	768	(569)
<b>Profit before taxation</b>	<b>4,981</b>	<b>2,007</b>	–	–	<b>(400)</b>	–	–	<b>399</b>	<b>3,302</b>	<b>10,289</b>
Taxation	(2,068)	(504)	–	–	–	–	–	–	(24)	(2,596)
<b>Profit for the period</b>	<b>2,913</b>	<b>1,503</b>	–	–	<b>(400)</b>	–	–	<b>399</b>	<b>3,278</b>	<b>7,693</b>
Non-controlling interests	(1,395)	(424)	–	–	–	–	–	(274)	–	(2,093)
<b>Profit attributable to equity holders of the Group</b>	<b>1,518</b>	<b>1,079</b>	–	–	<b>(400)</b>	–	–	<b>125</b>	<b>3,278</b>	<b>5,600</b>

#### Basic earnings per share

Weighted average number of shares (thousands)	<b>82,302</b>	<b>82,302</b>
<b>Basic EPS</b>	<b>1.84p</b>	<b>6.80p</b>
<b>Diluted earnings per share*</b>		
Weighted average number of shares (thousands)	82,302	82,302
Add		
– Conditional shares without dividend rights	2,022	2,022
– Conditional shares with dividend rights**	4,575	4,575
– Contingent consideration	118	118
<b>Total</b>	<b>89,017</b>	<b>89,017</b>
<b>Diluted earnings per share</b>	<b>1.71p</b>	<b>6.29p</b>

# Restated (note 11)



## Notes to the unaudited consolidated interim financial statements (continued)

### 6. Headline results and earnings per share (continued) – 31 December 2018

Year ended 31 December 2018	Reported results# £000	Amortisation of acquired intangibles £000	Impairment of acquired intangibles £000	Impairment of associates £000	FVTPL investments under IFRS 9 £000	Revaluation of contingent consideration £000	Capital gain tax on issue of put options £000	Acquisition related remuneration £000	Put option accounting £000	Headline results £000
<b>Net revenue</b>	<b>251,134</b>	–	–	–	–	–	–	–	–	<b>251,134</b>
<b>EBITDA</b>	<b>21,078</b>							<b>1,299</b>	<b>6,104</b>	<b>28,481</b>
<b>Operating profit</b>	<b>10,368</b>	<b>4,427</b>	<b>2,195</b>	<b>674</b>	<b>(1,177)</b>	<b>37</b>	–	<b>1,299</b>	<b>6,104</b>	<b>23,927</b>
Share of results of associates and JV	2,825	–	–	–	–	–	–	–	–	2,825
Finance income	273	–	–	–	–	–	–	–	–	273
Finance cost	(2,268)	–	–	–	229	–	–	–	911	(1,128)
<b>Profit before taxation</b>	<b>11,198</b>	<b>4,427</b>	<b>2,195</b>	<b>674</b>	<b>(948)</b>	<b>37</b>	–	<b>1,299</b>	<b>7,015</b>	<b>25,897</b>
Taxation	(5,362)	(1,021)	–	0	179	–	517	–	(342)	(6,029)
<b>Profit for the year</b>	<b>5,836</b>	<b>3,406</b>	<b>2,195</b>	<b>674</b>	<b>(769)</b>	<b>37</b>	<b>517</b>	<b>1,299</b>	<b>6,673</b>	<b>19,868</b>
Non-controlling interests	(2,708)	(937)	–	–	–	–	149	(403)	–	(3,899)
<b>Profit attributable to equity holders of the Group</b>	<b>3,128</b>	<b>2,469</b>	<b>2,195</b>	<b>674</b>	<b>(769)</b>	<b>37</b>	<b>666</b>	<b>896</b>	<b>6,673</b>	<b>15,969</b>

#### Basic earnings per share

Weighted average number of shares (thousands)	<b>84,360</b>	<b>84,360</b>
<b>Basic EPS</b>	<b>3.71p</b>	<b>18.93p</b>
<b>Diluted earnings per share</b>		
Weighted average number of shares (thousands)	84,360	84,360
Add		
– Conditional shares without dividend rights	4,038	4,038
– Conditional shares with dividend rights**	1,500	1,500
– Contingent consideration	350	350
<b>Total</b>	<b>90,248</b>	<b>90,248</b>
<b>Diluted earnings per share</b>	<b>3.47p</b>	<b>17.69p</b>

# Restated (note 11)

## Notes to the unaudited consolidated interim financial statements (continued)

### 7. Segmental information – 30 June 2019

The segmental information is reconciled to the statutory results in Note 6.

Period ended 30 June 2019	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
<b>Net revenue</b>	<b>43,584</b>	<b>14,229</b>	<b>7,236</b>	<b>32,195</b>	<b>20,673</b>	<b>117,917</b>
<b>EBITDA</b>	<b>3,275</b>	<b>1,138</b>	<b>573</b>	<b>4,255</b>	<b>2,342</b>	<b>11,582</b>
<b>Operating profit excluding Group costs</b>	<b>3,001</b>	<b>446</b>	<b>89</b>	<b>2,443</b>	<b>1,391</b>	<b>7,370</b>
Group costs	(2,292)	(35)	0	(174)	(63)	(2,564)
<b>Operating profit</b>	<b>709</b>	<b>411</b>	<b>89</b>	<b>2,269</b>	<b>1,328</b>	<b>4,806</b>
Share of results of associates and JV	0	(3)	0	(87)	(25)	(115)
Financial income and cost	(470)	(80)	(220)	(107)	(408)	(1,285)
<b>Profit before taxation</b>	<b>239</b>	<b>328</b>	<b>(131)</b>	<b>2,075</b>	<b>895</b>	<b>3,406</b>
Taxation	(47)	(105)	36	(568)	(215)	(899)
<b>Profit for the period</b>	<b>192</b>	<b>223</b>	<b>(95)</b>	<b>1,507</b>	<b>680</b>	<b>2,507</b>
Non-controlling interests	(1,448)	285	94	(368)	48	(1,389)
<b>Profit attributable to equity shareholders of the Group</b>	<b>(1,256)</b>	<b>508</b>	<b>(1)</b>	<b>1,139</b>	<b>728</b>	<b>1,118</b>
<b>Headline basic EPS</b>						<b>1.26p</b>
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, Sao Paulo	

## Notes to the unaudited consolidated interim financial statements (continued)

### 7. Segmental information (continued) – 30 June 2018

Period ended 30 June 2018	UK# £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total# £000
<b>Net revenue</b>	<b>42,347</b>	<b>17,082</b>	<b>7,793</b>	<b>32,598</b>	<b>23,139</b>	<b>122,959</b>
<b>EBITDA</b>	<b>624</b>	<b>2,712</b>	<b>653</b>	<b>4,855</b>	<b>2,840</b>	<b>11,684</b>
<b>Operating profit excluding Group costs</b>	<b>1,445</b>	<b>2,583</b>	<b>488</b>	<b>4,499</b>	<b>2,709</b>	<b>11,724</b>
Group costs	(2,188)	(35)	–	(63)	(26)	(2,312)
<b>Operating profit</b>	<b>(743)</b>	<b>2,548</b>	<b>488</b>	<b>4,436</b>	<b>2,683</b>	<b>9,412</b>
Share of results of associates and JV	1,172	(18)	–	161	(51)	1,264
Financial income and cost	(184)	(37)	17	57	(240)	(387)
<b>Profit before taxation</b>	<b>245</b>	<b>2,493</b>	<b>505</b>	<b>4,654</b>	<b>2,392</b>	<b>10,289</b>
Taxation	328	(1,068)	(91)	(1,285)	(480)	(2,596)
<b>Profit for the period</b>	<b>573</b>	<b>1,425</b>	<b>414</b>	<b>3,369</b>	<b>1,912</b>	<b>7,693</b>
Non-controlling interests	(981)	(203)	(76)	(693)	(140)	(2,093)
<b>Profit attributable to equity shareholders of the Group</b>	<b>(408)</b>	<b>1,222</b>	<b>338</b>	<b>2,676</b>	<b>1,772</b>	<b>5,600</b>
<b>Headline basic EPS</b>						<b>6.80p</b>

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, Sao Paulo
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# Restated (note 44)

## Notes to the unaudited consolidated interim financial statements (continued)

### 7. Segmental information (continued) – 31 December 2018

Year ended 31 December 2018	UK# £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total# £000
<b>Net revenue</b>	<b>91,587</b>	<b>34,165</b>	<b>15,790</b>	<b>65,412</b>	<b>44,180</b>	<b>251,134</b>
<b>EBITDA</b>	<b>7,959</b>	<b>5,760</b>	<b>1,506</b>	<b>6,998</b>	<b>6,305</b>	<b>28,528</b>
<b>Operating profit excluding Group costs</b>	<b>10,988</b>	<b>5,497</b>	<b>1,167</b>	<b>6,462</b>	<b>5,924</b>	<b>30,038</b>
Group costs	(5,618)	(71)	–	(333)	(89)	(6,111)
<b>Operating profit</b>	<b>5,370</b>	<b>5,426</b>	<b>1,167</b>	<b>6,129</b>	<b>5,835</b>	<b>23,927</b>
Share of results of associates and JV	2,354	(13)	–	433	51	2,825
Financial income and cost	(486)	(31)	83	90	(511)	(855)
<b>Profit before taxation</b>	<b>7,238</b>	<b>5,382</b>	<b>1,250</b>	<b>6,652</b>	<b>5,375</b>	<b>25,897</b>
Taxation	(834)	(1,879)	(260)	(1,924)	(1,132)	(6,029)
<b>Profit for the year</b>	<b>6,404</b>	<b>3,503</b>	<b>990</b>	<b>4,728</b>	<b>4,243</b>	<b>19,868</b>
Non-controlling interests	(1,331)	(452)	(389)	(1,189)	(538)	(3,899)
<b>Profit attributable to equity shareholders of the Group</b>	<b>5,073</b>	<b>3,051</b>	<b>601</b>	<b>3,539</b>	<b>3,705</b>	<b>15,969</b>
<b>Headline basic EPS</b>						<b>18.93p</b>

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, Sao Paulo
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# Restated (Note 44)

## Notes to the unaudited consolidated interim financial statements (continued)

### 8. Net finance income / (costs)

Year ended 31 December	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Bank interest receivable	172	154	272
Other interest receivable	28	–	1
Fair value adjustment to minority shareholder	–	28	–
put option liabilities			
Financial income	200	182	273
Bank interest payable	(571)	(569)	(1,175)
Other interest payable	(17)	–	(182)
Interest on lease liabilities	(897)	–	–
Fair value adjustment to minority shareholder	(1,208)	(768)	(911)
put option liabilities			
Financial expense	(2,693)	(1,337)	(2,268)
<b>Net finance income /(costs)</b>	<b>(2,493)</b>	<b>(1,155)</b>	<b>(1,995)</b>

### 9. Taxation

Income tax expenses are recognised based on management's estimate of the average annual headline income tax expected for the full financial year.

The estimated headline effective annual tax rate used for the period to 30 June 2019 is 26.4% (30 June 2018: 25.2%). The increase in tax is due to the sale of Blue 449 reducing associate income and a change in our tax mix.

The estimated effective annual tax rate for the period to 30 June 2019 is 3.8% (30 June 2018: 41.5%). The difference between the

headline and statutory tax rates is caused by the disposal of Blue 449, the profit of which does not get a tax charge.

### 10. Dividends

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
2017 final dividend 7.40p (2016: 6.44p)	–	–	6,261
2018 interim dividend 2.45p (2017: 2.13p)	–	–	2,117
	–	–	<b>8,378</b>

The directors propose an interim dividend of 2.45p per share (2018: 2.45p per share) payable on 8 November 2019 to shareholders who are on the register at 25 October 2019. This interim dividend, amounting to £2,235k (2018: £2,117k), along with the 2018 final dividend of £6,261k (7.40p) has not been recognised as a liability in this half-yearly financial report.

## Notes to the unaudited consolidated interim financial statements (continued)

### 11. Disposal of Blue 449

As at 31 December 2018 the Group recognised its 25% investment in the associate Blue 449 as held-for-sale in line with IFRS 5. On 31 January 2019 this disposal was completed for proceeds of £25million. The gain arising on the disposal is as detailed below.

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Consideration received in cash	25,000	–	–
Carrying amount of investments held-for-sale	(11,646)	–	–
Legal costs	(1,737)	–	–
Gain on sale before income tax	11,617	–	–
Income tax expense on gain	281	–	–
<b>Gain on sale after income tax</b>	<b>11,898</b>	<b>–</b>	<b>–</b>

As at 31 December 2018 the carrying value of the disposed investment was £13.1million. As at the point of the sale the carrying amount of the investment shown is net of a dividend due to the Group of £1.5million.

### 12. Leases

The movements relating to leases to the six months ended 30 June 2019 are as follows:

#### Right-of-use assets

	Land & Buildings £000s	Computer equipment £000s	Motor vehicles £000s	Total £000s
<b>At 1 January 2019</b>	<b>33,807</b>	<b>886</b>	<b>235</b>	<b>34,928</b>
Additions	48	30	103	181
Depreciation	(4,258)	(158)	(79)	(4,495)
<b>At 30 June 2019</b>	<b>29,597</b>	<b>758</b>	<b>259</b>	<b>30,614</b>

#### Lease liabilities

	Land & Buildings £000s	Computer equipment £000s	Motor vehicles £000s	Total £000s
<b>At 1 January 2019</b>	<b>44,852</b>	<b>886</b>	<b>168</b>	<b>45,906</b>
Additions	48	30	103	181
Lease liability interest	871	21	55	897
Repayment of lease liabilities	(5,823)	(163)	(69)	(6,055)
<b>At 30 June 2019</b>	<b>39,948</b>	<b>774</b>	<b>207</b>	<b>40,929</b>

## Notes to the unaudited consolidated interim financial statements (continued)

The following table shows the breakdown of the lease expense between amounts charged to operating profit amounts recognised as finance income and finance costs:

<u>£000s</u>	<u>Six months ended 30 June 2019</u>
Depreciation of right of use assets	(4,495)
Short-term lease expense	(357)
Low-value lease expense	(189)
Short-term sublease income	73
<b>Charge to operating profit</b>	<b>(4,968)</b>
Sublease finance income	53
Lease liability interest expense	(897)
<b>Lease charge to profit before tax</b>	<b>(5,852)</b>

The Group does not face a significant liquidity risk with regard to its lease liabilities and manages them in line with its approach to other month to month liquidity matters. Detailed disclosure can be found in Note 28 of the 2018 Annual Report.

The maturity of the lease liabilities held as at 30 June 2019 is as follows:

<u>£000s</u>	<u>Six months ended 30 June 2019</u>
Period ending 31 December:	
2019	5,937
2020	11,059
2021	8,118
2022	6,160
2023	5,821
2024	2,211
Later years	3,952
<b>Gross future liability</b>	<b>43,258</b>

