

# **M&C SAATCHI PLC**

FINAL RESULTS

YEAR ENDED  
31 DECEMBER 2015

18 March 2016

**M&C Saatchi PLC**  
**Final Results for the year ended 31 December 2015**

18 March 2016

<b>Financial Highlights 2015</b>		Growth versus 2014
Revenue	£178.9m	+ 6% (2014: £169.4m)
Revenue in constant currencies		+ 10% (2014: £162.6m)
Operating Profit	£18.6m	+ 16% (2014: £16.0m)
Profit Before Tax	£20.1m	+ 17% (2014: £17.2m)
Profit After Tax and MI	£13.2m	+ 27% (2014: £10.4m)
EPS	18.57p	+ 17% (2014: 15.88p)
Dividend	7.21p	+ 15% (2014: 6.27p)

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

*Operational Highlights*

- Record results with very good revenue momentum and earnings growth

The Global network performed well across all geographies:

- UK: revenues up 6%, with CRM and Mobile continuing to excel; operating profit was flat, suppressed by a restructuring cost in the advertising agency
- Europe: like-for-like revenues up 19%, operating profit increased 27%
- Middle East and Africa: like-for-like revenues up 11%, operating profit up 2%
- Asia and Australasia: like-for-like revenues up 5% , operating profit was down 17% with a drag from strong foreign currency headwinds
- Americas: like-for-like revenues up 27%, operating profit of £3.3m
- Enhanced US position: just acquired 51% of MCD Partners in New York to develop our US CRM offer and increased our holding in SS+K from 33% to 51%
- Robust balance sheet maintained with net year-end cash of £8.6m
- Final dividend increased 15% to 5.60p, full-year dividend up 15% to 7.21p

David Kershaw, Chief Executive, said:

“2015 was another year of outstanding progress for M&C Saatchi. Our proven strategy of winning new business and starting new businesses continues to deliver with the Group producing record revenue and profits.

“The current strong performance across the Global network positions us well for the future. We are confident we will continue to make good progress in 2016 and beyond.”

For further information please call:

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

David Kershaw

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

Andrew Grant

Tom Murray

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

Nick Westlake, 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 /loss on disposal of associates; income statement impact of put option accounting (whether accounted under IFRS2 or IAS39).

## **SUMMARY OF RESULTS**

2015 saw record results with very good revenue momentum and earnings growth.

### **UK**

Revenue in the UK was up 6%, with CRM and Mobile continuing to perform particularly positively. We experienced a strong run of account wins across our group of businesses, including Airbus, BNY Mellon, Carnival, PHE (adult health), Royal Mail, Samsung, Pernod Ricard's Passport Scotch and Unilever's Toni & Guy and Cornetto.

M&C Saatchi Mobile was again awarded Mobile Agency of the Year. We are rolling out LIDA, our CRM agency together with M&C Saatchi PR internationally, which follows successful roll-outs in recent years of our Mobile and Sport & Entertainment operations. In addition, we have launched M&C Saatchi Shop to help clients drive purchase conversion.

As ever, we retained a careful watch on costs to support margins, resulting in a headline operating margin of 14.0% (2014: 14.9%). Both margins exclude the impact of Group recharges. The UK headline operating profit was flat on 2014 but included restructuring costs of £900k in the advertising agency unit, which if discounted meant operating profit actually grew 8% on 2014 and a restated 2015 operating margin of 15.1%. We are also now selling 30% of the advertising agency to management following our proven owner driver model.

### **Europe**

European like-for-like revenues increased 19% year on year. Stockholm has maintained its very good new business performance, winning E.ON and the TV and broadband supplier Com Hem. Both Germany and Italy continue to shine, with Italy winning Becks, ING and Unicredit. In spite of a slow advertising market, the French office is benefitting from PR and digital diversification.

In July, we acquired a minority stake in INSPI(RED) and formed M&C Saatchi Istanbul. Our associate in Spain fared better compared with recent years, winning the state train operator RENFE as well as some assignments from Google, Jacobs Douwe Egberts' Saimaza and the utility provider Endesa. Regionally, operating profit increased 27%, with a headline operating margin of 16.1% (2014: 13.7%).

## **Middle East and Africa**

Like-for-like revenues increased 11% with increased second half contributions from both Cape Town and Johannesburg. Key new business wins in South Africa were Continental Tyres projects, Lancewood (a cheese brand), Twinsaver (tissues) and significantly Nando's. They also picked up Agency of the Year.

Our Abu Dhabi office is steadily building revenues beyond Etihad including Abu Dhabi Tourism and also opened in Dubai last month. In January 2015, we acquired a majority stake in Ben-Natan Golan Advertising in Tel Aviv, Israel, forming a new agency M&C Saatchi Tel Aviv. With our associate in Beirut and our offices in Abu Dhabi and Dubai, we now have a strong presence in the region. Overall, headline operating profit was up 2%, with a headline operating margin of 12.3% (2014: 12.8%).

## **Asia and Australasia**

In Asia and Australasia, like-for-like revenue was up 5% year on year. Australia is doing very well and in the first quarter of this year won Woolworths, the second largest account in Australia without a pitch. They were deservedly again awarded Agency of the Year.

Otherwise, our associate in China, aeiou, continues to build its presence and impress network clients. Malaysia thrives and won Mitsubishi, Wonda coffee and the Global relaunch of Malaysian Airlines. Singapore is developing positively and has been steadily picking up more Government assignments. Japan proved challenging with the loss of some clients and the business is now under review.

The headline regional operating margin was down from 11.5% to 9.9%, with the headline operating profit falling 17% hit by currency headwinds and the drag from Japan.

## **Americas**

Like-for-like revenues increased 27% with an excellent 631% increase in operating profit to £3.3m.

The SS+K relationship in New York is flourishing. Their new business wins included: the lawyers Baker & McKenzie, the spa group Canyon Ranch, Delta, NCAA, The New Yorker and Planned Parenthood. In the light of this outstanding growth, this month we increased our shareholding in SS+K from 33% to 51%. We have also just acquired 51% of MCD Partners in New York and Chicago, which gives us a significant foothold in the US to develop our CRM offer and to export our LIDA skills.

Our office in Los Angeles performed impressively and acquired Heavenspot, a small social media and digital agency last June, which will enhance our LA online capabilities. We completed our Sao Paulo upgrade in February 2015, acquiring 25% of Santa Clara following the Chinese associate model. It is a high quality independent agency which will add further to the network's creative capability.

## **Outlook**

2015 was another year of outstanding progress for M&C Saatchi. Our proven strategy of winning new business and starting new businesses continues to deliver with the Group producing record revenue and profits.

The current strong performance across the Global network positions us well for the future. We are confident we will continue to make good progress in 2016 and beyond.

# AUDITED CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2015 £000	Total 2014 £000
Billings		375,107	333,302
Revenue	3	178,928	169,373
Operating costs	3	(164,221)	(163,720)
Operating profit	3	14,707	5,653
Share of results of associates and joint ventures	5	2,017	1,350
Finance income	6	299	316
Finance costs	7	(4,477)	(1,087)
Profit/(loss) before taxation	3	12,546	6,232
Taxation	8	(3,386)	(4,293)
Profit/(loss) for the year		9,160	1,939
Attributable to:			
Equity shareholders of the Group	3	6,474	(155)
Non controlling interests	3	2,686	2,094
Profit/(loss) for the year	3	9,160	1,939
Earnings per share			
Basic (pence)	3	9.08p	(0.24)p
Diluted (pence)	3	9.04p	(0.24)p

## Headline results\*

Operating profit	18,578	16,025
Profit before tax	20,123	17,143
Profit after tax attributable to equity shareholders of the Group	13,241	10,365
Basic earnings per share (pence)	18.57p	15.88p
Diluted earnings per share (pence)	18.49p	15.17p

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

The notes on pages 12 to 22 form part of these consolidated financial statements.

# AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Total 2015 £000	Total 2014 £000
Year ended 31 December		
<b>Profit / (loss) for the year</b>	<b>9,160</b>	<b>1,939</b>
<b>Other comprehensive income*:</b>		
Exchange differences on translating foreign operations before tax	(1,316)	(1,212)
<b>Other comprehensive income for the year net of tax</b>	<b>(1,316)</b>	<b>(1,212)</b>
<b>Total comprehensive income for the year</b>	<b>7,844</b>	<b>727</b>
Total comprehensive income attributable to:		
Equity shareholders of the Group	5,158	(1,367)
Non controlling interests	2,686	2,094
<b>Total comprehensive income/(loss) for the year</b>	<b>7,844</b>	<b>727</b>

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

The notes on pages 12 to 22 form part of these consolidated financial statements.



# AUDITED CONSOLIDATED BALANCE SHEET

At 31 December	Note	2015 £000	2014 £000
<b>Non current assets</b>			
Intangible assets		28,286	29,142
Investments in associates		24,811	18,731
Plant and equipment		8,197	8,409
Deferred tax assets		1,476	1,515
Other non current assets		8,349	5,899
		<b>71,119</b>	<b>63,696</b>
<b>Current assets</b>			
Trade and other receivables		87,692	71,043
Current tax assets		844	318
Cash and cash equivalents		32,344	23,446
		<b>120,880</b>	<b>94,807</b>
<b>Current liabilities</b>			
Bank overdraft		(98)	(125)
Trade and other payables		(94,533)	(75,995)
Current tax liabilities		(1,204)	(1,995)
Other financial liabilities		(3,155)	(22)
Deferred and contingent consideration		(1,792)	–
Minority shareholder put option liabilities	10	(16,738)	(15,835)
		<b>(117,520)</b>	<b>(93,972)</b>
<b>Net current assets</b>		<b>3,360</b>	<b>835</b>
<b>Total assets less current liabilities</b>		<b>74,479</b>	<b>64,531</b>
<b>Non current liabilities</b>			
Deferred tax liabilities		(30)	(422)
Other financial liabilities		(23,594)	(18,226)
Minority shareholder put option liabilities	10	(7,626)	(8,708)
Other non current liabilities		(1,208)	(1,303)
		<b>(32,458)</b>	<b>(28,659)</b>
<b>Total net assets</b>		<b>42,021</b>	<b>35,872</b>
<b>Equity</b>			
Share capital		727	683
Share premium		17,338	16,807
Merger reserve		31,592	27,689
Treasury reserve		(792)	(792)
Minority interest put option reserve		(12,595)	(13,070)
Non controlling interest acquired		(9,233)	(7,882)
Foreign exchange reserve		(1,984)	(668)
Retained earnings		12,673	9,639
<b>Equity attributable to shareholders of the Group</b>		<b>37,726</b>	<b>32,406</b>
<b>Non controlling interest</b>		<b>4,295</b>	<b>3,466</b>
<b>Total equity</b>		<b>42,021</b>	<b>35,872</b>

The notes on pages 12 to 22 form part of these consolidated financial statements.

# AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	MI put option reserve £000	Non controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings £000	Subtotal £000	Non controlling interest in equity £000	Total £000
At 1 January 2014		690	16,402	16,736	(792)	(16,587)	(1,532)	544	33,070	48,531	2,293	50,824
Acquisitions		–	–	–	–	(1,653)	–	–	–	(1,653)	5	(1,648)
Exercise of put options	10	48	–	13,011	–	5,151	(4,791)	–	–	13,419	(429)	12,990
Deletion of right to equity		–	–	–	–	–	(1,559)	–	–	(1,559)	1,559	–
Exchange rate movements		–	–	–	–	19	–	–	–	19	(121)	(102)
Tender offer		(63)	–	–	–	–	–	–	(21,451)	(21,514)	–	(21,514)
Merger reserve release on impairments*		–	–	(2,058)	–	–	–	–	2,058	–	–	–
Option exercise		8	405	–	–	–	–	–	(413)	–	–	–
Share option charge		–	–	–	–	–	–	–	200	200	–	200
Dividends	9	–	–	–	–	–	–	–	(3,670)	(3,670)	(1,935)	(5,605)
Total transactions with owners		(7)	405	10,953	–	3,517	(6,350)	–	(23,276)	(14,758)	(921)	(15,679)
Total comprehensive income for the year		–	–	–	–	–	–	(1,212)	(155)	(1,367)	2,094	727
At 1 January 2015		683	16,807	27,689	(792)	(13,070)	(7,882)	(668)	9,639	32,406	3,466	35,872
Acquisitions		–	–	–	–	–	–	–	–	–	161	161
Exercise of put options	10	13	224	3,903	–	1,274	(1,274)	–	(48)	4,092	24	4,116
Office closure		–	–	–	–	–	–	–	(158)	(158)	158	–
Exchange rate movements		–	–	–	–	39	(77)	–	–	(38)	(121)	(159)
Issue of shares to minorities		–	–	–	–	–	–	–	–	–	1,850	1,850
Issue of minority put options		–	–	–	–	(2,190)	–	–	–	(2,190)	–	(2,190)
Reclassification of minority put		–	–	–	–	1,352	–	–	306	1,658	–	1,658
Option exercise		31	307	–	–	–	–	–	(3)	335	(338)	(3)
Share option charge		–	–	–	–	–	–	–	1,125	1,125	–	1,125
Dividends	9	–	–	–	–	–	–	–	(4,662)	(4,662)	(3,591)	(8,253)
Total transactions with owners		44	531	3,903	–	475	(1,351)	–	(3,440)	162	(1,857)	(1,695)
Total comprehensive income for the year		–	–	–	–	–	–	(1,316)	6,474	5,158	2,686	7,844
At 31 December 2015		727	17,338	31,592	(792)	(12,595)	(9,233)	(1,984)	12,673	37,726	4,295	42,021

The notes on pages 12 to 22 form part of these consolidated financial statements.

# AUDITED CONSOLIDATED CASH FLOW STATEMENT AND ANALYSIS OF NET DEBT

Year ended 31 December	2015 £000	2014 £000
<b>Revenue</b>	<b>178,928</b>	169,373
Operating expenses	(164,221)	(163,720)
<b>Operating profit</b>	<b>14,707</b>	5,653
<b>Adjustments for:</b>		
Depreciation of plant and equipment	2,128	2,055
Loss on sale of plant and equipment	36	198
Loss on sale of software intangibles	12	–
Profit on disposal associate	(217)	–
Loss on disposal of a subsidiary	–	76
Loss on acquisition of a subsidiary	–	813
Impairment and Amortisation of acquired intangible assets	1,940	1,445
Impairment of goodwill	889	5,573
Amortisation of capitalised software intangible assets	98	120
Equity settled share based payment expenses	1,125	200
<b>Operating cash before movements in working capital</b>	<b>20,718</b>	16,133
Increase in trade and other receivables	(17,192)	(8,690)
Increases in trade and other payables	18,018	8,676
Cash generated from operations	21,544	16,119
Tax paid	(5,326)	(5,332)
<b>Net cash from operating activities</b>	<b>16,218</b>	10,787
<b>Investing activities</b>		
Acquisitions of subsidiaries net of cash acquired	(79)	(2,244)
Acquisitions of associates	(3,765)	(5,084)
Disposal of associates	325	–
Acquisitions of investments	(1,366)	(1,187)
Proceeds from sale of plant and equipment	7	70
Purchase of intangibles	(327)	–
Purchase of plant and equipment	(1,970)	(3,350)
Purchase of capitalised software	(158)	(77)
Dividends received from associates	1,173	660
Interest received	299	307
<b>Net cash consumed investing activities</b>	<b>(5,861)</b>	(10,905)
<b>Net cash from/(consumed) operating and investing activities</b>	<b>10,357</b>	(118)

The notes on pages 12 to 22 form part of these consolidated financial statements.

<b>Year ended 31 December</b>	<b>Note</b>	<b>2015 £000</b>	<b>2014 £000</b>
<b>Net cash from/(consumed) operating and investing activities</b>		<b>10,357</b>	<b>(118)</b>
<b>Financing activities</b>			
Dividends paid to equity holders of the Company	9	(4,662)	(3,670)
Dividends paid to non controlling interest		(3,591)	(1,935)
Issue of shares to minorities		15	–
Tender offer		–	(21,514)
Issue of own shares		–	1
Repayment of finance leases		(31)	(61)
Inception of invoice discounting		3,130	–
Inception of bank loans		6,349	17,913
Repayment of bank loans		(968)	–
Interest paid		(771)	(532)
<b>Net cash consumed by financing activities</b>		<b>(529)</b>	<b>(9,798)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>9,828</b>	<b>(9,916)</b>
Effect of exchange rate fluctuations on cash held		(903)	(350)
Cash and cash equivalents at the beginning of the year		23,321	33,587
<b>Cash and cash equivalents at the end of the year</b>		<b>32,246</b>	<b>23,321</b>
Bank loans and borrowings		(23,800)	(18,462)
<b>NET CASH*</b>		<b>8,446</b>	<b>4,859</b>
<b>CAPITAL</b>			
TOTAL MARKET CAPITALISATION (at 31 December: 326.50p; 330.0p)		237,414	223,339
GEARING RATIO*		nil	nil

The notes on pages 12 to 22 form part of these consolidated financial statements.

# **NOTES TO THE PRELIMINARY STATEMENTS**

## **YEAR ENDED 31 DECEMBER 2015**

### **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.

These 2015 audited preliminary financial statements were approved for issue on 18 March 2016.

The financial information set out below does not constitute the company's statutory accounts for 2014 or 2015. Statutory accounts for the years ended 31 December 2014 and 31 December 2015 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for 2014 and 2015 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 2014 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2015 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, and aggregation of similar activities by geography in accordance with IFRS12.

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 /loss on disposal of associates; income statement impact of put option accounting (whether accounted under IFRS2 or IAS39).

### **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 2015. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2014.

## 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 2015	Note	2015 £000	Amortisation of acquired intangibles £000	Sale of associate £000	Impairment of Goodwill £000	Contingent acquisition cost classified as expense £000	Put option accounting* £000	Headline results £000
Revenue	4	178,928	–	–	–	–	–	178,928
Operating profit	4	14,707	1,940	(217)	889	134	1,125	18,578
Share of results of associates and JV	5	2,017	–	–	–	–	–	2,017
Finance income	6	299	–	–	–	–	–	299
Finance cost	7	(4,477)	–	–	–	–	3,706	(771)
<b>Profit before taxation</b>	4	<b>12,546</b>	<b>1,940</b>	<b>(217)</b>	<b>889</b>	<b>134</b>	<b>4,831</b>	<b>20,123</b>
Taxation	8	(3,386)	(541)	71	–	–	–	(3,856)
<b>Profit for the year</b>		<b>9,160</b>	<b>1,399</b>	<b>(146)</b>	<b>889</b>	<b>134</b>	<b>4,831</b>	<b>16,267</b>
Non controlling interests		(2,686)	(162)	–	(178)	–	–	(3,026)
<b>(Loss)/profit attributable to equity holders of the Group</b>		<b>6,474</b>	<b>1,237</b>	<b>(146)</b>	<b>711</b>	<b>134</b>	<b>4,831</b>	<b>13,241</b>

\* These values represent put options accounted for under IFRS2 (£1,125k) and fair value adjustments to minority put option liabilities (£3,706k) (note 10).

Yearended 31 December 2014	Note	2014 £000	Amortisation of acquired intangibles £000	Acquisition of remaining shares in loss making associate £000	Impairment of Goodwill £000	Contingent acquisition cost classified as expense £000	Put option accounting* £000	Headline results £000
Revenue	4	169,373	–	–	–	–	–	169,373
<b>Operating profit</b>	4	5,653	1,445	813	5,649*	2,465	–	16,025
Share of results of associates and JV	5	1,350	–	–	–	–	–	1,350
Finance income	6	316	–	–	–	–	–	316
Finance cost	7	(1,087)	–	–	–	–	539	(548)
<b>Profit before taxation</b>	4	6,232	1,445	813	5,649	2,465	539	17,143
Taxation	8	(4,293)	(391)	–	–	–	–	(4,684)
<b>Profit for the year</b>		1,939	1,054	813	5,649	2,465	539	12,459
Non controlling interests		(2,094)	–	–	–	–	–	(2,094)
<b>(Loss)/profit attributable to equity holders of the Group</b>		(155)	1,054	813	5,649	2,465	539	10,365

\* Of the £5,649k, £76k relates to a loss on disposal of an Indian subsidiary and £5,573k relates to impairment of goodwill.

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 3. Headline results and earnings per share *continued*

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

Year ended	2015	Headline 2015
31 December 2015	£000	£000
<b>Profit attributable to equity shareholders of the Group</b>	<b>6,474</b>	<b>13,241</b>
<b>Basic earnings per share</b>		
Weighted average number of shares (thousands)	71,319	71,319
<b>Basic EPS</b>	<b>9.08p</b>	<b>18.57p</b>
<b>Diluted earnings per share*</b>		
Weighted average number of shares (thousands) as above	71,319	71,319
Add		
– Conditional shares	300	300
<b>Total</b>	<b>71,619</b>	<b>71,619</b>
<b>Diluted earnings per share</b>	<b>9.04p</b>	<b>18.49p</b>

Year ended	2014	Headline 2014
31 December 2014	£000	£000
<b>(Loss)/profit attributable to equity shareholders of the Group</b>	<b>(155)</b>	<b>10,365</b>
<b>Basic earnings per share</b>		
Weighted average number of shares (thousands)	65,285	65,285
<b>Basic EPS</b>	<b>(0.24)p</b>	<b>15.88p</b>
<b>Diluted earnings per share*</b>		
Weighted average number of shares (thousands) as above	65,285	65,285
Add		
– LTIP	55	55
– 2012 LTIP	230	230
– New LTIP	2,772	2,772
<b>Total</b>	<b>68,342</b>	<b>68,342</b>
<b>Diluted earnings per share**</b>	<b>(0.24)p</b>	<b>15.17p</b>

\* All the put options detailed in note 10 are non dilutive as the exercise price approximates fair value of the underlying non controlling interest.

\*\* There is no dilutive effect on losses.



## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 4. Segmental information

##### Segmental and headline income statement

Year ended 31 December 2015	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Total £000
Revenue	84,159	22,745	8,549	42,103	21,372	178,928
Operating profit excluding Group costs	11,782	3,668	1,049	4,187	3,253	23,939
Group costs	(4,970)	(83)	–	(308)	–	(5,361)
Operating profit	6,812	3,585	1,049	3,879	3,253	18,578
Share of results of associates and JV	809	25	–	325	858	2,017
Financial income and cost	(527)	(60)	(17)	69	63	(472)
Profit before taxation	7,094	3,550	1,032	4,273	4,174	20,123
Taxation	(506)	(1,190)	(268)	(1,209)	(683)	(3,856)
Profit for the year	6,588	2,360	764	3,064	3,491	16,267
Non controlling interests	(1,169)	(658)	(372)	(477)	(350)	(3,026)
Profit attributable to equity shareholders of the Group	5,419	1,702	392	2,587	3,141	13,241
Headline basic EPS						18.57p

##### Non cash costs included in headline operating profit:

Depreciation	(1,269)	(208)	(145)	(242)	(267)	(2,131)
Amortisation of software	(9)	(51)	(16)	(18)	(4)	(98)
Share option charges	(5)	–	–	–	–	(5)
Office location	London	Paris Milan Berlin Madrid Geneva Stockholm Moscow	Johannesburg Cape Town Abu Dhabi Istanbul Beirut Tel Aviv	Sydney Melbourne New Delhi Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Los Angeles San Francisco 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.

## Segmental and headline pro-forma income statement

Year ended 31 December 2014	UK £000	Europe £000	Middle East and Africa £000	Asia and Australasia £000	Americas £000	Total £000
Revenue	79,144	21,092	8,004	44,173	16,960	169,373
Operating profit excluding Group costs	11,757	2,892	1,027	5,064	445	21,185
Group costs	(4,710)	(72)	–	(331)	(47)	(5,160)
<b>Operating profit</b>	<b>7,047</b>	<b>2,820</b>	<b>1,027</b>	<b>4,733</b>	<b>398</b>	<b>16,025</b>
Share of results of associates and JV	1,074	(19)	–	224	71	1,350
Financial income and cost	(146)	(54)	(11)	58	(79)	(232)
<b>Profit before taxation</b>	<b>7,975</b>	<b>2,747</b>	<b>1,016</b>	<b>5,015</b>	<b>390</b>	<b>17,143</b>
Taxation	(1,593)	(954)	(271)	(1,652)	(214)	(4,684)
<b>Profit for the year</b>	<b>6,382</b>	<b>1,793</b>	<b>745</b>	<b>3,363</b>	<b>176</b>	<b>12,459</b>
Non controlling interests	(1,276)	(406)	(354)	(533)	475	(2,094)
<b>Profit attributable to equity shareholders of the Group</b>	<b>5,106</b>	<b>1,387</b>	<b>391</b>	<b>2,830</b>	<b>651</b>	<b>10,365</b>
<b>Headline basic EPS</b>						<b>15.88p</b>
<b>Non cash costs included in headline operating profit:</b>						
Depreciation	(1,126)	(239)	(185)	(264)	(241)	(2,055)
Amortisation of software	(2)	(47)	(25)	(33)	(13)	(120)
Share option charges	(200)	–	–	–	–	(200)
Office location	London	Paris Milan Berlin Madrid Geneva Stockholm Moscow	Johannesburg Cape Town Abu Dhabi Beirut	Sydney Melbourne New Delhi Hong Kong Shanghai Beijing Tokyo Kuala Lumpur Singapore	New York Los Angeles San Francisco São Paulo	

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 4. Segmental information *continued*

##### Segmental income statement translated at 2014 exchange rates

It is normal practice in our industry to provide like-for-like results. In the year we had not acquired any significant new businesses therefore the only difference in our like-for-like results is the impact from movements in exchange rates.

Had our 2015 results been translated at 2014 exchange rates then our results would have been:

Year ended	UK	Europe	Middle East and Africa	Asia and Australasia	Americas	Total
31 December 2015	£000	£000	£000	£000	£000	£000
Revenue	84,159	25,135	8,906	46,505	21,602	186,307
Operating profit excluding Group costs	11,782	4,068	1,132	4,660	3,314	24,956
Group costs	(4,970)	(92)	–	(345)	–	(5,407)
Operating profit	6,812	3,976	1,132	4,315	3,314	19,549
Share of results of associates and JV	809	39	–	309	802	1,959
Financial income and cost	(527)	(62)	(18)	77	53	(477)
Profit before taxation	7,094	3,953	1,114	4,701	4,169	21,031
Taxation	(506)	(1,319)	(292)	(1,349)	(623)	(4,089)
Profit for the year	6,588	2,634	822	3,352	3,546	16,942
Increase/(decrease) in 2015 results caused by translation differences	–	(274)	(58)	(288)	(55)	(675)

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

	2015	2014
US dollar	1.5282	1.6478
Malaysian ringgit	5.9695	5.3883
Australian dollar	2.0354	1.8264
South African rand	19.5022	17.8639
Brazilian real	5.0952	3.8717
Euro	1.3780	1.2406

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 5. Share of associates and joint ventures

Year ended 31 December	2015 £000	2014 £000
Share of associates' profit before taxation	2,386	1,723
Share of associates' taxation	(369)	(373)
	2,017	1,350

#### 6. Finance income

Year ended 31 December	2015 £000	2014 £000
Bank interest receivable	181	256
Other interest receivable	118	60
<b>Total finance income</b>	<b>299</b>	<b>316</b>

#### 7. Finance costs

Year ended 31 December	2015 £000	2014 £000
Bank interest payable	(766)	(541)
Interest payable on finance leases	(5)	(7)
<b>Total interest payable</b>	<b>(771)</b>	<b>(548)</b>
Fair value adjustments to minority shareholder put option liabilities (note 10)	(3,706)	(539)
<b>Total finance costs</b>	<b>(4,477)</b>	<b>(1,087)</b>

#### 8. Taxation

Year ended 31 December	2015 £000	Total 2014 £000
<b>Current taxation</b>		
Taxation in the year		
– UK	817	1,373
– Overseas	3,919	3,292
Withholding taxes payable	5	6
Utilisation of previously unrecognised tax losses	–	(108)
Adjustment for under provision in prior periods	(526)	168
<b>Total</b>	<b>4,215</b>	<b>4,731</b>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(46)	(218)
Recognition of previously unrecognised tax losses	(788)	(220)
Effect of changes in tax rates	5	–
<b>Total</b>	<b>(829)</b>	<b>(438)</b>
<b>Total taxation</b>	<b>3,386</b>	<b>4,293</b>

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 9. Dividends

	2015	2014
Year ended 31 December	£000	£000
2014 final dividend paid 4.87p on 10 July 2015 (2013: 4.24p)*	3,504	2,723
2015 interim dividend paid 1.61p on 13 November 2015 (2013: 1.40p)	1,158	947
	<b>4,662</b>	<b>3,670</b>

Proposed final dividend of 5.60p totalling £4,033k. Subject to shareholders approval at 8 June 2016 AGM, the dividend is payable on 8 July 2016 to shareholders on the register 10 June 2016.

Dividends relate to the profit of the following years:

	2015	2014
Year ended 31 December	£000	£000
Interim dividend paid 1.61p on 15 November 2015 (2014: 1.40p)	1,158	947
Final dividends payable 5.60p on 8 July 2016 (2014: 4.87p)	4,033	3,442
	<b>5,191</b>	<b>4,389</b>
Headline dividend cover	<b>2.6</b>	<b>2.4</b>

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.

\* 2014 dividend has been restated to reflect the number of shares in issue when the dividend was paid, as opposed to the number of shares in existence at 31 December 2014.

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 10. Minority shareholder put option liabilities

Some of our subsidiaries' minorities have the right to a put option. The put options give the minorities a right to exchange their minority holdings in the subsidiary into shares in M&C Saatchi plc or cash (as per the agreement).

	2015 £000	2014 £000
Amounts falling due within one year		
– Cash	(1,136)	(1,031)
– Equity	(15,602)	(14,804)
	(16,738)	(15,835)
Amounts falling due after one year		
– Cash	(1,805)	(178)
– Equity	(5,821)	(8,530)
	(7,626)	(8,708)
	(24,364)	(24,543)

	2015 £000	2014 £000
At 1 January	(24,543)	(38,169)
Exchange difference	(138)	1
Additions	(2,190)	(1,653)
Exercises	4,555	15,817
Reclassification**	1,658	–
Income statement charge due to		
– Change in estimates	(3,907)	(886)
– Change in share price	194	442
– Time	7	(95)
Total income statement charge	(3,706)	(539)
At 31 December	(24,364)	(24,543)

The movements in the year relating to the minority interest put options that are payable in cash and in equity are as follows:

	2015 £000	2014 £000
<b>Cash based</b>		
At 1 January	(1,209)	(4,326)
Exchange difference	(138)	–
Reclassified to /(from) share based	385	(291)
Additions*	(2,190)	–
Exercises	–	2,553
Income statement charge due to		
– Change in estimates	201	841
– Change in share price	10	9
– Time	–	5
At 31 December	(2,941)	(1,209)

\*Relating to Creative Spark Interactive (PTY) LTD and M&C Saatchi Agency Pty Ltd.

	2015 Equity*	2015 £000	2014 £000
<b>Equity based</b>			
At 1 January	(7,071)	(23,334)	(33,843)
Exchange difference	–	–	1
Additions	–	–	(1,653)
Exercises	1,279	4,555	13,264
Reclassified (from)/to cash based	(118)	(385)	291
Reclassification**	502	1,658	–
Income statement charge due to			
– Change in estimates	(1,156)	(4,108)	(1,727)
– Change in share price	–	184	433
– Time	2	7	(100)
At 31 December	(6,562)	(21,423)	(23,334)

\* The estimated number of M&C Saatchi plc shares that will be issued, in thousands, to fulfil.

\*\* The reclassification relate to M&C Saatchi LA Inc. and M&C Saatchi (S) Pte Ltd where due to changes in shareholder agreements the put options are now accounted for as conditional share awards under IFRS2.

Put options are exercisable from:

Subsidiary	Year	% of subsidiaries' shares exchangeable
M&C Saatchi Marketing Arts Ltd	2016	50.0
M&C Saatchi (M) SDN BHD	2016	20.0
M&C Saatchi Sports & Entertainment Ltd	2016	2.8
Influence Communications Ltd	2016	5.0
M&C Saatchi Europe Holdings Ltd	2016	4.0
M&C Saatchi German Holdings Ltd	2016	4.0
M&C Saatchi Communications Pty Ltd	2016	13.0
M&C Saatchi Berlin GmbH	2016	15.0
Talk PR Audience Ltd	2016	17.0
FCINQ SAS	2016	15.0
Clear Ideas Consulting LLP	2016	12.5
M&C Saatchi PR LLP (US)	2016	35.0
Clear Ideas Consulting LLP	2016	12.5
M&C Saatchi Sport & Entertainment Pty Ltd	2016	49.0
Talk PR Ltd	2016	49.0
M&C Saatchi UK PR LLP	2016	35.0
M&C Saatchi Corporate SAS	2016	29.8
M&C Saatchi (Switzerland) SA	2016	40.0
Samuelson Talbot and Partners Pty Ltd	2016	31.2
M&C Saatchi Merlin Ltd	2016	22.5
The Source (London) Ltd	2016	24.0
M&C Saatchi Berlin GmbH	2017	5.0
M&C Saatchi Brazil Comunicação LTDA	2017	40.0
Lean Mean Fighting Machine LTD	2017	13.3
Lean Mean Fighting Machine LTD	2018	13.3
Samuelson Talbot and Partners Pty Ltd	2018	8.8
M&C Saatchi Merlin Ltd	2018	22.5
Lean Mean Fighting Machine LTD	2019	13.3
Creative Spark Interactive (PTY) LTD*	2020	10.0
M&C Saatchi Agency Pty LTD*	2020	20.0

\* New put options in 2015.

## NOTES TO THE PRELIMINARY STATEMENTS

### CONTINUED

#### 10. Minority shareholder put option liabilities *continued*

At each period end the fair value of the put option liability is calculated in accordance with the shareholders' agreement, and any movement is charged to the income statement. Where the agreement gives a right to convert to a variable number of shares (rather than a value), the number of shares is converted to a value by using the period end share price (2015: 326.5p, 2014: 330.0).

The liability will vary with our share price and with the results of the subsidiary companies. Current liabilities are determined by our year end share price and the 2015 results of the companies who can exercise in 2016. Non current liabilities are determined by our year end share price and the projected results of the companies who can exercise after 2016. The projected results show management's best estimate of the growth rates and margin of the companies who can exercise after 2016. Given that these companies are small, single account wins/losses can have a significant effect on their results. Such account wins are far more significant than changes to exchange rates and underlying economic growth rates.

The fair value of minority shareholder put option liabilities is measured using some inputs that are not based on observable market data (i.e. IFRS13, Level 3 fair value measurement).

#### Share price risk

Changes in our year end share price will impact the fair value adjustment to minority shareholder put options. The year end share price was 326.5p (2014: 330.0p). The 2015 charges would have changed as follows, had the share price been:

Share price	Movement %	Increase/ (decrease) in profit before and after tax £000
391.8p	+20%	£(3,253)
346.5p	+6%	£(1,175)
326.5p	–	–
306.5p	(6)%	£1,208
261.2p	(20)%	£3,945

#### Forecast accuracy

Difference in actual and projected results of the companies could have an impact on the fair value adjustments as follows (assuming no change in Group's forecast):

Result	Increase/ (decrease) in profit before and after tax £000
+10%	£(1,171)
(10)%	£1,079