M&C SAATCHI GROUP

M&C Saatchi Plc
Annual Report and Accounts 2021

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CONTENTS

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Net revenue of
£249.3m
(2020: £225.4m)

EBITDA of
£40.8m
(2020: £24.1m)

Headline operating profit of
£31.1m
(2020: £12.0m)

Headline operating profit margin of
12.5%
(2020: 5.3%)

Statutory operating profit of
£27.3m
(2020: £4.9m loss)

Headline profit before tax of
£27.3m
(2020: £8.3m)

Statutory profit before tax of
£21.6m
(2020: £8.5m loss)

Headline basic earnings per share of
11.3p
(2020: 1.5p)

Statutory basic earnings per share of
10.5p
(2020: (9.1p))

Net cash of
£34.4m
(2020: £32.7m)

Record operating profit
(both Statutory and Headline)

Record profit before tax
(Statutory)

NON-FINANCIAL HIGHLIGHTS

- **New client wins** and deepened relationships with: Google, Uber, WHOOP, Gorillas, PepsiCo, TikTok and Mondelez
- **Over 50 creative awards** won in 2021
- Icelandverse ad included amongst **AdAge's top ads** of 2021
- SS+K – included in **US top 10 most innovative advertising agencies** (Fast Company)
- M&C Saatchi Performance Asia – **Southeast Asia Performance Agency of the Year** (Campaign Agency of the Year Awards)
- M&C Saatchi Indonesia – **Indonesia Creative Agency of the Year** (Campaign Agency of the Year Awards) and first ever **Cannes Lion** won
- M&C Saatchi Sport & Entertainment – **Large Consultancy of the Year** (UK Sponsorship Awards)
- Razor PR (M&C Saatchi South Africa) named **Global Best New Agency** (PRovoke's SABRE Awards)
- M&C Saatchi Merlin ranked #3 in **"Great Place to Work" listing** ("UK's Best Workplaces for Wellbeing 2022 – Small" category)
- **Record number of Effies won:** Mobily, Iceland, Nando's, Lilydale and Tourism Australia
- 2022 launches of specialist sustainability consultancy, **M&C Saatchi LIFE**, and digital innovation consultancy, **Thread**

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

I am delighted to report that 2021 reflected a continuation of the positive trends of 2020. As well as reaping the benefit of the cost-cutting measures undertaken in 2020, we also saw significant top-line growth. The Company recorded its highest ever absolute operating profit on both a Headline and Statutory basis, showing the benefits of our new strategy.

On a like-for-like basis all of our specialisms saw significant growth in revenue. Overall, there was an 11% increase in Group net revenue (15% on a like-for-like basis) and a 228% increase in Headline profit before tax. Headline earnings per share increased over sevenfold from 1.5p to 11.3p and the Statutory earnings per share of 10.5p reflected a turnaround from a loss per share of 9.1p.

Details of the Company's financial performance can be found on pages 16 to 23.

BOARD CHANGES

In January 2021, Moray MacLennan was appointed Chief Executive Officer of the Company and joined the Board. In March 2021, Vinodka (Vin) Murria joined as a non-independent Non-Executive Director and Deputy Chair. More details on these appointments were given in last year's Annual Report and Accounts. Full biographies of all five Non-Executive Directors can be found on pages 69 to 72.

Mickey Kalifa, the Chief Financial Officer, has announced his resignation and I would like to thank him for all his efforts in overseeing the transformation of the Group's finance function over the past three years.

KEY HIRES

In a market where most companies are struggling to find the necessary skills, we were delighted to be able to secure a number of vital hires. A major focus of 2021 has been to ensure that the right people are in place to further centralisation, strengthen controls and fuel operations for scalable growth. The Chief People Officer, General Counsel and Company Secretary, Chief Strategy Officer, Group Treasury Director and Chairman of the UK Group were key appointments made during the year. The Company's Executive Committee is also now fully operational and these changes have ensured that the Chief Executive Officer is receiving full support from all parts of the business.

The leadership of our two most recent company launches, M&C Saatchi LIFE (our specialist sustainability consultancy) and Thread (our digital innovation consultancy) are a mix of new hires and internal transfers. Both companies launched in February 2022.

CORPORATE GOVERNANCE

I am also pleased to report further progress in the governance of the business, including improved controls, and in our efforts to fully comply with the UK Corporate Governance Code 2018 (the "Code"). Please see page 78 for details of this process, which is nearly complete. The Nomination Committee has now been formally convened and is reporting regularly. Please see page 88 for details of its remit. We continue to implement the recommendations for Board improvement from the external review commissioned at the start of 2021. Please see pages 74 to 75 for the details.

The Directors' Remuneration Policy was comprehensively reworked by external consultants last year, to comply with the Code, and for 2021 additional changes were incorporated. It is set out on pages 95 to 102.

Please refer to pages 50 to 53 for details of the Board's engagement with its stakeholders (section 172 statement).

ENVIRONMENTAL AND SOCIAL CHANGE

The Company's focus on environmental, social and governance (ESG) and sustainability further increased during 2021. To meet strong client demand, in February 2022, we launched our new specialist sustainability consultancy, M&C Saatchi LIFE, which is already working with some high-profile clients. Our Global & Social Issues specialism continues to deliver market-leading client work. See page 59 for some hard-hitting and high-profile examples.

The Company has committed to multiple ESG targets over the next ten years. These include reducing our carbon emissions by 50% by 2030 for all three categories specified under the Greenhouse Gas Protocol. These targets will be verified by the Science Based Targets Initiative ("SBTi"). By 2023, we will set a Net Zero target in line with the SBTi standard and by 2025 will be carbon neutral across our own operations. We have joined some high-profile partnerships including the United Nations Global Compact, Ad Net Zero and the Conscious Advertising Network, and are also rolling out sustainability training across our global network in conjunction with Ad Net Zero and the #changethebrief initiative. Please see page 58 for details on the Company's moves to support the environment.

We are continuing our strategy of external partnerships which focus on the development of diverse talent. The Company is now working with an external Diversity, Equity and Inclusion learning partner to drive inclusive behaviours and foster an inclusive culture within the Company. We are particularly proud of our work in opening up our industry to under-represented groups, such as our Open House initiative, which has now been extended to Australia, and also Carbon Academy, our creative mentoring initiative. Refer to pages 56 to 57 for more details. Our new partnership with the Saatchi Gallery will also allow us to build on this area and become an industry leader in the area of creative access. Refer to pages 56 to 57 for more details. Our "Saturday School" and "Mentor Black Business" initiatives continue to run successfully in the UK. Please see page 57 for more details.

Other overseas initiatives include the "Citizens" platform in Australia which pushes for both climate action and the reduction of inequalities, the "More than a vote" movement in the US which continues to channel protests for social justice into action, and the "Creativity for all" movement in South Africa which partnered with Black Board to help introduce students to the creative industries. Refer to page 56 for more details.

CONTROLS

2021 was another year of progress as the Group finance team was strengthened and communication with the agencies was further improved. In addition to rolling out new processes and procedures, finance training was organised for agencies individually to ensure full understanding of and alignment to Group policies. Oversight of agency financial submissions has also improved both during the year and at year-end. The new cloud-based accounting and forecasting system has been embedded during the year, which has speeded up the consolidated reporting process. The benefits of these improved controls and processes were already visible in the much smoother year-end close and external audit process.

OUTLOOK

The Covid-19 pandemic continues to create uncertainty in some parts of the world, but we believe the Group is well placed to take advantage as the world emerges from lockdown, particularly following this strong set of 2021 financial results. We have watched events unfold in Ukraine with horror, but have no office in either Russia or Ukraine so have no direct exposure to events there. However, we are continuing to monitor how the conflict affects our clients, including both the effects of sanctions against Russia and of energy and commodity price inflation. Our five-year plan set out a roadmap for reaching an 18% Headline operating profit margin by 2025, through both a change in the mix of services we provide and operational efficiencies. The progress achieved in 2021 puts us ahead of target. We have a globally recognised brand, exceptional people and talent, and a strong and committed client base.

As announced on 6 January 2022, the Company has received a preliminary approach from AdvancedAdvT Limited, a vehicle connected with Vin Murria. The Company has facilitated access to provide AdvancedAdvT Limited with the opportunity to make a formal offer to the Company's shareholders, but to date no offer has been received.

On behalf of the Board, I would like to welcome colleagues who have joined during the course of the year and to thank everyone throughout the Group for their continued commitment and hard work. The Board is confident in the future and the success of the Company given the skills and diversity of the business both in terms of geographical coverage and range of service offerings.

GARETH DAVIS
Chairman
28 April 2022

CHIEF EXECUTIVE'S REVIEW

My first year as Chief Executive Officer has seen our Company achieve an exceptional turnaround and return to growth at a time of unprecedented change.

If 2020 was characterised by the word "resilient"; an appropriate word for 2021 would be "extraordinary": extraordinary results – the Company's highest ever operating profit – delivered in extraordinary times.

Our people are at the forefront of this performance, their commitment and creativity continue to deliver outstanding work for our clients.

2021 PERFORMANCE

In 2021 I outlined a new strategy to: become *more connected* via greater collaboration across specialisms and regions; drive *digital* acceleration by enhancing the Group's technology capabilities including data analytics and digital innovation; and implement further *simplification* from efficiencies delivered by central systems and consolidation. The impact of this strategy is evidenced by the 2021 performance.

- We had seven consecutive positive trading updates since January 2021.
- We had a record year in many companies across the Group.
- We trebled our Headline profit before tax.
- The Group's net cash position is at its strongest ever, £34.4m at December 2021.

This was delivered through strong new business, deepening client relationships and key client retention. Notable new business wins included PepsiCo, WHOOP and Mondelez, and new campaigns for Uber, De'Longhi and Franklin Templeton. We extended our client relationships into new specialisms with clients including Reckitt, GSK, Lexus and Sonos; and retained key clients, including key UK and US government assignments.

Our creative heartbeat remains strong, with over 50 awards won in the last 12 months including a record number of Effies – the Oscars of campaign effectiveness.

2021 FINANCIAL SUMMARY

Net revenue growth of 10.6% to

£249m

from £225m

Headline profit before tax more than trebled to

£27.3m

from £8.3m

Headline operating profit margin improvement of over

7pts

and on track to achieve 18% by 2025

Record

absolute operating profit on both a Statutory and a Headline basis.

Net cash increase of £1.7m from £32.7m to

£34.4m

SPECIALISM PERFORMANCE

The business operates through five connected specialisms, all of which benefit from our Central Fuel which provides expertise and capabilities in data and technology, digital innovation, sustainability, and our Growth Team. All specialisms saw like-for-like growth in 2021.

M&C SAATCHI GROUP

ADVERTISING & CRM	MEDIA & PERFORMANCE	GLOBAL & SOCIAL ISSUES	BRAND & EXPERIENCE	SPONSORSHIP & TALENT
Blending marketing science with creativity through earned, owned and paid-for content	Connecting brands with digitally connected consumers	Driving global and social change, protecting the planet and transforming lives for the better	Transforming businesses by unlocking existing and new growth opportunities	Connecting brands direct to consumers through passions and personalities

CENTRAL FUEL

Growth Team | Data Analytics | Sustainability | Digital Innovation

ADVERTISING & CRM

Like-for-like net revenue increased by 6% (2021: £121.2m vs. 2020: £114.8m).

New business wins across the specialisms included NHS England, Origin Energy, Franklin Templeton, Gorillas, PepsiCo, BNY Mellon, Arla and Uber.

Relationships with existing clients including Nando's, Woolworths in Australia, De'Longhi across Europe and the UK Government delivered significant organic growth as we focused on supporting their digital ambitions across the marketing ecosystem. We also built new relationships with organisations at the start-up and scale-up phase.

Highlights included the most successful UK Census Campaign in history, the Australia office deepening its data capability and reinforcing its position as one of the leaders in the market, our SS+K office being named in the Top 10 most innovative agencies in the United States, a campaign for Tourism Iceland that parodied the Metaverse but nevertheless was retweeted by Zuckerberg, whilst our South African agency became the first African agency in the Metaverse.

MEDIA & PERFORMANCE

Like-for-like net revenue increased by 39% (2021: £32.8m vs. 2020: £23.6m).

As the influence of Covid-19 continued to accelerate the shift to digital, our Media & Performance business benefitted from new digital advertisers entering the market.

M&C Saatchi Performance celebrated its fifteenth anniversary, winning Performance Agency of the Year in Southeast Asia, supporting clients in their IPOs, and being responsible for millions of new app downloads and mobile transactions.

GLOBAL & SOCIAL ISSUES

Like-for-like net revenue increased by 19% (2021: £33.2m vs. 2020: £27.9m).

This specialism continued to focus on the development, diplomatic, security and social impact sectors. It uses the latest in creativity, behavioural science and tech capabilities to tackle a broad range of critical global and social issues.

Highlights of 2021 included leading comms for COP26 and new assignments from the UK, US and Australian Governments, the Conrad N. Hilton Foundation, UNICEF and the World Health Organisation.

BRAND & EXPERIENCE

Like-for-like net revenue increased by 17% (2021: £30.9m vs. 2020: £26.4m).

This growth reflects the continued demand from clients to re-examine and re-design their product, service and experience propositions in an increasingly digital world. Revenue gains were a result of major contract extensions with Discover and Optus. Growth was also a reflection of impressive new business wins, with clients including TikTok, Toyota and Diageo added to the roster.

As we move into 2022, we are further investing in data, digital and technology, with the addition of new capabilities in digital business innovation. Our new start-up, Thread, brings key hires from Fjord/Accenture Interactive. It blends the commercial rigour of consulting with the creativity of design studios to help clients develop and build high-growth digital products and services.

SPONSORSHIP & TALENT

Like-for-like net revenue increased by 35% (2021: £24.5m vs. 2020: £18.1m).

Following the devastating effects of Covid-19 on the sport and entertainment industry in 2020, this specialism bounced back to a record high in 2021. We won more than 40 pitches worldwide throughout the year including major client wins with Barclays, Red Bull, WHOOP, Dettol, Kia, Dreams and Origin Energy. The M&C Saatchi Talent Group added new talent and digital-first influencers and delivered its most successful year to date.

Highlights included creating "live" digital and social campaigns for many brands throughout EURO 2020 (played in 2021) as well as for the delayed Olympics in Japan. We added talent including data analysts which gave us forensic insight into our clients' customers, as well as hiring visual effects expertise.

CENTRAL FUEL

Our central fuel capabilities are shared across the Group enabling growth through shared platforms consisting of:

Growth Team: Our focus on connected business is led by our Chief Growth Officer and the central growth team. This has delivered an increase in connected business opportunities with client wins including Samsung, Barclays, Sonos, Healthcode and KLM.

Data: Our data capability and consultancy, M&C Saatchi Fluency, launched in January 2021. It has grown its capabilities and client base, and now works with over 15 blue chip clients and has developed a proprietary data platform of our eight core data services.

Sustainability: We strengthened our ESG position both in the way we work and in the work we do. We are delivering on significant societal commitments for "People and Planet" including announcing our Net Zero target, launching M&C Saatchi LIFE, a specialist sustainability consultancy, and promoting equity and inclusion through a number of initiatives including Mentor Black Business, Open House, Street Store and our internal colleague networks.

Innovation: Our digital innovation consultancy, Thread, launched in February 2022 to help clients identify, develop and build high-growth digital products and services.

OUTLOOK

The Company gained significant momentum across 2021, and we expect this to continue into 2022. This is despite the current geo-political turmoil and the inflationary impact on consumer spending.

We continue to focus on the delivery of exceptional solutions for our clients regardless of the potential corporate transaction.

ACCELERATED STRATEGY

The strategy of connection, digitisation and simplification will be accelerated.

Growth will increasingly come from cross-specialism and cross-border opportunities. We continue to fuel this through investment in central capabilities. In 2022 we launched and will scale two new service offerings: sustainability communications (M&C Saatchi LIFE) and digital innovation (Thread), and we continue to deepen our data capability by scaling our global data platform and consultancy. The Growth Team will further strengthen its resources as opportunities are converted.

The simplification programme makes the Group's services easier for clients to understand and engage with. We will drive further efficiencies through accelerating centralisation of Group functions including IT, Finance and HR.

We are investing in platforms to enhance ways of working, encourage collaboration and to attract and retain talent.

CONFIDENCE IN OUR FUTURE

With record profits, a strong cash position, a more simplified structure and a loyal and committed management team, we can face the future with renewed confidence.

M&C Saatchi is renowned for the impact it has on the world. This year we reinforced that reputation with leading campaigns addressing the major issues of the day from Covid to climate change. We navigate, create and lead meaningful change and this market-leading proposition enables us to attract and retain the talent that provides solutions for our clients.

MORAY MACLENNAN
Chief Executive Officer
28 April 2022

"These record-breaking results reflect the outstanding levels of commitment and creativity that our teams deliver to clients, on a daily basis.

The strength and depth of our client relationships and the breadth of our capabilities position us exceptionally well for the remainder of this year, and beyond."

– Moray MacLennan

FINANCIAL REVIEW

FINANCIAL KEY PERFORMANCE INDICATORS

The Group manages its financial performance through a number of key performance indicators. These are stated below, with the comparative key performance indicators for 2020.

Net revenue of £249.3m, up

10.6%

from £225.4m; like-for-like growth of 15.1%

Headline staff cost ratio, down

3.7pts

from 71.9% to 68.2%.

Headline operating profit margin, up from 5.3% to

12.5%

Statutory operating profit margin, improved from -2.2% to

10.9%

Headline profit before tax, up from £8.3m to

£27.3m

Statutory earnings per share up from a loss of 9.1p per share to positive earnings of

10.5p

per share

Statutory profit before tax, up from a loss of £8.5m to a profit of

£21.6m

Increase in **net cash**, up from £32.7m to

£34.4m

	Headline			Statutory		
£m	**2021**	**2020**	**Movement**	**2021**	**2020**	**Movement**
Billings*	533.4	454.5	17.3%	–	–	–
Revenue	394.6	323.3	22.1%	394.6	323.3	22.1%
Net revenue*	249.3	225.4	10.6%	–	–	–
EBITDA*	40.8	24.1	69.3%	–	–	–
Operating profit/(loss)	31.1	12.0	160.1%	27.3	(4.9)	652.7%
Profit/(loss) before taxation	27.3	8.3	228.0%	21.6	(8.5)	354.3%
Profit/(loss) for the year	20.0	5.0	298.2%	13.2	(9.9)	232.8%
Earnings**	13.7	1.7	729.5%	12.8	(9.9)	228.9%
Earnings/(loss) per share	11.3p	1.5p	643.4%	10.5p	(9.1p)	215.7%
Tax rate	26.6%	39.6%	-13.0pts	39.1%	-16.6%	+55.7pts

* Billings, net revenue and EBITDA excluded from Statutory results as these are not IFRS terms.
** Earnings are calculated after deducting share of profits attributable to non-controlling interests.

Refer to the Glossary for key definitions used in this section including Headline results, billings, revenue, net revenue and EBITDA.

HEADLINE RESULTS

To assist understanding of the underlying performance of the business, the commentary concentrates on the Headline measures used by the Board to assess the underlying profitability of the Group. These Headline figures are alternative performance measures that the Board considers an appropriate basis to manage the business, to monitor its results on a month-to-month basis, enable comparison with industry peers and measure like-for-like year-on-year performance. The Headline results also more closely correlate with the operating cashflow position of the Group.

The Group performed well ahead of expectations. Whilst there were stand-out performers amongst individual entities, we saw growth across the board, across virtually all entities and specialisms.

Group net revenue increased by 10.6% or 15.1% on a like-for-like basis. This is significantly ahead of the 6% CAGR targeted growth in net revenue from 2020 to 2025 announced at the Capital Markets Day in January 2021.

Group Headline operating profit was £31.1m, increasing from £12.0m in 2020. This represents a 51% increase compared to 2019 (£20.6m profit), showing a strong recovery in profits following the negative impact of the Covid-19 pandemic. The Group reported a Statutory operating profit of £27.3m (2020 loss of £4.9m; 2019 loss of £11.0m).

Group Headline operating profit margin increased to 12.5% from 5.3% in 2020 and from 8.0% in 2019. This shows good progress towards the Group's operating profit margin target of 18% by 2025 announced at the Capital Markets Day in January 2021. The Statutory operating profit margin improved to 10.9% from an operating loss margin of -2.2% in 2020 and -4.3% in 2019.

The key movements between Statutory to Headline results

Reconciliation of Statutory to Headline profit before taxation	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Statutory profit/(loss) before taxation	**21,632**	**(8,507)**
Separately disclosed items	(3,783)	1,972
Amortisation of acquired intangibles	965	1,686
Impairment of non-current assets	2,770	3,920
(Gain)/loss on disposal of subsidiaries and associates	83	(1,432)
Revaluation of associates on transition to subsidiaries	234	–
FVTPL investments under IFRS 9	(2,510)	2,095
Revaluation of contingent consideration	532	446
Dividends paid to IFRS 2 put option holders	4,314	4,728
Put option accounting – IFRS 9 and IFRS 2	3,077	3,420
Headline profit before taxation	**27,314**	**8,328**

Some of the larger items causing the movement between Statutory and Headline results for 2021 are explained below:

Separately disclosed items, including restructuring
One-off credits of £3.8m (2020: costs of £2.0m) arise as a result of the forgiveness of £2.2m of US Paycheck Protection Program (PPP) loans and the £2.8m release of a long-term incentive plan accrual relating to an employee who has now left the business. These are partially reduced by lease surrender expenses, due to the restructuring of two leases, and the cost arising from the repayment of £1.0m of furlough money to the UK government. Last year's charge arose because of one-off restructuring costs, partially offset by the credits arising from the UK furlough money received.

Impairment of non-current assets
In 2021, the Group recorded goodwill write-offs of £1.9m in Santa Clara Participações Ltda, which moved from being an associate to a subsidiary during the year, and in Scarecrow Communications Limited. The remainder relates to the impairment of M&C Saatchi Little Stories SAS, an associate, in which the Group increased its ownership in February 2021, and of an intangible asset in M&C Saatchi Share Inc. The 2020 charge mainly consisted of a £2.7m impairment against the carrying value of our right of use of property assets and a £0.9m associate impairment.

Gain/(loss) on disposal of subsidiaries and associates
The Board made a strategic decision at the start of 2020 to eliminate loss-making businesses from the Group. This process continued into 2021, with the closure, merger or divestment of our interest in M&C Saatchi PR LLP, M&C Saatchi Marketing Arts Limited and Create Collective Pte, which together generated a loss on disposal in 2021 of £83k, net of severance and legal fees.

Financial assets at fair value through profit and loss – FVTPL investments under IFRS 9
The Group holds unlisted equity investments in early-stage companies (detailed in Note 19 of the financial statements). The revaluation of these companies is excluded from Headline results. The portfolio had a much stronger year than in 2020, as several companies bounced back following the Covid-19 pandemic, resulting in an upwards revaluation of £3.5m. This is partially offset by an increase in management fees linked to the increase in the value of the investments.

Put option accounting
These charges relate to the revaluations of the put option liabilities (both IFRS 2 and IFRS 9) during the year.

NET REVENUE PERFORMANCE BY SPECIALISM AND REGION

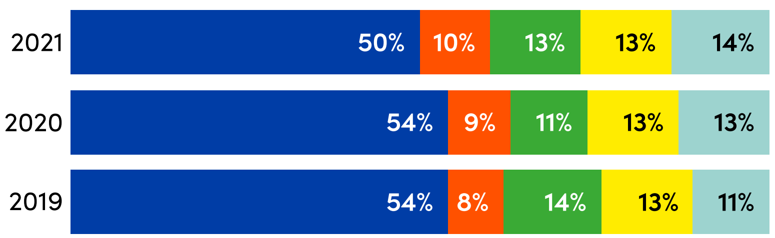
Group net revenue increased 10.6% in 2021 (15.1% on a like-for-like basis, which removes entities disposed of or acquired during 2020 and 2021). The Media & Performance and Sponsorship & Talent specialisms saw the largest net revenue growth of all specialisms, and except for Advertising & CRM, all experienced double-digit growth in 2021. All specialisms, except for Advertising & CRM, have recovered to 2019 net revenue levels, with Global & Social Issues and Sponsorship & Talent showing growth of around 30% compared to 2019.

	Reported			Like-for-Like (LFL)		
Net Revenue Specialism	2021 £m	2021 vs 2020 Movement	2021 vs 2019 Movement	2021 £m	2021 vs 2020 Movement	2021 vs 2019 Movement
Advertising & CRM	127.2	(1.3)%	(14.8)%	121.2	5.6%	(5.1)%
Media & Performance	32.8	39.1%	0.9%	32.8	39.1%	0.9%
Global & Social Issues	33.9	21.6%	31.8%	33.2	18.9%	28.9%
Brand & Experience	30.9	15.0%	2.6%	30.9	17.1%	3.9%
Sponsorship & Talent	24.5	35.3%	30.4%	24.5	35.3%	30.4%
Group	**249.3**	**10.6%**	**(2.8)%**	**242.6**	**15.1%**	**3.4%**

Net Revenue Region	Reported 2021 £m	Reported 2021 vs 2020 Movement	Reported 2021 vs 2019 Movement	LFL 2021 £m	LFL 2021 vs 2020 Movement	LFL 2021 vs 2019 Movement
UK	104.2	19.9%	1.0%	104.2	20.1%	1.2%
Europe	15.2	(46.5)%	(50.2)%	15.2	(8.4)%	(11.9)%
Middle East & Africa	20.2	29.2%	22.0%	20.2	35.4%	33.2%
Asia	17.2	61.9%	23.6%	12.3	16.2%	(11.7)%
Australia	54.0	12.5%	6.7%	54.0	12.5%	6.7%
Americas	38.5	7.6%	(7.5)%	36.6	8.0%	6.1%
Group	**249.3**	**10.6%**	**(2.8)%**	**242.6**	**15.1%**	**3.4%**

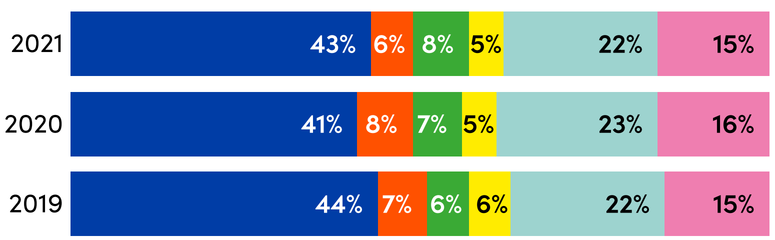
There has been a marked shift in revenue between the different specialisms over the last two years. Advertising & CRM remains the largest specialism comprising 50% of total net revenue (2020: 54%) on a like-for-like basis. However, the other four specialisms have increased their share of total net revenue to 50% (2020: 46%). This shift away from Advertising & CRM has had a very significant upwards impact on operating profit, as these have an operating profit margin of 26% compared to Advertising & CRM with an operating profit margin of 9%.

At the regional level, the UK remains the largest region in the Group comprising 43% of total net revenue (2020: 41%) on a like-for-like basis.



Split of 2019, 2020 and 2021 LFL Net Revenue by Specialism

- Advertising & CRM
- Sponsorship & Talent
- Media & Performance
- Brand & Experience
- Global & Social Issues



Split of 2019, 2020 and 2021 LFL Net Revenue by Region

- UK
- Europe
- Middle East and Africa
- Asia
- Australia
- Americas

FINANCIAL INCOME AND EXPENSE

The Group's finance income and expense includes bank interest, lease interest and fair value adjustments to minority shareholder put option liabilities (IFRS 9). Further details can be found in Note 7 of the financial statements.

Bank interest payable for the year was £1.6m (2020: £1.2m). The increase is mainly due to a higher interest margin on the Group's new revolving multicurrency credit facility agreement which was signed during the first half of 2021.

The interest on leases increased to £2.8m (2020: £2.5m), due to new property leases entered into as old leases expired.

The fair value adjustment of put option liabilities created a charge of £0.9m (2020: charge of £0.1m). This increase is due to an increase in the Company's share price year-on-year and the improved profitability in the agencies where there are outstanding put options.

TAX

Headline Tax

Our Headline tax rate has reduced from 39.6% to 26.6%. The tax rate reduction is driven by fewer prior year tax adjustments (2020 was affected by the 2019 accounts restatements) and fewer loss-making subsidiaries where we expect no future tax benefit.

Statutory Tax

Statutory profit this year compared to a Statutory loss last year gave rise to a much higher tax rate. The Statutory tax rate increased from -16.6% in 2020 to 39.1% in 2021. We expect our effective tax rates to be higher than the actual tax rates in our markets, as a result of items such as put option charges being capital in nature and non-deductible for corporation tax purposes. In 2020 tax was payable despite the Statutory loss and in 2021 the effective Statutory tax rate is significantly higher than the worldwide average standard tax rate.

NON-CONTROLLING INTERESTS (MINORITY INTERESTS)

On a Headline basis, the non-controlling interest share of the Group's profit represents the minority shareholders' share of each of the Group's subsidiaries' profit or loss for the year. In 2021, the share of profits attributable to non-controlling interests increased to £6.4m (2020: £3.4m). This reflects the increase in overall Headline profit in 2021. Despite this increase in the share of profits attributable to non-controlling interests, minority interests reduced to 32% of profit after tax in 2021 (2020: 67%) as a result of the settlement of £5.3m of put options during the year.

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

DIVIDEND

The Company did not pay a dividend to its shareholders in 2021 (2020: nil). The intention is to reinstate dividends from 2022.

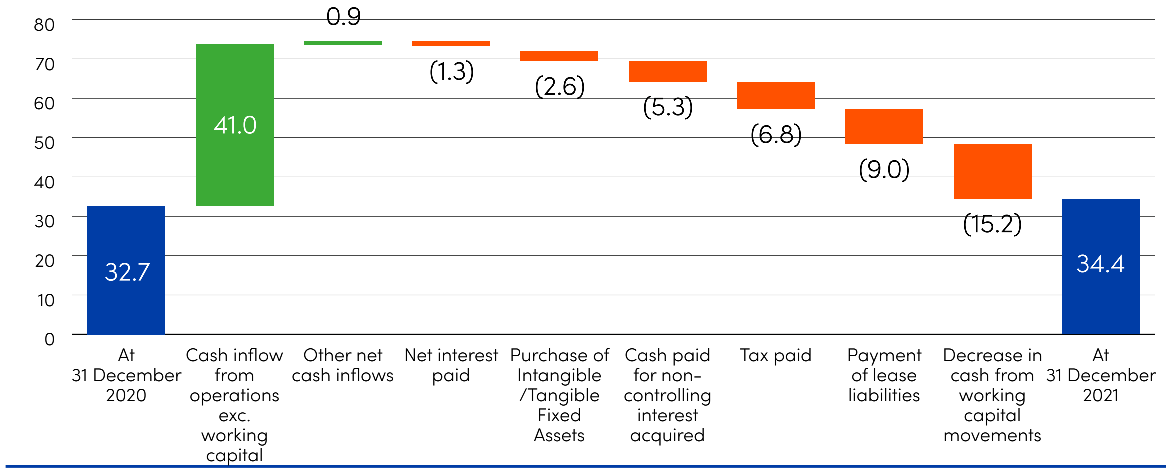
CASH FLOW AND BANKING ARRANGEMENTS

Total gross cash (excluding bank overdrafts) at 31 December 2021 was £69.4m (2020: £76.3m). Cash net of bank borrowings was £34.4m, compared to £32.7m in 2020.

The Group generated operating cash (before working capital) of £41.0m in 2021 (2020: £19.1m). This was offset by a £15.2m net outflow of working capital (compared to a £16.2m net inflow in 2020), £9.0m of lease payments made (compared to payments of £9.7m made in 2020) and £5.3m of payments made to acquire non-controlling interests (2020: £0.2m). The swing in working capital was driven by £14.5m of agreed deferral of payments from 2020 to

2021 (supplier invoices, UK VAT, UK rent and UK furlough), which was not repeated at the end of 2021, and the increase in billings issued in the last quarter of 2021, which were collected after 31 December 2021. There was also an increase in tax payments of £6.8m in 2021 (compared to £1.6m in 2020), due to the increased profitability across the Group. The following table sets out the key movements in net cash during 2021:

Movement in Net Cash during 2021 (£m)



On 31 May 2021, the Company entered into a revolving multicurrency credit facility agreement with National Westminster Bank Plc and Barclays Bank PLC for up to £47.0m (the "Facility"). The Facility includes a £2.5m overdraft and the ability to draw up to £3.0m as a bonding facility as required. The Facility is provided on a three-year term (with two optional one-year extensions). The primary purpose of the Facility is to provide the Group with additional liquidity headroom to support any variations in working capital.

At 31 December 2021, £20.0m was drawn on the Facility. This has been reduced to £15.0m at 31 March 2022.

CAPITAL EXPENDITURE

Total capital expenditure in 2021 (including software acquired) decreased to £2.6m (2020: £3.7m). This included £1.4m (2020: £0.9m) on computer equipment and £0.8m (2020: £0.5m) on software and film rights. The remaining £0.4m (2020: £2.3m) was incurred on leasehold improvements and furniture and fittings.

SHARE-BASED INCENTIVE ARRANGEMENTS

The Group operates a business model through which certain senior management have minority ownership in the subsidiary companies they operate, through share-based incentive (put option) arrangements. Given the Group's strong cash position, we now intend to settle put options in cash rather than shares, when the options fall due, which significantly reduces the risk of substantial share dilution to shareholders.

The table below presents a range of potential cash payments to settle put options, LTIPs, restricted share awards and deferred and contingent consideration for the next six years based on the future share price of the Company, the estimated future business performance for each business unit and assuming the put options are exercised as soon as possible. These forecasts are based on the Group's five-year plans developed as part of our budget cycle, assuming all Total Shareholder Return LTIP targets are fulfilled, and that equity is bought by the LTIP in the year of vesting at 168.5p (the share price at 31 December 2021).

		Potentially payable						
Future share price of the Company	**Paid so far in 2022 £000**	**2022 £000**	**2023 £000**	**2024 £000**	**2025 £000**	**2026 £000**	**2027 & 2028 £000**	**Total £000**
At 150p	1,135	18,879	6,810	6,107	87	1,798	3,163	37,979
At 168.5p	1,135	20,403	7,733	6,806	122	1,985	3,553	41,753
At 190p	1,135	22,091	8,722	7,619	162	2,203	4,007	45,939
At 210p	1,135	23,608	9,589	8,373	200	2,405	4,428	49,738
At 230p	1,135	25,126	10,457	9,130	238	2,607	4,850	53,543
At 250p	1,135	26,643	11,324	9,885	275	2,809	5,272	57,343
At 300p	1,135	30,436	13,492	11,775	370	3,315	6,326	66,849

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

If, in the future, the Company decides to fulfil the put options in equity, then the amount of equity that will be provided is equal to the liability divided by the share price at the date of settlement.

SUMMARY

The Company's performance in 2021 was exceptional. Driven by a 22% increase in revenue and a very strong increase in operating profit margin to 12.5% (2020: 5.3%), the Company generated the highest operating profit in its history. The foundations for future growth have now been laid. Trading has continued to be strong in the first quarter of 2022, with the outlook for the remainder of 2022 very positive.

MICKEY KALIFA
Chief Financial Officer
28 April 2022

OUR BUSINESS MODEL

THE GROUP

The Group helps companies and governments around the world navigate complex issues and grasp valuable opportunities.

We do this through our unique breadth of specialist marketing and communications expertise.

The Group operates globally across five specialisms and six regions which are connected through tech platforms and data capabilities.

THE GROUP STRATEGY

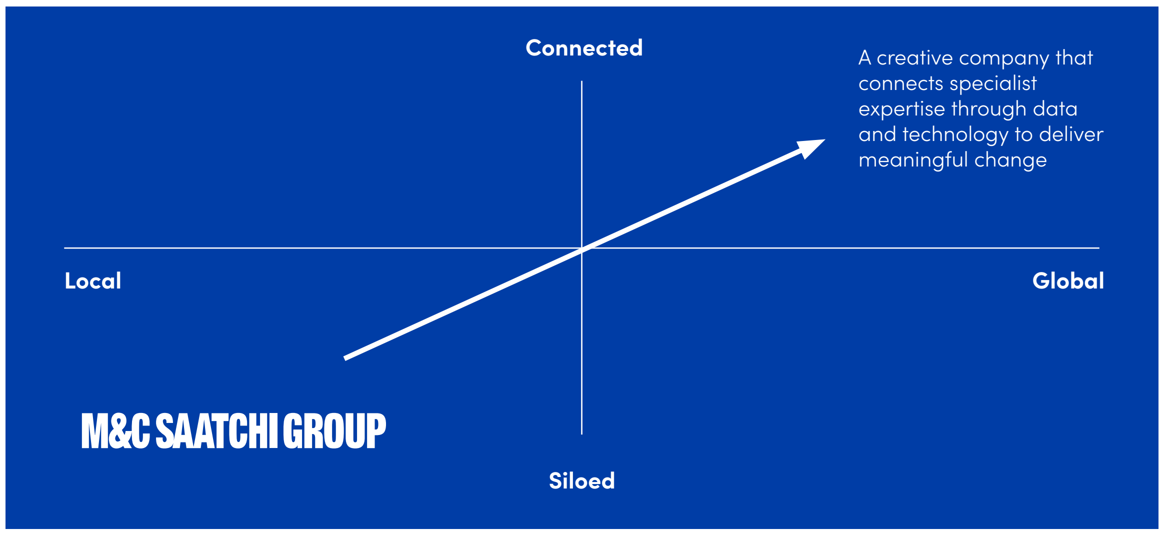
Our Group strategy, as outlined last year:

Leveraging brand strength: Delivering Meaningful Change for clients;

Two-door operating model: Pursuing revenue from clients requiring global and connected solutions across our Group and from clients seeking individual world-class specialisms;

Central fuel: Global data platform and sustainability expertise fuelling the growth of our specialisms;

Simplification: Driving efficiency through the consolidation of services and platform implementation.



OUR SPECIALISMS

ADVERTISING & CRM	GLOBAL & SOCIAL ISSUES	MEDIA & PERFORMANCE	SPONSORSHIP & TALENT	BRAND & EXPERIENCE
Blending marketing science with creativity through earned, owned and paid-for content • Communications • Advertising • Personalisation • Loyalty • PR	Driving global and social change, protecting the planet and transforming lives for the better Strategy and implementation for: • Development • Diplomacy • Security and Defence	Connecting brands with digitally connected consumers • Channel Strategy • Media planning and buying • Analytics and optimisation	Connecting brands direct to consumers through passions and personalities • Sponsorship strategy and activation • Influencer marketing • Talent management	Transforming businesses by unlocking existing and new growth opportunities • Strategy consulting • CX and UX • Innovation
Clients include: • Franklin Templeton • Gorillas • Genesis	Clients include: • Governments • UNICEF • COP26	Clients include: • Grab • Tokopedia • SoundCloud	Clients include: • Heineken • Adidas • WHOOP	Clients include: • Google • Imagine Learning • PepsiCo

CENTRAL FUEL

Growth Team	Data Analytics	Sustainability	Digital Innovation

Our five specialisms each have distinctive global offerings, enabling us to service clients directly, and by connecting these across the globe to solve our clients' largest problems.

Our central fuel is at the heart of our offering with our global data platform and our recently launched sustainability and innovation start-ups, M&C Saatchi LIFE and Thread.

Our global data platform, Fluency, leverages AI and machine learning technology to drive its eight core products: geo-analytics and targeting, predictive analysis, brand performance tracking, real-time segmentation, insights at scale, customer journey optimisation, measurement and effectiveness, and actionable dashboards. We also advise clients on their data transformation, including technology platforms as well as providing the required skills and expertise to operationalise their data strategy.

Our innovation practice, Thread, targets the growing market for digital transformation services which has emerged as a major growth area for agencies during the course of the pandemic. The business and the experience that the founders bring enable us to expand into this growing territory and continue to accelerate our investment in differentiating digital capabilities.

M&C Saatchi LIFE brings expert sustainability talent into the Group, and with ESG a growing concern for most Chief Executive Officers, this new practice addresses a large and growing gap in the market. This new business, coupled with our "People and Planet" commitments, puts the Group at the cutting edge of this new and growing sector.

REGIONS

Our services are split across six regional hubs to ensure proximity and strong relationships with clients.

UK	EUROPE	MIDDLE EAST & AFRICA	ASIA	AUSTRALIA	AMERICAS
• HQ: London • Presence in: UK	• HQ: Milan • Presence in: France, Germany, Italy, Netherlands, Spain, Sweden and Switzerland	• HQ: Cape Town • Presence in: Lebanon, Pakistan, South Africa and United Arab Emirates	• HQ: Singapore • Presence in: China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore and Thailand	• HQ: Sydney • Presence in: Australia and New Zealand	• HQ: New York • Presence in: Brazil, Mexico, US
Clients include: • Barclays • Costa Coffee • UK Government	Clients include: • Lidl • Sky • Pirelli	Clients include: • Standard Bank • Nando's • Aldar Properties	Clients include: • Celcom • Tinder • Truecaller	Clients include: • Woolworths • CommBank • Optus	Clients include: • Mount Sinai • Tourism Iceland • Uber

CENTRAL FUEL			
Growth Team	Data Analytics	Sustainability	Digital Innovation

ACCELERATED GROWTH

As we accelerate the implementation of our strategy, we expect growth will continue. The accelerated strategy focuses on:

1. More Connected: Driving greater collaboration across specialisms and regions, leveraging central fuel capabilities and adopting technology platforms to enhance connectivity across the Group.

2. Digital Acceleration: Further enhancing our digital capabilities across the Group, including ecommerce, data analytics and digital innovation to drive increased revenue and margin improvement.

3. Further Simplification: Continuing to drive efficiencies across the Group through the use of technology, centralising and potentially offshoring key business functions and making the Group's services easier to buy.

> "Our five specialisms each have distinctive global offerings, enabling us to service clients directly, and by connecting these across the globe to solve our clients' largest problems."
>
> **– Moray MacLennan**

ADVERTISING & CRM

Blending marketing science with creativity through earned, owned and paid for content.

2021 Net Revenue: £127.2m

We saw significant organic growth in existing client relationships in 2021 as we supported them through their digital ambitions across the marketing ecosystem. We delivered significant and successful campaigns including the UK's pioneering "digital-first" Census, advice to Australian government clients on their Covid communications strategy and a worldwide campaign featuring Brad Pitt for De'Longhi.

MEDIA & PERFORMANCE

Connecting brands with today's connected consumers.

2021 Net Revenue: £32.8m

2021 saw a continued trend of digital consumption and content creation as a result of people being confined by Covid-19 restrictions. This specialism's growth also saw significant last quarter uptick as a result of new client wins and growth across Southeast Asia supporting clients with successful IPOs and other expansion. This contributed to our winning "Southeast Asia Performance Agency of the Year" (Source: Campaign Asia).

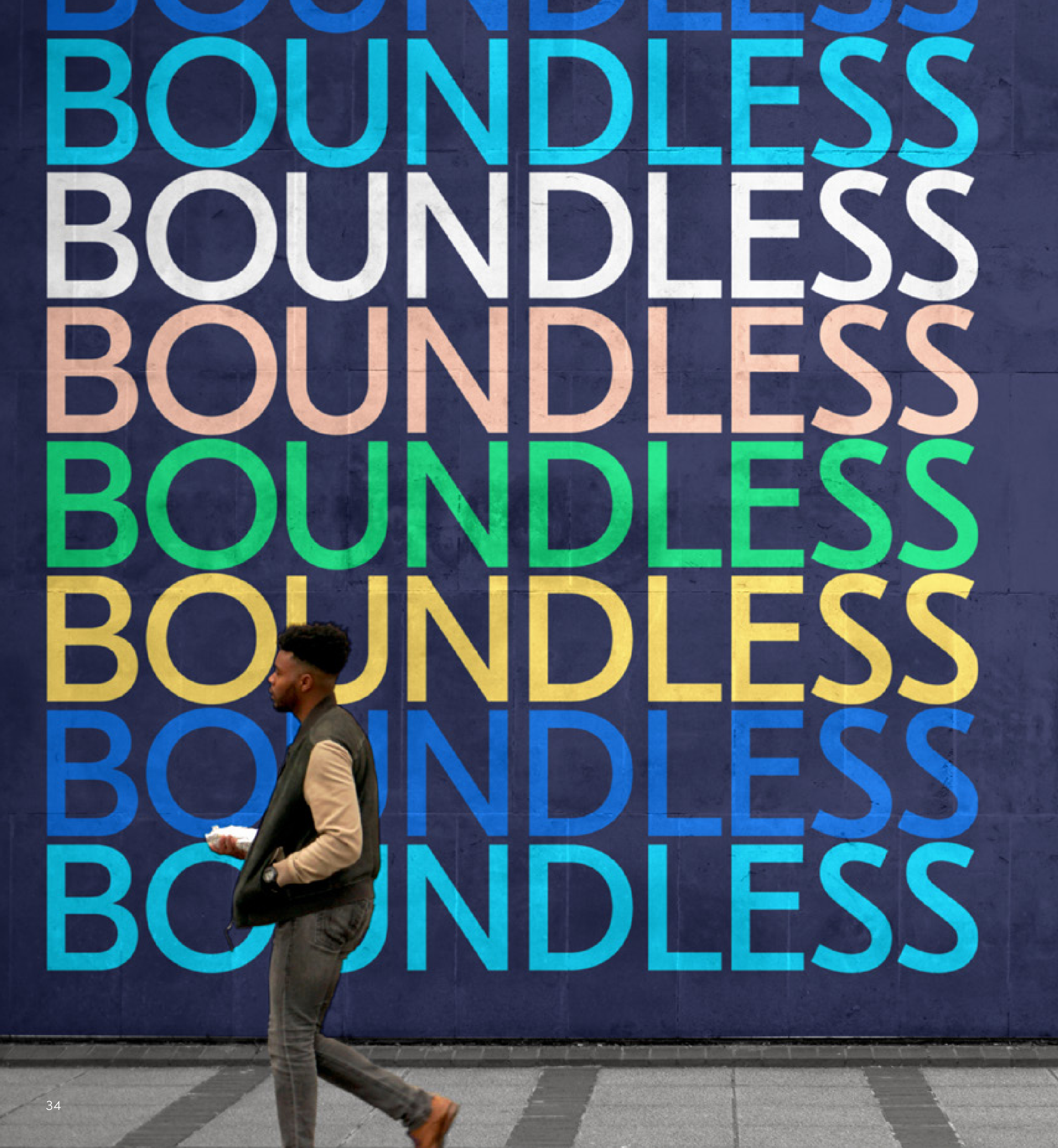
This specialism is increasingly advising brands on how to track consumers in the context of the data privacy controls introduced by Apple during the year, with other data protection measures expected. This includes building probabilistic rather than deterministic models to target consumers using tech and data analytics.

GLOBAL & SOCIAL ISSUES

Driving global and social change, protecting the planet and transforming lives for the better.

2021 Net Revenue: £33.9m

Our Global & Social Issues specialism continues to partner with governments, civil society, foundations, academia and the private sector working on the critical issues of our time, including the climate emergency, national security, human rights and freedoms, social justice, conflict prevention, and sustainable development goals. For instance, in 2021 we acted as the lead agency for the UK Government's behaviour change communications for the COP26 climate summit and steered the debate on climate change.



BRAND & EXPERIENCE

Transforming businesses by unlocking existing and new growth opportunities.

2021 Net Revenue: £30.9m

During 2021 we demonstrated the growth potential of this specialism as new capabilities were developed and investment was made in high growth markets including North America. Our award-winning strategists, designers, consultants and innovators continued to create compelling brands, experiences and innovative services which inspire and excite consumers.

Lyca Mobile

SPONSORSHIP & TALENT

Connecting brands direct to consumers through their passions and personalities.

2021 Net Revenue: £24.5m

The Sponsorship and Talent specialism is made up of:

- The global Sports & Entertainment network, which connects brands to consumer passions. This year our sponsorship offering focused on a refreshed creative and digitally-delivered offering to clients which contributed to its best-ever growth.
- The Talent Group, which managed influencers and celebrity broadcast talent with a combined YouTube subscriber base of 40 million, representing over 2,000 hours of prime-time TV and 3,000 hours of radio and podcasts.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has overall responsibility for internal controls and for reviewing their effectiveness. The Group operates a policy of continuous identification and review of business risks. This includes the monitoring of key risks, identification of emerging risks and consideration of risk mitigations after taking into account risk appetite and the impact of how those risks may affect the achievement of business objectives and the future success of the Group.

The risks and uncertainties that the business faces evolve over time and the Executive Directors and senior management are delegated the task of implementing and maintaining controls to ensure that risks are managed appropriately. The Group's risk management framework is designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

During the year, the Board carried out a robust assessment of the Company's emerging and principal risks together with the actions taken to mitigate these risks. The table below details our principal risks and uncertainties for the year ahead. These are considered to be the most significant, but are not an exhaustive list of all risks identified and monitored through our risk management process. This year we have also provided an explanation of the movement in our risk assessment against the 2020 risk register to provide the reader with a better insight into the Board's risk assessments.

Future threats, that cannot be accurately assessed at the current time but could have a material impact on the business in the future, are considered alongside existing risks, with a view to improving our response plans and exploiting potential opportunities. Our view of emerging risk includes several trends which could form part of the legacy of the Covid-19 pandemic. In most cases these trends could heighten our existing principal risks. For example, the macroeconomic outlook is seeing disruption as a result of the Russian invasion of Ukraine. Emerging trends can also present opportunity.

We take a proactive approach to the changing market conditions and trends in our sectors to ensure we continue to meet the expectations of our clients. Climate change and the transition to a low carbon economy could present some of our most significant challenges and opportunities in the future. Government commitments to reduce carbon emissions are expected to lead to further developments and changes in regulation across the supply chain and property management. There is significant opportunity in addressing climate-related matters to meet client expectations and secure the reputation of our brands in respect of their sustainability credentials.

PRINCIPAL RISK DESCRIPTION	RISK RESPONSE	RISK MOVEMENT SINCE 2020	EXPLANATION OF RISK MOVEMENT
1. STRATEGIC RISK			
Loss of key clients and reliance on key clients Loss of key clients and reductions in expected revenue from clients can occur for a number of reasons including but not limited to: • Negative global or local economic conditions directly impacting clients' businesses. • Clients redirecting marketing spend elsewhere. • Reduction in marketing spend. • Innovation from competitors. • Increased competition from a wide variety of sources. A relatively small number of clients account for a significant percentage of the Group's revenue. A significant reduction in spend by, or the loss of one or more of the Group's largest clients, if not replaced by new client accounts or an increase in business from existing clients, could have a significant impact on the business, revenues and results of operation of the Group.	• Launches of service offerings into high-growth areas: Thread, a digital innovation consultancy; Fluency, the Group's data consultancy practice; and M&C Saatchi LIFE, a specialist sustainability consultancy. • Embedding the new, simpler operating model: simplification of structure down to five specialisms, addition of connective tissue between the specialisms. • Connected growth across the Group. • Diversified client portfolio across the Group. • No client accounted for more than 10% of revenue in the year ended 31 December 2021.	▼	The global economy has recovered from the impact of the Covid-19 pandemic, although it has been partially replaced by the impact of the Russia/Ukraine crisis. Growth of nearly 10% expected in global advertising market in 2022 according to GroupM's end of year 2021 forecast.
Failure to evolve service offering The market in which the Group operates is highly competitive and subject to rapid change as audiences move online and fragment. Agencies must reorient their models to target audiences and reflect client demands for more integrated solutions in this more complicated marketing environment.	• Enhance and adapt the Group's service offering, develop and invest in new propositions and services and invest in technology to better serve the needs of existing clients. • Launches of the Group's service offerings into high-growth areas, including Thread, a digital innovation consultancy, Fluency, the Group's data consultancy practice and M&C Saatchi LIFE, a specialist sustainability consultancy.	NEW	The Covid-19 pandemic has accelerated the move towards technology and digital platforms and the shift of the competitive landscape.
2.OPERATIONAL RISK			
People and talent – retention and recruitment Employees remain our greatest asset and high levels of employee turnover are a principal risk. Highly skilled employees are vital to building and maintaining client relationships and winning new work. The strength of the Group's employee incentive packages may be affected by market volatility.	• Succession planning and talent management. • Introduction of our Connected Talent initiative; we share all live vacancies across all businesses in the UK Group with UK colleagues to leverage our existing talent, maximise development opportunities for colleagues and add strength to our connected business. • Continued support to our employees physically and mentally during the Covid-19 pandemic including embedding ongoing hybrid working arrangements. • Significant efforts made to engage with and obtain feedback from employees. • Powerful Diversity, Equity and Inclusion initiatives instigated, which create a positive work environment and provide opportunities for all to reach their potential such as openly sharing representation data, reviewing hiring, performance and pay processes, and mandating gender and ethnic balance in senior candidate shortlists. • Incentivisation structures put in place where historic put option arrangements have ceased.	▲	The job market is currently candidate-driven in a number of key markets around the world.

PRINCIPAL RISK DESCRIPTION	RISK RESPONSE	RISK MOVEMENT SINCE 2020	EXPLANATION OF RISK MOVEMENT
Covid-19 pandemic Despite our success in adapting to remote working, Covid-19 remains a threat to the business, employees and suppliers. The Group may suffer a decline in revenue from those clients affected by the pandemic.	Working in a Covid environment has become the new normal and the business has adapted accordingly. The following measures have been implemented: • Hybrid working. • Continual monitoring of government advice for changes to ensure regulatory and compliance controls. • Use of remote working collaboration tools. • Reduction in office space. • Continued investment in business continuity, e.g. ISO 22301 certification achieved in London office. • Monitoring employee wellbeing and providing adequate support.	▼	Covid restrictions are being eased in most countries and hybrid working generally seen as a positive.
System access and security As our product range expands and becomes more data and technology dependent, so too does the risk of cyber-attacks which may cause the Group to suffer data corruption or lose operational capacity. Cyber incidents may cause significant disruption and may materially impact business operations.	• Continual monitoring, updating and globalisation of computer systems. • Use of training programmes to improve data protection and awareness of cyber security risks. • Employment of staff with relevant expertise. • London headquarters now covered by ISO22301. • Striving to increase ISO27001 regime coverage for critical areas of our technology infrastructure involving regular audits. • Implementation of IT security policies. • Insuring against cyber risk.	◀▶	Group security constantly improving and being refined but sophistication of cyber attacks also likely to be increasing.
Ineffective internal controls The risk that our multiple accounting platforms, lack of common financial control policies, reliance on manual processes, the ability for controls to be overridden without knowledge or review by others, and cultural and historical habits, may lead to accounting misstatement.	• Further strengthening of the Group finance, treasury and legal functions. • Simplification of Group structure. • Continued roll-out of standard Group accounting policies and procedures, combined with training for individual agencies on key areas. • Embedding new cloud-based accounting and forecasting system across the Group. • Systematic remediation of key controls weaknesses identified by 2020 external audit. • Improved oversight over agency reporting during the year. • Improved communication and co-operation between Group finance and agencies.	▼	Embedding new cloud-based accounting and forecasting system, reduction in manual processes and improved central control evidenced by smoother year-end close and 2021 audit process.

PRINCIPAL RISK DESCRIPTION	RISK RESPONSE	RISK MOVEMENT SINCE 2020	EXPLANATION OF RISK MOVEMENT
Reputation The Group's brand and name have value and recognition and help win clients. The M&C Saatchi name is well known and our actions may be subject to public scrutiny which is disproportionate to the size of the Group.	• Strengthening corporate governance and the Group's legal function. • Standardising policies and procedures around the world. • Using a strategic financial and corporate communications advisory firm. • Using whistleblowing tools allowing employees to report any form of misconduct in the workplace. • Mandatory training for all UK employees on data protection, security, compliance and GDPR.		Confirmation of the end of the Financial Conduct Authority investigation.
Compliance with laws and regulation The Group is exposed to multiple regulators in various countries in which it operates. If the Group fails to comply with applicable laws and regulations, the Group may have to pay penalties or private damages awards.	• Strengthening of the Group's central team including the legal and HR functions. • Use of external legal counsel to advise on local legal and regulatory requirements. • Standardising policies and procedures within the Group. • Where possible, active and positive engagement with regulators. • Mandatory security training implemented for all UK employees.		Improved central control and stronger centralisation reducing the likelihood of problems.
Security The risk from security challenges such as theft, bribery and corruption, terrorism and political activism due to our geographic spread. As a creative business, intellectual property theft is a particular concern.	• Risk assessments carried out as appropriate and dependent on location to understand business exposure and to mitigate accordingly. • Making use of appropriate advisors e.g. use of external security consultants to advise on higher risk areas of the Group. • Use of specialist security operations teams in high-risk locations. • Vetting of employees, suppliers or partners (and obtaining security clearance where appropriate).		No significant change.

PRINCIPAL RISK DESCRIPTION	RISK RESPONSE	RISK MOVEMENT SINCE 2020	EXPLANATION OF RISK MOVEMENT
3. FINANCIAL RISK			
Funding and liquidity Our ability to secure and service adequate funding is paramount to our success. The Company could experience a breach of its financial covenants under its revolving multicurrency credit facility agreement leading to cash restrictions, loss of shareholder confidence and less favourable terms when refinancing in the future.	• Maximising cash in the Group through strengthened treasury management function. • Close cash monitoring and cash flow forecasting. • Regular liaison and transparent relationships with lenders. • Performing forward covenant testing on a quarterly basis, applying sensitivity analysis and stress modelling. • Entered into a new revolving multicurrency credit facility in May 2021. • Embedding the new treasury management system which will improve our decision-making as well as enabling the better utilisation of locally held cash.		Strengthened treasury function and improved profitability, resulting in an increase in net cash and reduction in borrowing levels.
Inflation The Group is subject to increasing operating costs which may adversely affect its earnings.	• Attempts to increase revenue to offset inflationary increases.	NEW	UK inflation rose to 7.0% in March whilst the Australian rate is rising towards 4.0% and inflation in the USA is 8.0%.
Government and central bank decisions Changes to exchange rates, interest rates and tax rates can affect profitability, cash flows and future liquidity.	• Monitoring and modelling likely and actual changes. • Implemented Bloomberg access for treasury function to actively monitor the market. • Reducing dependence on revolving multicurrency credit facility which in turn reduces impact of changes in interest rates. • Maintaining close relationships in the banking sector and the wider capital markets to enable us to access future liquidity.		Strengthened treasury function improving control over exchange rates and interest rates.
Financial mismanagement and fraud Due to the large number of businesses in the Group and the decentralised management of those businesses and complexity of the Group structure, the risk of fraudulent activity and misreporting of financial information is increased. There is also a risk of financial mismanagement through incorrect billings and/or overcharging clients. Employees may commit fraud by false accounting or submitting inflated expense claims.	• Implementation of new financial systems. • Improved financial controls specifically in relation to expense approval. • Continued co-operation with regulatory bodies, consultants and external advisors to resolve past accounting issues and prevent future recurrence. • Roll-out of standardised Group accounting policies and procedures. • Strengthening of the Group's central functions including treasury.		Strengthened central finance team and improved financial controls.

PRINCIPAL RISK DESCRIPTION	RISK RESPONSE	RISK MOVEMENT SINCE 2020	EXPLANATION OF RISK MOVEMENT
4. GEOGRAPHIC RISK			
Global footprint Risks arising from operating in certain geographic regions which potentially endanger our employees or restrict our ability to trade. Security challenges such as bribery, corruption, terrorism and political activism are risks due to our size and geographic spread.	• Monitoring our global footprint, insurance and travel plans. • Investing in technology to allow us to work remotely from these regions. • Continuing to review and update our business contingency plans. Investment in technology has been used to maintain our cohesion and client delivery despite the difficulties imposed as a result of the Covid-19 pandemic. • Reducing geographic risk by exiting from some overseas entities. • Using external security consultants to advise on higher risk areas of the Group.		No significant change.

BOARD ENGAGEMENT WITH STAKEHOLDERS

SECTION 172 STATEMENT

The Board takes its commitment to stakeholder engagement and collaboration very seriously. In the past this was demonstrated through both virtual and physical events which served as opportunities to hear directly about stakeholder issues and priorities. Due to the changing landscape following the continued impacts of Covid-19, we have had to modify our approach in some ways, using a mix of face-to-face and virtual meetings, roadshows, conference calls and digital presentations.

The Board confirms that it has made decisions in a way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the factors set out in section 172 of the Companies Act 2006. Below is a summary of how we engage with some of our largest stakeholder groups.

CONSEQUENCES OF ANY DECISION IN THE LONG-TERM

The Directors are aware of the changing marketing landscape and the needs of its different stakeholder groups. Where conflicts arise between the short-term and long-term consequences of a decision, these consequences are carefully considered. Whilst precedence is given to long-term benefits, the Directors will consider whether these are outweighed by short-term impacts in reaching their conclusions.

The Board undertakes regular reviews of the Company's strategy and is actively involved in reviewing and approving changes which ultimately drive the future of the business. The Board worked hard this year to ensure the relationship between corporate vision and goals, and stakeholder interest remained aligned. Specific examples of decisions made through the year include repaying the UK support provided by the UK Government furlough scheme, detailed discussions on distribution and investment strategy, a transformation strategy with a focus on growing high margin businesses and M&A, an ongoing global entity rationalisation and Group streamlining project, a digital gap analysis exercise and reviewing the Group's put option schemes to address the issue of dilution of shareholder value.

EMPLOYEES

The Board acknowledges people are fundamental and core to our business and delivery of our strategic ambitions. This year we invested in a new whistleblowing tool that is being introduced globally, with the aim of embedding an effective speak-up culture within our organisation. We also implemented a new training platform in the UK businesses in order to keep our people up-to-date with essential knowledge of important topics that help keep us efficient and compliant. The learning platform also contains a vast library of soft-skill training modules that can be accessed at any time.

Additionally, this year saw the introduction of our Connected Talent initiative, where we now share all live vacancies across all businesses in the UK group with UK colleagues in order to leverage our existing talent, maximise development opportunities for colleagues and add strength to our connected business. Creation of a meritocratic culture remains a priority, and the Board continues to review and act on the results of employee satisfaction surveys which help drive the direction of focus. Further examples of Board members and senior management engaging with employees during 2021 include:

- Email newsletters from the Chief Executive Officer and specialism business heads providing detail on strategic updates, big wins and the creation of new business specialisms that feed into our strategy.
- The "Big Q&A", which was an opportunity for employees to submit any questions they had about the Company and its future direction. These questions were answered during global town hall meetings hosted by the Chief Executive Officer and Executive Team.
- Launching a new Diversity, Equity, and Inclusion strategy, with the aim of creating a company that values difference, with an inclusive culture brought to life through equity via demonstrable actions. This has been launched in the UK initially and will be globalised in future years. The launch included detailed briefings, explaining what we learnt from our Diversity, Equity and Inclusion themed surveys and how they informed our commitments and our actions through the year.
- Regular town hall meetings and email newsletters at regional and individual company level, to keep employees up to speed on strategic updates.

The Board recognises that it is crucial to maintain the welfare of the Group's employees. During 2021 and throughout the Covid-19 pandemic, the Group provided workshops to employees to support physical and mental health and sessions for children and parents in school holidays.

CULTURE AND VALUES

The Board recognises that the culture and values of the Company are fundamental contributors to the overall success of the Company in the longer term. We are committed to creating an inclusive experience where all can flourish, perform, and belong. As part of our Diversity, Equity, and Inclusion strategy, from November 2021, we have partnered with Included, a leading Diversity, Equity and Inclusion learning partner, and are working to co-create and deliver a leadership development journey to drive inclusive behaviours and foster an inclusive culture.

BUSINESS RELATIONSHIPS

Customers are the clients that are the end users of our services. The Board is committed to ensuring clients receive high quality deliverables and that they are supported in managing the new marketing landscape. The Board is regularly briefed on key developments across our specialisms, including on new and existing client relationships. We aim to treat our suppliers fairly, holding ourselves to high standards of business conduct and presenting a zero-tolerance approach to practices which are at odds with our values and culture, for example corruption, bribery and modern slavery.

COMMUNITY AND ENVIRONMENT

We play our part in society, helping to build healthier and more resilient communities and having a positive impact on the environment. We have committed to becoming Net Zero across our own operations by 2025 and across both our own operations and value chain by 2030. To do this, we are working to reduce the carbon emissions we produce and plan to invest in verified initiatives to actively remove carbon from the atmosphere, equal to or greater than the emissions we are unavailable to avoid.

For more information on this type of work refer to the section Our focus on planet within the ESG section of the report. For more details on the Company's environmental impact, refer to the Directors' report for the Company's streamlined energy and carbon reporting.

BUSINESS CONDUCT

The Board and its committees are ultimately responsible for setting high standards for ethical behaviour. The Board recognises that a commitment to a high standard of business conduct is critical to the delivery of the Company's strategy and it aspires to complete honesty and transparency in all activity. Across the Group, appropriate policies and procedures are in place to ensure the Group complies with relevant legislation and regulations.

SHAREHOLDER ENGAGEMENT

The Board recognises that relationships with our stakeholders are also key to the delivery of our strategy. The Board is committed to open engagement with our shareholders and provides all the necessary information needed to enable decision-making. We have a number of mechanisms through which our shareholders have the opportunity to make their voices heard and inform the direction and governance of our business. This is evidenced through our Annual General Meetings, investor roadshows, and the last Capital Markets Day where at each, shareholders are able to ask questions of the Company's management. We also communicate with our shareholders through the full-year and half-year results announcements, trading updates and other press releases issued by the Company throughout the year. We maintain an up-to-date website and use an investor relations advisory practice to facilitate clear and productive exchanges with shareholders.

The Board has also taken actions to lower the Company's risk profile by improving corporate governance and by reviewing the Group's put option schemes to address the issue of dilution of shareholder value. Regular meetings are held with the Company's institutional shareholders and the Chief Executive and/or the Chief Financial Officer and/or the Chairman to discuss the Company's results and objectives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

We divide our priorities and commitments into two main areas, People and Planet:

Our focus on people

OUR VISION

Create a company that values difference, with an inclusive culture brought to life through equity.

In 2021 we formulated a new Diversity, Equity and Inclusion strategy based around four commitments: addressing under-representation, building an inclusive culture, supporting our sector and being a force for good in society. Launched in the UK, this strategic framework will be rolled out across the Group.

During the year, we took signature actions to get each of the four commitments moving:

1. ADDRESSING UNDER-REPRESENTATION

We started advertising all vacancies openly across our UK businesses, providing colleagues the opportunity to pursue career routes across our 15 UK-based companies and started mandating diverse candidate shortlists for all senior vacancies.

As of December 2021, the diversity of our Board was 43% female and 29% from an ethnic minority background. All future appointments and reappointments will be made with due regard to the benefits of diversity and the needs of the Board.

Our UK workforce is made up of 54% female employees and 21% ethnic minority employees. Our UK Leadership team consists of 39% female employees and 17% ethnic minority employees.

Gender pay gap

Although none of the UK businesses individually meets the government's criteria for official reporting, we continue to report on a voluntary basis. We have seen progress in key areas for our UK group. Our mean and median pay gaps for 2021 are at the lowest levels since we began reporting in 2017.

Our data snapshot for 2021 showed:

- A gender pay gap of 25.5% (2020: 31.1%) based on mean pay gap figures (which indicate the difference between the average hourly rates of male and female pay).
- A gender pay gap of 20.2% (2020: 24.1%) based on median pay gap figures (which indicate the difference between the midpoints in the range of male and female hourly pay).

This year we saw an increase in the proportion of women in the upper pay quartile from 34% to 41%, highlighting an increase in the proportion of women occupying senior positions. We remain committed to further reducing our gender pay gap. The full report is available on the Company's website: https//mcsaatchi.com.

2. BUILDING AN INCLUSIVE CULTURE

- We initiated a mandatory learning programme on inclusive leadership for all UK Chief Executive Officers;
- We established Diversity, Equity and Inclusion leaders in every UK business – accountable for driving change;
- We further supported our six employee-led networks, which give a voice to minority groups within our workforce. They have proven to be increasingly influential in the development of our policies and culture.

Each of the six networks runs regular, well-attended events and programmes. Highlights included:

The Heritage Network (representing Black, Asian and Minority Ethnic communities) delivered:

- World Afro Day x Halo Code – the Company adopted the Halo Code to tackle Afro-hair discrimination.
- Heritage Open Mic Night (Black History Month) – celebrating the power of Black stories through music and spoken word.

The Family Network (representing parents and carers) introduced:

- Emergency care days provision from Bright Horizons for employees who are carers of children or dependant adults.
- Workshops for those who have been out of the business on maternity or paternity leave.

The Pride Network (representing the LGBTQ+ community) championed:

- More gender inclusivity individualism and the introduction of All Gender toilets.

The Together Network (representing those with mental health and accessibility issues) hosted:

- A week of events for World Mental Health Day.

The Juniors Network (representing those starting out in their careers) ran:

- Multiple panel sessions, ranging from events on how to "Make your mark" held with more senior members of staff to a talk with mental health campaigner Ben West.

The Equals Network (representing women and non-binary people) presented:

- A week of activity to celebrate International Women's Day: a spoken word event, two panels and one hundred changemaker pledges from a range of people across the business giving women support and mentorship.
- "Let's Talk" – ten informative sessions including "Why women should build wealth".

Outside the UK, many of our Group companies have initiatives in this space. Australia inaugurated a series of wellbeing initiatives throughout 2021 including EnergyX, an energy bootcamp designed to increase energy levels, mental resilience, focus and positivity, and also "Wellbeing days", days off throughout the year "gifted" to them to focus on their own mental, physical, and emotional wellbeing. Unlimited, confidential counselling is also available to everyone.

3. SUPPORTING OUR SECTOR

We aim to play our part in creating a more diverse and equitable sector, through the following initiatives:

Open House

Open House is a programme of talks and seminars that are open to people who work outside of the Group, who may not otherwise have had the opportunity to experience and learn about the advertising industry.

Launched in the UK in 2020, Open House returned in 2021. It attracted 1,000 people aged from 16 to over 55, from 38 countries. 35% of participants were from ethnic minorities, 40% were from outside London and 68% were female.

Following completion of the programme we welcomed seven new joiners into permanent roles in Account Handling, Creative, Data, Production, PR and Strategy, offered a further five internships and sponsored 12 creative entries to The Drum Chip Shop Awards.

In Australia, Open House launched for the first time and had 706 registrations and 182 intern applications. 50 interns were selected to participate and 20% of those were hired into permanent positions.

The Saatchi Gallery

The Company became principal patron of the Saatchi Gallery in September 2021. The partnership will provide further access to contemporary art and broaden learning opportunities for young people. The collaboration will include community engagement projects, a cultural change programme to identify the next generation of artists, an annual art prize, and an expanded learning programme bringing art and creativity to a younger, more diverse audience. The first exhibition in our dedicated gallery space at the Saatchi Gallery opened in April 2022 as M&C Saatchi Sport & Entertainment presents "In-Focus: Women's Sport Through the Lens", in partnership with Getty Images.

4. BEING A FORCE FOR GOOD IN SOCIETY

In 2021, we doubled down on our partnerships: M&C Saatchi Saturday School, Mentor Black Business and the Carbon Academy.

Saturday School

Saturday School continued to grow in 2021. We connect with communities around the world by teaching the basics of business and creative entrepreneurship. We partnered with leading independent small businesses to deliver our CPD accredited courses in business planning, digital marketing, wellbeing at work and business finance essentials.

96% of participants were from Black and Minority backgrounds with 86% identifying as female. Feedback included a net promoter score of 81 ("Excellent") whilst 74% of participants felt empowered to take the next steps in growing their businesses.

Mentor Black Business ("MBB")

In partnership with Google, we gave 170 black and minority businesses access to a mentor to help with issues including digital marketing, social media, selling products online and optimising websites. 84% of participants agreed that they have more confidence to succeed as an entrepreneur as a result of the course.

Carbon Academy

Launched in 2019, Carbon Academy is our creative mentoring programme in partnership with the University of Greenwich. The academy enables students identifying as women or non-binary from school years 11-13 to experience working with a creative agency. In 2021 we had a cohort of ten students joining us for a six-month creative journey.

Our focus on planet

The Company has undertaken a series of major initiatives in this area:

M&C SAATCHI LIFE

In February 2022 the Company launched M&C Saatchi LIFE, a specialist sustainability consultancy, whose mission is to make sustainable living mainstream. M&C Saatchi LIFE will:

- Develop new projects and initiatives for its own clients thereby accelerating the mainstreaming of sustainability living. These are businesses that are beginning to look beyond supply chain and operational improvements to consider the role their products, services and brands can play in helping people live better lives within the planet's limits – and how this can build trust and drive sustainable growth. M&C Saatchi LIFE's clients include The Mayor of London and De'Longhi Group (Kenwood).
- Lead the development of the Group's sustainability approach (including ESG strategy and reporting).
- Provide sustainability expertise for client work across the Group.

COMMITMENTS

The Group has launched an integrated ESG strategy, which includes three global planet-related commitments:

- By 2030 we will reduce emissions both across our own operations (Scope 1 and 2) and our value chain (Scope 3) by 50%. This target will be validated by the Science Based Targets Initiative ("SBTi").
- By 2025, we will be carbon neutral across our own operations.
- By 2023, we will set a Net Zero target, in line with the SBTi standard.

Additionally, we will:

- Build climate-literate teams, training our employees to understand the latest climate science and the levers we can use to create impact on existing briefs.
- Grow the % of our revenue from planet positive campaigns year on year (campaigns promoting products or services with lower impacts and/or behaviours which reduce impact on the planet).
- Offer our creative skills to charities and other organisations that support our Planet Action ambition to drive behaviour change.

ESG REPORTING

For the first time, the Company is also releasing a dedicated sustainability update in addition to its Annual Report and Accounts. The full update will be available on our website from June 2022.

MEMBERSHIPS

We joined the following initiatives:

- Science Based Targets – a collaboration between CDP, the United Nations Global Compact, World Resources Institute and the Worldwide Fund for Nature. Since 2015 more than 1,000 companies joined the initiative to set a science-based climate target.
- United Nations Global Compact – a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals.
- Ad Net Zero – an industry-wide initiative to help UK advertising respond to the climate crisis caused by CO2 emissions.
- Conscious Advertising Network – a voluntary coalition of over 70 organisations set up to ensure that industry ethics catches up with the technology of modern advertising.
- #Changethebrief Alliance – a not-for-profit partnership between a mix of media, creative, design and PR agencies and their clients working together to address the climate crisis by promoting sustainability via all possible channels.

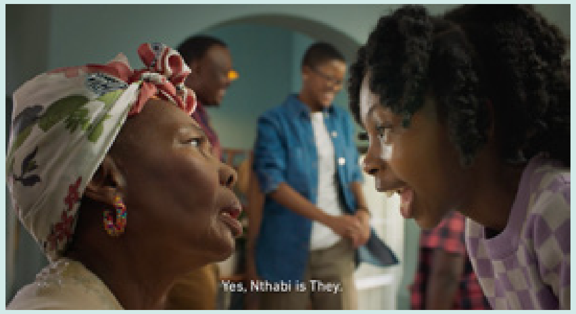
ENERGY AND CARBON REPORTING

Please refer to the Directors' report (pages 114 to 116) for the Company's Streamlined Energy and Carbon Reporting ("SECR").

WORK FOR CLIENTS

COP26

M&C Saatchi World Services was retained by the Cabinet Office to support COP26. A multi-faceted programme of activity spanned social media and public relations, showcasing green behaviours to adopt in our everyday lives. We created the 'One Step Greener' campaign that was prominent throughout the build-up to COP26 and in Glasgow itself. From schoolchildren to businesses, we reached millions of people and introduced them to the green steps we can all take.



Nando's

Nando's South Africa enters the pronouns chat with "They".

M&C Saatchi Abel were briefed to develop a creative campaign for one of Nando's' delicious sharing meals for Easter. A topical discussion point in South Africa was the use of the pronoun "They" for a singular person. The ad shows a family trying to go the extra mile in welcoming Nthabi's potential Easter guests after hearing the word "They". They decide to order a few Nando's sharing meals but, to the family's astonishment, Nthabi arrives alone. The penny drops and a heart-warming educational moment occurs for the family about what Nthabi identifies as.

Live and Breathe London

We worked with the Mayor of London to develop and launch a communications platform for his Sustainability Strategy – a plan that will put London at the forefront of the change movement for global cities.

"Live and Breathe London" is a platform to highlight the changes that the mayor is implementing to ensure London continues to thrive whilst playing its part in response to the climate emergency.

STRATEGIC REPORT

The Chairman's statement (pages 6 to 9), Chief Executive's review (pages 10 to 15), Our business model (pages 24 to 37), Principal risks and uncertainties (pages 38 to 49), Financial review (pages 16 to 23), Environmental, Social and Governance (pages 54 to 59) and Board engagement with stakeholders (section 172 statement, pages 50 to 53) together form the Strategic report.

The Strategic report is approved by order of the Board.

VICTORIA CLARKE
General Counsel and Company Secretary
28 April 2022

Great Calling NY

to see things differently

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

Dear Shareholder,

On behalf of the Board, I am pleased to present the Corporate governance report for the year ended 31 December 2021. This report describes the Company's corporate governance structures and procedures. It also summarises the work of the Board and its committees to illustrate how the Company has discharged its responsibilities this year and progressed on compliance with the requirements of the 2018 Corporate Governance Code (the "Code"). As an AIM-listed company, the Company is not required to comply with the Code, but the Board believes that it represents best practice, and the Company is now very close to full compliance with the Code.

BOARD ROLE AND EFFECTIVENESS

The Board is collectively responsible for how the Company is directed and controlled. Its responsibilities include promoting the Company's long-term success; setting its strategic aims and values; supporting the leadership to put such aims and values into effect; supervising and constructively challenging the leadership on the operational running of the business; ensuring a framework of prudent and effective controls; and reporting to stakeholders on the Board's stewardship. As Chairman, I am responsible for leading and ensuring there is an effective Board. Accordingly, in February 2021, we commissioned an evaluation of the effectiveness of the Board and its committees by an external adviser. The results continue to be reviewed and implemented with a further review due in the second half of 2022. Please see details on pages 74 to 75. The responsibilities of the Board and its committees and the way in which they uphold high standards of corporate governance are set out on page 76.

BOARD CHANGES

Mickey Kalifa, the Chief Financial Officer, is leaving the business after three years so we thank him for his support to the Group over this period. Following several changes in Non-Executive Directors in 2019 and 2020, only one Non-Executive Director, Vin Murria, joined the Board during the year, in March. Vin was not independent on appointment. This period of relative stability has allowed us to progress with the required changes in corporate governance, serving the needs of all stakeholders and thereby allowing the business to grow. Please see pages 68 to 72 for details of the current Board of Directors.

COMPLIANCE WITH THE CODE

At the time of writing, the Company is fully compliant with all but two of the 41 provisions of the Code. Please see full details on page 78.

COMMITTEES OF THE BOARD

The Board is supported by the Audit, Remuneration and Nomination Committees. The Board appoints the committee members. The reports of the Audit Committee and the Remuneration Committee can be found on pages 80 to 87 and pages 90 to 110 respectively whilst the report of the newly formed Nomination Committee can be found on pages 88 to 89. Each committee has access to external advice as it considers appropriate. The Company Secretary or her nominee acts as Secretary to the committees. The terms of reference of each committee are reviewed regularly, updated as necessary to ensure ongoing compliance with best practice guidelines and must be approved by the Board. Copies of the committees' terms of reference are available from the website at https://www.mcsaatchiplc.com/governance.

DIRECTORS' CONFLICTS OF INTEREST

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's articles of association allow the Directors to authorise conflicts of interest and the Board has adopted a policy for reviewing conflicts of interest as they arise. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported by the Directors. A review of Directors' conflicts of interest is conducted at least annually.

CULTURE AND INCLUSION

The Company's leadership team is placing a strong emphasis on the importance of purpose and a positive and values-led culture. Part of that is a commitment to ensure inclusive and diverse teams throughout the business. Last year we emphasised that the Board needed to set the standard in that regard as we believe that diversity is a source of strength for our business. Greater diversity means a variety of perspectives and sources of information, greater understanding and empathy for clients and an improved ability to adapt to change and tackle problems. Excluding the imminent change in the Chief Financial Officer, the proportion of female Directors on the Board remains at 43% and the number of Directors from ethnic minorities remains at 29%. Elsewhere in the business, we are committing to a substantial programme of work on Diversity, Equity and Inclusion which will change the way we hire, develop and promote our people. Please see pages 54 to 57 for details of the Company's diversity initiatives.

STAKEHOLDER ENGAGEMENT

The changes in our approach to our key stakeholders: our clients, our shareholders and our employees have continued. The Company's mission is to be "a creative company that connects specialist expertise through data and technology to deliver meaningful change" and the strategic report explains the client initiatives which continue to deliver on this mission.

We have progressed the plan of paying the Group's put option schemes in cash instead of shares with the aim of addressing the historically dilutive impact of such schemes on shareholders. Please see pages 22 to 23 for more details on this.

Our employees are our greatest asset. The Company has significantly increased investment in its people function in recent years with a view to further enhancing the overall employee value proposition. This has led to a significant number of initiatives being delivered that are specifically aimed at improving Diversity, Equity and Inclusion, as well as colleague wellbeing. Please refer to pages 50 to 56 for full details on how we are improving engagement with our employees.

Please refer to pages 50 to 53 for full details of how the Board engages with its stakeholders.

EXECUTIVE COMMITTEE

In 2021, we formed an Executive Committee led by the Chief Executive Officer which consists of 19 individuals who lead the key business lines responsible for the Group's revenue. This Committee provides an opportunity to share knowledge and drive collaboration across the Group.

FINANCIAL CONDUCT AUTHORITY INVESTIGATION

I am pleased to report that the Financial Conduct Authority has confirmed its investigation of the Company, first announced in January 2020, was being closed and that no enforcement action was to be taken against the Company. I would like to thank our employees for their timely and thorough co-operation throughout the investigation.

SYSTEMS AND POLICIES

The new finance systems and policies introduced across the Group are increasingly allowing management and the Board to monitor the effectiveness of internal controls and ensure compliance with applicable laws and regulations. Particular focus has been placed on improving the reporting into the central Group finance function. This means that there is now better oversight over agencies' financial reporting and both Group finance and the agencies are making better use of the new finance systems: the Group-wide accounting package, the consolidation system and the treasury management system.

As part of the Company's initiatives to improve controls, all UK employees were offered training in 2021 on compliance, security, data protection and GDPR, and this training is also being rolled out to overseas employees.

I am confident that the Group can maintain and further develop a strong and effective governance system to enable the business to deliver its strategy, generate shareholder value and safeguard the interests of all stakeholders.

GARETH DAVIS
Chairman
28 April 2022

BOARD OF DIRECTORS

The Code requires the Board and its committees to have an appropriate balance of skills, experience, independence and knowledge of the Company, to enable them to discharge their duties and responsibilities effectively and in line with the corporate strategy. Members of the Board bring a wealth of knowledge and experience to the discussions, maintain memberships of a number of professional bodies and ensure their skill sets are constantly developed.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Gareth Davis

NON-EXECUTIVE CHAIRMAN

KEY STRENGTHS
A highly experienced former Chief Executive Officer and current Chairman. Long-standing public company experience and shareholder understanding with particular expertise in the fields of governance, mergers and acquisitions, building global brands and corporate transformations.

M&C SAATCHI ROLE
Chairman of the Board, which is responsible for Group strategy, performance and governance and Chair of the Nomination Committee.

JOINED M&C SAATCHI BOARD
February 2020.

OTHER COMMITMENTS
Non-Executive Director of Gresham House Plc and Non-Executive Director/Chairman of Pod Point Group Holdings plc.

PREVIOUS EXPERIENCE
Chairman of DS Smith Plc (2012-2021), Non-Executive Director/Chairman of Ferguson Plc (2003-2019), Chairman of William Hill Plc (2010-2018), Chief Executive of Imperial Tobacco Group Plc (now Imperial Brands plc) (1996-2010).

COMMITTEES
Nomination Committee (attends other committees by invitation).

Moray MacLennan

CHIEF EXECUTIVE OFFICER

KEY STRENGTHS
Started as a graduate trainee with Saatchi and Saatchi and has been with the Company since its creation so very familiar with all parts of the Group. Past President of UK and European communications agencies' bodies; has vast industry experience.

M&C SAATCHI ROLE
Leads the Group and proposes the strategy to be approved by the Board, accountable for delivery of strategic and financial objectives.

JOINED M&C SAATCHI BOARD
January 2021.

OTHER COMMITMENTS
None.

PREVIOUS EXPERIENCE
The Company (1995 onwards: Worldwide Chief Executive Officer 2010-2020), Saatchi and Saatchi (1983-1995).

COMMITTEES
None (attends committees by invitation).

Mickey Kalifa
CHIEF FINANCIAL OFFICER

KEY STRENGTHS
Experienced Chief Financial Officer and former Chief Executive Officer with thirty years of experience in the media, technology and sports industries. Has steered the finances of the Group through the problems of the last three years.

M&C SAATCHI ROLE
Leads the Finance department as well as taking responsibility for a number of strategic and cross-functional initiatives.

JOINED M&C SAATCHI BOARD
March 2019.

OTHER COMMITMENTS
Non-Executive Director of Zoo Digital Group PLC and Director of Arkia Limited.

PREVIOUS EXPERIENCE
Chief Financial Officer (plus other senior finance roles) of Sportech PLC (2008-2017), executive roles at Liberty Global, Sky and Disney.

COMMITTEES
None (attends committees by invitation).

Vinodka ("Vin") Murria
NON-EXECUTIVE DIRECTOR & DEPUTY CHAIR

KEY STRENGTHS
A highly successful and experienced founder and former Chief Executive Officer. In-depth knowledge of software, technology and support services sectors, having executed a number of highly successful growth strategies. Awarded an OBE for services to the digital economy and the support of women.

M&C SAATCHI ROLE
As both a Non-Executive Director and the Deputy Chair, provides strategic advice and monitors management performance. Vin is not considered to be independent given that she is a major shareholder of the Company.

JOINED M&C SAATCHI BOARD
March 2021.

OTHER COMMITMENTS
Non-Executive Director of AdvancedAdvT Limited, Softcat plc, Bunzl plc and SVBUK Limited.

PREVIOUS EXPERIENCE
Founder and Chief Executive Officer of Advanced Computer Software Group plc (2008-2015), Chief Executive Officer of Computer Software Group (2002-2007), Non-Executive Director of Sophos Plc (2017-2020), Non-Executive Director of Zoopla Property Group plc (2015-2018), Non-Executive Director of Chime plc (2013-2016), Chief Operating Officer of Kewill Systems (now known as BluJay Solutions (1986-2001)).

COMMITTEES
Nomination Committee (attends other committees by invitation).

Louise Jackson
NON-EXECUTIVE DIRECTOR

KEY STRENGTHS
Extensive remuneration experience through roles as Human Resources Director and as an advisor on people, organisation, change and transformation. Experience with organisation design, restructuring, cost reduction, talent and culture change work for a large number of household names including many in media.

M&C SAATCHI ROLE
As a Non-Executive Director, provides strategic advice, monitors management performance and chairs the Remuneration Committee.

JOINED M&C SAATCHI BOARD
March 2020.

OTHER COMMITMENTS
Director of Leadership and Talent, Selfridges Group.

PREVIOUS EXPERIENCE
Human Resource Director of Kyowa Hakko Kirin Co Limited, Senior Partner in Leadership and Talent Consulting of Korn Ferry International Limited, Group People Director of Mothercare plc, Chief Executive and co-founder of HR consultancy firm 7days Limited.

COMMITTEES
Nomination Committee, Remuneration Committee (Chair), Audit Committee.

Colin Jones
NON-EXECUTIVE DIRECTOR

KEY STRENGTHS
Experienced former FTSE-250 media sector Chief Financial Officer with particular expertise in financial reporting, corporate finance, investor relations and audit/remuneration/risk committees.

M&C SAATCHI ROLE
As a Non-Executive Director, provides strategic advice, monitors management performance and chairs the Audit Committee.

JOINED M&C SAATCHI BOARD
February 2020.

OTHER COMMITMENTS
Non-Executive Chairman of Centaur Media Plc and Non-Executive Director of The City Literary Institute.

PREVIOUS EXPERIENCE
Chief Finance Officer of Euromoney Institutional Investor PLC (1996-2018).

COMMITTEES
Nomination Committee, Remuneration Committee, Audit Committee (Chair).

Lisa Gordon
NON-EXECUTIVE DIRECTOR

KEY STRENGTHS
Digital transformation, strategy, business development, corporate restructuring, mergers and acquisitions and investor relations.

M&C SAATCHI ROLE
As the Senior Independent Non-Executive Director, supports the Chairman in his role, acts as an intermediary for other Non-Executive Directors and ensures there is a clear division of responsibility between the Chairman and the Chief Executive Officer. Also provides strategic advice and monitors management performance.

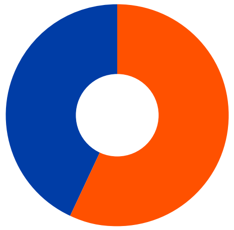
JOINED M&C SAATCHI BOARD
March 2020.

OTHER COMMITMENTS
Non-Executive Director of Alpha FX Group Plc, JPMorgan Mid Cap Investment Trust plc and Magic Light Pictures and Chair of Cenkos Securities Plc.

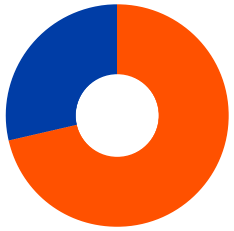
PREVIOUS EXPERIENCE
Non-Executive Chair of Albert Technologies Plc (2015-2020), founding Director of Local World Plc (2012-2015), Chief Operating Officer of Yattendon Group (2007-2013), Corporate Development Director of Chrysalis Group Plc (1994-2003), Non-Executive Director of Future Plc (2003-2005).

COMMITTEES
Nomination Committee, Remuneration Committee, Audit Committee.

BOARD COMPOSITION



Gender
- Male: 4
- Female: 3



Ethnicity
- White: 5
- Asian British: 2

Tenure
- Under 3 years: 7

All Directors have the necessary time, skills and resources to discharge their Board responsibilities. They have access to the advice and services of the Company Secretary and are also able to gain access to external independent professional advice at the Company's expense should they wish to do so in the furtherance of their duties.

In February 2021, a three-year Board development programme was commissioned using external consultants. The Directors and the General Counsel and Company Secretary were invited to complete a survey followed by an interview. The Board was assessed on a wide variety of performance and oversight metrics. See the next page for a summary of the key findings:

EVALUATION OF BOARD AND ITS COMMITTEES

In 2021, the Company engaged an external advisor, Lintstock, to facilitate a review and evaluation of the performance of the Company's Board and its committees. They were appointed by the Board as an independent evaluator following a review of relevant Board advisory firms and their offerings. Lintstock does not provide any services to the Company other than the evaluation of the Board and does not have any other connections to the Company other than the Board evaluation work.

It was agreed that the Company's Board Development Programme would comprise two Board reviews with interviews taking place in 2021 and 2022, and a lighter-touch survey-based Board review is to be conducted in 2023. Each annual review is designed to ensure that recommendations from the previous review(s) are followed up effectively and that priority areas receive the appropriate focus.

The reviews are weighted towards key themes:

- **Board Dynamics** – examining the quality of the relationships between Board members and between the Board and management, following a period of significant transition and in the absence of in-person meetings;
- **Focus and Management of Meetings** – assessing the appropriateness of the Board's annual cycle of work and meeting agendas, as well as the Chairman's management of time and Director input in virtual meetings;
- **Strategic Oversight** – evaluating the Board's oversight of progress with regard to implementation of the new strategy, as well as its understanding of sector developments and the competitive landscape.

The Board considered the outcomes of the exercise at the Board meeting held in May 2021. As a result of the review, the Board agreed to focus on four key action points over the year, and the outcome for 2021 is detailed below:

Monitoring strategic and business plans, which are a key focus for the Chief Executive Officer

This is an ongoing responsibility for the Chief Executive Officer, and progress updates are provided at every Board meeting. There is a focus on competition and market insight in the Chief Executive Officer updates, as well as detail on any digital opportunities and threats facing the business. A presentation from the Chief Strategy Officer was tabled at the Board on 12 October 2021.

Developing the engagement with management and the wider business as Covid-19 restrictions ease

The global business specialisms now individually and uniformly report to the Chief Executive Officer using a prescribed template which is included in the Board pack as part of the Chief Executive Officer updates. The various business areas also take turns to present their activities to the Board in person on an ongoing basis. The Executive Committee was formed in 2021 and meets regularly, including with the Board in November 2021, for a Board Strategy Day to discuss the global strategy of the Group.

Pursuing continued improvements in the information flow

This is an ongoing responsibility for the Chief Executive Officer, the Chief Financial Officer and the General Counsel and Company Secretary.

Continuing to develop the dynamic and relationship between the Board and management

This is an ongoing responsibility for senior management and the Board. The Board is in constant communication with the Chief Executive Officer and members of the Executive Committee with meetings convened as required.

In 2022, it is envisaged that the Board review will be conducted slightly later in the year, with interviews taking place in the Autumn.

In advance of the exercise, Lintstock will engage with key stakeholders, including the Chairman and the General Counsel and Company Secretary, in order to tailor the scope of the review to the current circumstances of the Company, as well as to follow up on progress with the key themes outlined above.

As a general rule, around one third of review content is refreshed in any given year, while two thirds of the content is retained to cover core areas of Board and committee performance and to allow the comparison of performance year on year.

GOVERNANCE REVIEW

DIVISION OF RESPONSIBILITIES AND THE COMPANY'S PURPOSE

Board

Chaired by Gareth Davis (appointed Chairman 1 January 2021)

Responsible for:
- Promoting the Group's long-term success through effective governance and prioritising the interests of stakeholders.
- Overseeing the Group's governance and internal control.

The Board currently consists of seven members, the Chairman, the Chief Executive Officer, the Chief Financial Officer and four Non-Executive Directors. Details of their careers and strengths can be found on pages 68 to 72. The Directors' report can be found on pages 111 to 119.

Audit Committee

Chaired by Colin Jones (appointed 3 February 2020)

Responsible for:
- Monitoring the integrity of the financial statements.
- Reviewing the Group's internal financial controls and risk management systems.
- The Group's relationship with the external auditors.

The Audit Committee consists of three independent Non-Executive Directors: Colin Jones, Lisa Gordon and Louise Jackson. The Chief Executive Officer, the Chief Financial Officer, the General Counsel and Company Secretary and any other Directors or representatives and external advisers attend meetings by standing invitation to make proposals and provide such information as the Audit Committee requires. The report of the Audit Committee can be found on pages 80 to 87.

Remuneration Committee

Chaired by Louise Jackson (appointed 6 May 2020)

Responsible for:
- Determining the policy for Executive Director remuneration.
- The Committee engaged the services of a leading independent external remuneration advisor, Korn Ferry, to assist in a comprehensive review of current remuneration practices and to ensure that remuneration, strategy and culture are fully aligned.

The Remuneration Committee consists of three independent Non-Executive Directors: Louise Jackson, Colin Jones and Lisa Gordon. The Chief Executive Officer, the Chief People Officer, the General Counsel and Company Secretary and any other Directors or representatives and external advisers attend meetings by standing invitation to make proposals and provide such information as the Committee requires. The Directors' remuneration report can be found on pages 90 to 110.

Nomination Committee

Chaired by Gareth Davis (appointed 6 May 2020)

Responsible for:
- All Executive and Non-Executive Director appointments.
- Overseeing the Executive Committee that reports to the Chief Executive Officer.
- Making use of independent search consultancies for all of its appointments.

The Nomination Committee consists of the Chairman of the Board, Gareth Davis, and the Non-Executive Directors, Lisa Gordon, Louise Jackson, Colin Jones and Vin Murria. The Chief Executive Officer, the Chief People Officer, the General Counsel and Company Secretary and any other Directors or representatives and external advisers attend meetings by standing invitation to make proposals and provide such information as the Committee requires. The report of the Nomination Committee can be found on pages 88 to 89.

COMPANY'S PURPOSE

The Company's purpose is to help clients navigate complex change and create new opportunities through creativity and technology. The Board commissioned several in-house work groups to review the Company's purpose, values and strategy. There have been regular presentations and updates to the Board and this work was presented to the Company's stakeholders at a Capital Markets Day held in January 2021. This served to:

- Connect purpose and strategy to culture;
- Align values and incentives;
- Assess, measure and report on the Company's culture and how it benefits all stakeholders.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS DURING THE YEAR

Eleven scheduled meetings of the Board were held during the year ended 31 December 2021. The attendance record of the Directors at the meetings of the Board and the Board's committees is shown in the table below.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chairman				
Gareth Davis	11/11	8/8*	7/7*	4/4
Executive Directors				
Moray MacLennan	11/11	–	–	–
Mickey Kalifa	11/11	–	–	–
Bill Muirhead***	0/3	–	–	–
Non-Executive Directors				
Vin Murria**	9/9	7/7*	6/6*	4/4
Lisa Gordon	11/11	8/8	7/7	4/4
Louise Jackson****	8/11	5/8	5/7	2/4
Colin Jones	11/11	8/8	7/7	3/4

* Attends by invitation
** Joined Board on 3 March 2021
*** Departed Board on 31 March 2021
**** Attendance was affected by illness during 2021

The Chief Financial Officer and Chief Executive Officer attend the Audit, Remuneration and Nomination Committee meetings by way of invitation and on an ad hoc basis as required.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018 (THE "CODE")

As an AIM-listed company, the Company is not required to comply with the Code, but the Board believes that it represents best practice and has moved significantly towards full compliance with the Code. The Board continues to work to implement the provisions of the Code and supports the focus that it places on relationships with employees, shareholders and other stakeholders. Other than as detailed below, the Company complied with the provisions of the Code for the whole of 2021:

PROVISION OF THE CODE (INCLUDING CODE REFERENCE NUMBER)	NON-COMPLIANCE AND PROGRESS TOWARDS COMPLIANCE
26) The Audit Committee should provide an explanation of how it has assessed the effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function is appropriate for the business.	A plan has been developed to build a new internal audit function, reporting to the Audit Committee and the Chief Financial Officer.
38) Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.	Mickey Kalifa's pension was not compliant in 2021 but his pension was brought in line with the rest of the workforce from 1 January 2022.

> "I am pleased to report further progress in the governance of the business, including improved controls, and in our efforts to fully comply with the UK Corporate Governance Code."
>
> **– Gareth Davis**

REPORT OF THE AUDIT COMMITTEE

I am pleased to present the Audit Committee's report for the year ended 31 December 2021. Since my last report in August 2021, the principal activities of the Committee have been overseeing a smooth transition from PricewaterhouseCoopers LLP (PwC) to BDO LLP (BDO) as the Group's external auditors, continuing to monitor the progress in improving internal financial controls and reporting, and ensuring a more efficient year-end close and external audit.

The Audit Committee's mandate is to provide effective governance over the appropriateness of the Group's financial reporting and the performance of both the internal and external audit functions. The Committee also reviews and monitors the Group's internal financial control and risk management processes and related compliance activities.

The members of the Committee are myself as Chair and the two other independent Non-Executive Directors, Lisa Gordon and Louise Jackson. Gareth Davis stepped down from the Committee in January 2021 following his appointment as Chairman of the Company. Committee meetings are also attended by the Chief Financial Officer, other Directors, the General Counsel and Company Secretary, key members of the Group's central finance team, and by the external auditors, all as required. The Committee meets at least annually with the external auditors without the Executive Directors present.

PRINCIPAL RESPONSIBILITIES

The principal responsibilities of the Audit Committee are:

Financial reporting: To a) monitor the integrity of the Company's and the Group's financial statements and any formal announcement relating to the Group's financial performance, to b) review significant financial reporting judgements, issues and estimates, and to c) confirm whether, taken as a whole, the Annual Report and Accounts are fair, balanced and understandable.

Risk management and internal controls: on behalf of the Board, to review and monitor the effectiveness of the Group's internal financial controls and risk management systems and procedures.

External audit: To a) assess the effectiveness of the external audit process, to b) review and monitor the external auditors' independence and objectivity, to c) develop and implement a policy for the provision of non-audit services by the external auditors, and to d) make recommendations to the Board about the appointment, reappointment and removal of the external auditors and their remuneration and terms of engagement.

Internal audit: To monitor and review the effectiveness of the internal audit function and the annual internal audit plan (where applicable).

The Committee's full terms of reference, which are reviewed annually, are available at: www.mcsaatchiplc.com/governance and reflect the requirements of the UK Corporate Governance Code 2018 (the "Code").

The Audit Committee works to a programme aligned to key events in the financial reporting cycle. Agendas include key audit, accounting and reporting issues as well as standing items required by the Committee's terms of reference.

ACTIVITIES OF THE AUDIT COMMITTEE

Since reporting on the 2020 Annual Report and Accounts in August 2021, and up until the date of this report, the Audit Committee has undertaken the following activities:

AREA OF FOCUS	MATTERS CONSIDERED
Financial reporting	• Significant accounting judgements, estimates and assumptions including: going concern and viability, revenue recognition, share-based payments and put option accounting, the valuation and impairment of goodwill, the valuation of unlisted equity investments and the use of alternative performance measures (see details below under "Significant accounting issues and judgements"). • Review of the Annual Report and Accounts and confirmation to the Board that it is fair, balanced and reasonable. • Review of other financial announcements made during the period.
External audit	• Appointment of new auditors for the 2021 audit. • Review and approval of the audit plan including key audit matters and approval of audit fee. • Monitoring implementation of the external auditors' recommendations for improving the efficiency of the year-end closing and audit process. • Regular updates on audit progress. • Review of external auditors' reports to the Committee.
Internal controls	• Confirming requirement for an internal audit function to be reintroduced. • Making recommendations for improvements in quality of resources and structure of the Group's accounting function. • Monitoring roll-out of new standard Group systems and accounting policies to local subsidiaries. • Annual assessment of the effectiveness of the Group's internal financial controls.
Risk management	• Reviewing management's risk management processes and the Group risk register. • Annual assessment of the Group's emerging and principal risks including disclosures in the Annual Report and Accounts.
Corporate governance	• Confirming compliance with the Code.
Other matters	• Monitoring progress of FCA investigation (now closed). • Annual review of Audit Committee's terms of reference.

The most significant accounting issues and judgements considered by the Audit Committee, and discussed with the external auditors, are set out below:

SIGNIFICANT ACCOUNTING ISSUES AND JUDGEMENTS

Going concern and viability

As explained on pages 111 to 112, the financial statements have been prepared on the going concern basis. In this context, the Board and the Audit Committee considered the Group's ability to meet its obligations as they fall due for the foreseeable future, with particular reference to the economic impact of the Covid-19 pandemic and rising inflation, the strategic initiatives to simplify the business and improve profitability, and the support of the Group's lenders. Management prepared a set of cash flow forecasts, evaluating four different severe but plausible downside scenarios, covering the period to the end of 2023. The Board and Audit Committee reviewed these forecasts under each scenario, and the key assumptions on which they are based, and are satisfied that they are appropriate. Further details of these forecasts and assumptions are set out in the Directors' report.

Based on these forecasts and assumptions, the Board and the Audit Committee believe that it remains appropriate to prepare the financial statements on a going concern basis.

The Board and the Audit Committee have also assessed the statement in the Directors' report in relation to the longer-term viability of the Group including reviewing the forecasts used in the going concern models extended to the end of 2026, considering the appropriateness of this viability period, and challenging the factors, assumptions and risks which are critical to the Group's viability over this period. The Board and the Audit Committee have concluded that the statement made by the Directors on page 113 in relation to the longer-term viability of the Group is appropriate.

As highlighted in the Financial review on page 22, the Group has entered into a new three-year revolving multicurrency credit facility of £47.0m (£38.0m under the previous facility), which terminates on 31 May 2024, and which has two one-year extension options. With this new facility in place, the Board has concluded that, under all scenarios modelled by management, the Group will have sufficient liquidity to operate and will not breach its financial covenants under the facility.

Revenue recognition

Revenue recognition is a critical accounting policy and risk area for the Group. The Audit Committee has devoted considerable time to reviewing the many different aspects of revenue accounting (see Note 4 of the financial statements) and has noted the significant amount of training, oversight and guidance provided to local entities by the Group finance team this year. It is satisfied that the Group's revenue accounting policy has been consistently applied and that revenue is not materially misstated. The Committee continues to encourage management to enforce the correct application of IFRS 15 at an entity level at each reporting period end and this will also be a priority for the new internal audit function.

Share-based payments and put option accounting

The Company's strategy has been to grow organically rather than by acquisition. This has traditionally been achieved by launching new businesses in partnership with a local management team. The local management team receives an equity interest in the start-up company at launch and has the option to sell such equity to the Company at a future date based on certain performance and valuation criteria of the start-up company as set out in its governing documents.

The accounting for these put option schemes is a critical accounting policy. It is a complex area requiring a number of judgements and depends on the substance and detailed terms of the underlying arrangement.

The Audit Committee has considered the key judgements and estimates made by management in respect of these put option schemes, including the accounting for the transition to settling these options in cash rather than equity applied from September 2021, the assessment of non-market performance conditions, and the appropriateness of the forecasts used for valuation purposes. The Committee has concluded that the judgements and estimates applied by management to the accounting for these put option arrangements are reasonable, and that the related disclosures in the notes to the financial statements are appropriate.

Goodwill carrying value and impairment
The carrying value of goodwill as at 31 December 2021 was £36.0m (2020: £33.5m), full details of which are set out in Note 14 of the financial statements. The recoverable amount of goodwill is determined by management by reference to a value-in-use calculation for each cash generating unit (CGU), based on the Board approved 2022 budget and five-year plans and a residual growth rate of 1.5%. Management also prepared sensitivity analyses for each CGU, for which the key variables are the forecast profits and the discount rate used to measure the present value of the forecast cash flows.

The Audit Committee has reviewed management's assessment of the recoverability of this goodwill and the impairment recognised in 2021, taking into account the key judgements and sensitivity analyses. The Committee has also reviewed the disclosures relating to goodwill carrying values and impairment in Note 14 of the financial statements. The Committee is satisfied with the conclusion that no further impairment is required and with the presentation of goodwill in the financial statements.

Unlisted equity investments (financial assets at fair value through profit and loss)
The Group has historically invested in early stage, unlisted businesses for the purposes of gaining access to new technologies and digital media trends. The portfolio comprises more than 20 investments, most of which are managed independently by UK-based experienced investment managers, who are remunerated based on the performance of the investments. During the year the Group invested a further £0.5m in existing businesses and disposed of £0.2m of the investments for neither gain or loss on its original investment. The net revaluation adjustment was an increase of £3.5m, more than recovering the Covid-driven devaluation in 2020. The portfolio has a carrying value at the balance sheet date of £15.2m (see Note 19 of the financial statements).

The valuations are based on several factors, including the share price from the latest funding round, recent financial performance (where available), discounting for liquidation preference shares and discounting for convertible loan notes. The Board receives regular investment proposals and portfolio valuations from the investment managers. The Audit Committee has reviewed the year end valuation of the portfolio and is satisfied that the judgements made in valuing the portfolio at 31 December 2021 are reasonable.

Alternative performance measures
The Group uses "Headline" numbers to report its underlying results, as well as for internal reporting purposes (see Note 1 of the financial statements). The Headline numbers strip out the impact of separately disclosed items, including one-off non-recurring revenues and expenses (see Note 2 of the financial statements), and the accounting impact of acquisitions, disposals, fair value adjustments and put options.

The Committee has reviewed the Group's policy for the exclusion of certain items when presenting Headline results, and confirmed the consistent application and appropriateness of this policy from year to year. It has also challenged management on the nature and amount of each separately disclosed item to ensure that it was appropriate and treated in accordance with the Group's accounting policy.

Internal audit
The Audit Committee believes strongly that an internal audit function should be a key element of the Group's internal control framework, particularly given the complex structure of the Group, the significant number of small, de-centralised operations, and an incentive-based culture. Management have presented a preliminary proposal for the structure and resourcing of a new internal audit function, and further work will be done in this area with a view to implementation later in 2022.

External auditor and audit effectiveness
As highlighted in last year's Annual Report and Accounts, PwC had indicated their intention not to seek reappointment as the Group's external auditors for the 2021 financial year. After a robust and objective review of the audit market, and taking into account the size and reduced complexity of the Group, the Audit Committee concluded that it was preferable to appoint one of the challenger firms as the Group's external auditors. The Audit Committee's recommendation to appoint BDO took into account a number of factors including the results of the Financial Reporting Council's most recent Audit Quality Review, BDO's extensive international experience and availability of resources in a Covid-constrained world, the need to commence the audit planning immediately following completion of the 2020 audit at the end of August 2021, and the Group's positive insight into BDO's audit approach and resourcing from its involvement in the previous audit tender undertaken two years earlier.

BDO were therefore appointed as the external auditors of the Group and the Company at the Annual General Meeting held in October 2021 and this is BDO's first year as auditors. The BDO partner responsible for the audit is Kieran Storan (Senior Statutory Auditor). The Audit Committee is responsible for monitoring the external audit process to ensure high standards of quality and effectiveness. The Committee has satisfied this objective through a number of measures and interactions taken since BDO's appointment, including:

- Reviewing the audit plan, scope, materiality and resources;
- Monitoring the independence and transparency of the auditors (see below);
- Regular meetings between the Audit Committee chair and the audit partner without management present;
- Meetings between the Audit Committee and the audit partner without the Executive Directors present;
- Obtaining feedback from the Chief Financial Officer and his team on the quality of the audit team, their understanding of the business and its risks, and the quality of their judgements and communications.

These steps have enabled the Committee to be satisfied with the effectiveness of the external audit. As a result, the Committee has recommended to the Board that a resolution for the reappointment of BDO will be proposed at the Company's Annual General Meeting to be held in 2022.

The external auditors' report to the Directors and to the Audit Committee has confirmed that BDO remained independent throughout the 2021 audit, and the Committee concurs with this view.

To help safeguard the external auditors' objectivity and independence, they are excluded from providing any non-audit services that individually, or in aggregate, could impair its independence. Prior approval from the Audit Committee is required for any provision of non-audit or other services, taking into account the relevant professional and regulatory requirements. The fees paid to BDO in respect of non-audit services are shown in Note 6 of the financial statements.

The fee for the 2021 audit of the Group and its subsidiaries is £1.7m (2020: £2.6m). The decrease in the fee from the previous year reflects the smoother 2021 audit as a result of improvements in financial controls, processes and reporting.

Effectiveness of the Group's system of internal controls and risks

The Audit Committee, on behalf of the Board, is responsible for reviewing the adequacy and effectiveness of the Group's internal financial controls and its internal control and risk management systems. These controls and systems are reviewed on a regular basis with a view to driving continuous improvement in the Group's internal control and risk management processes.

The accounting misstatements identified in 2019 highlighted a number of weaknesses in the Group's internal financial controls. Since then significant steps have been taken to address these weaknesses including the roll-out of new, standardised finance systems across all Group entities, the push down of Group accounting policies to local entities, investment in resources and skills within the Group finance function, and a shift from a de-centralised operating culture to one with more robust central control, oversight and accountability. These improvements have all been monitored and reviewed by the Audit Committee for effectiveness.

As a result of these improvements, the 2021 audit benefitted from a significant reduction in the number of changes to the draft numbers and the audit was completed by the end of April, rather than the end of August last year. The external audit remains substantive rather than controls-based and in 2022 the Committee will continue to focus on improvements to financial controls and reporting as part of its longer-term goal of moving towards a more efficient controls-based audit.

The Group is moving towards a traditional three lines of defence model for managing risk and internal control. The focus over the past 12 months has been on improving entity level controls, particularly around revenue recognition and balance sheet reconciliations. At the same time significant steps have been taken to improve the quality of oversight from the Group finance team so that entities are regularly challenged on the accuracy, timeliness and discipline of their financial reporting. Further steps will be taken in 2022 to improve the effectiveness of the Group's internal controls, including: adoption of a formal Group accounting and procedures manual; the development of entity-level systems controls across the Group's global financial systems; implementing the control recommendations of the external auditors; and the reintroduction of an internal audit function as a third line of assurance (see above).

The Audit Committee also continues to review and update the Group's principal risks schedule shown on pages 38 to 49.

Annual Report and Accounts

At the request of the Board, the Audit Committee has considered whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for shareholders to assess the Group's position, performance, business model and strategy, and confirms that this is the case.

COLIN JONES
Chair of the Audit Committee
28 April 2022

REPORT OF THE NOMINATION COMMITTEE

Formed in 2020, the Nomination Committee presents the following report for the 2021 financial year.

MEETINGS

The Committee met formally four times during 2021. Members' attendance at meetings are indicated on page 77. The Chief Executive Officer, the Chief People Officer, the General Counsel and Company Secretary and any other Directors or representatives and external advisers attend meetings by standing invitation to make proposals and provide such information as the Committee requires.

RESPONSIBILITIES AND ACTIVITIES

The Committee's role and responsibilities are governed by its terms of reference, which are reviewed and approved annually by the Board.

In summary, the Committee oversees:

- The composition of the Company's Board and its committees by setting criteria for Board positions, identifying candidates and making recommendations to the Board on appointments. In doing so, it takes into consideration the Board's structure, size, diversity, demographics and balance between Executive and Non-Executive Directors
- Succession planning for the Chairman and Board members, which includes the identification, mentorship and development of future candidates.
- Succession planning linked to all executive and senior management positions.
- The induction of new Directors and the ongoing training and professional development of Board members, as and when required.
- The effectiveness and ultimately the performance of the Board, its committees and individual members.
- The evaluation of independence process.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found on the Company's website at https://www.mcsaatchiplc.com/governance

COMPOSITION AND ELECTION/ RE-ELECTION OF DIRECTORS

Members of the Committee for 2021 were Non-Executive Directors, Gareth Davis (Committee Chair), Lisa Gordon, Louise Jackson, Colin Jones and Vin Murria. Their qualifications and experience are available on pages 68 to 72.

Since 2020, in line with the UK Corporate Governance Code, the Company has been operating on a basis whereby all Directors have offered themselves for re-election at the Company's Annual General Meeting. At the Annual General Meeting held in 2021, new articles of association were adopted by shareholders. The articles require Directors to retire at the Company's Annual General Meeting on the basis recommended by any corporate governance code adopted by the Company and, in any event require that any Director who was not appointed or re-appointed as a Director at either of the last two Annual General Meetings must retire and (if relevant) stand for re-appointment.

The Board and the Committee agreed that the range of skill and experience of the current Board was fully satisfactory, and the Directors demonstrated ongoing commitment to their roles and the Company. The Board and the Committee therefore fully endorsed the re-election of the Directors at the Annual General Meeting held in 2021.

REPLACEMENT OF THE CHIEF FINANCIAL OFFICER

The Company has decided to seek an interim, rather than permanent Chief Financial Officer given the potential corporate transaction. Internal and external candidates have been considered, with external candidates sourced both from recommendations and reputable external firms.

Interviews have taken place with the Chief Executive Officer and Chief People Officer and the Nomination Committee will be involved in ratifying any appointment decision, taking into account the requirements of the position (which have been detailed in a comprehensive list of competencies).

SUCCESSION PLANNING

The Board has been though substantial change in the last few years, with a significant number of new appointments made as the new leadership team was developed. The Committee has considered succession issues against the backdrop of this change and now considers the Board and the Executive Committee as stable leadership to lead the Company. It is intended that a formal succession plan will be developed for the Company during 2022.

DIVERSITY AND INCLUSION

The Corporate Governance Code and our shareholders place great importance on the role of the Nomination Committee with regards to Diversity, Equity and Inclusion and gender balance. The Board has produced a Diversity and Inclusion statement published on the Company's website, and there is a comprehensive internal policy on diversity. At the date of this report the Board is comprised of four men, one of whom is of British Indian heritage and three women, one of whom is of British Indian heritage.

I should like to thank the other Committee members for their dedication during the year.

GARETH DAVIS
Chair of the Nomination Committee
28 April 2022

DIRECTORS' REMUNERATION REPORT

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ending 31 December 2021.

Over the past year, as we have continued to embed our remuneration framework aligned to our renewed strategy, I have been delighted to observe first-hand the passion, resilience and focus that our senior leaders and their teams have demonstrated. In what has continued to be a challenging year, particularly due to the potential corporate transaction, I would like to take this opportunity to thank everyone for their ongoing commitment to our clients, our colleagues and our business. In addition, I would like to extend my thanks to my Board colleagues for their continuing support and counsel during these uncertain times. Although, as an AIM-listed business we are not obliged to, we seek to implement the provisions of the UK Corporate Governance Code and ensure our remuneration arrangements are aligned with best practice. I am delighted that at last year's Annual General Meeting, shareholders approved the Directors' remuneration report which incorporated the Directors' Remuneration Policy ("Remuneration Policy"). We will be seeking approval from shareholders once again this year for the Directors' remuneration report.

This report sets out the implementation of the Remuneration Policy and the remuneration paid to the Directors for the year in the context of the Remuneration Policy which can be found on pages 95 to 102 of this report.

The Remuneration Committee consists of my fellow Independent Non-Executive Directors, Lisa Gordon and Colin Jones, and by standing invitation, Gareth Davis and Vin Murria attend our meetings. We are independently advised by Korn Ferry, who are members of the Remuneration Consultants Group and advise in accordance with their Code of Conduct.

The work of the Committee over the past year has focused on implementing good governance, process and the policy we established last year. With support of our new Chief People Officer and General Counsel and Company Secretary, we have also been undertaking a review of all equity-based incentive arrangements within the Group's subsidiaries. As these mature, we are replacing them with cash-based plans that do not have the potentially high dilutive impact on our shareholders.

ALIGNMENT WITH VISION AND STRATEGY

Our ongoing vision is to navigate, create and lead meaningful change for our clients and the world. We will achieve this by being a creative company that connects specialist expertise through data and technology. This requires us to operate in an increasingly connected and global way, through five specialisms, fuelled by our growth platform. The Remuneration Policy and framework support this vision and strategy directly. Key targets set out during the Capital Markets Day in January 2021 included:

- Net revenue growth of 6% CAGR (FY 2020 to 2025).
- Operating profit growth of >25% CAGR (FY 2020 to 2025).
- Strong operational leverage and tight cost control.
- A Group operating profit margin of 18% by 2025.

I will describe later how our LTIP arrangement and the STIP/bonus speak directly to these measures.

THE EXECUTIVE COMMITTEE

As I explained in last year's report, a new Executive Committee has been formed that will drive performance and delivery against our business strategy.

In January, our Chief Financial Officer, Mickey Kalifa, informed the Board of his intention to leave the business and he has been working out his notice period whilst we finalise the 2021 audit. After careful consideration, the Committee determined that Mickey should receive his 2021 annual bonus payment, which is calculated in line with the performance conditions set out on pages 98 to 99 of this report. His agreed termination arrangements are in line with the Remuneration Policy.

The remuneration of his successor will be reported in next year's Annual Report and Accounts and will be in line with the Remuneration Policy.

The Remuneration Committee has responsibility for both Board Directors' remuneration as well as the remuneration of Executives who form the membership of the Group's Executive Committee.

There were no increases in salary for either Executive Director in the year ended 31 December 2021.

During the year, we granted the first awards under our new LTIP to both Executive Directors and other Senior Executives.

The strong recovery in the business and the foundations established for the future resulted in bonuses of 93% and 87.5% of the maximum opportunity for Moray MacLennan and Mickey Kalifa respectively. The Committee reviewed the formulaic outcome of the bonus calculations and concluded that it was satisfied that the level of payment reflected the overall performance and the experience of other stakeholders in the year.

The Committee did not exercise any discretion in relation to the bonus plan or LTIP in the year, save for confirmation that Mickey Kalifa would be eligible to receive his bonus payment in respect of the year.

COVID-19 IMPACT ON REMUNERATION AND ENGAGEMENT

The business has continued to do an outstanding job at maintaining employee engagement and ensuring professional, social and wellbeing support during the Covid-19 pandemic. Given the federated nature of the business, both in terms of specialism and geography, examples of this support vary across the Group. The types of support offered include meditation and exercise classes and the provision of online wellbeing advice and counselling services.

Formal monitoring of engagement has previously been a localised activity. We have now signed a contract with Glint who will provide a platform for surveying our employees consistently across the Group. Surveying will commence in the first half of 2022 and will give us immediate data on employee engagement and the associated drivers.

I am the Non-Executive Director with responsibility for workforce engagement and through 2021 worked with the Chief People Officer to establish mechanisms for the Board to engage directly with employees across the business, which have commenced in 2022.

In 2021 the Company launched a formal strategy within the UK businesses that places Diversity, Equity and Inclusion at the heart of how we think and operate. This strategy will be globalised in future, supported by the appointment of a Global Head of Diversity, Equity and Inclusion in May 2022. The UK companies within the Group have six employee led networks who work closely with colleagues and business leaders to foster an inclusive culture. They cover important issues including gender, caring responsibilities, race, LGBTQ+, physical and mental health and those new to the industry. The Group is intending to replicate a number of these employee-led networks internationally.

SHAREHOLDER ENGAGEMENT

We are very conscious of the benefits from and need to fully engage with our shareholders on all key matters moving forward and are committed to doing so. The results of the voting on the 2020 remuneration report which included the Remuneration Policy are set out on pages 95 to 102 of the report.

IMPLEMENTING THE REMUNERATION POLICY IN 2022

This is summarised in the report below and contains the normal elements of fixed and variable pay. The bonus and long-term incentives are capped by reference to salary, and Executive Directors have shareholding guidelines.

The Committee does not intend to make any change to the base pay of either Moray MacLennan or Mickey Kalifa in the year ending 31 December 2022.

The STIP/Bonus will continue to be a key driver in incentivising in-year performance in line with financial goals shared externally, with targets being set for Headline profit before tax (50%), revenue (25%), ESG (10%) and the achievement of critical personal objectives (15%).

The LTIP will focus on driving longer term performance aligned to the financial goals shared externally, with targets being set for total shareholder return (50%) and Headline earnings per share (50%).

I trust that you will find this report helpful and informative and agree that the determinations made by the Committee are appropriate and in the long-term interests of both the Company and our Shareholders.

I would also like to take this opportunity to thank our Shareholders for their ongoing support and hope that you support the Directors' remuneration report for the year at the Company's Annual General Meeting to be held in 2022. I will be available at that meeting to answer any questions that you may have regarding the work of the Committee.

LOUISE JACKSON
Chair of the Remuneration Committee
28 April 2022

COMMITTEE COMPOSITION

This section details the Remuneration Committee's composition and activities undertaken over the past year.

COMMITTEE MEMBERS

The current Committee members and the dates they joined the Committee are:

- Louise Jackson (Chair) 17 March 2020
- Lisa Gordon 17 March 2020
- Colin Jones 17 March 2020

No Directors are involved in determining their own remuneration. The Committee may invite other individuals to attend all or part of any Committee meeting, as and when appropriate and necessary, including members of management and external advisers.

ROLE

The Remuneration Committee is a committee of the Board. The Committee has responsibility for determining the remuneration of the Company's Executive Directors, the Chairman and selected Senior Executives, taking into account the need to ensure Executives are properly incentivised to perform in the interests of the Company, its people and its shareholders.

The Remuneration Committee's key responsibilities are:

- Shaping and agreeing with the Board the policy framework for the remuneration of Executive Directors and certain aspects of the remuneration of senior management.
- Determining the total individual remuneration package of each Executive Director with due regard to the performance of the individual, in line with the agreed remuneration policy.
- Agreeing Executive Directors' contractual terms.
- Acting on behalf of the Board in connection with the establishment and administration of the Company's current and/or future share plans, including the selection of participants, determining the structure of awards and the setting of performance targets.
- Drafting and approving any remuneration related resolutions to be put to the shareholders at the Company's Annual General Meeting.

The Committee formally met eight times during 2021. Our main activities were to finalise the Remuneration Policy and implement it for 2021, restructure Mickey Kalifa's cash based long-term incentive award into shares and to redesign the remuneration arrangements for individuals below Board level.

ADVISORS

The Committee retains Korn Ferry to provide independent remuneration consultancy services to the Group and during 2021 used Addleshaw Goddard to advise on employment law and share incentives. Korn Ferry is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

The total fee for advice provided to the Committee during the year was £127,444 (2020 – £56,137). The Committee is satisfied that the advice it has received has been objective and independent.

SHAREHOLDER CONSIDERATIONS

The Company is committed to ongoing shareholder dialogue and takes an active interest in feedback we receive from our shareholders and voting outcomes. The voting result from the Annual General Meeting held in 2021 on the resolution to approve the Remuneration Report including the Remuneration Policy is set out below.

	For	**Against**	**Withheld**	**Total votes as % of issued share capital (excluding treasury shares)**
Approval of the 2020 Directors' remuneration report (including the remuneration policy)	83.52% (78,090,246)	16.48% (15,410,344)	(3,547)	76.48%

A vote withheld is not a vote in law and is not counted in the calculation of the votes for or against a resolution.

DIRECTORS' REMUNERATION POLICY

This section sets out the Company's Directors' Remuneration Policy (the "Remuneration Policy"), which has been applicable since 1 January 2021. The Remuneration Policy was developed taking into account the regulations applicable to main market listed companies[1], the principles of the 2018 UK Corporate Governance Code (the "Code") and relevant UK institutional investor guidance.

Whilst the Company is listed on AIM and is therefore not required to comply with the requirements for Main Market listed companies, the Board and Committee have chosen to follow these requirements insofar as is possible and practicable for the Company.

Key principles of the Remuneration Policy

The Company is committed to ensuring that its remuneration practices enable it to appropriately compensate employees for the services they provide to the Company, attract and retain employees with skills required to effectively manage the operations and growth of the business and motivate employees to perform in the best interests of the Company.

The Company's remuneration principles ensure that:

- It offers a suitable package to attract, retain and motivate people with the skills and attributes needed to deliver the Company's business goals.
- Its policy and practices aim to drive behaviours that support the Company strategy and business objectives.
- Incentive plans are linked to company and individual performance to encourage high performance from employees both at an individual and collective level.

These policy objectives will be achieved by ensuring remuneration is reflective of applicable market conditions, statutory obligations and who should be incentivised by variable remuneration. Our aim is to deliver outstanding performance, whilst providing organisational flexibility and operational efficiency.

In addition, the Remuneration Policy is designed taking into account the following principles of the Code:

- **Clarity** – the Remuneration Policy is well understood by the management team and is clearly articulated to shareholders.
- **Simplicity** – the Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, one of the Committee's objectives is to ensure that the executive remuneration policies and practices are as simple to communicate and operate as possible, while also supporting strategy.

[1] Large and Medium-size Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, as amended.

- **Risk** – the Remuneration Policy is designed to ensure that inappropriate risk-taking is not encouraged and will not be rewarded. This is done via (i) the balanced use of both short- and long-term incentive plans which employ a blend of financial, non-financial and shareholder return targets, (ii) the significant role played by equity in the incentive plans (together with shareholding guidelines) and (iii) recovery provisions.
- **Predictability** – the incentive plans have clearly defined performance conditions setting out the metrics and targets required to be met to achieve defined levels of pay.
- **Proportionality** – there is a clear link between individual awards, delivery of strategy and long-term performance. In addition, the significant role played by incentive/'at-risk' pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.
- **Alignment to culture** – the executive pay policies are fully aligned to the Company's culture.

REMUNERATION POLICIES

PURPOSE	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES
Base Salary			
Provide a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy	Salaries are normally reviewed annually with any changes typically effective from the beginning of the financial year. When determining an appropriate level of salary, the Committee considers: • Remuneration practices within the Company. • The performance of the individual Executive Director. • The experience and responsibilities of the Executive Director. • The general performance of the Company. • Salary level prior to appointment. • Salaries paid by comparable companies. • The economic environment.	Increases will normally be in line with average increases made to the wider employee workforce, although in exceptional circumstances larger increases may be provided, for example, to reflect a change in role/responsibilities. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set at a lower level with larger increases provided as they gain experience.	None, although individual and corporate performance is taken into account during any annual salary review.
Benefits			
Provide a market competitive level of benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Executive Directors may receive benefits which include, but are not limited to, car allowance and related benefits, family private health cover, critical illness cover, life assurance cover, income protection and accident/sickness/business travel insurance (including tax payable if any). Other benefits such as relocation allowances may be offered if considered appropriate and reasonable by the Committee. Any reasonable business-related expenses can be reimbursed in accordance with the Company's expenses policy, including the tax thereon if determined to be a taxable benefit. The Executive Directors may participate in any all-employee share plans operated by the Company, on the same terms as other employees.	The maximum will be set at the cost of providing the benefits described.	None.

PURPOSE	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES
Pensions			
Provide appropriate levels of pension benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Company may provide pension contributions in the form of a salary supplement and/or as an employer contribution to a defined contribution pension plan.	The maximum pension contribution as a percentage of basic salary will be in line with the contribution level provided to the majority of the workforce (currently 6% of salary in the UK).	None.
Group Annual Bonus			
The Group Annual Bonus Plan provides an incentive to the Executive Directors linked to achievement in delivering goals in a sustainable manner that are closely aligned with the Company's strategy and the creation of value for shareholders.	Performance measures, weightings and targets are reviewed and set annually by the Committee, in line with the Company's strategic objectives at that time. Levels of award determined by the Committee after the year-end will be based on performance against the targets set, based on audited results, unless otherwise noted. The Committee retains overriding discretion to adjust the outcome upwards or downwards, where the formulaic outcome is, in the view of the Committee, not a fair and accurate reflection of business performance. The bonus may be paid wholly in cash, or the Committee may determine that a portion of the bonus should be delivered in deferred shares. Malus and clawback provisions apply such that in certain circumstances the Committee may withhold or recover bonus payments.	The maximum bonus opportunity is 100% of salary. For 2021, the Chief Executive Officer's annual bonus opportunity was 100% of salary and the Chief Financial Officer's bonus opportunity was 75% of salary. No more than 25% of the relevant portion of the bonus is payable for delivering a threshold level of performance rising to full pay-out of the relevant portion for delivering in line with the maximum target. No more than 50% of the relevant portion is payable for delivering a target level of performance.	Performance measures will be set to support the strategy based on a range of key financial and personal/strategic objectives. At least 50% of the bonus is based on Group financial metrics and no more than 25% of bonuses will be based on personal objectives. For 2021, the bonus was based on Group Headline profit before tax targets (50% weighting), revenue targets (25% weighting) and personal objectives (25% weighting). The targets and performance against them will be disclosed in the relevant Annual Report and Accounts following the end of the performance period.
Long-Term Incentive Plan (LTIP)			
Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long-term in a sustainable manner.	Awards may be granted annually to Executive Directors under the LTIP. The awards normally vest no earlier than the third anniversary of grant and only to the extent the performance conditions have been satisfied. The Committee retains overriding discretion to adjust the outcome upwards or downwards, where the formulaic outcome is, in the view of the Committee, not a fair and accurate reflection of business performance. A two-year holding period will normally apply to the vested shares such that the shares may not be sold by the Director during this period other than to settle tax liabilities in relation to those shares. Malus and clawback provisions apply such that in certain circumstances the Committee may withhold or recover LTIP payments.	The maximum annual grant level is 200% of salary. The Chief Executive Officer was granted an award over shares to the value of 150% of salary in 2021. The same level of award will be granted in 2022. The outgoing Chief Financial Officer was granted an award over shares to the value of 200% of salary in 2021. No awards will be granted to him in 2022. No more than 25% of the relevant portion of an award will vest for delivering a threshold level of performance rising to full pay-out of the relevant portion for delivering in line with the maximum target.	Performance measures are set by the Committee over a three-year period prior to the grant being made. At least 50% of the LTIP will be based on Group financial and/or total shareholder return ("TSR") metrics. 2021 awards will be assessed against TSR performance versus the FTSE SmallCap Index (70% weighting) and Headline profit before tax (30% weighting).

PURPOSE	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES
Chief Financial Officer Recruitment Long-Term Incentive Plan (CFO LTIP)			
The award was designed to recruit and retain the Chief Financial Officer. To meet best practice this has been revised with the Chief Financial Officer's consent.	Cash awards were made on recruitment covering 2019 and 2020 and were converted into restricted share awards over the Company's shares using the average closing price of a Company share for the 45 days prior to 20 August 2021 of 135.7p. The restricted share awards normally vest in early 2023 (544,666 shares) and 2024 (254,000 shares) subject to continued employment.	The cash awards made in relation to 2019 and 2020 have been converted into restricted share awards. No further awards will be made under this plan.	The 2019 and 2020 awards are not subject to performance conditions.
Shareholding requirement			
To support long-term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Committee has adopted shareholding guidelines that encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to a multiple of their base salary. The requirement for an Executive Director to maintain a holding of 100% of salary for a year after leaving excludes any shares purchased by the director. The Committee retains discretion with respect to the operation of the shareholding requirement.	Executive Directors are required to build up and hold a shareholding equivalent to 200% of salary and then retain a holding of 100% of salary for the year after leaving.	None.
Chairman and Non-Executive Directors			
To provide a competitive fee for undertaking the role which is sufficient to attract high calibre individuals to the role	Fees are structured as follows: The Chairman is paid an all-inclusive fee for all Board responsibilities. Non-Executive Directors are paid a basic fee, plus additional fees for additional responsibilities such as chairing Board Committees. The Chairman's fee is determined by the Committee with the Non-Executive Directors' fees being determined by the Board. Additional fees may also be paid to the Chairman and/or Non-Executive Directors on a per diem (or other) basis to reflect increased time commitment in certain limited circumstances. Fees are normally paid in cash. Any reasonable business-related expenses can be reimbursed, including the tax thereon if deemed to be a taxable benefit. Non-Executive Directors are encouraged to build a shareholding equal to at least 1 x their annual fees. Whilst there is no time limit for this, it is hoped that this will occur by the end of their second three-year term.	Overall fees will not exceed the maximum in the Company's articles of association.	None. The Non-Executive Directors are not entitled to receive any remuneration which is performance related.

REMUNERATION COMMITTEE DISCRETION

The Committee retains discretion to make any payments, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed (i) before the policy came into effect, or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

The Committee will operate the variable pay plans (i.e. Group Annual Bonus Plan, Long-Term Incentive Plan, CFO LTIP & other incentive plans) according to their respective rules. The Committee retains certain discretion in respect of the operation and administration of these arrangements.

In addition, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. a material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

MALUS AND CLAWBACK PROVISIONS

Bonus and LTIP payments remain subject to malus and clawback until two years after they have vested/been paid. Circumstances that may result in a clawback or malus for an individual include financial misstatement, erroneous calculations determining payments, corporate failure, serious misconduct or if material reputational damage is caused by the individual to the Group.

RECRUITMENT POLICY

The remuneration arrangements for a new Executive Director would normally be in line with the terms of the Remuneration Policy and would be set taking into account the specific circumstances of the individual. In addition, the Committee may offer additional remuneration to replace remuneration forfeited on leaving a previous employer.

Where a position is filled internally, the Committee may honour any pre-existing remuneration obligations or outstanding variable pay arrangements in relation to the individual's previous role such that these shall be allowed to continue according to the original terms (adjusted as relevant to take account of the Board appointment).

For internal and external appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

SERVICE CONTRACTS AND CESSATION OF EMPLOYMENT

Service contracts may be terminated by either the Company or an Executive Director with no more than 12 months' notice. The Company may determine to make a payment in lieu of notice in respect of salary and contractual benefits only.

The treatment of outstanding variable pay schemes shall be determined by the Committee taking into account the time employed during the respective performance periods and the circumstances of departure. In doing so the Committee will fulfil its duty to seek to ensure that there is no reward for failure and in doing so not paying more than is necessary whilst acting fairly and reasonably to all parties.

> "The business has continued to do an outstanding job at maintaining employee engagement and ensuring professional, social and wellbeing support during the Covid-19 pandemic."
>
> **– Louise Jackson**

ANNUAL REMUNERATION REPORT

This section summarises remuneration paid out to the Directors for the 2021 financial year, and details of how the Remuneration Policy will be implemented in the 2022 financial year.

DIRECTORS' REMUNERATION FOR THE 2021 FINANCIAL YEAR (AUDITED)

	Base salary/fees £000		Benefits £000		Pension £000		Annual bonus £000		Long-term Incentives £000		Total £000		Total fixed remuneration £000		Total variable remuneration £000	
Director	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Moray MacLennan (i)	650	–	33	–	39	–	605	–	48	–	1,375	–	722	–	653	–
Mickey Kalifa (ii)	375	344	5	5	34	24	246	–	220	485	880	858	414	373	466	485
Bill Muirhead (iii),(iv)	121	309	14	51	12	49	–	–	–	–	147	409	147	409	–	–
Gareth Davis (v)	250	135	–	–	–	–	–	–	–	–	250	135	250	135	–	–
Colin Jones	75	66	–	–	–	–	–	–	–	–	75	66	75	66	–	–
Lisa Gordon	75	59	–	–	–	–	–	–	–	–	75	59	75	59	–	–
Louise Jackson	75	54	–	–	–	–	–	–	–	–	75	54	75	54	–	–
Vinodka Murria	125	–	–	–	3	–	–	–	–	–	128	–	128	–	–	–
Total	**1,746**	**967**	**52**	**56**	**88**	**73**	**851**	**0**	**268**	**485**	**3,005**	**1,581**	**1,886**	**1,096**	**1,119**	**485**

(i) Moray MacLennan was appointed as Chief Executive Officer effective from 1 January 2021.
(ii) Mickey Kalifa's 2021 pension figure includes a £3.5k 2020 back payment.
(iii) Bill Muirhead stepped down from the Board and left the Company on 31 March 2021.
(iv) As disclosed in the 2020 Annual Report and Accounts, the Company made a contribution to the private healthcare insurance costs of Bill Muirhead on his departure from the Company. The payment was made in 2021.
(v) Gareth Davis' 2020 remuneration is lower because he only became Chairman on 1 January 2021.

Refer to section on "Payments to past Directors" on page 107 for details of the £86k paid in 2021 to Jeremy Sinclair and David Kershaw who left the Company on 31 December 2020.

DIRECTORS' REMUNERATION FOR THE 2021 AND 2022 FINANCIAL YEARS (AUDITED)

Base salary

Moray MacLennan was appointed Chief Executive Officer with effect from 1 January 2021 on a salary of £650,000. Given the position of the Company and the wider economic environment, the Committee determined that the salary for the Chief Financial Officer, Mickey Kalifa, would remain at £375,000 for 2021. There are no base salary changes planned for the Chief Executive Officer or Chief Financial Officer for the year ending 31 December 2022.

Pension and benefits

On appointment as Chief Executive Officer, Moray MacLennan's pension allowance was set at 6% of salary which is in line with the workforce rate. Mickey Kalifa's pension was 8% during 2021 but was aligned with the UK workforce rate from 1 January 2022. Benefits consist principally of private healthcare, life assurance, income protection and permanent health insurance. Moray MacLennan also receives a car allowance of £20,000 and fuel benefit. The fuel benefit ceased at the end of 2021. Mickey Kalifa received a car allowance of £10,000 from 1 January 2022.

Group Annual Bonus plan

The Executive Directors are eligible for a performance-related bonus that is paid in cash following the year-end.

2021 Group Annual Bonus

For 2021, the Group Annual Bonus was structured in line with the Remuneration Policy. The maximum opportunity for the Chief Executive Officer was 100% of salary and 75% of salary for the Chief Financial Officer. The performance measures, weightings, targets and achievements are set out in the table below. Bonus for the financial elements is earned on a straight-line basis from 0% for meeting the "threshold" to 50% for meeting the "mid" to 100% for meeting the "stretch" targets:

Measure	Weighting (% of bonus)	Targets £m (threshold-mid-stretch)	Performance achieved £m	% of bonus earned
Headline profit before tax	50%	12.7-14.1-16.9	27.3	50%
Net revenue	25%	212.8-224.0-235.2	249.3	25%
Personal objectives (MM)	25%			18%
Personal objectives (MK)	25%			12.5%

The Committee believes that formulaic bonus outcomes for the year reflected business performance and resilience over the past 12 months and have resulted in a bonus payment of 93% of the maximum bonus opportunity for Moray MacLennan and 87.5% of maximum for Mickey Kalifa. As announced on 19 January 2022, Mickey Kalifa has resigned from the Company. The Committee carefully considered his contribution over the year and determined that he should be eligible to receive his bonus for 2021.

2022 GROUP ANNUAL BONUS

For 2022, the Group Annual Bonus is structured in line with the Remuneration Policy. The maximum opportunity for the Chief Executive Officer is 100% of salary. As the current Chief Financial Officer is serving out his notice, he will not participate in the plan in 2022. The performance measures and weightings are set out in the table below. As the targets are forward-looking these are considered commercially sensitive by the Board and will be disclosed next year.

Measure	Weighting (% of bonus)
Headline profit before tax	50%
Net revenue*	25%
ESG*	10%
Personal objectives*	15%

* The threshold Headline profit before tax must be met before this element will pay out.

Our new ESG metric is comprised of planet and people related targets, which are equally weighted. For 2022, examples of measures falling under the planet and people metrics are carbon reduction targets and improved gender and ethnic diversity at leadership level targets. Further information on each of these will be disclosed in next year's report.

LONG-TERM INCENTIVE PLAN

2021 LTIP awards

The Chief Executive Officer and Chief Financial Officer participated in the LTIP in 2021 at the levels of 150% and 200% of salary respectively. Awards, which were made on 28 September 2021, will deliver shares, following the end of the three-year performance period only to the extent that the performance targets are met and normally that they remain employed at the time. Executive Directors are required to hold any shares that vest for an additional two-year period following the end of the performance period.

The performance metrics and weightings which are measured over the period to 31 December 2023, are as summarised in the table below.

Performance measure	Weighting
Headline profit before tax for 2023	30%
Relative TSR vs. FTSE Small Cap index	70%

The targets attached to the TSR element require performance to match the Index TSR for vesting to start to occur rising from 0% on a straight-line basis to full vesting for 10% per annum outperformance of the Index. TSR is the share price movement over the period of three years and the value of dividends for the Company's shareholders. The FTSE Small Cap Index TSR will be calculated by a financial information provider. The same vesting scale applies to the Headline profit before tax targets. However, as the Headline profit before tax targets are felt to be commercially sensitive at the current time these will be disclosed in a future Directors' remuneration report.

Malus and Clawback provisions apply in line with the Remuneration Policy.

PAYMENTS TO PAST DIRECTORS

As disclosed in the 2020 Annual Report and Accounts, the Company made a contribution to the private healthcare insurance costs of David Kershaw and Jeremy Sinclair. These payments of £36,324 and £45,073 respectively were made in 2021. In addition, healthcare and other benefits were provided to David and Jeremy in 2021 to the value of £2,112 and £2,903 respectively. Bill Muirhead also received a contribution for the same of £39,390, which is included in the Directors' Remuneration table on pages 104 to 105.

2022 LTIP AWARDS

LTIP awards to be granted in 2022 will vest to the extent performance targets are met over the period to 31 December 2024, against equally weighted TSR and EPS measures. The Committee felt that this weighting would better incentivise the senior management team to deliver long-term profitable growth in the future. The maximum LTIP percentage for 2022 will be 150% of base salary for the Chief Executive Officer. As the current Chief Financial Officer is serving out his notice, he will not receive an award under the LTIP.

CFO LTIP AWARDS

As part of his remuneration arrangements on recruitment in 2019, Mickey Kalifa, the Chief Financial Officer, was granted a long-term incentive providing annual long-term incentive grants in each of 2019, 2020, 2021 and 2022. Details were set out in last year's remuneration report.

As explained last year, with his consent, these awards were varied to create greater alignment with shareholders and introduce three-year performance targets through participation in the LTIP from 2021. The revised plan converted the 2019 and 2020 cash payments into restricted share awards using the average closing price of a Company share for the 45 days prior to 20 August 2021 of 135.7p. The restricted share awards then vest 62% in early 2023 and 38% in early 2024. The treatment of these awards on termination of employment will be in line with our approved Director's Remuneration Policy.

The table below details all awards held by Executive Directors under the LTIP and the restricted share awards at 31 December 2021:

	Grant date	Number of shares	Percentage vesting at threshold performance	Performance period	Vesting date	Holding period
Moray MacLennan	28 September 2021	600,000	0%	FY21 to FY24	28 September 2024	100% of any vested shares will be released on the fifth anniversary of the grant date
Mickey Kalifa	28 September 2021	798,666[1]	N/A	Achieved	544,666 in early 2023	N/A
					254,000 in early 2024	N/A
	28 September 2021	461,538	0%	FY21 to FY24	28 September 2024	100% of any vested shares will be released on the fifth anniversary of the grant date

[1] Award relates to the conversion of 2019 and 2020 LTIP cash payments into restricted shares. Shares were awarded on 28 September 2021, using a 45-day average share price up to 20 August 2021 of £1.357.

COMPANY CHAIRMAN AND NON-EXECUTIVE DIRECTORS' REMUNERATION (UNAUDITED)

The fee structure for the Non-Executive Directors in respect of 2021 is set out in the table below.

	Fee as at 31 December 2021	% increase
Base fee		
Chairman	£250,000	0%
Deputy Chair	£150,000	0%
Non-Executive Directors	£50,000	0%
Additional fees		
Senior Independent Director	£25,000	0%
Audit Committee Chair	£25,000	0%
Remuneration Committee Chair	£25,000	0%

SHAREHOLDINGS AND SHARE INTERESTS (UNAUDITED)

Under the Remuneration Policy, Executive Directors are required to build and maintain a shareholding equivalent to 200% of their base salary.

The table below summarises the Executive Directors' and Non-Executive Directors' shareholdings at 31 December 2021 (or the date they ceased to be a Director, including shares subject to deferral or a holding period and performance conditions).

Director	Beneficially owned shares on 31 Dec 2021	Shares subject to deferral/ holding period (but not performance)	Unvested shares subject to performance conditions	% of salary held counting towards shareholding requirement
Moray MacLennan	562,149	–	600,000	146%
Mickey Kalifa (i)	27,985	798,666	461,538	174%
Bill Muirhead (ii)	4,759,697	–	–	n/a
Gareth Davis	102,720	–	–	n/a
Vinodka Murria	15,237,985	–	–	n/a
Colin Jones	37,758	–	–	n/a
Louise Jackson	–	–	–	n/a
Lisa Gordon	50,000	–	–	n/a

(i) The net of tax value of Mickey Kalifa's restricted shares counts towards meeting the shareholding guideline. For the purpose of the calculation, it is assumed that the net number of shares is c359,000.

(ii) Bill Muirhead departed before the remuneration policy was implemented and therefore shareholding requirements are not applicable. His shareholding is at the date he departed, being 31 March 2021.

POLICY ON EXTERNAL APPOINTMENTS (UNAUDITED)

The Committee believes that the Group can benefit from Executive Directors holding approved Non-Executive Directorships in other companies, offering Executive Directors the opportunity to broaden their experience and knowledge. Our policy is to allow Executive Directors to retain fees paid from one external appointment. Mickey Kalifa holds a non-executive directorship at ZOO Digital plc which is listed on the AIM market of the London Stock Exchange.

ENGAGEMENT WITH THE WORKFORCE (UNAUDITED)

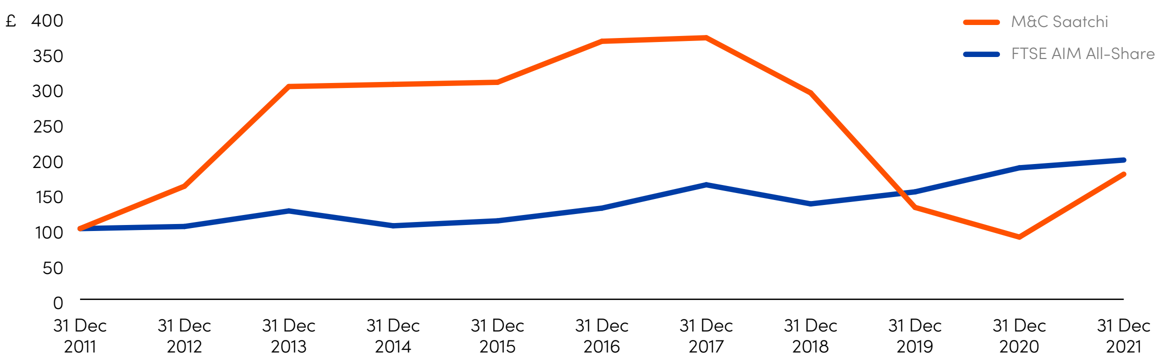
The Company is committed to regularly engaging with its workforce and realises the value in listening to and acting on employee views across the organisation.

Multiple mechanisms exist across both the Group and its individual companies in order to facilitate this, including participative "all hands" style meetings and various newsletters.

Louise Jackson has been appointed as the Board member responsible for engagement with the workforce and will work with the Chief People Officer to ensure the Board is furnished with qualitative and quantitative data.

PERFORMANCE GRAPH (UNAUDITED)

The chart below illustrates the Company's total shareholder return performance compared with the performance of the FTSE Small Cap Index, over the last ten years. The FTSE Small Cap Index has been selected as an appropriate benchmark, as this index is being used in the targets for long-term incentives.



LOUISE JACKSON
Chair of the Remuneration Committee
28 April 2022

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and Company for the year ended 31 December 2021.

STRATEGIC REPORT

The Group's Strategic report is set out on pages 6 to 63 and includes the section 172 statement on pages 50 to 53. The Strategic report contains an indication of likely future developments in the business of the Company and the Group.

RESULTS AND DIVIDENDS

The consolidated income statement on page 134 shows the results for the year. In view of the economic effects of the Covid-19 pandemic and a desire to preserve cash, the Directors do not recommend the payment of a 2021 dividend (2020: nil). The Directors have concluded that the Group's priority, ahead of any distribution, is to return the business to pre-pandemic levels of profitability and earnings and, thereafter, to grow in line with the targets set out at the Company's Capital Markets Day held in January 2021. The intention is to reinstate dividends from 2022.

PRINCIPAL ACTIVITY, TRADING REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the Group during the year was the provision of marketing services. The review of trading, future developments and key performance indicators can be found in the Strategic report.

GOING CONCERN

The financial information has been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the period to 31 December 2023, being a period of at least 18 months from the date of signing these financial statements, following a detailed, conservative assessment of the Group's expected future financial performance over the next five years.

The Board have formed their opinion after evaluating four different severe but plausible forecast scenarios and a reverse stress test, extending to 31 December 2023. The severe but plausible scenarios comprise:

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

These severe but plausible scenarios are assumed to materialise from the second quarter of 2022 onwards. The estimated decline in profit before tax ranges from £8.3m to £19.1m compared to the base case plan for the cumulative period ending 31 December 2023: a £2.3m to £10.2m decline in profit before tax in 2022 and a £6.0m to £11.0m decline in profit before tax in 2023.

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

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

On 31 May 2021, the Company entered into a revolving multicurrency credit facility agreement with National Westminster Bank Plc and Barclays Bank PLC for up to £47.0m (the "Facility"). The Facility includes a £2.5m overdraft and the ability to draw up to £3.0m as a bonding facility, as required. The Facility is provided on a three-year term (with two optional one-year extensions).

At 31 December 2021, the Group held total gross cash of £55.0m, with bank borrowings of £21.0m (£20.0m drawn down on the Facility and £1.0m local overseas debt). With the borrowing headroom within the Facility of £27.0m, the Group therefore had liquidity headroom of £82.0m.

In all models and scenarios considered by management, the Facility is not expected to be fully drawn and indeed the amount drawn from the Facility has reduced by £9.0m in 2021 to £20.0m at 31 December 2021. The Facility is expected to continue to reduce over the term.

In the event that a downside scenario materialises, management would swiftly undertake the following mitigating actions:

- Reducing staff and other operating expenses to levels that are in line with revenue reduction.
- Obtaining further concessions and covenant relaxation under the facility agreement from the Group's lenders.
- Closing loss-making entities.
- Selling unlisted investments, either as a portfolio or individually (at 31 December 2021, these are valued at £15.2m).

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

VIABILITY

The Directors assess the prospects of the Group and appropriateness of the period used for the viability assessment by taking into account various factors, including the Group's current position, the nature of its business, risks to the future success of the Group's business model and strategy, its principal risks, its liquidity and its expected performance, all of which have also been considered in the going concern review.

The Directors have determined that a five-year time horizon (from 31 December 2021) is the maximum length of time the Directors can reasonably be expected to assess the Group's viability at the present time. This period has been chosen as it reflects the Directors' best estimate of the future viability of the Company.

In testing the viability of the Group, we have undertaken a robust scenario assessment of the principal risks which could threaten the viability or existence of the Group. As per the going concern statement set out above, we evaluated four different severe but plausible forecast scenarios. We also built a reverse stress test model which involves building further downside on top of the downsides built into the severe but plausible model.

Based on the assessment explained above, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, until at least 31 December 2026.

However, the impacts of a series of additional unforeseen risks such as policies on data handling or employee welfare not being followed or a banking crisis could result in additional financial burdens on the Group and may change the Board's expectation of the Group's viability.

PRINCIPAL RISKS AND UNCERTAINTIES

On pages 38 to 49 we describe the Group's principal risks and uncertainties. We provide information on the nature of the risk, actions to mitigate risk exposure, the change in exposure compared to last year and an indication of the significance of the risk by reference to its potential impact on the Group's business and financial condition. Not all potential risks are listed and some risks are excluded because the Board considers them not to be material to the Group as a whole. Additionally, there may be risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial that may also have an adverse effect upon the Group.

FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Group and their risks are contained in Note 30 of the financial statements (financial risk management).

POLITICAL CONTRIBUTIONS

During the year, the Group made no political donations (2020: nil).

DIRECTORS

The names of the Directors and details of their careers and skills are set out on pages 68 to 72. Details relating to Board meeting attendance and the composition of the committees of the Board are shown in the Governance review on pages 76 to 77.

The Directors of the Company who were in office during 2021 and up to the date of signing the financial statements are detailed in the table below:

	Joined Board	Departed Board
Executive Directors		
Mickey Kalifa	29 March 2019	–
Moray MacLennan	1 January 2021	–
Bill Muirhead	–	31 March 2021
Non-Executive Directors		
Gareth Davis	3 February 2020	–
Colin Jones	3 February 2020	–
Lisa Gordon	17 March 2020	–
Louise Jackson	17 March 2020	–
Vinodka (Vin) Murria, OBE	3 March 2021	–

Since 2020, in line with the UK Corporate Governance Code, the Company has been operating on a basis whereby all Directors have offered themselves for re-election at the Company's Annual General Meeting. At the Annual General Meeting held in 2021, new articles of association were adopted by shareholders. The articles require Directors to retire at the Company's Annual General Meeting on the basis recommended by any corporate governance code adopted by the Company and, in any event require that any Director who was not appointed or re-appointed as a Director at either of the last two Annual General Meetings must retire and (if relevant) stand for re-appointment.

SOCIAL RESPONSIBILITY

The Group follows the guidance in the International (Social Responsibility) Standard ISO 26000 and is accredited for BS OHSAS 18001, ISO 14001 and is registered with CIPS Sustainability Index. Please see the section on "Our focus on planet" on pages 57 to 58.

In addition, the Group is involved with many campaigns (including paid, low bono and pro bono) that help create a socially responsible world. Please see details on page 59.

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

The UK Government's SECR policy was implemented on 1 April 2019. This is the second year that the Group has adopted disclosures on energy and carbon so comparative figures for 2020 are also included. The tables below represent the Group's energy use and associated greenhouse gas emissions from electricity and fuel for its UK-based companies for the year ended 31 December 2021.

In the tables below:

- "Scope 1 emissions" cover direct emissions of greenhouse gases from fuel combustion.
- "Scope 2 emissions" cover emissions from purchased electricity.
- "Scope 3 emissions" cover all other indirect emissions that occur in a company's value chain. They are not included in the reporting shown below but the sustainability update which will be published on the Company's website will include full details of the Group's emissions (including the UK) along with details of methodologies used.

	2021	2020	
Scope 1			
Natural gas utilised	423,540	398,862	kWh
Vehicle operations (below materiality threshold)	–	–	km
Fugitive emissions (HVAC refrigeration gas top up) (none declared for 2020)	–	–	kg
Scope 2			
Electricity (supplied from National Grid with REGO certs)	819,498	793,057	kWh
Electricity (supplied from National Grid without REGO certs)	119,179	126,562	kWh
Total electricity (supplied from National Grid)	938,677	919,619	kWh

Corresponding emissions from activities for which the Company is responsible:

	2021	2020	
Scope 1			
Natural gas utilised	77.68	73.43	tCO_2e
Vehicle operations	–	–	tCO_2e
Fugitive emissions (HVAC refrigeration gas top up)	–	–	tCO_2e
Total Scope 1 emissions	77.68	73.43	tCO_2e
Scope 2 (Dual Reporting)			
Market-based emissions			
Electricity (supplied from National Grid with REGO certs)	–	–	tCO_2e
Electricity (supplied from National Grid without REGO certs)	25.84	31.41	tCO_2e
Total electricity (Market based emissions determination)	25.84	31.41	tCO_2e
Total gross Scope 1 & Scope 2 emissions (Market based included)	**103.52**	**104.84**	tCO_2e
Total Scope 2 Location-based emissions			
Total electricity (supplied from National Grid, UK Grid mix factors)	203.73	226.35	tCO_2e
Total Scope 1 emissions (as above)	77.68	73.43	tCO_2e
Total gross Scope 1 & Scope 2 emissions (All locational based included)	**281.41**	**299.78**	tCO_2e

Energy intensity ratio
The energy intensity ratio used has been based upon the standard measure of tCO_2e (gross Scope 1 + 2) per £100,000 revenue. Based upon the 2021 turnover of £145,803,000 (2020 – £134,357,000) of the Group's UK companies, this amounts to:

	2021	2020
Market based intensity ratio: tCO_2e (Gross Scope 1 + 2)/£100,000 revenue	0.071	0.078 tCO_2e/£100,000
Location based intensity ratio: tCO_2e (Gross Scope 1 + 2)/£100,000 revenue	0.193	0.223 tCO_2e/£100,000

We have reduced UK office space compared to 2020 which has contributed to the reduction in electricity usage. Gas consumption has increased due to the slightly colder winter in 2021 and the reduction in days spent by employees working from home compared to 2020.

The reduction in the energy intensity ratios is due to the overall reduction in emissions but also the 8.5% increase in the Group's UK turnover.

Energy efficiency action taken in financial year
No reportable actions were taken in the reporting year. This has primarily been due to the changes in working practices that have had to be enacted associated with the Covid-19 pandemic.

BUSINESS RELATIONSHIPS
The Group recognises the need to foster business relationships with suppliers, customers and others. Details on the actions taken to strengthen these relationships and how the Board considered these relationships when making decisions can be found in our section 172 statement on pages 50 to 53.

ANTI-BRIBERY AND CORRUPTION
A zero-tolerance policy applies to practices at odds with our values and culture, such as bribery, corruption, and modern slavery. We are committed to acting ethically and with integrity in all business dealings and relationships and to implementing and enforcing effective systems and controls to ensure such practices are not taking place anywhere in our businesses or supply chain. The Group has well established anti-bribery and anti-corruption policies aimed at ensuring adherence to associated legal and regulatory requirements.

WHISTLEBLOWING
Employees are encouraged to report any potential, or apparent, malpractice or misconduct in confidence, in accordance with the Group's internal whistleblowing policy. We continue to look at innovative ways to allow our employees to report any potential, or apparent, malpractice or misconduct in confidence. The Company uses a third-party mobile app, Vault, which gives employees a safe space to report any form of misconduct in the workplace, including but not limited to harassment, bullying, discrimination, and racism, through to fraud and corruption. The Board has approved a new Group-wide whistleblowing policy. This will be routinely reviewed for efficacy.

FRAUD
The Board approved a Group-wide anti-fraud policy during 2021. There were no reports of any incidents of fraud within the Group in the year.

ENGAGEMENT WITH EMPLOYEES AND OTHER STAKEHOLDER ENGAGEMENT
Ensuring that we create close collaborative and mutually beneficial relationships with suppliers who adopt standards consistent with our own helps us to streamline processes, increase savings and protect our reputation. Information about the Company's engagement with employees and other stakeholders can be found at pages 50 to 53.

GOVERNANCE
Companies listed on AIM are required to adopt a recognised corporate governance code. The Board has selected the UK Corporate Governance Code 2018, which can be found at https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code. We believe that it demonstrates our commitment to enhancing the Group's governance arrangements as it contains principles that are appropriate for our needs and circumstances, and it aligns with our values as a company. The Company is now very close to full compliance with the code, see page 78 for the two areas of non-compliance. The Company's Corporate governance report is provided on page 62 of this report.

SLAVERY AND HUMAN TRAFFICKING STATEMENT
The Group continually monitors its supply chains and operates a zero-tolerance policy to slavery and human trafficking, as reflected in its Modern Slavery Statement (www.mcsaatchiplc.com/governance).

DIRECTORS' CONFLICT OF INTEREST
Under the UK Companies Act 2006, Directors are subject to a statutory duty to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. Directors are required to notify the Company of any conflict or potential conflict of interest under an established procedure and any conflicts or potential conflicts are noted at each Board meeting.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY
The Company purchases insurance to cover its Directors and officers against costs they may incur in defending themselves in legal proceedings instigated against them as a direct result of duties carried out on behalf of the Company. The third-party indemnity was in force during the financial year and also at the date of approval of the financial statements.

SIGNIFICANT SHAREHOLDINGS

Shareholders holding 3% or more of the Company's issued share capital (excluding treasury shares) at 26 April 2022:

Shareholders	Number of ordinary shares	Percentage of the Company's issued share capital
Vinodka (Vin) Murria (Director)	15,237,985	12.46%
Octopus Investments Nominees Limited	13,742,453	11.24%
AdvancedAdvT Limited	12,000,000	9.82%
Invesco Perpetual	11,351,872	9.29%
Paradice Investment Management	10,114,692	8.27%
Fidelity Investment Management	4,293,351	3.51%
Lord Maurice Saatchi	4,124,882	3.37%
Stonehage Fleming	4,112,465	3.36%
Aviva Investors	3,705,892	3.03%

Regularly updated details of the Directors' shareholdings and substantial shareholdings can be found on the Company's corporate website, www.mcsaatchiplc.com.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

As announced on 6 January 2022, the Company has received a preliminary approach from AdvancedAdvT Limited, a vehicle connected with Vin Murria. The Company has facilitated access to provide AdvancedAdvT Limited with the opportunity to make a formal offer to the Company's shareholders, but to date no offer has been received.

On 18 January 2022, the Chief Financial Officer, Mickey Kalifa, notified the Board of his resignation from his executive role of Chief Financial Officer.

On 19 January 2022, as a result of the exercise of two put option arrangements, the Group acquired a 49% holding in Cometis SARL, a French company.

On 21 January 2022, the Company reported that the Financial Conduct Authority had notified the Company that its investigation of the Company was being closed and that no enforcement action would be taken by it against the Company.

In February 2022, the Group launched two new businesses, a digital innovation consultancy, Thread, and a specialist sustainability consultancy, M&C Saatchi LIFE.

The Directors are not aware of any other events since the end of the financial year that have had, or may have, a significant impact on the Group's operations, the results of those operations, or the state of affairs of the Group in future years.

TREASURY SHARES

At the Company's Annual General Meeting held in 2021, the Directors were given the authority to purchase up to 12,274,344 of the Company's ordinary shares. At the year-end, the Company held 485,970 of its ordinary shares as treasury shares.

DIRECTORS' POWER TO ISSUE SHARES

At the Company's Annual General Meeting held in 2021, the Directors were given the authority to issue shares in the capital of the Company up to a maximum nominal amount of £409,145 which was equivalent to approximately one third of the total issued ordinary share capital of the Company of which up to a maximum nominal amount of £122,744 (which is equivalent to 10% of the total issued ordinary share capital of the Company), was approved to be issued for cash on a non-pre-emptive basis. During the year, the Company issued 6,826,845 shares to fulfil options and to acquire equity in the Company's subsidiary companies (see Note 28 of the financial statements). The Company did not issue any shares for cash.

SHARE CAPITAL

At the date of the Annual Report and Accounts, the Company had 122,743,435 (£0.01) ordinary shares in issue. Of this total, 485,970 ordinary shares are held in treasury. Therefore, the total number of ordinary shares in issue with voting rights is 122,257,465.

The Company has not purchased any of its own shares during the year.

AUDITORS

The Company appointed BDO LLP as its external auditors for the financial year ending 31 December 2021. BDO LLP will be seeking reappointment at the Company's Annual General Meeting to be held in 2022.

DISCLAIMER

The purpose of the Annual Report and Accounts is to provide information to shareholders of the Company, and it has been prepared for, and only for, the shareholders of the Company as a body, and no other persons. The Company, its Directors and employees, agents and advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

The Directors' report has been signed by order of the Board by:

VICTORIA CLARKE

General Counsel and Company Secretary

M&C Saatchi plc

Company Number 05114893

28 April 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE FINANCIAL STATEMENTS:
The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with international accounting standards, in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements.
- Make judgements and accounting estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

The Directors consider the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

WEBSITE PUBLICATION

The Directors are responsible for the maintenance and integrity of the Company's website (www.mcsaatchiplc.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

The Statement of Directors' responsibilities in respect of the financial statements has been signed by order of the Board by:

MORAY MACLENNAN
Chief Executive Officer
28 April 2022

MICKEY KALIFA
Chief Financial Officer
28 April 2022


THE
FREE
ONE
COSTA
Must be
free coffee day.
BUY 8 GET 1 FREE
JOIN
COSTA
CLUB

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

PREPARATION

BASIS OF PREPARATION

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

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

GOING CONCERN

These consolidated financial statements have been prepared on the going concern basis, as discussed in the Directors' report on pages 111 and the Report of the Audit Committee on page 83.

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

The Board have formed their opinion after evaluating four different severe but plausible forecast scenarios and a reverse stress test, extending to 31 December 2023. The severe but plausible scenarios comprise:

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

These severe but plausible scenarios are assumed to materialise from the second quarter of 2022 onwards. The estimated decline in profit before tax under these scenarios ranges from £8.3m to £19.1m compared to the base case plan for the cumulative period ending 31 December 2023: a £2.3m to £10.2m decline in profit before tax in 2022 and a £6.0m to £11.0m decline in profit before tax in 2023.

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

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

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

FOREIGN EXCHANGE

Transactions in foreign currencies are translated at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date, with the resulting exchange differences recognised in the income statement.

The accounts of each subsidiary are prepared using the functional currency of that subsidiary. The income statements of foreign subsidiary undertakings are translated into pounds sterling at average exchange rates on consolidation. The assets and liabilities of overseas subsidiaries (which comprise the Group's net investment in foreign operations) are translated at the exchange rate ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity within the foreign exchange reserve.

CONSOLIDATION

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

A subsidiary is an entity controlled by the Group. The Group controls a subsidiary when it is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The results of subsidiaries are included from the date of acquisition. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those of the Group. Intra-group transactions, balances, income, and expenses are eliminated on consolidation.

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

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out in the relevant notes. These policies have been applied consistently to all the years presented, unless otherwise stated.

CRITICAL ACCOUNTING POLICIES

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

PREPARATION CONTINUED

Revenue recognition
The Group's revenue is earned from the provision of advertising and marketing services, together with commission-based income in relation to media spend and talent performance. Under IFRS 15, revenue from contracts with customers is recognised as, or when, the performance obligations present within the contractual agreements are satisfied. Depending on the arrangement with the client, the Group may act as principal or as agent in the provision of these services.

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

Put option accounting (IFRS 2 and IFRS 9)
It is common for equity partners in the Group's subsidiaries to hold put options over their equity, such that they can require the Group to purchase their non-controlling interest for either a variable number of Company shares or cash. Dependent on the terms and substance of the underlying agreement, these options are either recognised as a put option liability under IFRS 9 (Note 26) or as a put option under IFRS 2 (Note 27) – see significant judgements below.

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

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

See Note 27 for a full description of the Group's accounting policy for IFRS 2 put options.

Headline results
As stated in the Financial review on page 17, the Directors believe that the Headline results and Headline earnings per share (see Note 1), provide additional useful information on the underlying performance of the business. The Headline results reflect the underlying profitability of the business units, by excluding a number of items that are not part of routine business income and expenses.

In addition, the Headline results are used for internal performance management and reward, and they are also used to calculate minority shareholder put option liabilities. The term "Headline" is not a defined term in IFRS. Note 1 reconciles Statutory results to Headline results and the segmental reporting (Note 3) reflects Headline results, in accordance with IFRS 8.

The items that are excluded from Headline results are:

- Exceptional separately disclosed items that are one-off in nature and are not part of running the business.
- Acquisition-related costs.
- Gains or losses generated by disposals of subsidiaries and associates.
- Fair value adjustments to unlisted equity investments, acquisition related contingent consideration and put options.
- Dividends paid to IFRS 2 put option holders.

Unlisted investments
The Group holds certain unlisted equity investments which are classified as financial assets at FVTPL (see Note 19). These investments are initially recognised at their fair value. At the end of each reporting period, the fair value is reassessed, with gains or losses being recognised in the income statement.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of preparing consolidated financial statements, management necessarily makes judgements and estimates that can have a significant impact on the consolidated financial statements. The estimates and judgements that are made are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the consolidated financial statements within the next financial year are outlined below:

SIGNIFICANT ACCOUNTING JUDGEMENTS

Management has made the following judgements, which have the most significant effect in terms of the amounts recognised, and their presentation, in the consolidated financial statements.

Non-controlling interest put option accounting – IFRS 2 or IFRS 9
The key judgement is whether the awards are given beneficially as a result of employment, which can be determined where there is an explicit service condition, where the award is given to an existing employee, where the employee is being paid below market value or where there are other indicators that the award is a reward for employment. In such cases, the awards are accounted for as a share-based payment in exchange for employment services under IFRS 2.

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

PREPARATION CONTINUED

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

The Group assesses whether an impairment is required by comparing the carrying value of the CGU assets (including the right-of-use assets under IFRS 16) to their value in use. Generally, discounted cash flow models, based on the Group's latest budget and five-year financial plan, and a long-term growth rate, are used to determine the recoverable amount for the CGUs. The appropriate estimates and assumptions used require judgement and there is significant estimation uncertainty. The results of impairment reviews conducted at the end of the year are reported in Note 14 (Intangible Assets), Note 15 (Associates), Note 16 (Plant and Equipment) and Note 17 (Right-of-use Assets).

The Group has recognised a total impairment charge of £3,294k in the year (2020: £4,112k), of which £2,937k relates to intangible assets (2020: £192k) and £357k relates to associate investments (2020: £895k). There was no impairment in the year of plant and equipment (2020: £374k), nor of right-of-use assets (2020: £2,651k).

Deferred tax assets
The Group assesses the future availability of carried forward losses and other tax attributes, by reference to jurisdiction-specific rules around carry forward and utilisation, and it assesses whether it is probable that future taxable profits will be available against which the attribute can be utilised.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

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

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

(i) equity investments at FVTPL in non-listed limited companies (Note 19); and

(ii) certain contingent consideration (Note 13).

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

The basis of calculation of the estimated fair value of these financial instruments (in addition to sensitivity analyses on the estimates' salient inputs) is detailed in Note 29.

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

Details of awards made in the year are shown in Note 27.

Leasing estimates
Within IFRS 16, two estimates are used for the recognition of new leases and making amendments to existing leases:

i. Derivation of the interest rate used for discounting future cash flows – the discount rate used in the calculation of the lease liability involves estimation on a lease-by-lease basis. This involves an estimate of incremental borrowing costs, driven by the territory risk (which comprises both the currency used and the risk-free rates of that country), the date of lease inception, and the lease term.

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2021 Total £000	2020 Total £000
Billings (unaudited)		**533,350**	**454,504**
Revenue	4	**394,575**	**323,250**
Project cost/direct cost		(145,239)	(97,861)
Net revenue		**249,336**	**225,389**
Staff costs	5	(172,493)	(171,717)
Depreciation	16,17	(9,196)	(11,659)
Amortisation	14	(1,412)	(2,275)
Impairment charges	14	(2,937)	(3,217)
Other operating charges		(39,573)	(38,635)
Other gains/(losses)	19	3,533	(2,818)
Operating profit/(loss)		**27,258**	**(4,932)**
Share of results of associates and joint ventures	15	(190)	(113)
Gain on disposal of subsidiaries	11	42	1,432
Impairment of associate investment	15	(357)	(895)
Finance income	7	260	364
Finance expense	7	(5,381)	(4,363)
Profit/(loss) before taxation		**21,632**	**(8,507)**
Taxation	8	(8,459)	(1,411)
Profit/(loss) for the year		**13,173**	**(9,918)**
Attributable to:			
Equity shareholders of the Group		12,757	(9,897)
Non-controlling interests		416	(21)
Profit/(loss) for the year		**13,173**	**(9,918)**
Profit/(loss) per share			
Basic (pence)	1	10.53p	(9.10)p
Diluted (pence)*	1	9.38p	(9.10)p

Year ended 31 December	Note	2021 Total £000	2020 Total £000
Headline results			
Operating profit	1	**31,136**	11,970
Profit before taxation	1	**27,314**	8,328
Profit after tax attributable to equity shareholders of the Group	1	**13,687**	1,650
Basic earnings per share (pence)	1	**11.30p**	1.52p
Diluted earnings per share (pence)*	1	**10.06p**	1.31p
EBITDA		**40,821**	24,105

* It is the intention to fulfil all options by either buying equity from market or in cash so the difference between Basic and Dilutive EPS is purely due to the fact that the Group still has a choice that we intend not to take..

The notes on pages 128 to 133 and 148 to 242 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December	2021 £000	2020 £000
Profit/(loss) for the year	**13,173**	**(9,918)**
Other comprehensive profit/(loss)*		
Exchange differences on translating foreign operations	664	(289)
Other comprehensive profit/(loss) for the year net of tax	**664**	**(289)**
Total comprehensive profit/(loss) for the year	**13,837**	**(10,207)**
Total comprehensive profit/(loss) attributable to:		
Equity shareholders of the Group	13,421	(10,186)
Non-controlling interests	416	(21)
Total comprehensive profit/(loss) for the year	**13,837**	**(10,207)**

* All items in the consolidated statement of comprehensive profit/(loss) may be reclassified to the income statement.

The notes on pages 128 to 133 and 148 to 242 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December	Note	2021 £000	2020 £000
Non-current assets			
Intangible assets	14	40,499	36,523
Investments in associates and joint ventures	15	202	2,829
Plant and equipment	16	6,333	7,157
Right-of-use assets	17	44,397	34,006
Other non-current assets	18	1,211	3,494
Deferred tax assets	9	6,777	8,301
Financial assets at fair value through profit or loss	19	15,183	11,410
		114,602	**103,720**
Current assets			
Trade and other receivables	20	132,741	89,262
Current tax assets		247	2,621
Cash and cash equivalents		69,419	76,295
		202,407	**168,178**
Current liabilities			
Trade and other payables	21	(154,049)	(124,740)
Provisions	22	(1,193)	(666)
Current tax liabilities		(837)	(2,019)
Borrowings	23	(14,737)	(41,083)
Lease liabilities	17	(6,950)	(6,250)
Deferred and contingent consideration	13	(984)	(1,679)
Minority shareholder put option liabilities	26,27	(20,788)	(978)
		(199,538)	**(177,415)**
Net current assets/(liabilities)		**2,869**	**(9,237)**
Total assets less current liabilities		**117,471**	**94,483**

CONSOLIDATED BALANCE SHEET CONTINUED

At 31 December	Note	2021 £000	2020 £000
Non-current liabilities			
Deferred tax liabilities	9	(777)	(405)
Borrowings	23	(19,821)	(2,199)
Lease liabilities	17	(49,895)	(40,171)
Minority shareholder put option liabilities	26,27	(11,572)	(1,804)
Other non-current liabilities	24	(2,549)	(4,773)
		(84,614)	**(49,352)**
Total net assets		**32,857**	**45,131**
Equity			
Share capital	28	1,227	1,159
Share premium		50,327	44,607
Merger reserve		37,554	37,554
Treasury reserve		(550)	(550)
Minority interest put option reserve		(6,615)	(4,953)
Non-controlling interest acquired		(29,190)	(29,190)
Foreign exchange reserve		1,853	1,210
Accumulated losses		(22,122)	(4,939)
Equity attributable to shareholders of the Group		32,484	44,898
Non-controlling interest		373	233
Total equity		**32,857**	**45,131**

The notes on pages 128 to 133 and 148 to 242 form part of these consolidated financial statements.

Reserves are defined in Note 35.

These consolidated financial statements on pages 128 to 242 were approved and authorised for issue by the Board of Directors on 28 April 2022 and signed on its behalf by:

MICKEY KALIFA
Chief Financial Officer
M&C Saatchi plc
Company Number 05114893

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/ (accumulated losses) £000	Subtotal £000	Non-controlling interest in equity £000	Total £000
At 31 December 2019		**936**	**44,607**	**33,400**	**(550)**	**(4,953)**	**(32,239)**	**1,181**	**6,854**	**49,236**	**365**	**49,601**
Exercise of Minority Interest put options	26	82	–	4,154	–	–	–	–	–	4,236	–	4,236
Exercise of share-based payment schemes	27	141	–	–	–	–	–	–	(683)	(542)	–	(542)
Disposal of subsidiaries		–	–	–	–	–	3,049	318	(3,367)	–	40	40
Share option charge	27	–	–	–	–	–	–	–	3,275	3,275	–	3,275
Reclassification of equity-settled share-based payments to cash-settled		–	–	–	–	–	–	–	(1,121)	(1,121)	–	(1,121)
Dividends	10	–	–	–	–	–	–	–	–	–	(151)	(151)
Total transactions with owners		223	–	4,154	–	–	3,049	318	(1,896)	5,848	(111)	5,737
Total loss for the year		–	–	–	–	–	–	–	(9,897)	(9,897)	(21)	(9,918)
Total other comprehensive loss for the year		–	–	–	–	–	–	(289)	–	(289)	–	(289)
At 31 December 2020		**1,159**	**44,607**	**37,554**	**(550)**	**(4,953)**	**(29,190)**	**1,210**	**(4,939)**	**44,898**	**233**	**45,131**
Acquisitions including deferred consideration	12,13,26	54	4,949	–	–	(2,000)	–	–	–	3,003	–	3,003
Exercise of Minority Interest put options	26	5	419	–	–	338	–	–	–	762	–	762
Transfer from equity to cash-settled put options	27	–	–	–	–	–	–	–	(32,555)	(32,555)	–	(32,555)
Transfer from cash to equity-settled put options	27	–	–	–	–	–	–	–	994	994	–	994
Share option charge	27	–	–	–	–	–	–	–	2,235	2,235	–	2,235
Buyout of equity put options in cash		–	–	–	–	–	–	–	(632)	(632)	–	(632)
Issue of shares		6	352	–	–	–	–	–	–	358	–	358
Exercise of put options		3	–	–	–	–	–	–	(3)	–	–	–
Disposal of subsidiaries		–	–	–	–	–	–	(21)	21	–	–	–
Dividends	10	–	–	–	–	–	–	–	–	–	(276)	(276)
Total transactions with owners		68	5,720	–	–	(1,662)	–	(21)	(29,940)	(25,835)	(276)	(26,111)
Total profit for the year		–	–	–	–	–	–	–	12,757	12,757	416	13,173
Total other comprehensive income for the year		–	–	–	–	–	–	664	–	664	–	664
At 31 December 2021		**1,227**	**50,327**	**37,554**	**(550)**	**(6,615)**	**(29,190)**	**1,853**	**(22,122)**	**32,484**	**373**	**32,857**

The notes on pages 128 to 133 and 148 to 242 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT AND ANALYSIS OF NET CASH

Year ended 31 December	Note	2021 £000	2020 £000
Operating profit/(loss)		**27,258**	**(4,932)**
Adjustments for:			
Depreciation of plant and equipment	16	2,237	2,555
Depreciation of right-of-use assets	17	6,959	9,104
Impairment of right-of-use asset	17	–	2,651
Loss on sale of plant and equipment		95	640
Impairment of plant and equipment	16	–	374
Loss on sale of software intangibles		824	433
Revaluation of financial assets at FVTPL	19	(3,533)	3,315
Gain on disposal of financial assets at FVTPL	19	–	(497)
Revaluation of contingent consideration	13	532	446
Amortisation of acquired intangible assets	14	965	1,686
Impairment of goodwill and other intangibles	14	1,900	–
Impairment and amortisation of capitalised software intangible assets	14	1,484	781
Exercise of share-based payment schemes with cash		–	(683)
Equity-settled share-based payment expenses	27	2,235	3,275
Operating cash before movements in working capital		**40,956**	**19,148**
(Increase)/decrease in trade and other receivables		(38,912)	9,052
Increase in trade and other payables		23,434	9,425
Increase/(decrease) in provisions		316	(2,323)
Cash generated from operations		**25,794**	**35,302**
Tax paid		(6,844)	(1,645)
Net cash from operating activities		**18,950**	**33,657**
Investing activities			
Acquisitions of subsidiaries and deferred consideration paid, net of cash acquired	12,13	633	–
Disposal of associate or subsidiary (net of cash disposed of)	11	(2)	(4,114)
Acquisition of associates	15	–	(1)
Acquisitions of unlisted investments	19	(81)	(713)

CONSOLIDATED CASH FLOW STATEMENT AND ANALYSIS OF NET CASH CONTINUED

Year ended 31 December	Note	2021 £000	2020 £000
Proceeds from sale of unlisted investments		209	1,233
Proceeds from sale of plant and equipment		223	387
Purchase of plant and equipment	16	(1,789)	(3,184)
Purchase of capitalised software	14	(837)	(502)
Interest received	7	260	364
Net cash consumed by investing activities		**(1,384)**	**(6,530)**
Net cash from operating and investing activities		**17,566**	**27,127**
Financing activities			
Dividends paid to non-controlling interest		(152)	(151)
Cash consideration for non-controlling interest acquired	27	(5,348)	(204)
Buyout of equity put options in cash		(632)	–
Payment of lease liabilities	17	(6,210)	(7,224)
Proceeds from bank loans	23	9,301	3,472
Repayment of bank loans	23	(16,909)	(8,900)
Borrowing costs		(602)	(518)
Interest paid	7	(1,555)	(1,751)
Interest paid on leases	17	(2,800)	(2,471)
Net cash consumed by financing activities		**(24,907)**	**(17,747)**
Net (decrease)/increase in cash and cash equivalents		**(7,341)**	**9,380**
Effect of exchange rate fluctuations on cash held		(55)	246
Cash and cash equivalents at the beginning of the year		62,375	52,749
Total cash and cash equivalents at the end of the year		**54,979**	**62,375**
Cash and cash equivalents		69,419	76,295
Bank overdrafts*	23	(14,440)	(13,920)
Total cash and cash equivalents at the end of the year		**54,979**	**62,375**
Bank loans and borrowings**	23	(20,590)	(29,628)
Net cash		**34,389**	**32,747**

* These overdrafts are legally offset against balances held in the UK; however, they have not been netted off in accordance with the requirements of IAS32.42.
** Bank loans and borrowings are defined in Note 23; they exclude our lease liability of £56,844k (2020 £46,421k) (Note 17)

The notes on pages 128 to 133 and 148 to 242 form part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. HEADLINE RESULTS AND EARNINGS PER SHARE

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

Year ended 31 December 2021	Note	Statutory 2021 £000	Separately disclosed items (Note 2) £000	Amortisation of acquired intangibles (Note 14) £000	Impairment of non-current assets (Note 14 and 15) £000	Net loss on disposal of subsidiaries and related costs (Note 11) £000	Revaluation of associates on transition to subsidiaries (Note 15) £000	FVTPL investments under IFRS 9 (Note 19) £000	Revaluation of contingent consideration (Note 13) £000	Dividends paid to IFRS 2 put holders (Note 5)* £000	Put option accounting (Note 26 and 27) £000	Headline results £000
Billings (unaudited)		**533,350**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**533,350**
Revenue		**394,575**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**394,575**
Net revenue		**249,336**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**249,336**
Staff costs	5	(172,493)	(3,975)	–	–	28	–	–	–	5,270	1,225	(169,945)
Depreciation	16,17	(9,196)	–	–	–	–	–	–	–	–	–	(9,196)
Amortisation	14	(1,412)	–	965	–	–	–	–	–	–	–	(447)
Impairments	14	(2,937)	–	–	2,413	–	–	–	–	–	–	(524)
Other operating charges		(39,573)	192	–	–	97	–	664	532	–	–	(38,088)
Other gains	19	3,533	–	–	–	–	–	(3,533)	–	–	–	–
Operating profit		**27,258**	**(3,783)**	**965**	**2,413**	**125**	**–**	**(2,869)**	**532**	**5,270**	**1,225**	**31,136**
Share of results of associates and joint ventures	15	(190)	–	–	–	–	234	–	–	–	–	44
Gain on disposal of subsidiaries	11	42	–	–	–	(42)	–	–	–	–	–	–
Impairment of associate investment	15	(357)	–	–	357	–	–	–	–	–	–	–
Finance income	7	260	–	–	–	–	–	–	–	–	–	260
Finance expense	7	(5,381)	–	–	–	–	–	359	–	–	896	(4,126)
Profit before taxation	8	**21,632**	**(3,783)**	**965**	**2,770**	**83**	**234**	**(2,510)**	**532**	**5,270**	**2,121**	**27,314**
Taxation	8	(8,459)	743	(246)	–	**–**	–	680	–	11	–	(7,271)
Profit for the year		**13,173**	**(3,040)**	**719**	**2,770**	**83**	**234**	**(1,830)**	**532**	**5,281**	**2,121**	**20,043**
Non-controlling interests		(416)	–	–	–	–	–	–	–	(5,940)	–	(6,356)
Profit attributable to equity holders of the Group**		**12,757**	**(3,040)**	**719**	**2,770**	**83**	**234**	**(1,830)**	**532**	**(659)**	**2,121**	**13,687**

* The non-controlling interest charge is moved to operating profit due to underlying equity being defined as a IFRS 2 put option.
** Headline earnings are profit attributable to equity holders of the Group after adding back items within the columns above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. HEADLINE RESULTS AND EARNINGS PER SHARE CONTINUED

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

Year ended 31 December 2020	Note	Statutory 2020 £000	Separately disclosed items (Note 2) £000	Amortisation of acquired intangibles (Note 14) £000	Impairment of non-current assets (Note 15, 16 and 17) £000	Gain on disposal of subsidiaries and associates (Note 11) £000	FVTPL investments under IFRS 9 (Note 19) £000	Revaluation of contingent consideration (Note 13) £000	Dividends paid to IFRS 2 put holders (Note 5)* £000	Put option accounting (Note 26 and 27) £000	Headline results £000
Billings (unaudited)		**454,504**	**–**	**–**	**–**	**–**	**–**	–	**–**	**–**	**454,504**
Revenue		**323,250**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**323,250**
Net revenue		**225,389**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**225,389**
Staff costs	5	(171,717)	1,661	–	–	–	–	–	4,728	3,300	(162,028)
Depreciation	16,17	(11,659)	–	–	–	–	–	–	–	–	(11,659)
Amortisation	14	(2,275)	–	1,686	–	–	–	–	–	–	(589)
Impairments	16,17	(3,217)	–	–	3,025	–	–	–	–	–	(192)
Other operating charges		(38,635)	311	–	–	–	(232)	446	–	–	(38,110)
Other losses		(2,818)	–	–	–	–	1,977	–	–	–	(841)
Operating (loss)/profit		**(4,932)**	**1,972**	**1,686**	**3,025**	**–**	**1,745**	**446**	**4,728**	**3,300**	**11,970**
Share of results of associates and joint ventures	15	(113)	–	–	–	–	–	–	–	–	(113)
Gain on disposal of subsidiaries	11	1,432	–	–	–	(1,432)	–	–	–	–	–
Impairment of associate investment	15	(895)	–	–	895	–	–	–	–	–	–
Finance income	7	364	–	–	–	–	–	–	–	–	364
Finance expense	7	(4,363)	–	–	–	–	350	–	–	120	(3,893)
(Loss)/profit before taxation		**(8,507)**	**1,972**	**1,686**	**3,920**	**(1,432)**	**2,095**	**446**	**4,728**	**3,420**	**8,328**
Taxation	8	(1,411)	(482)	(405)	(575)	**–**	(398)	–	–	(24)	(3,295)
(Loss)/profit for the year		**(9,918)**	**1,490**	**1,281**	**3,345**	**(1,432)**	**1,697**	**446**	**4,728**	**3,396**	**5,033**
Non-controlling interests		21	–	–	–	–	–	–	(3,404)	–	(3,383)
(Loss)/profit attributable to equity holders of the Group**		**(9,897)**	**1,490**	**1,281**	**3,345**	**(1,432)**	**1,697**	**446**	**1,324**	**3,396**	**1,650**

* The non-controlling interest charge is moved to operating profit due to underlying equity being defined as a IFRS 2 put option.
** Headline earnings are profit attributable to equity holders of the Group after adding back the adjustments noted above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. HEADLINE RESULTS AND EARNINGS PER SHARE CONTINUED

Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. Anti-dilutive potential ordinary shares are excluded. The dilutive effect of unvested outstanding options is calculated based on the number that would vest had the balance sheet date been the vesting date.

It is the intention to fulfil all options by either buying equity from market or in cash so the difference between Basic and Dilutive EPS is purely due to the fact that the Group still has a choice that we intend not to take.

Year ended 31 December 2021	2021	Headline 2021
Profit attributable to equity shareholders of the Group (£000)	**12,757**	**13,687**
Basic earnings per share		
Weighted average number of shares (thousands)	121,130	121,130
Basic EPS	**10.53p**	**11.30p**
Diluted earnings per share		
Weighted average number of shares (thousands) as above	121,130	121,130
Add		
– LTIP	178	178
– Restricted Shares	649	649
– Deferred consideration (payable in cash)	695	695
– Put options (payable in cash)	13,342	13,342
Total	**135,994**	**135,994**
Diluted EPS	**9.38p**	**10.06p**
	135,994	135,994
Excluding the deferred consideration (payable in cash)	(695)	(695)
Excluding the put options (payable in cash)	(13,342)	(13,342)
Weighted average number of shares (thousands) including dilutive shares	121,957	121,957
Diluted EPS – excluding items we intend and are able to pay in cash	**10.46p**	**11.22p**

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. SEPARATELY DISCLOSED ITEMS

Policy

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

Analysis

Separately disclosed items for the year ended 31 December 2021 comprise the following:

2021	Operating costs £000	Staff costs £000	Taxation £000	After tax total £000
Strategic review and restructuring	192	(2,751)	466	(2,093)
Forgiveness of US Payment Protection Program ("PPP") loan	–	(2,200)	462	(1,738)
Repayment of UK furlough money	–	976	(185)	791
Total separately disclosed items	**192**	**(3,975)**	**743**	**(3,040)**

In 2021, we have recognised the repayment of the UK furlough money that was received in 2020 and the forgiveness of the US "PPP" loan that was received in 2020. Included within strategic review and restructuring above are:

- Staff costs relating to the release of a long-term incentive plan accrual for a previous employee who is no longer part of the business (£1.8m of this relates to pre-2021); and
- Operating costs comprising of the lease surrender expense incurred during 2021, due to restructuring of two lease spaces.

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

2020	Operating costs £000	Staff costs £000	Taxation £000	After tax total £000
Restructuring	–	2,637	(608)	2,029
Legal fees	311	–	(59)	252
Furlough salary expense	–	(976)	185	(791)
Total separately disclosed items	**311**	**1,661**	**(482)**	**1,490**

In 2020, the Board continued its strategic review of the Group to improve the long-term profitability of the business. This restructuring of the Group led to staff redundancy costs in the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL INFORMATION

Headline segmental income statement

Segmental results are reconciled to the income statement in Note 1. The Board reviews Headline results.

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

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

From 2021, following the Group's strategic review, presented at the Capital Markets Day in January 2021, we now also assess the Group's performance under a new structure of specialisms, and this will be reported under two segments: Advertising & CRM and High Growth Specialisms, excluding Group Central Costs.

Segmental Information by Geography

Year Ended 31 December 2021	UK £000	Europe £000	Middle East and Africa £000	Asia £000	Australia £000	Americas £000	Group Central Costs £000	Total £000
Net revenue	104,231	15,207	20,216	17,213	53,997	38,472	–	249,336
Operating profit/(loss)	26,599	1,929	2,842	1,385	5,832	4,709	(12,160)	31,136
Operating profit margin	26%	13%	14%	8%	11%	12%	–	12%
Profit/(loss) before tax	26,188	1,906	2,430	756	5,257	3,625	(12,848)	27,314

Year Ended 31 December 2020	UK £000	Europe £000	Middle East and Africa £000	Asia £000	Australia £000	Americas £000	Group Central Costs £000	Total £000
Net revenue	86,919	28,433	15,648	10,631	47,991	35,767	–	225,389
Operating profit/(loss)	11,687	1,501	640	(706)	3,042	3,668	(7,862)	11,970
Operating profit margin	13%	5%	4%	–	6%	10%	–	5%
Profit/(loss) before tax	10,623	1,353	282	(1,006)	2,939	2,705	(8,568)	8,328

No revenues were derived from an individual customer with a net revenue contribution of greater than 10% of the total net revenue during either 2021 or 2020.

Other operating expenses consists of facilities & equipment, legal & professional fees, establishment, travel, new business and other admin expenses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL INFORMATION CONTINUED

Segmental Information by Specialisms

Year Ended 31 December 2021	Advertising & CRM £000	High Growth Specialisms £000	Group Central Costs £000	Total £000
Net revenue	127,195	122,141	–	249,336
Operating profit/(loss)	11,052	32,244	(12,160)	31,136
Operating profit margin	9%	26%	–	12%
Profit/(loss) before tax	9,370	30,792	(12,848)	27,314

Year Ended 31 December 2020	Advertising & CRM £000	High Growth Specialisms £000	Group Central Costs £000	Total £000
Net revenue	128,903	96,926	–	225,389
Operating profit/(loss)	5,184	14,648	(7,862)	11,970
Operating profit margin	4%	15%	–	5%
Profit/(loss) before tax	4,646	12,249	(8,568)	8,328

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

Revenue recognition policies

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

Performance obligations

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

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

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

Measurement of revenue

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

Principal vs agent

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

Revenue recognition policies continued

Treatment of costs

Costs incurred in relation to the fulfilment of a contract are generally expensed as incurred, if revenue is recognised over time or held in contract assets, if it is recognised at a point in time.

Disaggregation of revenue

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

	Reported		LFL	
Net Revenue Specialism	2021 £m	2021 vs 2020 Movement	2021 £m	2021 vs 2020 Movement
Advertising & CRM	127.2	(1.3)%	121.2	5.6%
Media & Performance	32.8	39.1%	32.8	39.1%
Global & Social Issues	33.9	21.6%	33.2	18.9%
Brand & Experience	30.9	15.0%	30.9	17.1%
Sponsorship & Talent	24.5	35.3%	24.5	35.3%
Group	**249.3**	**10.6%**	**242.6**	**15.1%**

	Reported		LFL	
Net Revenue Region	2021 £m	2021 vs 2020 Movement	2021 £m	2021 vs 2020 Movement
UK	104.2	19.9%	104.2	20.1%
Europe	15.2	(46.5)%	15.2	(8.4)%
Middle East & Africa	20.2	29.2%	20.2	35.4%
Asia	17.2	61.9%	12.3	16.2%
Australia	54.0	12.5%	54.0	12.5%
Americas	38.5	7.6%	36.6	8.0%
Group	**249.3**	**10.6%**	**242.6**	**15.1%**

Assets and liabilities related to contracts with customers

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

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

Where revenue earned from customers is recognised at a point in time, then this will be dependent on satisfaction of a specific performance obligation. At such point, it is usual that there are no other conditions required to be met for receipt of consideration and, as such, a trade receivable is recognised at this point upon raising of an invoice, otherwise it is recognised as a contract asset.

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

The Group operates a standard 30 day credit terms policy. All contract liabilities and contract assets (other receivables per Note 20) brought forward have been recognised in the current period.

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

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

Provision of advertising and marketing services

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

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

When services provided are considered separable, and not integrated, then multiple performance obligations are recognised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

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

Provision of advertising and marketing services continued

Multiple performance obligations are most common in projects where there are clearly separable conceptual preparatory obligations culminating in a customer deliverable, such as an event. In these scenarios the conceptual preparation element and the deliverable are concluded as forming separate performance obligations with the revenue and corresponding cost of sales (typically third-party pass-through costs) assigned to the obligation to which they relate.

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

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

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

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

Commission based income in relation to media spend

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

The performance obligation for media purchases is considered to have been satisfied when the associated advertisement has been purchased.

In the majority of instances where the Group purchases media for clients, the Group is acting as agent.

Commission based income in relation to talent performance

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. STAFF COSTS

Policy

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

Analysis

Staff costs (including Directors)

Year ended 31 December	Note	2021 £000	2020 £000
Wages and salaries**		141,615	134,782
Social security costs		13,085	16,360
Pension costs**		5,403	5,070
Other staff costs*		6,950	6,555
Total		**167,053**	**162,767**
Allocations and dividends paid to holders of IFRS 2 put options	1	**5,270**	**4,728**
Share-based incentive plans:			
Cash-settled	27	(2,065)	947
Equity-settled	27	2,235	3,275
Total share-based incentive plans		**170**	**4,222**
Total staff costs		**172,493**	**171,717**

* Other staff costs include dividends, profit share, LTIP charges, redundancy costs and insurance.

** Within the 2020 figures we identified an amount of £2.5m that needed to be presented within pension costs, rather than wages and salaries. This was correctly accounted for in 2021 and reclassified in 2020 for comparative purposes.

Staff numbers	2021	2020
UK	734	687
Europe	161	357
Middle East and Africa	383	373
Asia	592	342
Australia	465	436
Americas	318	255
Total	**2,653**	**2,450**

These staff numbers are based on the average number of monthly staff in December each year.

Pensions

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

Payments of £5,403k (2020: £5,070k) were made in the year and charged to the income statement in the period they relate to.

Compensation for key management personnel and Directors

Key management remuneration	2021 £000	2020 £000
Short-term employee benefit	2,735	2,325
Post-employment benefit	88	249
Share-based payments	268	485
Total	**3,091**	**3,059**

Key management personnel include the Directors and employees responsible for planning, directing and controlling the activities of the Group. Refer to pages 104 to 105 of the Directors' remuneration report for detail of the Directors' remuneration, including the highest paid Director.

6. AUDITORS' REMUNERATION

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

Year ended 31 December	2021 £000	2020 £000
Audit services:		
Audit of the Company and its consolidated financial statements	1,450	2,337
Audit of the Company's subsidiaries pursuant to legislation	237	255
	1,687	**2,592**
Other services provided by the Auditors:		
Other assurance services – interim agreed upon procedures	46	–
Taxation compliance services	66	–
Taxation advisory services	112	–
	224	–
Total	**1,911**	**2,592**

In 2020, the Group's auditors were PricewaterhouseCoopers LLP. BDO LLP became the Group's auditors in 2021.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. NET FINANCE INCOME/(EXPENSE)

Policy

Interest income and expense, including fair value adjustments to IFRS 9 put options, are recognised in the income statement in the period in which they are incurred.

Analysis

Year ended 31 December	2021 £000	2020 £000
Bank interest receivable	187	215
Other interest receivable	47	78
Sublease finance income	26	71
Financial income	**260**	**364**
Bank interest payable	(1,555)	(1,240)
Amortisation of loan costs	(130)	(228)
Other interest payable	–	(304)
Interest on lease liabilities	(2,800)	(2,471)
Valuation adjustment to IFRS 9 put option liabilities (Note 26)	(896)	(120)
Financial expense	**(5,381)**	**(4,363)**
Net finance expense	**(5,121)**	**(3,999)**

8. CURRENT TAXATION

Policy

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

Analysis

Income statement charge for year ended 31 December	2021 £000	2020 £000
Taxation in the year		
UK	1,832	(8)
Overseas	4,470	3,765
Withholding taxes payable	31	7
Adjustment for under provision in prior periods*	1,476	1,312
Total	**7,809**	**5,076**
Deferred taxation		
Recognition/(reversal) of temporary differences	1,651	(3,100)
Adjustment for over provision in prior periods*	(974)	(565)
Effect of changes in tax rates	(27)	–
Total	**650**	**(3,665)**
Total taxation	**8,459**	**1,411**

* The 2020 tax position was adjusted due to the accounting restatements made in 2019. In 2021, the deferred tax positions became current due to the increase in profitability in the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. CURRENT TAXATION CONTINUED

Analysis continued

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

Year ended 31 December	2021 £000	2021 %	2020 £000	2020 %
Profit/(loss) before taxation	21,632		(8,507)	
Taxation at UK corporation tax rate of 19.00% (2019: 19.00%)	**4,110**	***19.0%***	**(1,616)**	***19.0%***
Different tax rates applicable in overseas jurisdictions (i)	1,467	*6.8%*	213	*(2.5%)*
Adjustment for current tax under/(over) provision in prior periods (ii)	1,465	*6.8%*	1,312	*(15.4%)*
Adjustment for deferred tax (over)/under provision in prior periods (ii)	(974)	*(4.5%)*	(565)	*6.6%*
Option charges not deductible for tax (iii)	925	*4.3%*	1,303	*(15.3%)*
Impairment with no tax credit (iv)	537	*2.4%*	170	*(2.0%)*
Tax losses for which no deferred tax asset was recognised	528	*2.4%*	711	*(8.3%)*
Expenses not deductible for tax	386	*1.8%*	127	*(1.5%)*
Disposal of subsidiaries on which no tax is charged	16	*0.1%*	(272)	*3.2%*
Withholding taxes payable	31	*0.1%*	7	*(0.1%)*
Tax effect of associates	1	*0.0%*	21	*(0.3%)*
Effect of changes in tax rates on deferred tax	(33)	*(0.1%)*	–	–
Statutory taxation	**8,459**	***39.1%***	**1,411**	***(16.6%)***
Statutory effective tax rate	**39.1%**		**(16.6%)**	

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

(i) Different tax rates applicable in overseas jurisdictions: the Group operates in multiple locations around the world where tax rates are higher than the UK (e.g. Australia (30%) and USA (between 21% to 28%)).

(ii) The net effect of the adjustment for current and deferred tax in prior periods is £491k (2020: £747k) of total tax charge.

(iii) Option charges include dividends paid to option holders that are not deductible for tax. Our share-based payment schemes mostly relate to equity held in subsidiary companies. The Group generally receives no tax benefit on the exercise of these put options or payment of the dividends.

(iv) Impairment with no tax credit: On most of our acquisitions we received no tax benefit from the acquisition of goodwill and correspondingly there is no tax benefit from goodwill impairment.

Looking forward, taxes are rising to recover the costs of the Covid-19 pandemic. For instance, UK corporation tax will increase from 19% to 25% from 2023.

We expect large variations in future tax rates due to significant items such as share-based payments (option charges), put options and investment in subsidiaries being non-deductible against corporation tax as a result of these items being capital in nature.

Tax on Headline profits

In 2021, the key difference between the actual and Headline tax rates is driven by our local entities' profitability in higher tax countries such as Australia and USA, with central costs being incurred in the UK, a lower tax market.

Our Headline tax rate has reduced from 39.6% in 2020 to 26.6%. The tax rate reduction is driven by fewer prior period tax adjustments (2020 was affected by the 2019 accounts restatements) and fewer loss-making subsidiaries where we expect no future tax benefit.

Year ended 31 December	2021 £000	2021 %	2020 £000	2020 %
Headline profit before taxation (Note 1)	27,312		8,328	
Taxation at UK corporation tax rate of 19.00% (2020: 19.00%)	**5,189**	***19.0%***	**1,582**	***19.0%***
Different tax rates applicable in overseas jurisdictions	1,510	*5.4%*	406	*4.8%*
Adjustment for current tax under/(over) provision in prior periods	1,476	*5.4%*	1,312	*15.8%*
Adjustment for deferred tax (over)/under provision in prior periods	(974)	*(3.6%)*	(561)	*(6.7%)*
Tax losses for which no deferred tax asset was recognised	528	1.9%	710	*8.5%*
Expenses not deductible for tax	386	*1.4%*	127	*1.5%*
Withholding taxes payable	31	*0.1%*	7	*0.1%*
Effect of changes in tax rates	(6)	*(0.0%)*	–	–
Tax effect of associates	(44)	*(0.2%)*	21	*0.3%*
Effect of changes in tax rates on deferred tax	(230)	*(0.8%)*	–	–
Non-controlling interest share of partnership income	(595)	*(2.2%)*	(309)	*(3.7%)*
Headline taxation (Note 1)	**7,271**	***26.6%***	**3,295**	***39.6%***
Headline effective tax rate	**26.6%**		**39.6%**	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. DEFERRED TAXATION

Policy

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the Group intends to settle its current tax assets and current tax liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Analysis

At 31 December	2021 £000	2020 £000
Deferred tax assets	6,777	8,301
Deferred tax liabilities	(777)	(405)
Net deferred tax	**6,000**	**7,896**

The deferred tax asset is recoverable against future profits, and future corporation tax liabilities. The following table shows the deferred tax asset/(liability) recognised by Group and movements in 2021 and 2020.

	Intangibles £000	Capital allowances £000	Tax losses £000	Purchased investments £000	Working capital differences £000	Total £000
At 1 January 2020	**298**	**49**	**1,523**	**(964)**	**4,008**	**4,914**
Exchange differences	(4)	(1)	(143)	–	(54)	(202)
Income statement (charge)/credit	(58)	1,278	7,136	499	(5,190)	3,665
Disposals (Note 11)	–	–	(13)	–	(468)	(481)
At 31 December 2020	**236**	**1,326**	**8,503**	**(465)**	**(1,704)**	**7,896**
Exchange differences	(16)	(52)	(337)	–	237	(168)
Income statement (charge)/credit	(47)	103	(4,460)	(767)	4,522	(649)
Acquisitions (Note 12)	(1,150)	–	71	–	–	(1,079)
At 31 December 2021	**(977)**	**1,377**	**3,777**	**(1,232)**	**3,050**	**6,000**

Based on the 2021 Board approved budget and five-year plans, the Group has reviewed the deferred tax asset created by tax losses for their recoverability. Where the Group believes such losses are not recoverable, they have not been recognised on the balance sheet and have been included in unrecognised deferred tax assets.

Within the local entities £3,101k (2020: £5,733k) of deferred tax has been naturally offset. Disregarding this offset, the split of deferred tax is as follows:

	Intangibles £000	Capital allowances £000	Tax losses £000	Purchased investments £000	Working capital differences £000	Total £000
At 31 December 2020						
Deferred tax assets	290	1,328	8,503	–	3,953	14,074
Deferred tax liabilities	(54)	(2)	–	(465)	(5,657)	(6,178)
Net deferred tax	**236**	**1,326**	**8,503**	**(465)**	**(1,704)**	**7,896**
At 31 December 2021						
Deferred tax assets	47	1,377	3,777	–	4,677	9,878
Deferred tax liabilities	(1,024)	–	–	(1,232)	(1,622)	(3,878)
Net deferred tax	**(977)**	**1,377**	**3,777**	**(1,232)**	**3,055**	**6,000**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. DEFERRED TAXATION CONTINUED

Analysis continued

The working capital differences mostly relate to the tax effects of working capital in Australia which calculates tax on a cash basis rather than the accruals basis used in other countries; along with the continuing tax effects of the adoption of IFRS 16 (Leases); and tax provision on any long-term deferred bonuses.

UK tax legislation was implemented on 24 May 2021 which increased the UK corporation tax from 19% to 25% with effect from 1 April 2023. The effect on the revaluation of the deferred tax balance of this change is partly reliant on projections for 2022 and 2023 profits so is an estimate.

An unrecognised deferred tax asset in respect of carried forward tax losses is shown below:

	Losses £000	Deferred tax impact £000
At 1 January 2021	**4,772**	**975**
Exchange differences	(52)	(14)
Written off in year	(750)	(154)
Differences in tax rates	–	122
Losses in year	2,456	528
At 31 December 2021	**6,426**	**1,457**

Expiry date of losses:

	2021 £000	2020 £000
One to five years	–	–
Five to ten years	648	439
Ten years or more	809	536
Total	**1,457**	**975**

The unrecognised deferred tax assets in respect of certain losses in overseas territories, referred to in the tables above, have not been recognised as there is insufficient certainty of future taxable profits against which these would reverse.

10. DIVIDENDS

Policy

Equity dividends on ordinary share capital are recognised as a liability in the period in which they are declared. The interim dividend is recognised when it has been approved by the Board and the final dividend is recognised when it has been approved by the shareholders at the Company's Annual General Meeting.

No interim or final dividends were approved for either 2020 or 2021. The dividend policy was reviewed as part of the Group's recent strategic review, which concluded that the Group's priority is to return the business to pre-pandemic levels of profitability and earnings and, thereafter, to grow in line with the targets set out at the Capital Markets Day held in January 2021. Assuming a return to normal trading conditions, the intention is to reinstate dividends from 2022.

11. DISPOSALS

Policy

We account for disposals of entities in the Group in accordance with IFRS 10. When the parent's ownership of a subsidiary company changes and results in the parent's loss of control of a subsidiary within the Group, the parent:

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

Analysis

The Board made a strategic decision at the start of 2020 to eliminate loss-making businesses from the Group by the end of the year. This process continued into 2021, with four entities either ceasing trading or being divested. The entities that ceased trading were M&C Saatchi PR LLP and M&C Saatchi Marketing Arts Limited. The entity that was divested was Create Collective PTE. These entities contributed £39k of losses to the 2021 results.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. DISPOSALS CONTINUED

Analysis continued

The Headline results of the entities disposed in 2021, which have been included in the results for the year, were as follows:

Year ended 31 December 2021	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Revenue	5	–	–	87	–	92
Project cost/direct cost	–	–	–	–	–	–
Net revenue	**5**	**–**	**–**	**87**	**–**	**92**
Staff costs	(27)	–	(1)	(46)	–	(74)
Depreciation	–	–	–	(1)	–	(1)
Amortisation	–	–	–	–	–	–
Other operating charges	(5)	–	–	(37)	(14)	(56)
Operating (loss)/gain	**(27)**	**–**	**(1)**	**3**	**(14)**	**(39)**
Finance income	–	–	–	–	–	–
Finance expense	–	–	–	–	–	–
(Loss)/profit before taxation	**(27)**	**–**	**(1)**	**3**	**(14)**	**(39)**

The Headline results of the entities disposed in 2020, which were included in the results for 2020, were as follows:

Year ended 31 December 2020	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Revenue	155	23,170	897	1,209	3,375	28,806
Project cost/direct cost	–	(11,345)	(178)	(7)	(604)	(12,134)
Net revenue	**155**	**11,825**	**719**	**1,202**	**2,771**	**16,672**
Staff costs	(664)	(9,788)	(962)	(945)	(3,631)	(15,990)
Depreciation	(2)	(833)	(17)	(2)	(327)	(1,181)
Amortisation	(79)	–	(4)	(291)	–	(374)
Other operating charges	(197)	(1,518)	(94)	(355)	(880)	(3,044)
Operating loss	**(787)**	**(314)**	**(358)**	**(391)**	**(2,067)**	**(3,917)**
Finance income	–	–	(1)	–	2	1
Finance expense	–	(110)	15	–	(32)	(127)
Loss before taxation	**(787)**	**(424)**	**(344)**	**(391)**	**(2,097)**	**(4,043)**

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

	2021 £000	2020 £000
Consideration received in cash and cash equivalents	–	979
Share consideration receivable	–	444
Deferred consideration payable	–	(536)
Total consideration	**–**	**887**
Plant and equipment	2	562
Right-of-use assets	–	2,661
Other non-current assets	–	63
Deferred tax assets	–	481
Trade and other receivables	21	11,708
Current tax assets	–	583
Cash and cash equivalents	2	5,094
Trade and other payables	(67)	(17,425)
Borrowings	–	(1,462)
Lease liabilities	–	(2,810)
Add net liabilities	**(42)**	**(545)**
Gain on disposal of subsidiaries	**42**	**1,432**

Within Note 1, there are costs of £125k that relate to severance and legal fees for the disposal.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. ACQUISITIONS OF SUBSIDIARIES

On 10 February 2021, the Group acquired two entities that were previously associates, 40.0% of M&C Saatchi (Hong Kong) Limited and 25.1% of Santa Clara Participações Ltda. In addition, on 1 January 2021 we deemed that we had control of the 51% held in M&C Saatchi World Services Pakistan (Pvt) Ltd, therefore obtaining control of the three entities. M&C Saatchi (Hong Kong) Limited's primary activity is consultancy, and both Santa Clara Participações Ltda and M&C Saatchi World Services Pakistan (Pvt) Limited are marketing agencies, of which all qualify as a business as defined in IFRS 3.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	M&C Saatchi (Hong Kong) £000s	Santa Clara £000s	Pakistan £000s	Total £000s
Financial assets	4,158	1,879	482	6,519
Property, plant and equipment	284	29	48	361
Identifiable intangible assets	1,653	2,211	–	3,864
Financial liabilities	(3,395)	(3,472)	(530)	(7,397)
Deferred tax assets/(liabilities)	(343)	(736)	–	(1,079)
Total identifiable assets acquired and liabilities assumed	**2,357**	**(89)**	**–**	**2,268**
Plus: goodwill (Note 14)	2,677	1,945	–	4,622
Net assets acquired	**5,034**	**1,856**	**–**	**6,890**
Satisfied by:				
Equity instruments	2,627	1,856	–	4,483
Fair value of associate investment	2,407	–	–	2,407
Total consideration transferred	**5,034**	**1,856**	**–**	**6,882**
Net cash inflow arising on acquisition:				
Cash and cash equivalent balances acquired	750	513	29	1,292
	750	**513**	**29**	**1,292**

M&C Saatchi (Hong Kong) Limited

The fair value of the financial assets includes trade receivables that amount to £1.1m. It is expected that the full contractual amounts can be collected.

Goodwill is mainly attributable to the workforce and synergies and amounts to £2.7m. None of the goodwill is expected to be deductible for tax purposes.

The fair value of the Company's 3,027,860 ordinary shares issued as the consideration (£2,627k) was determined on the basis of the agreed put option agreement, created at the time M&C Saatchi (Hong Kong) Limited became an associate in 2015.

The entity acquired contributed £15.5m revenue and £0.1m to the Group's operating profit for the period between the date of acquisition and the reporting date.

If the acquisition of this entity had been completed on the first day of the financial year, Group results for the year would have included £16.4m of revenue and £0.6m of profit.

Santa Clara Participações Ltda

The fair value of the financial assets includes trade receivables that amount to £0.8m. The gross amount of trade receivables is £0.8m and it is expected that the full contractual amounts can be collected.

Goodwill is mainly attributable to the workforce and synergies and amounts to £1.9m. None of the goodwill is expected to be deductible for tax purposes and this has been impaired in 2021 by £1.4m.

The fair value of the Company's 2,084,825 ordinary shares issued as the consideration (£1,856k) was determined on the basis of the agreed put option agreement, created at the time Santa Clara Participações Ltda. became an associate.

The entity acquired contributed £8.2m revenue and £0.1m to the Group's operating profit for the period between the date of acquisition and the reporting date.

If the acquisition of this entity had been completed on the first day of the financial year, Group results for the year would have included £8.5m of revenue and Group profit of £nil.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. DEFERRED AND CONTINGENT CONSIDERATION

Policy

Certain acquisitions made by the Group include contingent or deferred consideration, the quantum of which is dependent on the future performance of the acquired entity. Such consideration is recognised as a liability and recorded at fair value in line with IFRS 13 (Note 29).

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

Analysis

Liabilities	2021 £000	2020 £000
Current		
Deferred consideration		
Levergy Marketing Agency (Pty) Limited	(984)	(691)
M&C Saatchi F&Q Brasil Comunicação LTDA	–	(536)
Contingent consideration		
Scarecrow Communications Ltd Limited	–	(452)
Total current	**(984)**	**(1,679)**

Movements in liabilities in the year	2021 £000	2020 £000
At 1 January	**(1,679)**	**(758)**
Exchange differences	48	61
Deferred consideration due on disposals*	–	(536)
Charged to the income statement**	(532)	(446)
Conditional consideration paid in cash***	659	–
Conditional consideration paid in equity****	520	–
At 31 December	**(984)**	**(1,679)**

* £536k due to M&C Saatchi F&Q Brasil Comunicação LTDA.
** £984k revaluation of deferred consideration due to Levergy Marketing Agency (Pty) less £452k revaluation of contingent consideration due to Scarecrow Communications Limited.
*** £536k paid to M&C Saatchi F&Q Brasil Comunicação LTDA and £123k paid to Levergy Marketing Agency (Pty).
**** £520k paid to Levergy Marketing Agency (Pty) Limited.

£984k of deferred consideration is payable to Levergy Marketing Agency (Pty) Limited from the Company and is held as a liability in the Company's own balance sheet. This has increased in 2021 due to Levergy's increased profitability in 2021, compared to 2020.

Detail surrounding the fair value measurement of the contingent consideration recognised at year-end is provided in Note 29.

14. INTANGIBLE ASSETS

Policy

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

Cost

Goodwill

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

Other intangibles acquired as part of a business combination

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

Software & film

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

Amortisation

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

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

The Group has no indefinite life intangibles other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. INTANGIBLE ASSETS CONTINUED

Policy continued

Impairment

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

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

The value in use calculations have been based on the forecast profitability of each CGU, using the 2022 budget and five-year plans approved by the Board, with a residual growth rate of 1.5% p.a. applied thereafter. This forecast data is based on past performance and current business and economic prospects. A discount rate is then applied to create a discounted future cash flow forecast (DCF) for each CGU, which forms the basis for determining the recoverable amount of each CGU. If the DCF of a CGU is not in excess of its carrying amount (that includes the value of its fixed assets and right-of-use assets), then an impairment loss would be recognised.

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

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

Key assumptions used for impairment review

Market	Residual growth rates 2021 %	Residual growth rates 2020 %	Pre-tax discount rates 2021 %	Pre-tax discount rates 2020 %
UK	1.5	1.5	14–17	12–13
Asia and Australia	1.5	1.5	16–19	13–14
Middle East	1.5	1.5	17	12
India	1.5	1.5	23	18
South Africa	1.5	1.5	28	24
Europe	1.5	1.5	15	11
Americas	1.5	1.5	15–18	12–13

Analysis

Cost	Goodwill £000	Brand name £000	Customer relationships £000	Software and film rights £000	Total £000
At 1 January 2020	**57,105**	**8,769**	**14,090**	**3,598**	**83,562**
Exchange differences	12	(17)	(173)	185	7
Acquired	–	–	–	502	502
Disposal	(2,809)	(1,404)	(2,766)	(776)	(7,755)
Reclassification*	–	–	–	850	850
At 31 December 2020	**54,308**	**7,348**	**11,151**	**4,359**	**77,166**
Exchange differences	(493)	(73)	(1)	(46)	(613)
Acquired – business combinations	4,621	919	2,901	45	8,486
Acquired	–	–	–	837	837
Disposal	–	–	–	(1,963)	(1,963)
At 31 December 2021	**58,436**	**8,194**	**14,051**	**3,232**	**83,913**
Accumulated amortisation and impairment					
At 1 January 2020	**23,539**	**8,091**	**12,308**	**1,417**	**45,355**
Exchange differences	125	5	(162)	175	143
Amortisation charge	–	335	1,351	589	2,275
Impairment	–	–	–	192	192
Disposal	(2,809)	(1,404)	(2,766)	(343)	(7,322)
At 31 December 2020	**20,855**	**7,027**	**10,731**	**2,030**	**40,643**
Exchange differences	(295)	(79)	(20)	(45)	(439)
Amortisation charge	–	181	784	447	1,412
Impairment**	1,900	–	–	1,037	2,937
Disposal	–	–	–	(1,139)	(1,139)
At 31 December 2021	**22,460**	**7,129**	**11,495**	**2,330**	**43,414**
Net book value					
At 31 December 2019	33,566	678	1,782	2,181	38,207
At 31 December 2020	33,453	321	420	2,329	36,523
At 31 December 2021	**35,976**	**1,065**	**2,556**	**902**	**40,499**

* In 2020, there was a reclassification of property, plant and equipment and intangible assets, relating to software previously classified within computer equipment.

** The difference to Note 1 relates to the impairment of the Skategoat film which is yet to be released. This is treated as a Headline expense.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. INTANGIBLE ASSETS CONTINUED

Goodwill

Cash generating units (CGUs)	31 December 2021 £000	31 December 2020 £000	Segment
M&C Saatchi Sport & Entertainment Limited	1,184	1,184	UK
M&C Saatchi Mobile Limited	4,283	4,283	UK
M&C Saatchi Merlin Limited	765	765	UK
Talk PR Limited	625	625	UK
M&C Saatchi Social Limited	2,612	2,612	UK
Clear Ideas Limited	5,031	5,031	Europe
M&C Saatchi Advertising GmbH	1,306	1,392	Europe
M&C Saatchi Middle East Fz LLC (Dubai)	684	677	Middle East and Africa
Levergy Marketing Agency (PTY) Limited (South Africa)	820	882	Middle East and Africa
M&C Saatchi Agency Pty Limited (Australia)	2,719	2,860	Australia
Bohemia Group Pty Limited (Australia)	1,812	1,907	Australia
Shepardson Stern + Kaminsky LLP	5,375	5,321	Americas
LIDA NY LLP (MCD)	5,198	5,145	Americas
Santa Clara Participações Ltda.*	529	–	Americas
M&C Saatchi (Hong Kong) Limited*	2,806	–	Asia
Scarecrow Communications Limited*	159	663	Asia
M&C Saatchi (M) SDN BHD	68	106	Asia
Total	**35,976**	**33,453**	

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

During the year the Group made impairments of Santa Clara Participações Ltda. £1,400k and Scarecrow Communications Limited £500k (2020: Nil).

Excluding the CGUs that have been impaired, the following sensitivity analysis of the remaining CGUs shows the impairment required, if the profit forecasts reduced and the discount rates increased.

	Annual profit forecast reduced by			
Discount rates increased by	0%	10%	20%	30%
0%	–	–	174	894
1%	–	–	588	1,477
3%	170	710	1,767	2,955
5%	975	1,984	3,033	4,076

The CGUs affected by this sensitivity analysis are LIDA NY LLP (MCD), M&C Saatchi Advertising GmbH, M&C Saatchi (Hong Kong) Limited (AEIOU) and Levergy Marketing Agency (PTY) Limited (South Africa). These entities remain at risk of impairment.

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Policy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

Analysis

Region & Name	Nature of business	Country of incorporation or registration	Investment in associates 2021 £000	Investment in associates 2020 £000	Proportion of ownership interest held at 31 December 2021 %	Proportion of ownership interest held at 31 December 2020 %
Europe						
M&C Saatchi Istanbul****	Advertising	Turkey	–	–	–	25%
M&C Saatchi Little Stories SAS*	PR	France	–	–	25%	6%
M&C Saatchi SAL	Advertising	Lebanon	–	–	10%	10%
Asia and Australia						
M&C Saatchi (Hong Kong) Limited**	Advertising	China	–	2,365	80%	40%
February Communications Private Limited***	Advertising	India	–	18	20%	20%
M&C Saatchi Limited***	Advertising	Japan	–	2	10%	10%
Love Frankie Limited	Advertising	Thailand	202	185	25%	25%
Americas						
Technology, Humans and Taste LLC****	Advertising	USA	–	3	–	30%
Santa Clara Participações Ltda**	Advertising	Brazil	–	256	50%	25%
Total			**202**	**2,829**		

* In February 2021, the minority shareholders in M&C Saatchi Little Stories SAS exercised their right to put their shares on the Group, increasing the Group's interest to 25%.This investment in associate has been fully impaired.
** In February 2021, the Group took a controlling stake in both these entities, becoming subsidiaries of the Group. They are therefore no longer associates.
*** The investments for these associates have been fully impaired.
**** Disposed in the year.

The above associates at 31 December 2021 have the following subsidiaries: M&C Mena Limited and Al Dallah For Creativity & Design LLC.

All shares in associates are held by subsidiary companies in the Group and have no special rights. Where an associate has the right to use our brand name, we hold the right to withdraw such use, to protect it from damage.

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

Disposals in the year

M&C Saatchi International Holdings B.V. previously held a 25% investment in its associate M&C Saatchi Istanbul, but the parties agreed to dispose of the investment and terminate the licence agreement with effect from October 2021. No consideration was received for the disposal of the associate. The entity has been loss-making in the last few years and the investment was fully impaired in 2020.

M&C Saatchi Agency Inc. held a 30% investment in its associate Technology, Humans and Taste LLC (THAT). On 21 December 2021, the membership interest in THAT was transferred back to the company (THAT), following which we no longer held any interest in THAT. The entity has been loss-making in the last few years and the investment in THAT was fully impaired in 2020. M&C Saatchi Agency Inc. received a credit of $200k as consideration for services to be provided by THAT, which can be used across the Group over the 36 months as of 21 December 2021. The fair value of the consideration is valued at nil as of 31 December 2021.

Balance sheet value at 31 December	2021 £000	2020 £000
Investments intended to be held in the long-term	202	2,829
Investments categorised as held-for-sale	–	–
Total associate investments	**202**	**2,829**

Balance sheet movements	2021 £000	2020 £000
At 1 January	**2,829**	**3,780**
Exchange movements	(11)	56
Transferred to subsidiary	(2,407)	–
Revaluation of associates on transition to subsidiaries	(233)	–
Acquisition of associates	338	1
Impairment of associate	(357)	(895)
Share of profit/(loss) after taxation	43	(113)
At 31 December	**202**	**2,829**

Income statement	2021 £000	2020 £000
Profit net of cost of disposal	–	–
Share of profit/(loss) after taxation	43	(113)
Revaluation of associates on transition to subsidiaries	(233)	–
Share of result of and gain on disposal of Associates and Joint Ventures	**(190)**	**(113)**
Impairment of associate investment	(357)	(895)
Year to 31 December	**(547)**	**(1,008)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

Analysis continued

Disposals in the year continued

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

Income statement	Asia £000	Europe £000	Americas £000	Total 2021 £000	Asia £000	Americas £000	Total 2020 £000
Revenue	4,240	2,580	148	**6,968**	8,953	3,822	12,775
Operating profit/(loss)	940	71	(14)	**997**	(367)	12	(355)
Profit/(loss) before taxation	215	71	(25)	**261**	(343)	(151)	(494)
Profit/(loss) after taxation	174	49	(32)	**191**	(325)	(251)	(576)
Group's share	**43**	**12**	**(12)**	**43**	**(32)**	**(81)**	**(113)**
Dividends received	–	–	–	**–**	–	–	–

Balance sheet	Asia £000	Europe £000	Americas* £000	Total 2021 £000	Asia £000	Americas £000	Total 2020 £000
Total assets	1,410	804	–	**2,214**	6,768	3,451	10,219
Total liabilities	(914)	(854)	–	**(1,768)**	(3,950)	(4,909)	(8,859)
Net assets/(liabilities)	496	(50)	–	**446**	2,818	(1,458)	1,360
Our share	124	(12)	–	**112**	1,172	(365)	807
Losses not recognised	12	12	–	**24**	178	365	543
Goodwill	66	–	–	**66**	1,219	260	1,479
Total	**202**	**–**	**–**	**202**	**2,569**	**260**	**2,829**

* Technology, Humans and Taste LLC was disposed of in the year, therefore we are showing an income statement above, but nil for the balance sheet at December 31, 2021.

16. PLANT AND EQUIPMENT

Policy

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

Depreciation is calculated at the following annual rates:

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

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

Assets under construction are recognised at cost and only commence depreciation once the assets are completed and ready for use.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. PLANT AND EQUIPMENT CONTINUED

Analysis

Cost	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
At 1 January 2020	**10,299**	**5,387**	**6,109**	**66**	**21,861**
Exchange differences	(1,080)	551	136	11	(382)
Additions	1,442	826	916	–	3,184
Reclassifications**	–	–	(88)	–	(88)
Disposals	(2,171)	(2,743)	(2,228)	(60)	(7,202)
At 31 December 2020	**8,490**	**4,021**	**4,845**	**17**	**17,373**
Exchange differences	(114)	(48)	(86)	1	(227)
Additions	145	266	1,352	41	1,789
Additions – business combinations	3	152	177	29	361
Disposals	(1,228)	(473)	(456)	(10)	(2,172)
At 31 December 2021	**7,296**	**3,918**	**5,832**	**78**	**17,124**

Depreciation					
At 1 January 2020	**4,830**	**3,977**	**3,596**	**3**	**12,406**
Exchange differences	(856)	381	201	6	(268)
Depreciation charge	1,046	551	941	17	2,555
Impairment*	374	–	–	–	374
Reclassifications**	–	–	762	–	762
Disposals	(1,310)	(2,264)	(2,015)	(24)	(5,613)
At 31 December 2020	**4,084**	**2,645**	**3,485**	**2**	**10,216**
Exchange differences	84	50	53	4	191
Depreciation charge	802	409	1,001	25	2,237
Disposals	(940)	(449)	(449)	(15)	(1,853)
At 31 December 2021	**4,030**	**2,655**	**4,090**	**16**	**10,791**

Net book value					
At 31 December 2019	5,469	1,410	2,513	63	9,455
At 31 December 2020	4,406	1,376	1,360	15	7,157
At 31 December 2021	**3,266**	**1,263**	**1,742**	**62**	**6,333**

* Leasehold improvement impairment relates to the impairment of the right-of-use assets in 2020.
** In 2020, there was a reclassification of property, plant and equipment and intangible assets, relating to software previously classified within computer equipment.

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

	Note	2021 £000	2020 £000
From plant and equipment	16	2,237	2,555
From right-of-use assets	17	6,959	9,104
		9,196	**11,659**

17. LEASES

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

Policy

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

Right-of-use assets and lease liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. LEASES CONTINUED

Policy continued

Lease term

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

Lease payments

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

Lease modifications

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

Subleases

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

When the Group acts as an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. At lease commencement, a determination is made whether the lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership in relation to the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. The Group recognises lessor payments under operating leases as 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. It is typically the case that subleases into which the Group enters are determined to be finance leases in nature.

Short-term leases and leases of low-value assets

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

Estimates relating to leases

The Group has made estimates in adopting IFRS 16, additions subsequent to adoption, along with the ongoing recognition of amendments and modifications, which are considered to be: determining the interest rate used for discounting of future cash flows, and the lease term. Details relating to these estimates can be found on page 133.

Analysis

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

Right-of-use assets	Land & Buildings £000	Computer equipment £000	Motor vehicles £000	Total £000
At 1 January 2020	**45,839**	**607**	**96**	**46,542**
Additions	1,097	426	51	1,574
Modifications	640	–	–	640
Sublease	(259)	–	–	(259)
Disposals	(30)	–	–	(30)
Depreciation	(8,705)	(328)	(71)	(9,104)
Impairment	(2,651)	–	–	(2,651)
Subsidiary disposals	(2,661)	–	–	(2,661)
Foreign exchange	(62)	11	6	(45)
At 1 January 2021	**33,208**	**716**	**82**	**34,006**
Additions	16,802	24	60	16,886
Modifications	1,048	9	34	1,091
Disposals	(394)	(4)	–	(398)
Depreciation	(6,563)	(309)	(87)	(6,959)
Foreign exchange	(209)	(14)	(6)	(229)
At 31 December 2021	**43,892**	**422**	**83**	**44,397**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. LEASES CONTINUED

Analysis continued

Lease liabilities	Land & Buildings £000	Computer equipment £000	Motor vehicles £000	Total £000
At 1 January 2020	**54,014**	**659**	**97**	**54,770**
Additions	1,097	426	51	1,574
Modifications	640	–	–	640
Covid modifications	(600)	(59)	–	(659)
Disposals	(30)	–	–	(30)
Accretion of interest	2,428	38	5	2,471
Payments	(9,328)	(289)	(78)	(9,695)
Subsidiary Disposals	(2,810)	–	–	(2,810)
Dilapidations	211	–	–	211
Foreign exchange	(49)	(8)	6	(51)
At 1 January 2021	**45,573**	**767**	**81**	**46,421**
Additions	16,789	24	50	16,863
Modifications	823	9	34	866
Disposals	(425)	(4)	–	(429)
Accretion of interest	2,766	31	3	2,800
Payments	(8,557)	(358)	(95)	(9,010)
Reclassification*	(211)	–	–	(211)
Foreign exchange	(426)	(24)	(5)	(455)
At 31 December 2021	**56,332**	**445**	**68**	**56,845**

* This relates to lease dilapidations which have been reclassified to Provisions in 2021, refer to Note 22.

The additions in 2021 predominately relate to the new offices in Sydney, Australia, and New York, Americas.

Of lease payments made in the year of £9,010k (2020: £9,695k), £6,210k (2020: £7,224k) related to payment of principal on the corresponding lease liabilities and the balance to payment of interest £2,800k (2020: £2,471k) due on the lease liabilities.

Lease liabilities	Land & Buildings £000	Computer equipment £000	Motor vehicles £000	Total £000
Amounts due within one year	6,624	283	43	6,950
Amounts due after one year	49,708	162	25	49,895
At 31 December 2021	**56,332**	**445**	**68**	**56,845**
Amounts due within one year	5,859	335	56	6,250
Amounts due after one year	39,714	432	25	40,171
At 31 December 2020	**45,573**	**767**	**81**	**46,421**

Income statement charge	2021 £000	2020 £000
Depreciation of right-of-use assets	(6,959)	(9,104)
Short-term lease expense	(300)	(337)
Low-value lease expense	(263)	(220)
Short-term sublease income	94	94
Right-of-use asset impairment	–	(2,651)
Charge to operating profit	**(7,428)**	**(12,218)**
Sublease finance income	26	71
Lease liability interest expense	(2,800)	(2,471)
Lease charge to profit before tax	**(10,202)**	**(14,618)**

The Group does not face a significant liquidity risk with regard to its lease liabilities and manages them in line with its approach to other month-to-month liquidity matters, as described in Note 30.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. LEASES CONTINUED

Analysis continued

The cash payment maturity of the lease liabilities held at 31 December 2021, net of sublease receipts, is as follows:

Future cash payments	2021 £000	2020 £000
Period ending 31 December:		
2022	9,280	8,974
2023	8,074	8,223
2024	6,730	5,448
2025	6,689	5,062
2026	5,922	4,199
Later years	35,943	26,546
Gross future liability before discounting	**72,638**	**58,452**

Of the future lease payments post-2026, £24.9m relates to a single office lease which expires in 2034. This lease agreement was entered into in December 2019.

18. OTHER NON-CURRENT ASSETS

Policy

Loans to employees

Represent financial assets at amortised cost and subsequently measured using the effective interest rate method.

Analysis

At 31 December	2021 £000	2020 £000
Other debtors including rent deposits	1,113	1,244
Loans to employees*	98	2,250
Total other non-current assets	**1,211**	**3,494**

* During the year the Group reclassified many of its put options from equity-settled to cash-settled, creating a liability on the balance sheet, as £1,967k of loans that the Group lent local management of M&C Saatchi Agency Pty Limited in 2015 to enable them to acquire 20% of that business will be extinguished by the put option liability when the shares are put, the debt and liability were offset at the time of the put options reclassification. The remaining employee loans relate to South African £98K (2020: £283K) loans that the Group lent investors in South African companies to enable them to acquire equity in the South African Group business. The full recourse loans are repayable in full if the purchasers no longer have a beneficial interest in the shares of the South African Group or are no longer employed. The loan is unsecured and charged interest at 2% above the LIBOR. The carrying value of the loans approximately equates to fair value.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

Policy

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

The valuations are based on several factors, including the share price from the latest funding round, recent financial performance (where available), discounting for liquidation preference shares and discounting for convertible loan notes.

Analysis

The unlisted equity investments held by the Group mainly relate to 20 (2020: 26) early-stage companies in the SaatchInvest portfolio. In addition, overseas investments are owned by:

- M&C Saatchi International Holdings B.V. which owns shareholdings in a French company, Australie SAS, and an Australian company, Sesión Tequila Holdings Pty Limited;
- M&C Saatchi Agency Pty Limited (Australia) which also owns a shareholding in Sesión Tequila Holdings Pty Limited;
- M&C Saatchi European Holdings Limited which owns a 10% shareholding in a Spanish company, M&S Saatchi Madrid SL.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL) CONTINUED

Analysis continued

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

Financial assets held at FVTPL

	2021 £000	2020 £000
At 1 January	**11,410**	**14,851**
Additions	501	713
Disposals	(209)	(736)
Revaluations	3,533	(3,315)
Foreign exchange	(52)	(103)
At 31 December	**15,183**	**11,410**

Other gains/(losses) in income statement	2021 £000	2020 £000
Gains on disposal	–	497
Revaluations	3,533	(3,315)
Total	**3,533**	**(2,818)**

Of the 2021 additions of £501k, £420k relates to a 10% shareholding in an unlisted investment, Australie SAS, acquired as part of a share for share exchange, and the remainder relates to additions of £81k in SaatchInvest which were paid in cash. Of the 2020 additions, the £713k related to additions in SaatchInvest and was paid in cash. Refer to Note 30 and the significant estimate in relation to financial instruments.

In 2021, the £209k disposal was of a company in the SaatchInvest portfolio and it resulted in neither a gain nor loss on disposal. The 2020 disposals of £736k both related to companies in the SaatchInvest portfolio and resulted in a gain on disposal of £497k.

Of the 2021 revaluations, £3,758k relates to the unlisted investments held by SaatchInvest Limited (2020 – downward revaluation of £2,477k), which is partially offset by a reduction relating to the shareholding held by our Australian business and M&C Saatchi International Holdings B.V. in Sesión Tequila Holdings Pty Limited.

The Group also holds 10% shareholdings in M&C Saatchi Madrid SL, Send Me A Sample Limited and 59A Limited. All of these investments are valued at nil.

20. TRADE AND OTHER RECEIVABLES

Policy

Trade receivables

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

Impairment – Expected credit losses

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

Analysis

	2021 £000	2020 £000
Trade receivables	86,302	58,534
Loss allowance	(877)	(677)
Net trade receivables	85,425	57,857
Prepayments	2,664	3,504
Amounts due from associates	123	837
VAT and sales tax recoverable	52	304
Other receivables*	44,477	26,760
Total trade and other receivables	**132,741**	**89,262**

* Other receivables comprises accrued income of £13.9m (31 December 2020: £7.7m), which is considered to constitute trade receivables as defined in IFRS 15 on the basis its collectability is subject only to the passage of time, as well as contract assets of £2.4m (31 December 2020: £1.4m) and other amounts receivable of £28.2m (31 December 2020: £17.7m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. TRADE AND OTHER RECEIVABLES CONTINUED

Analysis continued

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

	2021 £000	2020 £000
At 1 January	**(677)**	**(1,621)**
(Increase)/release for expected losses during the year	(40)	32
Movement in forward looking provision for specific bad debts:		
– Charge during the year	(375)	(555)
– Released during the year	190	756
– Utilisation of provision	25	711
At 31 December	**(877)**	**(677)**

The information about credit exposures is disclosed in Note 30.

21. TRADE AND OTHER PAYABLES

Policy

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

Analysis

	2021 £000	2020 £000
Trade creditors	36,578	39,490
Contract liabilities	18,939	22,022
Sales taxation and social security payables	6,059	6,803
Accruals	75,466	42,267
Other payables	17,007	14,158
Total trade and other payables	**154,049**	**124,740**

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

22. PROVISIONS

Policy

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

Provisions charged to the income statement in 2020 were higher than in 2021, because of the continued costs of the Group restructuring programme initiated in 2019, the principal cost being staff redundancy. There were also additional provisions in 2020 relating to overseas sales and payroll tax provisions in India and Kenya, along with an income protection provision in the UK, which increased in value in 2021.

Analysis

The year-end provision of £1.2m (2020: £0.7m) comprises of costs relating to the tax liabilities in India and Kenya, and income protection schemes of £0.6m (2020: £0.4m), along with £0.3m (2020: £0.3m) relating to costs for the accounting misstatements (which required the Group's result for the year ended 31 December 2018 to be restated) and £0.3m relation to property dilapidations.

	2021 £000	2020 £000
At 1 January	**(666)**	**(2,989)**
Reclassification*	(346)	–
Charged to the income statement:		
– Restructuring costs	–	(2,688)
– Costs associated with accounting misstatements	–	(260)
– Overseas sales taxation and social security liabilities	(16)	(220)
– Income protection provision	(165)	(145)
Utilised in the year		
– Restructuring costs	–	5,376
– Costs associated with accounting misstatements	–	260
At 31 December	**(1,193)**	**(666)**

* This relates to lease dilapidations which were included within the lease liability at 31 December 2020 (£0.2m), refer to Note 17, plus £0.1m included within other creditors at 31 December 2020.

At the end of 2021 all amounts recognised as provisions were expected to be utilised within 12 months and are held as current liabilities. The Directors do not anticipate that any of the above will have a material adverse effect on the Group's financial position or on the results of its operations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. BORROWINGS

Policy

Loans and overdrafts are recognised initially at fair value, less attributable transaction costs. Subsequently, loans and overdrafts are recorded at amortised cost with interest charged to the income statement under the Effective Interest Rate (EIR) method.

Interest payable is included within accruals as a current liability.

Analysis

Amounts due within one year

At 31 December	2021 £000	2020 £000
Overdrafts*	(14,440)	(13,920)
Local bank loans	(297)	(158)
Secured bank loans	–	(27,005)
	(14,737)	**(41,083)**

* These overdrafts are legally offsetable. However, they have not been netted off in accordance with IAS32.42 as we do not intend to settle on a net basis.

Amounts due after one year

At 31 December	2021 £000	2020 £000
Local bank loans*	(293)	(2,199)
Secured bank loans	(19,528)	–
	(19,821)	**(2,199)**

* The local bank loans in 2020 included the US Paycheck Protection Program (PPP) loans, which were forgiven in 2021.

Secured bank loans

On 31 May 2021, the Company entered into a revolving multicurrency credit facility agreement with National Westminster Bank Plc and Barclays Bank PLC for up to £47.0m (the "Facility"). The Facility includes a £2.5m net overdraft and the ability to draw up to £3.0m as a bonding facility, as required. The Facility is provided on a three-year term (with two optional one-year extensions). The Facility replaced the Company's previous £33.0m credit facility and £5.0m overdraft which were due to terminate on 30 June 2021, and previously included as short-term.

The Facility includes two financial covenants, which if either were to be breached would result in a default of the Facility:

1. Interest Cover – EBIT for the previous 12 months must exceed 4 times the net finance charge (external debt interest, excluding IFRS 16 finance lease interest payments) for the previous 12 months (increases to 5 times from 30 June 2022).
2. Leverage – Total Indebtedness at the period end must not exceed 3.5 times EBITDA for the previous 12 months (adjusted for acquisitions and disposals). This reduces to 3.0 times from 31 March 2022, 2.5 times from 30 June 2022, and 2.0 times from 31 March 2023.

At 31 December 2021, the Group had up to £47.0m (2020: £33.0m) of funds available under the Facility.

At 31 December	2021 £000	2020 £000
Gross secured bank loans	(20,000)	(27,271)
Capitalised finance costs	472	266
Total secured bank loans	**(19,528)**	**(27,005)**

Total secured bank loans are due as follows:

At 31 December	2021 £000	2020 £000
In one year or less, or on demand	–	(27,005)
In more than one year but not more than five years	(19,528)	–
	(19,528)	**(27,005)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. BORROWINGS CONTINUED

Secured bank loans continued

Total bank loans and borrowings used to calculate net cash are as follows, excluding IFRS 16 leases in accordance with our bank covenants:

	Gross secured bank loans £000	Local bank loans £000	Total bank loans £000
At 1 January 2020	**(35,677)**	**(502)**	**(36,179)**
Cash movements	8,900	(3,472)	5,428
Disposals	–	1,462	1,462
Non-cash movements			
– Foreign exchange	–	–	–
– Lease	(494)	155	(339)
At 31 December 2020	**(27,271)**	**(2,357)**	**(29,628)**
Cash movements	7,608	–	7,608
Disposals	–	–	–
Acquisitions – business combinations	–	(468)	(468)
Non-cash movements			
– Leases	–	–	–
– Foreign exchange	(337)	35	(302)
– Other*	–	2,200	2,200
At 31 December 2021	**(20,000)**	**(590)**	**(20,590)**

* Other includes the forgiveness of the US Paycheck Protection Program (PPP) loans.

24. OTHER NON-CURRENT LIABILITIES

At 31 December	2021 £000	2020 £000
Employment benefit provisions*	561	1,416
Long-term bonus provision	1,014	1,765
Other**	974	1,592
	2,549	**4,773**

* This relates to long-term service leave in some locations, deferred contributions to pension schemes, employers' tax on put option and long-term bonus plans.

** The main item includes a Termination Indemnity Plan in Italy of £547k (2020: £576k), this liability is for the 13th month salary accrual for all Italian employees to be paid to them when they leave the company.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. EQUITY RELATED LIABILITIES

This disclosure note summarises information relating to all share schemes disclosed in Notes 13, 26 and 27.

In the case of deferred consideration (Note 13), IFRS 9 minority shareholder put option liabilities (Note 26), and IFRS 2 put option schemes (Note 27), the Group has a choice to pay in cash or equity. As part of approving the Group's interim statement, issued on 21 September 2021, the Board made the decision and communicated externally that put options will, from now on, be settled in cash, where we have cash resources to do so. In the case of LTIP and restricted share awards, it is the Board's intention that an ESOP trust is set up to acquire the shares and fulfil these schemes using the acquired equity.

In the table below, we present the potential cash payments, based on the 2021 year-end share price of 168.5p and the estimated future business performance for each business unit. The payments are classified based on the year at which the put option schemes first become exercisable. The forecasts are based on the Group's five-year plans, developed as part of our budget cycle, and assume all TSR targets are fulfilled, and that equity is bought by the LTIP in the year of vesting at 168.5p. The table also shows the amount of these potential cash payments that has been recognised as a liability at 31 December 2021, with the percentage of the related employment services not yet delivered to the Group at that date.

Total future expected liabilities at 31 December 2021

		Potentially payable								
At 168.5p	**Paid so far in 2022 £000**	**2022 £000**	**2023 £000**	**2024 £000**	**2025 £000**	**2026 £000**	**2027 & 2028 £000**	**Total £000**	**Services not yet delivered at 31 Dec 2021 %***	**Balance sheet liability at 31 Dec 2021 £000**
IFRS 9 put option schemes	–	3,238	–	1,000	–	–	1,000	**5,238**	–	5,238
IFRS 2 put option schemes	1,135	16,181	6,815	2,131	122	1,985	2,553	**30,922**	14%	27,122
LTIP	–	–	–	3,247	–	–	–	**3,247**	92%	–**
Restricted share awards	–	–	918	428	–	–	–	**1,346**	86%	–**
Deferred and contingent consideration	–	984	–	–	–	–	–	**984**	–	984
	1,135	**20,403**	**7,733**	**6,806**	**122**	**1,985**	**3,553**	**41,737**	**–**	**33,344**

* Share-based payments (Note 27) charge liability to income statement over period of vesting i.e. as the employee fulfils their time obligation to earn the put option.

** LTIP & restricted shares are accounted for as equity-settled, and thus do not create a balance sheet liability.

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. EQUITY RELATED LIABILITIES CONTINUED

Effect of a change in share price

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

Future Share Price of the Company	Paid so far in 2022 £000	Potentially payable 2022 £000	2023 £000	2024 £000	2025 £000	2026 £000	2027 & 2028 £000	Total £000
At 150p	1,135	18,879	6,810	6,107	87	1,798	3,163	**37,979**
At 168.5p	1,135	20,403	7,733	6,806	122	1,985	3,553	**41,737**
At 190p	1,135	22,091	8,722	7,619	162	2,203	4,007	**45,939**
At 210p	1,135	23,608	9,589	8,373	200	2,405	4,428	**49,738**
At 230p	1,135	25,126	10,457	9,130	238	2,607	4,850	**53,543**
At 250p	1,135	26,643	11,324	9,885	275	2,809	5,272	**57,343**
At 300p	1,135	30,436	13,492	11,775	370	3,315	6,326	**66,849**

26. MINORITY SHAREHOLDER PUT OPTION LIABILITIES (IFRS 9)

Policy

See below but also the Basis of Preparation Note on page 130.

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

These IFRS 9 schemes should be considered as rewards for future business performance and are not conditional on the holder being an employee of the business.

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

The put option liability will vary with both the Company's share price and the subsidiary's financial performance. Current liabilities are determined by the Company's year-end share price and the historical results of the companies in which the minority interest holders can exercise their put options in 2022. Non-current liabilities are determined by the Company's year-end share price and the projected results of the companies in which the minority interest holders can exercise their put options after 2022.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. MINORITY SHAREHOLDER PUT OPTION LIABILITIES (IFRS 9) CONTINUED

Analysis

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

	Year	% of subsidiaries' shares exercisable
M&C Saatchi (Switzerland) SA	Vested	21.0
M&C Saatchi Merlin Limited	Vested	15.0
Resolution Design Pty Limited	Vested	15.0
Bohemia Group Pty Limited	Vested	25.9
This Film Studio Pty Limited	2022	30.0
Santa Clara Participações Ltda*	2024	25.0
Santa Clara Participações Ltda*	2027	24.9

* Entity acquired with existing put options in year.

It is the Company's option to fulfil these options in equity or cash and it is the Company's present intention to fulfil the options in cash (if available). However, if we fulfil in equity, the estimated number of Company shares that will be issued to fulfil these options at 168.50p is 3,108,605 shares (2020: 83.6p is 3,327,751 shares).

Liability at 31 December	2021 £000	2020 £000
Amounts falling due within one year	(3,238)	(978)
Amounts falling due after one year	(2,000)	(1,804)
	(5,238)	**(2,782)**

Movement in liability during the year	2021 £000	2020 £000
At 1 January	**(2,782)**	**(7,101)**
Exchange difference	16	(1)
Exercises	424	4,440
Acquisitions	(2,000)	–
Income statement charge due to:		
– Change in profit estimates	(399)	1,671
– Change in share price of the Company	(497)	(1,732)
– Amortisation of discount	–	(59)
Total income statement charge (Note 7)	(896)	(120)
At 31 December	**(5,238)**	**(2,782)**

Put options exercised in year	2021 £000	2020 £000
Paid in equity	424	4,236
Paid in cash	–	204
Exchange difference	–	–
Total	**424**	**4,440**

27. SHARE-BASED PAYMENTS (IFRS 2)

Policy

See below but also Basis of Preparation note on page 130.

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

Equity-settled share-based payment schemes

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

In the event an employee's contract includes a business continuity clause on departure, that element of the award at issue is treated as vested and charged to the income statement at the grant date valuation, and no credit to the income statement is taken for it in the future. All the remaining award is revalued annually for the non-market condition (profitability of the subsidiary) and allocated to the income statement on a straight-line basis.

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

Cash-settled share-based payment schemes

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. SHARE-BASED PAYMENTS (IFRS 2) CONTINUED

Policy continued

Conversion from equity-settled to cash-settled

In the past, the Group has settled the options using equity, where there was a choice to cash-settle or equity-settle. As part of approving the Group's interim statement, issued 21 September 2021, the Board made the decision that put options will from now on be settled in cash, where we have cash resources to do so. Up to 21 September 2021 we have accounted for these put option as equity-settled, from 21 September 2021 we have accounted for these put options as cash-settled.

The transition from equity-settled to cash-settled requires a fair value assessment on the day of the modification and a movement between equity and liabilities.

Where, for an unvested scheme, the Company's share price multiple (the market condition) at the inception of the option was higher than the current Company's share price multiple, then the difference is charged to the income statement, from 21 September 2021 onwards.

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

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

Summary of schemes

The Group has the following share-based payment schemes, and in the year these have been the major changes to them:

- Put options – from 21 September 2021 we have accounted for these put options as cash-settled.
- South African equity purchased with non-recourse loans – some of our South African subsidiaries have sold equity to employees with non-recourse loans that are repaid out of dividends and from the proceeds of selling the equity to other employees, with the entity that has issued the equity acting as an intermediary. The equity does not have any put rights, so there is no obligation to acquire the equity, however the South African Rand 17,706k debt lent to acquire the liability (netted against the fair value of the award) is at risk.
- Cash awards – these are long-term cash schemes that were historically treated as a share-based scheme. At the end of 2021 one of the put option award holders resigned, causing a one-off reversal in the charge.
- Executive LTIP – on 28 September 2021 and 21 December 2021, the Group issued equity-settled LTIPs to senior executive managers. This scheme grants a future award of the Group's shares, dependent on the achievement of certain future performance conditions:
  - Group's total shareholder return versus the total shareholder return of the FTSE Small Cap Index over the 3 years from December 2020 to December 2023 (70% of the award);
  - Group's Full Year Headline profit before tax performance in 2023 versus target (30% of the award).
- Restricted share awards – the two cash awards made to the Chief Financial Officer on his recruitment were converted to restricted share awards on 28 September 2021, based on the 45-day average share price to 28 May 2021 of 137.7p. No further shares will be issued under the plan.

Analysis

For the Executive LTIP and restricted share awards, it is intended that an ESOP trust is set up to acquire the shares to fulfil these schemes in equity; thus the schemes are accounted for as equity-settled. The inputs to Monte Carlo models used to calculate the fair value of these share awards granted during the year are as follows:

	2021 LTIP	2021 LTIP	2021 Restricted share awards	2021 Restricted share awards
Issue date	21/12/2021	28/09/2021	28/09/2021	28/09/2021
Vesting date	21/12/2024	28/09/2024	15/05/2023	15/05/2024
Share price at grant	£1.63	£1.56	£1.56	£1.56
Expected volatility	80%	81%	88%	85%
Risk free rate	0.67%	0.51%	0.40%	0.51%
Dividend yield	0%	0%	0%	0%
Fair value of award per share	£1.62	£1.55	£1.56	£1.55
TSR element against FTSE Small Cap index:				
Expected volatility	147%	158%		
Fair value of award per share	£0.72	£0.67		

The weighted average share price of options exercised during the period was £1.27 (2020: £0.33).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. SHARE-BASED PAYMENTS (IFRS 2) CONTINUED

Income statement charge

	2021 Equity £000	2021 Cash £000	2021 Total £000	2020 Equity £000	2020 Cash £000	2020 Total £000
Put options to 21 September 2021 – equity-settled	1,283	–	**1,283**	3,275	–	**3,275**
Put options from 22 September 2021						
– imputed equity charge due to transition	779	–	**779**	–	–	**–**
– charge/(credit) since transition (see below)	–	(797)	**(797)**	–	–	**–**
South Africa non-recourse loan scheme	–	(40)	**(40)**	–	25	**25**
Total not affecting Headline results (Note 1)	2,062	(837)	**1,225**	3,275	25	**3,300**
Release of cash award due to leaver (Note 1)	–	(2,598)	**(2,598)**	–	–	**–**
Executive LTIP	135	–	**135**	–	–	**–**
Restricted share awards	38	–	**38**	–	–	**–**
Cash awards	–	1,370	**1,370**	–	922	**922**
Total	**2,235**	**(2,065)**	**170**	**3,275**	**947**	**4,222**

Total put option liability

	2021 Total £000	2020 Total £000
Put options liability (IFRS 2) (Note 27)	(27,122)	–
Put options liability (IFRS 9) (Note 26)	(5,238)	(2,782)
Total put options (Note 25)	**(32,360)**	**(2,782)**
Current – minority shareholder put option liabilities	(20,788)	(978)
Non-current – minority shareholder put option liabilities	(11,572)	(1,804)
Total	**(32,360)**	**(2,782)**

Cash-settled liability

The movement in the liability by scheme is detailed below:

	Put options £000	South Africa non-recourse loan scheme £000	Cash awards £000	Total £000
At 1 January 2020	**–**	**(571)**	**–**	**(571)**
Equity-settled transferred to cash-based and cash-settled awards	–	–	(1,121)	**(1,121)**
Charged to income statement	–	(25)	(922)	**(947)**
Foreign exchange	–	51	–	**51**
At 31 December 2020	**–**	**(545)**	**(2,043)**	**(2,588)**
Equity-settled options transferred to cash-settled awards	(32,555)	–	–	**(32,555)**
Offsetable debt	1,691	–	–	**1,691**
Acquisitions (Note 12)	(1,848)	–	–	**(1,848)**
Charged to income statement				
– Straight-line recognition	(692)	–	(1,043)	**(1,735)**
– Change in subsidiary profit estimates	(3,382)	–	(327)	**(3,709)**
– Change in Company multiple	4,871	40	–	**4,911**
Total income statement charge	797	40	(1,370)	**(533)**
Reversal of charge caused by employee resignation	–	–	2,598	**2,598**
Settled	4,859	–	489	**5,348**
Foreign exchange	(66)	37	–	**(29)**
At 31 December 2021	**(27,122)**	**(468)**	**(326)**	**(27,916)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. SHARE-BASED PAYMENTS (IFRS 2) CONTINUED

Put Options

	Vesting	% Entity subject to the put option
Clear Deutschland GmbH	2024	20.00%
Clear Deutschland GmbH	2026	20.00%
Clear Ideas (Singapore) Limited	2023	10.00%
Clear Ideas Ltd – B1 shares***	2022	5.00%
Clear Ideas Ltd – B2 shares***	2022	10.00%
Clear LA LLC	2022	12.00%
Cometis SARL	Vested	49.00%
FCINQ SAS	Vested	11.62%
Greenhouse Australia Pty Limited	2022	11.00%
Greenhouse Australia Pty Limited	2023	1.80%
Greenhouse Australia Pty Limited	2024	7.20%
Human Digital Limited***	Vested	11.50%
Human Digital Limited***	2022	11.50%
Human Digital Limited***	2023	17.00%
Levergy Marketing Agency (Pty) Limited***	Vested	11.90%
LIDA NY LLP (MCD)	Vested	24.50%
M&C Saatchi (Hong Kong) Limited**	Vested	20.00%
M&C Saatchi (UK) Limited	2023	12.00%
M&C Saatchi AB	Vested	30.00%
M&C Saatchi Advertising GmbH	Vested	8.20%
M&C Saatchi Advertising GmbH	2023	4.10%
M&C Saatchi Advertising GmbH	2024	10.00%
M&C Saatchi Agency Pty Limited	Vested	10.00%
M&C Saatchi Digital GmbH	2022	5.00%
M&C Saatchi Holdings Asia Pte Limited (Indonesia)	2024	27.40%
M&C Saatchi Holdings Asia Pte Limited (Indonesia)	2026	22.50%
M&C Saatchi Merlin Limited	2023	15.00%
M&C Saatchi Middle East Holdings Limited	Vested	20.00%
M&C Saatchi Share Inc	Vested	20.00%
M&C Saatchi Social Limited***	Vested	13.50%
M&C Saatchi Social Limited***	2023	13.50%
M&C Saatchi Spencer Hong Kong Limited	2024	30.00%
M&C Saatchi Sport & Entertainment Limited	2022	25.00%
M&C Saatchi Sport & Entertainment NY LLP	Vested	13.00%
M&C Saatchi Sport & Entertainment NY LLP	2024	12.50%
M&C Saatchi Sport & Entertainment NY LLP	2025	5.00%
M&C Saatchi Sport & Entertainment Pty Limited	Vested	10.00%
M&C Saatchi Sports & Entertainment GmbH	Vested	14.00%
M&C Saatchi Talk Limited	Vested	39.00%
M&C Saatchi Talk Limited	2023	10.00%
M&C Saatchi World Services LLP***	Vested	4.00%
M&C Saatchi World Services LLP***	Vested	6.00%
M&C Saatchi World Services LLP***	2022	6.00%
M&C Saatchi, S.A. DE C.V.	2023	40.00%
Majority LLC	2024	8.00%
RE Team Pty Limited	Vested	13.00%
RE Worldwide UK Limited***	2022	49.90%
Scarecrow M&C Saatchi Limited***	2020	24.50%
Scarecrow M&C Saatchi Limited***	2022	24.50%
The Source (W1) LLP	Vested	10.00%
The Source Insight Australia Pty Limited	2022	14.00%
The Source Insight Australia Pty Limited	2025	21.00%
Thread Innovation Limited*	2027	10.00%
Thread Innovation Limited*	2028	10.00%

* New scheme in year.
** Entity acquired with existing put options in year.
*** Shown as a liability in M&C Saatchi plc Company accounts.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. SHARE-BASED PAYMENTS (IFRS 2) CONTINUED

Shares issuable

At the start of the year all our equity-settled share-based payment schemes are put options (referred to as conditional shares in last year's Annual Report and Accounts). The shareholder holds equity in a subsidiary company and has a right, after a period of time, to convert it to shares in the Company. Changes to the Company's share price, local subsidiary profitability or Group profitability affect the number of shares we are committed to pay in exchange for these put options. During the year we also issued Executive LTIPs and restricted share awards.

The table below shows the number of shares that we will issue at the share price at 31 December 2021 of 168.5p (2020: 83.6p) assuming:

1. The put option was exercised at the first available opportunity, even if that gives no reward.
2. We do not exercise our right under business continuity clauses to block the exercise (and assuming no revenue declines in the year after the put).
3. All LTIP and restricted awards are held to their vesting date and fully vest.

Number of Shares	Put options 000	LTIP 000	Restricted shares 000	Total 000
At 1 January 2021	**22,511**	**–**	**–**	**22,511**
Exercised – Shares issued (£1.27)	(327)	–	–	**(327)**
Reclassification to cash-settled scheme	(22,184)	–	–	**(22,184)**
Granted or amended	–	1,927	799	**2,726**
At 31 December 2021	**–**	**1,927**	**799**	**2,726**

Shares issuable used in these accounts

	Note	2021 Number of shares 000	2021 Share price used	2020 Number of shares 000	2020 Share price used
Per EPS calculation	1	828	141.6p	11,963	65.1p
Share-based payments	27	2,726	155p-162p	22,511	83.6p

The share-based payments (Note 27) calculates the number of shares that could be issued at the first vesting date after the year. The EPS calculation (Note 1) uses the average share price for the year, calculating the number of shares to be issued using its formula value had it been possible to exercise on the year-end date, and takes a deduction for any remaining uncharged share option charge at the start of the year and the share of profits the is allocatable to the equity during the year. Where a scheme has been issued for part of the year (and is not converted from an existing cash-based scheme) the shares are reduced by the proportion of the year that they are in issue. The EPS calculation is thus attempting to show the dilutive effect rather than the likely shares we will issue and is income statement focused rather than the true future position.

28. ISSUED SHARE CAPITAL (ALLOTTED, CALLED UP AND FULLY PAID)

Policy

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

Where the Group re-acquires its own equity instruments (treasury shares), the consideration paid is deducted from equity attributable to the owners of the Group and recognised within the treasury reserve.

Analysis

	Number of shares	1p Ordinary shares £000
At 31 December 2019	**93,596,760**	**936**
Exercise of M&C Saatchi Mobile share options	13,671,602	137
Final payment for acquisition of 33% of Shepardson Stern & Kaminsky LLP	8,295,033	82
Acquisition of 22% M&C Saatchi Social Limited	353,195	4
At 31 December 2020	**115,916,590**	**1,159**
Acquisition of 40% of M&C Saatchi (Hong Kong) Limited	3,027,860	30
Acquisition of 25.1% of Santa Clara Participações Ltda	2,084,825	21
Acquisition of 19.9% of Little Stories SAS	475,730	5
Acquisition of 5% M&C Saatchi Mobile Asia Pacific PTE. Limited	327,239	3
Shares issued for cash	620,180	6
Payment of deferred consideration	291,011	3
At 31 December 2021	**122,743,435**	**1,227**

The Company holds 485,970 (2020: 485,970) of the above shares in the Company in treasury.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. FAIR VALUE MEASUREMENT

Policy

See also basis of preparation on page 133.

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The Group holds both assets and liabilities which are measured at fair value on a recurring basis and those which are measured at fair value on a non-recurring basis. Items measured at fair value on a non-recurring basis typically relate to non-financial assets arising as a result of business combinations as accounted for under the acquisition method. In this regard, during the year the Group has recognised additions to intangible assets (brand names and customer lists) totalling £3,819k (2020: £Nil). Refer to Note 14 for full details.

In addition, the Group also calculates the fair value of certain non-financial assets when there is the need to conduct an impairment review. These calculations also fall within Level 3 of the IFRS 13 hierarchy and, where applicable, are described in Note 14.

Analysis

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

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2021 and 31 December 2020:

At 31 December 2021	Level 1 £000	Level 2 £000	Level 3 £000
Financial assets			
Equity investments at FVTPL	–	–	15,185
Financial liabilities			
Contingent consideration	–	–	–

At 31 December 2001	Level 1 £000	Level 2 £000	Level 3 £000
Financial assets			
Equity investments at FVTPL	–	–	11,410
Financial liabilities			
Contingent consideration	–	–	(452)

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

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

	Equity instruments at FVTPL £000	Contingent consideration £000
At 1 January 2021	**11,410**	**(452)**
Net gain in the income statement	3,473	452
Additions	501	–
Disposal	(209)	–
Currency movements	10	–
At 31 December 2021	**15,185**	**–**

£452k of contingent consideration relating to management's put option in Scarecrow Communications Limited has been written off because current results indicate that nothing will be payable under the put option scheme.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. FAIR VALUE MEASUREMENT CONTINUED

Analysis continued

Valuation and sensitivity to valuation

The Group's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values.

The equity instruments at FVTPL relate to unlisted equity investments as detailed in Note 19. Management bases its primary assessment of their fair values on the share price from the last funding round but also incorporates discounts depending on performance, more senior shareholdings held by other investors and the possibility of future dilution due to the presence of convertible loan notes. Fluctuations in the share price would change the fair value of the investments recognised at year-end as follows assuming a 10% uplift or downwards movement in the price:

Adjusted share price	Increase/ (decrease) in fair value of asset 2021 £000	Increase/ (decrease) in fair value of asset 2020 £000
+10%	1,519	1,141
-10%	(1,519)	(1,141)

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

Risk adjusted sales price	Decrease in fair value of asset 2021 £000	Decrease in fair value of asset 2020 £000
-30% sales discount due to illiquid nature*	(4,556)	(3,423)
-12% risk discount for unwilling marketplace**	(1,276)	(958)
Value after discounts	**9,353**	**7,029**

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

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

30. FINANCIAL RISK MANAGEMENT

Principal financial instruments

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

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

30.1 – General objective, policies and processes

The Board has overall responsibility for the determination of the Group's and Company's risk management objectives and policies. Whilst retaining ultimate responsibility for them, the Board has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's senior management of each core business unit. The Board receives monthly reports from management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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

30.2 – Market risk

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL RISK MANAGEMENT CONTINUED

30.3 – Foreign exchange risk

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

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

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

Exchange rate	Increase/ (decrease) in profit before tax 2021 £000	Increase/ (decrease) in profit after tax 2021 £000	Increase/ (decrease) in profit before tax 2020 £000	Increase/ (decrease) in profit after tax 2020 £000
USD +10%	362	214	764	625
USD -10%	(330)	(195)	(695)	(568)
AUD +10%	526	349	268	172
AUD -10%	(478)	(317)	(244)	(156)

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

	Year end rate		Average rate	
Currency	2021	2020	2021	2020
USD	1.35	1.37	1.35	1.29
AUD	1.86	1.77	1.87	1.87

The Group assumes that currencies will either be freely convertible, or the currency can be used in the local market to pay for goods and services, which we can sell to clients in a freely convertible currency. Within our 2021 year-end cash balances we hold £307k in Indian Rupees; £637k in Libyan Dinars; and £2,191k in South African Rands.

30.4 – Interest rate risk

The Group is exposed to interest rate risk because it has a banking facility of up to £47.0m and a net overdraft facility of up to £2.5m, both based on floating interest rates. The Group does not consider this risk to be significant.

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would (decrease)/increase by £(100)k/£100k (2020: £(138)k/£138k). This is principally attributable to the Group's exposure to interest rates on its floating rate loan.

30.5 – Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and, when appropriate, principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as and when they fall due. The Group's debt instruments carry interest at LIBOR +3.0%.

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

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group had sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL RISK MANAGEMENT CONTINUED

30.5 – Liquidity risk continued

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Group

	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2 to 5 years £000	Over 5 years £000
At 31 December 2021					
Trade and other payables*	(96,561)	(25,359)	(5,285)	(1,846)	(1)
Lease liabilities	(2,320)	(6,960)	(8,074)	(19,342)	(35,943)
Loans and borrowings	–	–	–	(19,528)	–
Overdrafts	(14,440)	–	–	–	–
IFRS 9 put options	–	(3,238)	–	(1,000)	(1,000)
Deferred and contingent consideration	–	(984)	–	–	–
Total	**(113,321)**	**(36,541)**	**(13,359)**	**(41,716)**	**(36,944)**

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

	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2 to 5 years £000	Over 5 years £000
At 31 December 2020					
Trade and other payables	(65,915)	(30,000)	–	–	–
Lease liabilities	(2,244)	(6,731)	(8,223)	(14,709)	(26,546)
Loans and borrowings	–	(27,163)	(2,199)	–	–
Overdrafts	(13,920)	–	–	–	–
IFRS 9 put options	–	(978)	(1,804)	–	–
Deferred and contingent consideration	–	(1,679)	–	–	–
Total	**(82,079)**	**(66,551)**	**(12,226)**	**(14,709)**	**(26,546)**

Company

	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2 to 5 years £000	Over 5 years £000
At 31 December 2021					
Trade and other payables	(3,551)	(361)	(292)	(161)	–
Loans and borrowings	–	–	–	(19,528)	–
Total	**(3,551)**	**(361)**	**(292)**	**(19,689)**	**–**

	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2 to 5 years £000	Over 5 years £000
At 31 December 2020					
Trade and other payables	(2,887)	(45,355)	–	–	–
Loans and borrowings	–	(21,600)	–	–	–
Total	**(2,887)**	**(66,955)**	**–**	**–**	**–**

The Group breached no banking covenants during the year.

30.6 – Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL RISK MANAGEMENT CONTINUED

30.6 – Credit risk continued

Impairment

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

The expected loss rates for each business are based on the payment profiles of sales at least over a period of 24 months before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The expected credit loss allowance at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables under IFRS 15.

					Trade receivables
31 December 2021	**Not past due**	**0-30 days past due**	**31-90 days past due**	**91-120 days past due**	**> 120 days past due**
Expected loss rate (%)	0.02%	0.01%	0.02%	0.51%	3.55%
Trade receivables	72,941	19,200	6,107	956	3,302
Loss allowance	**11**	**2**	**1**	**5**	**117**

					Trade receivables
31 December 2020	**Not past due***	**0-30 days past due**	**31-90 days past due**	**91-120 days past due**	**> 120 days past due**
Expected loss rate (%)	0.02%	0.01%	0.02%	0.51%	3.55%
Trade receivables	53,918	13,312	4,501	966	1,338
Loss allowance	**8**	**1**	**1**	**5**	**47**

Under IFRS 9 financial instruments, the expected credit loss is the difference between asset's gross carrying amount and the present value of the estimated future cashflows discounted at the asset's original effective interest rate.

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

30.7 – Share price risk

As detailed in Note 27, the Group uses put option awards to incentivise certain local key management. The value of these awards is in part dependent upon the Company's share price.

30.8 – Equity price risk

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and by placing limits on individual and total equity investment securities. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board reviews and approves all equity investment decisions. The basis of the fair value calculations and the sensitivity of these calculations to the key inputs is detailed in Note 29.

30.9 – Capital management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 23, cash and cash equivalents as disclosed in the cash flow statement and equity attributable to equity holders of the parent as disclosed in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. GROUP COMPANIES

Key

* Entities in which the Group holds less than 50% of the share capital and which are accounted for as Associates (Note 15). All subsidiary companies which the Group controls in line with the requirements of IFRS 10 have been included in the consolidated financial statements.

** This subsidiary company is entitled to, and has opted to take, the exemption from the requirement relating to the audit of its individual accounts for the year/period ended 31 December 2021 by virtue of Section 479A of the Companies Act 2006 as the Company will guarantee the subsidiary company under Section 479C of the Companies Act 2006.

***With the exception of M&C Saatchi Network Limited, our South African subsidiaries, Scarecrow Communication Limited and M&C Saatchi Social Limited (as indicated in the table below) where all our equity is directly held by the Company, all other subsidiary companies' equity is either in part or wholly held via subsidiaries of the Company.

At 31 December	Specialism	Country	Company Number	Address	Effective % ownership 2021
UK					
Lean Mean Fighting Machine Limited**	Advertising & CRM	United Kingdom	5038272	36 Golden Square, London, W1F 9EE	88
LIDA (UK) LLP**	Advertising & CRM	United Kingdom	OC395890	36 Golden Square, London, W1F 9EE	88
LIDA Limited**	Advertising & CRM	United Kingdom	3860916	36 Golden Square, London, W1F 9EE	88
M&C Saatchi (UK) Limited**	Advertising & CRM	United Kingdom	3003693	36 Golden Square, London, W1F 9EE	88
M&C Saatchi Accelerator Limited**	Advertising & CRM	United Kingdom	9660056	36 Golden Square, London, W1F 9EE	89
M&C Saatchi Export Limited**	Advertising & CRM	United Kingdom	3920028	36 Golden Square, London, W1F 9EE	91
M&C Saatchi Fluency Limited**	Advertising & CRM	United Kingdom	12853921	36 Golden Square, London, W1F 9EE	100
M&C Saatchi Marketing Arts Limited**	Advertising & CRM	United Kingdom	3357727	36 Golden Square, London, W1F 9EE	50
M&C Saatchi PR International Limited**	Advertising & CRM	United Kingdom	8838406	36 Golden Square, London, W1F 9EE	100
M&C Saatchi PR Limited**	Advertising & CRM	United Kingdom	7280464	36 Golden Square, London, W1F 9EE	100
M&C Saatchi PR UK LLP**	Advertising & CRM	United Kingdom	OC362334	36 Golden Square, London, W1F 9EE	100
M&C Saatchi Shop Limited**	Advertising & CRM	United Kingdom	9660100	36 Golden Square, London, W1F 9EE	100
M&C Saatchi Talk Limited**	Advertising & CRM	United Kingdom	4239240	36 Golden Square, London, W1F 9EE	51
Talk Purpose Limited**	Advertising & CRM	United Kingdom	11557398	36 Golden Square, London, W1F 9EE	51
The Source (London) Limited**	Advertising & CRM	United Kingdom	7140265	36 Golden Square, London, W1F 9EE	100
The Source (W1) LLP**	Advertising & CRM	United Kingdom	OC384624	36 Golden Square, London, W1F 9EE	90
This Is Noticed Limited**	Advertising & CRM	United Kingdom	11843904	36 Golden Square, London, W1F 9EE	69
Thread Innovation Limited**	Advertising & CRM	United Kingdom	13510974	36 Golden Square, London, W1F 9EE	80
Alive & Kicking Global Limited**	Brand & Experience	United Kingdom	11250736	36 Golden Square, London, W1F 9EE	100
Clear Ideas Consultancy LLP**	Brand & Experience	United Kingdom	OC362532	36 Golden Square, London, W1F 9EE	85
Clear Ideas Limited**	Brand & Experience	United Kingdom	4529082	36 Golden Square, London, W1F 9EE	85
Influence Communications Limited**	Brand & Experience	United Kingdom	4917646	36 Golden Square, London, W1F 9EE	95

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. GROUP COMPANIES CONTINUED

At 31 December	Specialism	Country	Company Number	Address	Effective % ownership 2021
Re Worldwide Limited**	Brand & Experience	United Kingdom	10503044	36 Golden Square, London, W1F 9EE	57
Black & White Strategy Limited**	Dormant	United Kingdom	11295145	36 Golden Square, London, W1F 9EE	100
H2R Research Limited**	Dormant	United Kingdom	11668322	36 Golden Square, London, W1F 9EE	80
Human Digital Limited**	Global & Social Issues	United Kingdom	7510403	36 Golden Square, London, W1F 9EE	60
M&C Saatchi World Services LLP**	Global & Social Issues	United Kingdom	OC364842	36 Golden Square, London, W1F 9EE	80
M&C Saatchi WS .ORG Limited**	Global & Social Issues	United Kingdom	10898282	36 Golden Square, London, W1F 9EE	80
Tricycle Communications Limited**	Global & Social Issues	United Kingdom	7643884	36 Golden Square, London, W1F 9EE	80
M&C Saatchi Network Limited** + ***	Group Central Costs	United Kingdom	7844657	36 Golden Square, London, W1F 9EE	100
SaatchInvest Limited**	Group Central Costs	United Kingdom	7498729	36 Golden Square, London, W1F 9EE	100
M&C Saatchi International Holdings B.V.	Local Central Costs	United Kingdom	24295679	36 Golden Square, London, W1F 9EE	100
M&C Saatchi European Holdings Limited**	Local Central Costs	United Kingdom	5982868	36 Golden Square, London, W1F 9EE	96
M&C Saatchi German Holdings Limited**	Local Central Costs	United Kingdom	6227163	36 Golden Square, London, W1F 9EE	100
M&C Saatchi International Limited**	Local Central Costs	United Kingdom	3375635	36 Golden Square, London, W1F 9EE	100
M&C Saatchi Middle East Holdco Limited**	Local Central Costs	United Kingdom	9374189	36 Golden Square, London, W1F 9EE	80
M&C Saatchi WMH Limited**	Local Central Costs	United Kingdom	3457658	36 Golden Square, London, W1F 9EE	100
M&C Saatchi Worldwide Limited**	Local Central Costs	United Kingdom	2999983	36 Golden Square, London, W1F 9EE	100
FYND Media Limited**	Media & Performance	United Kingdom	10104986	36 Golden Square, London, W1F 9EE	100
M&C Saatchi Mobile Limited**	Media & Performance	United Kingdom	5437661	36 Golden Square, London, W1F 9EE	100
M&C Saatchi Merlin Limited**	Sponsorship & Talent	United Kingdom	3422630	36 Golden Square, London, W1F 9EE	67
M&C Saatchi Social Limited** + ***	Sponsorship & Talent	United Kingdom	9110893	36 Golden Square, London, W1F 9EE	73
M&C Saatchi Sport & Entertainment Limited**	Sponsorship & Talent	United Kingdom	3306364	36 Golden Square, London, W1F 9EE	75
Europe					
M&C Saatchi (Switzerland) SA	Advertising & CRM	Switzerland	660-0442009-4	Boulevard Des Promenades 8, 1227, Carouge, Geneva	76
M&C Saatchi AB	Advertising & CRM	Sweden	556902-1792	Skeppsbron 16, 11130, Stockholm	70
M&C Saatchi Advertising GmbH	Advertising & CRM	Germany	95484	Munzstrasse 21-23, 10178, Berlin	78
M&C Saatchi Digital GmbH	Advertising & CRM	Germany	137809	Munzstrasse 21-23, 10178, Berlin	95
M&C Saatchi Go! AB	Advertising & CRM	Sweden	559076-6076	Skeppsbron 16, 11130, Stockholm	70
M&C Saatchi Little Stories SAS*	Advertising & CRM	France	449386944	32 Rue Notre Dame Des Victoires, 75002 Paris	26
M&C Saatchi PR AB	Advertising & CRM	Sweden	559103-4201	Skeppsbron 16, 11130, Stockholm	70
M&C Saatchi PR Srl	Advertising & CRM	Italy	IT08977250961	V.Le Monte Nero 76, Milano, 20135	100
M&C Saatchi SpA	Advertising & CRM	Italy	IT07039280966	V.Le Monte Nero 76, Milano, 20135	100
Clear Deutschland GmbH	Brand & Experience	Germany	113523	C/O Wework, Taunusanlage 8, 60329, Frankfurt Am Main	51
M&C Saatchi Sport & Entertainment Benelux BV	Sponsorship & Talent	Netherlands	860734560	Keizersgracht, 81015cn, Amsterdam	100
M&C Saatchi Sports & Entertainment GmbH	Sponsorship & Talent	Germany	142905	Munzstrasse 21-23, 10178, Berlin	93

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. GROUP COMPANIES CONTINUED

At 31 December	Specialism	Country	Company Number	Address	Effective % ownership 2021
Middle East and Africa					
Black & White Customer Strategy (Pty) Ltd	Advertising & CRM	South Africa	211/005859/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town	50
Creative Spark Interactive (Pty) Ltd***	Advertising & CRM	South Africa	2010/016508/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town	50
Dalmatian Communications (Pty) Ltd***	Advertising & CRM	South Africa	2015/396439/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town	50
M&C Saatchi Abel (Pty) Ltd	Advertising & CRM	South Africa	2009/022172/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town	50
M&C Saatchi Africa (Pty) Ltd***	Advertising & CRM	South Africa	2013/037719	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town	50
M&C Saatchi FZ LLC	Advertising & CRM	United Arab Emirates	177	PO Box: 77932, Abu Dhabi	80
M&C Saatchi Middle East FZ LLC	Advertising & CRM	United Arab Emirates	30670	M&C Saatchi, Penthouse, Building 1, Twofour54, PO Box 77932, Abu Dhabi	80
M&C Saatchi SAL*	Advertising & CRM	Lebanon	1010949	Quantum Tower, Charles Malek Avenue, St Nicolas, Beirut	10
Razor Media (Pty) Ltd	Advertising & CRM	South Africa	2017/177757/07	9 8th Street, Houghton, Johannesburg, Gauteng, 2198	49
M&C Saatchi Bahrain WLL	Dormant	Bahrain	74157	Venture Capital House 6th Floor, PO Box 11409, Manama	90
M&C Saatchi Connect (Pty) Ltd***	Media & Performance	South Africa	2013/037737/07	Media Quarter, 5th Floor, Corner, Somerset and De Smit Street, De Waterkant, Cape Town	50
Levergy Marketing Agency (Pty) Ltd***	Sponsorship & Talent	South Africa	2005/021589/07	9 8th Street, Houghton, Johannesburg, Gauteng, 2198	58
Asia					
Design Factory Sdn Bhd	Advertising & CRM	Malaysia	201001000000	Unit 10 – 2, 10th Floor, Bangunan Malaysian Re, No.17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur	100
February Communications Pvt Ltd*	Advertising & CRM	India	U74999DL2012PTC233245	141b First Floor, CI House Shahpur Jat, New Delhi, 110049	20
M&C Saatchi Advertising (Shanghai) Ltd	Advertising & CRM	China	91310000740556813A	Room 248, Floor 2, Unit 5, No.11, Wanghang Road, New Lingang Area, Pilot Free Trade Zone	80
M&C Saatchi Spencer Hong Kong Ltd	Advertising & CRM	Hong Kong	2661802	1st Floor, Catic Plaza, No.8 Causeway Road	70
M&C Saatchi Communications Pvt Ltd	Advertising & CRM	India	U74300DL2005PTC141682	Flat No.270-D, Pocket C Mayur Vihar Phase II, New Delhi, 110091	95
Scarecrow M&C Saatchi Ltd***	Advertising & CRM	India	U22190MH2008PLC188548	2nd Floor, Kamani Chambers 32 Ramjibhai Kamani Marg, Ballard Estate, Mumbai, Mumbai City, 400038	51
PT. MCS Saatchi Indonesia	Advertising & CRM	Indonesia	576/1/IU/PMA/2018	Dea Tower 1, Mezzanine Floor, Jl. Mega Kuningan Kav.e4.3 No.1-2, Kuningan Timur, Setiabudi, Jakarta Selatan, 12920	50
M&C Saatchi Ltd*	Advertising & CRM	Japan	0110-01-060760	1-26-1 Ebisu-Nishi, Shibuya-Ku, Tokyo 150-0021	10
M&C Saatchi (M) Sdn Bhd	Advertising & CRM	Malaysia	606116-D	No.15b, 2nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor	49

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. GROUP COMPANIES CONTINUED

At 31 December	Specialism	Country	Company Number	Address	Effective % ownership 2021
M&C Saatchi Source (M) SDN BHD	Advertising & CRM	Malaysia	1313653-D	No.15b, 2nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor	49
Watermelon Productions Sdn Bhd	Advertising & CRM	Malaysia	1083441-M	No.15b, 2nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor	49
M&C Saatchi World Services Pakistan (Pvt) Ltd	Advertising & CRM	Pakistan	81911	2nd Floor, Mir Square, Civic Center, G-6 Markaz, Islamabad, Islamabad Capital Territory	41
M&C Saatchi (S) Pte Ltd	Advertising & CRM	Singapore	199504816C	59 Mohamed Sultan Road, #02-08, Sultan-Link	100
Love Frankie Ltd*	Advertising & CRM	Thailand	105557000000	571 Rsu Tower, 10th Floor, Soi Sukhumvit 31, Sukhumvit Road, Wattana District, Bangkok	20
Clear Ideas (Singapore) Pte Ltd	Brand & Experience	Singapore	201020335R	59 Mohamed Sultan Road, #02-08, Sultan-Link	86
Clear Asia Ltd	Dormant	Hong Kong	1289028	6th Floor, Alexandra House, 18 Chater Road, Central	95
Re HK Ltd	Dormant	Hong Kong	2699219	Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point	100
M&C Saatchi World Services (Singapore) Pte Ltd	Global & Social Issues	Singapore	202104508W	59 Mohamed Sultan Road, #02-08, Sultan-Link	80
M&C Saatchi (Hong Kong) Ltd	Local Central Costs	Hong Kong	509500	Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point	80
M&C Saatchi Asia Ltd	Local Central Costs	Hong Kong	1959819	Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point	100
M&C Saatchi Holdings Asia Pte Ltd	Local Central Costs	Singapore	20172 5519K	1 Coleman Street, #05-06a, The Adelphi, 179803	50
M&C Saatchi Mobile India LLP	Media & Performance	India	AAK-8869	141b First Floor, Cl House Shahpur Jat, New Delhi, 110049	100
M&C Saatchi Mobile Asia Pacific Pte Ltd	Media & Performance	Singapore	201410399M	59 Mohamed Sultan Road, #02-08, Sultan-Link	100
Australia					
1440 Agency Pty Ltd	Advertising & CRM	Australia	100 473 363	99 Macquarie Street, Sydney, NSW 2000	90
Bellwether Global Pty Ltd	Advertising & CRM	Australia	114 615 226	99 Macquarie Street, Sydney, NSW 2000	90
Brands In Space Pty Ltd	Advertising & CRM	Australia	129 800 639	99 Macquarie Street, Sydney, NSW 2000	90
Elastic Productions Pty Ltd	Advertising & CRM	Australia	635 737 861	99 Macquarie Street, Sydney, NSW 2000	90
Go Studios Pty Ltd	Advertising & CRM	Australia	092 941 878	99 Macquarie Street, Sydney, NSW 2000	90
Greenhouse Australia Pty Ltd	Advertising & CRM	Australia	629 584 121	99 Macquarie Street, Sydney, NSW 2000	72
Hidden Characters Pty Ltd	Advertising & CRM	Australia	108 886 291	99 Macquarie Street, Sydney, NSW 2000	86
House Key Productions Pty Ltd	Advertising & CRM	Australia	634 729 374	99 Macquarie Street, Sydney, NSW 2000	90
LIDA Australia Pty Ltd	Advertising & CRM	Australia	125 908 009	99 Macquarie Street, Sydney, NSW 2000	90
M&C Saatchi Direct Pty Ltd	Advertising & CRM	Australia	072 221 811	99 Macquarie Street, Sydney, NSW 2000	90
M&C Saatchi Melbourne Pty Ltd	Advertising & CRM	Australia	004 777 379	99 Macquarie Street, Sydney, NSW 2000	90
M&C Saatchi Sydney Pty Ltd	Advertising & CRM	Australia	637 963 323	99 Macquarie Street, Sydney, NSW 2000	90
Park Avenue PR Pty Ltd	Advertising & CRM	Australia	604 298 071	99 Macquarie Street, Sydney, NSW 2000	90

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. GROUP COMPANIES CONTINUED

At 31 December	Specialism	Country	Company Number	Address	Effective % ownership 2021
Resolution Design Pty Ltd	Advertising & CRM	Australia	621 985 288	99 Macquarie Street, Sydney, NSW 2000	77
Saatchi Ventures Pty Ltd	Advertising & CRM	Australia	614 007 957	99 Macquarie Street, Sydney, NSW 2000	54
The Source Insight Australia Pty Ltd	Advertising & CRM	Australia	618 841 928	99 Macquarie Street, Sydney, NSW 2000	59
This Film Studio Pty Limited	Advertising & CRM	Australia	624 003 541	99 Macquarie Street, Sydney, NSW 2000	63
Tricky Jigsaw Pty Limited	Advertising & CRM	Australia	069 431 054	99 Macquarie Street, Sydney, NSW 2000	88
Ugly Sydney Pty Limited	Advertising & CRM	Australia	618 242 710	99 Macquarie Street, Sydney, NSW 2000	68
Re Team Pty Limited	Brand & Experience	Australia	105 887 321	99 Macquarie Street, Sydney, NSW 2000	79
Yes Agency Pty Limited	Brand & Experience	Australia	621 425 143	99 Macquarie Street, Sydney, NSW 2000	79
eMCSaatchi Pty Limited	Dormant	Australia	089 856 093	99 Macquarie Street, Sydney, NSW 2000	90
World Services (Australia) Pty Limited	Global & Social Issues	Australia	629 191 420	C/O Walker Wayland Services Pty Limited, Suite 11.01, Level 11, 60 Castlereagh St, Sydney NSW	80
M&C Saatchi Agency Pty Limited	Local Central Costs	Australia	069 431 054	99 Macquarie Street, Sydney, NSW 2000	90
M&C Saatchi Asia Pac Holdings Pty Limited	Local Central Costs	Australia	097 299 020	99 Macquarie Street, Sydney, NSW 2000	100
Bohemia Group Pty Limited	Media & Performance	Australia	154 100 562	99 Macquarie Street, Sydney, NSW 2000	67
M&C Saatchi Sport & Entertainment Pty Limited	Sponsorship & Talent	Australia	139 568 102	99 Macquarie Street, Sydney, NSW 2000	90
Americas					
Agência Digital Zeroacem Ltda	Advertising & CRM	Brazil	NIRE-3522979148	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao Paolo, 05434-080	46
CSZ Comunicação Ltda	Advertising & CRM	Brazil	03.910.644/0001-05	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao Paolo, 05434-080	50
Lily Participações Ltda	Advertising & CRM	Brazil	21.188.539/0001-96	Avenida Brigadeiro Faria Lima, 1355, Jardim Paulistano 16 Andar, Sal, Sao Paulo, 01452-919	100
M&C Saatchi Brasil Participações Ltda	Advertising & CRM	Brazil	10.570.593/0001-85	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao Paolo, 05434-080	100
M&C Saatchi, S.A. DE. C.V	Advertising & CRM	Mexico	N-2017052183	Darwin 74, Piso 1, Miguel Hidalgo, 11590 Ciudad de México, CDMX, Mexico	60
Majority LLC	Advertising & CRM	USA	5445173	874 Walker Rd Ste C, Dover, Kent, 19904	92
Santa Clara Participações Ltda	Advertising & CRM	Brazil	09.349.720/0001-31	Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao Paolo, 05434-080	50
Shepardson Stern + Kaminsky LLP	Advertising & CRM	USA	4656653	80 State Street, Albany, 12207-2543, New York	100
Clear USA LLC	Brand & Experience	USA	20-8599548	138 West 25th Street, Floor 5, New York, Ny 10001	95
LIDA NY LLP (MCD)	Brand & Experience	USA	4902983	138 West 25th Street, Floor 5, New York, NY 10001	76
Clear LA LLC	Dormant	USA	6241713	2711 Centerville Road, Suite 400, Wilmington, De 19808	95
Clear NY LLP	Dormant	USA	30-0891764	1209 Orange Street Wilmington De 19801	95
LIDA USA LLP	Dormant	USA	6333479	251 Little Falls Drive, Wilmington, New Castle, 19808, Delaware	100

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. GROUP COMPANIES CONTINUED

At 31 December	Specialism	Country	Company Number	Address	Effective % ownership 2021
M&C Saatchi NY LLP	Dormant	USA	45-4683918	874 Walker Rd Ste C, Dover, Kent, 19904	90
M&C Saatchi PR LLP	Dormant	USA	27-1665526	1740 Broadway, New York, 10019	100
M&C Saatchi Share Inc.	Dormant	USA	5580330	160 Greentree Dr Ste 101, Dover, Kent, De, 19904	80
World Services US Inc. (California)	Global & Social Issues	USA	C2543767	2032 Broadway, Santa Monica Ca, 90404	100
World Services US Inc. (New York)	Global & Social Issues	USA	90-0851801	1740 Broadway, New York, 10019	100
M&C Saatchi Agency Inc.	Local Central Costs	USA	13-3839670	304 East 45th Street, New York, New York, 10017	100
M&C Saatchi Mobile LLC	Media & Performance	USA	45-3638296	2032 Broadway, Santa Monica Ca, 90404	100
M&C Saatchi Sport & Entertainment LA LLC	Sponsorship & Talent	USA	6369786	874 Walker Rd Ste C, Dover, Kent, 19904	65
M&C Saatchi Sport & Entertainment NY LLP	Sponsorship & Talent	USA	46-5182795	160 Greentree Dr Ste 101, Dover, Kent, De, 19904	70

Within the above list the following companies are associates: Love Frankie Limited, M&C Saatchi Limited (Japan), February Communications Private Limited, M&C Saatchi Little Stories SAS and M&C Saatchi SAL. The Group has a 49% effective shareholding in Razor Media (Pty) Limited but retains control so the company is treated as a subsidiary.

32. RELATED PARTY TRANSACTIONS

Key management remuneration

Key management remuneration is disclosed in Note 5.

Audited detail on Directors' remuneration is disclosed in the Directors' remuneration report.

Other related parties

During the year, the Group made purchases of £418k (2020: £1,534k) from its associates. At 31 December 2021, there was £35k due to associates in respect of these transactions (2020: £118k). During the year, £420k (2020: £574k) of fees were charged by Group companies to associates. At 31 December 2021, associates owed Group companies £123k (2020: £837k).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

33. COMMITMENTS

With the introduction of IFRS 16 Leases in 2019, all of the Group's commitments are shown on the balance sheet except for those below:

Leases

There has been one lease entered into, post balance sheet, in Indonesia, which commenced on 1 February 2022 for three years, terminating on 31 October 2025. The annual cash payments for this space are IDR972.8m (£0.05m).

Capital commitments

At the year-end we had £nil committed costs (2020: £677k) to acquire property plant and equipment.

Other commitments

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

34. POST-BALANCE SHEET EVENTS

As announced on 6 January 2022, the Company has received a preliminary approach from AdvancedAdvT Limited, a vehicle connected with Vin Murria. The Company has facilitated access to provide AdvancedAdvT Limited with the opportunity to make a formal offer to the Company's shareholders, but to date no offer has been received.

On 18 January 2022, the Chief Financial Officer, Mickey Kalifa, notified the Board of his resignation from his executive role of Chief Financial Officer.

On 19 January 2022, as a result of the exercise of two put option arrangements, the Group acquired a 49% holding in Cometis SARL, a French company.

On 21 January 2022, the Company reported that the Financial Conduct Authority had notified the Company that its investigation of the Company was being closed and that no enforcement action would be taken by it against the Company.

In February 2022, the Group launched two new businesses, a digital innovation consultancy, Thread, and a specialist sustainability consultancy, M&C Saatchi LIFE.

The Directors are not aware of any other events since the end of the financial year that have had, or may have, a significant impact on the Group's operations, the results of those operations, or the state of affairs of the Group in future years.

35. OTHER ACCOUNTING POLICIES

Reserves

Equity comprises the following:

Share capital

Represents the nominal value of equity shares in issue.

Share premium

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

Other reserves

Merger reserve

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

Treasury reserve

Represents the amount paid to acquire our own shares for future use.

Minority interest put option reserve

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

Non-controlling interest acquired reserve

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

Foreign exchange reserve

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

Retained earnings

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

36. NEW AND REVISED STANDARDS ISSUED BUT NOT YET EFFECTIVE

In the current year, the following standard and interpretation became effective:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

We do not believe that the Interest Rate Benchmark Reform has had a material difference on the Group's accounts.

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

Amendments to IFRS 17	Changes to international insurance accounting
Applying IFRS 9 "Financial Instruments" with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	IFRS Insurance
Reference to the Conceptual Framework	Amendments to IFRS 3
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Application of consistency
Property, Plant and Equipment – proceeds before intended use (Amendments to IAS 16)	Recognition criteria
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Application of materiality
Annual Improvements 2018 – 2020 Cycle	Impacts IFRS 1, IFRS 9, IFRS 16 and IAS 41
Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4)	Fixed expiry date variation
Deferred Tax – Amendments to IAS 12 Income Taxes	Recognising deferred tax on leases
Onerous Contracts – (Amendments to IAS 37)	Cost of fulfilling a contract
Definition of Accounting Estimate (Amendments to IAS 8)	Distinguishing between accounting policies and estimates
Initial Application of IFRS 17 and IFRS 9 – comparative information (Amendments to IFRS 17)	Presentational around comparative information

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

COMPANY BALANCE SHEET

At 31 December	Note	2021 £000	2020 £000
Non-current assets			
Investments	38	138,954	129,874
Deferred tax		276	192
Amounts due from subsidiary undertakings	42	94,465	87,831
Other non-current assets	39	1,019	2,250
		234,714	**220,147**
Current assets			
Trade and other receivables	40	6,799	4,930
Cash and cash equivalents		2,375	8,256
		9,174	**13,186**
Current liabilities			
Trade and other payables	41	(58,845)	(48,242)
Provisions		(300)	(300)
Deferred and Contingent consideration	13	(984)	(1,144)
Put option liability	27	(11,379)	–
Bank loans	23	–	(21,372)
		(71,508)	**(71,058)**
Net current liabilities		**(62,334)**	**(57,872)**
Total assets less current liabilities		**172,380**	**162,275**
Non-current liabilities			
Employment benefit provision		(196)	(1,011)
Put option liability		(471)	–
Bank loans	23	(19,528)	–
		(20,195)	**(1,011)**
Total net assets		**152,185**	**161,264**

COMPANY BALANCE SHEET CONTINUED

At 31 December	Note	2021 £000	2020 £000
Capital and reserves			
Share capital		1,227	1,159
Share premium		50,327	44,607
Merger reserve		71,116	71,116
Treasury reserve		(550)	(550)
Share option reserve		1,167	–
Share-based payment reserve		31,114	38,792
Profit and loss account		(2,216)	6,140
Shareholders' funds		**152,185**	**161,264**

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. Included within the consolidated income statement for the year ended 31 December 2021 is a loss after tax of £8,310k (2020: loss of £4,419k).

The notes on pages 246 to 251 form part of these Company financial statements.

These Company financial statements on pages 243 to 251 were approved and authorised for issue by the Board on 28 April 2022 and signed on its behalf by:

MICKEY KALIFA
Chief Financial Officer
M&C Saatchi plc

Company Number 05114893

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Share option reserve £000	Share-based payment reserve £000	Profit and loss account £000	Total £000
At 31 December 2019	**936**	**44,607**	**66,962**	**(550)**	**–**	**36,912**	**10,968**	**159,835**
Exercise of put options	223	–	4,154	–	–	–	–	4,377
Recharge of share option	–	–	–	–	–	(683)	–	(683)
Share option charge	–	–	–	–	–	3,275	–	3,275
Reclassification of equity-settled share-based payments to cash-settled	–	–	–	–	–	(1,121)	–	(1,121)
Realisation of reserve	–	–	–	–	–	409	(409)	–
Total transactions with owners	223	–	4,154	–	–	1,880	(409)	5,848
Total comprehensive loss for the year	–	–	–	–	–	–	(4,419)	(4,419)
At 31 December 2020	**1,159**	**44,607**	**71,116**	**(550)**	**–**	**38,792**	**6,140**	**161,264**
Acquisition including deferred consideration	54	4,949	–	–	–	–	–	5,003
Exercise of Minority Interest put options	5	419	–	–	–	–	–	424
Reclassification of equity-settled share-based payments to cash-settled	–	–	–	–	–	(9,007)	–	(9,007)
Reclassification of cash liability to equity-settled share-based payments	–	–	–	–	994	–	–	994
Share option charge	–	–	–	–	173	1,283	–	1,456
Issue of shares	6	352	–	–	–	–	–	358
Exercise of put options	3	–	–	–	–	–	(3)	–
Realisation of reserve	–	–	–	–	–	46	(46)	–
Total transactions with owners	68	5,720	–	–	1,167	(7,678)	(49)	(772)
Total comprehensive loss for the year	–	–	–	–	–	–	(8,307)	(8,307)
At 31 December 2021	**1,227**	**50,327**	**71,116**	**(550)**	**1,167**	**31,114**	**(2,216)**	**152,185**

The notes on pages 246 to 251 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

37. GENERAL INFORMATION AND ACCOUNTING POLICIES

The Company acts as the holding company for the Group. The Company is quoted on London's AIM stock exchange and is domiciled and incorporated in England and Wales and registered with company number 05114893. The address of its registered office is 36 Golden Square, London, W1F 9EE.

The Company's financial statements have been prepared in accordance with the requirements of the Companies Act 2006, under the historical cost convention, in accordance with the reduced disclosure framework of FRS101. They have been prepared on a going concern basis, further details of which are in the Directors' report on page 111.

In adopting the reduced disclosure framework of FRS101, the Company has taken advantage of the following exemptions from disclosure:

- The cash flow statement and related notes.
- Disclosures in respect of transactions with wholly owned subsidiaries.
- Disclosures in respect of capital management.
- The effects of new but not yet effective IFRSs.

Accounting policies applied

The Company applies the Group accounting policies as well as the following principal accounting policies. These have been applied consistently and there were no new policies adopted within the year:

a) Valuation of investments

Investments are stated at cost, less any provision for impairment.

b) Pensions

Contributions to personal pension plans are charged to the profit and loss account in the period in which they are due.

c) Share-based payments in Company

The cost of awards to employees of subsidiary entities, classified as conditional share awards, is accounted for as an additional investment in the employing subsidiary. When such awards are recharged to employing or acquiring entities, the investment in the Company's books is reduced by the value of equity awarded. In the event that this additional investment in the subsidiary is impaired, then there is an equal and opposite release from share-based payment reserve.

d) Dividends

Both interim dividends and final dividends are recorded in the period in which they are declared. Disclosure of dividend activity can be found at Note 10.

e) Treasury shares

When the Company re-acquires its own equity instruments, those instruments (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's treasury shares. Such treasury shares may be acquired and held by the Company or by other members of the Group. Consideration paid or received is recognised directly in equity.

f) Expected credit losses

Amounts owed by subsidiaries are recorded at amortised cost and are reduced by expected credit losses. Under IFRS 9 Financial Instruments, the expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Key judgements

Management has made the following judgements, which have the most significant effect in terms of the amounts recognised, and their presentation, in the Company's financial statements.

Debt due from other Group companies

Debt due from other Group companies can be deemed to be either a quasi-investment under IAS 27 or an intercompany receivable under IFRS 9. We have assessed most of this debt balance as an intercompany receivable under IFRS 9.

Where such debt is accounted for under IFRS 9, a judgement needs to be made to assess whether such balances are repayable on demand or if they are payable over one year.

Key estimates

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

Recoverability of intercompany receivables

Estimates on the future recoverability of intercompany receivables are based on the substance of the underlying agreements, which typically rely on subsequent asset sales by the debtor being used to clear the amounts due to the parent.

Valuation of investments

Estimates are made on the future value of investments, based on the lower of value in use and net realisable value. This assessment is performed after any debt from entities has been recovered. Impairments are made where necessary.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

37. GENERAL INFORMATION AND ACCOUNTING POLICIES CONTINUED

Reserves

Share-based payment reserve

Represents the reserve created when conditional share assets are created. In the event that this additional investment in the subsidiary is impaired, then there is an equal and opposite release from share-based payment reserve.

Share-option reserve

Represents equity-settled share-based employee remuneration (including amounts recharged to subsidiaries) until such share options are exercised.

38. INVESTMENTS

	2021 £000	2020 £000
At 1 January	**129,874**	**127,994**
Acquisition of subsidiaries	4,909	–
Disposal of shares in subsidiary	–	–
Provision against acquired subsidiary	–	–
Conditional share award paid by subsidiary	–	(683)
Put option revaluation	(972)	–
Net uplift in value of put option investment in subsidiaries following change to cash settled bases	3,815	–
Release of provision against conditional share awards	45	409
Transfer of equity-settled to cash-settled awards	–	(1,121)
Conditional share awards*	1,283	3,275
At 31 December	**138,954**	**129,874**

* Conditional share awards (Note 27).

The Company's investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the investment may be impaired.

Impairment losses arise when the carrying amount of an investment is in excess of the recoverable amount, and these losses are recognised in the income statement. All recoverable amounts are from future trading (i.e. their value in use).

The value in use calculations have been based on the forecast profitability based on the 2022 Board approved budget and five-year plans, with a residual growth rate of 1.5% per annum applied thereafter. This forecast data is based on past performance and current business and economic prospects. This data is then applied within a discounted future cash flow forecast (DCF), which forms the basis for determining the recoverable amount of each Investment.

The direct and indirect subsidiary undertakings are listed in Note 31 to the consolidated financial statements.

39. OTHER NON-CURRENT ASSETS

	2021 £000	2020 £000
Loans to subsidiary employees*	921	1,967
Loans to assist equity purchase**	98	283
Total	**1,019**	**2,250**

* This related to the AUD1.6m (2020: AUD3.3m) loans that the Group lent local management of M&C Saatchi Agency Pty Limited, in 2015, to enable them to acquire 20% of that business. The full recourse loan is repayable in full if the purchasers no longer have a beneficial interest in the shares of the Australian Group or are no longer employed. The loan is unsecured and charged interest at 0.1% above the five-year Australian interbank rate at the date the loan was advanced. The carrying value of the loan approximated to fair value. During the year half the loan was repaid.

** Loan to South African indigenous equity holders to enable them to acquire equity in South African subsidiaries in accordance with local laws.

40. TRADE AND OTHER RECEIVABLES

Amounts due less than one year	2021 £000	2020 £000
Prepayments	219	270
Corporation tax receivable	6,356	4,249
Other receivables	224	411
Total	**6,799**	**4,930**

41. TRADE AND OTHER PAYABLES

	2021 £000	2020 £000
Trade creditors	(84)	(847)
Amounts due to subsidiaries*	(54,480)	(44,131)
Accruals	(4,281)	(3,264)
Total	**(58,845)**	**(48,242)**

* Repayable on demand.

42. AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS

Amounts due from subsidiary undertakings are repayable on demand. However, agreements are in place between subsidiary companies that state that such repayments will not be due until the underlying investments of the subsidiary company are sold or realised. Due to these agreements the amounts due from subsidiary undertakings have been defined as long-term.

The Amounts receivable from subsidiary undertakings include receivables relating to exercised put options. As detailed in Notes 1 and 26, the Group has a number of put option arrangements in place. On exercise of these put options, the Company is required to issue shares in exchange for the shares of the minority interests. Where the Company's shareholding of the acquired subsidiary becomes equal to or higher than 90% as a result, amounts are credited to the Merger Reserve on exercise. The acquired shares are then immediately sold to subsidiaries of the Company, thereby creating an intercompany receivable and eliminating the Company's increase in investments.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

42. AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS CONTINUED

	2021 £000	2020 £000
Amounts due from subsidiary undertakings	94,465	87,831

The amounts due from subsidiary undertakings are net of the expected credit losses of £7,632k (2020: £9,899k) that have been provided against these balances. Our annual review of the expected credit loss provision took into account trading performance, the reorganisations taking place and likely future performance. As a result of this review the expected credit loss decreased by £43k (2020: decreased by £3,640k), the other movement in the provision was due moving inter-company debt to other Group companies with the relevant provision.

43. STAFF COST

Staff costs (including Directors) comprise:

Year ended 31 December	2021 £000	2020 £000
Wages and salaries	5,383	3,711
Social security costs	662	426
Other pension costs	62	40
Other staff benefits	52	194
	6,159	**4,371**
Staff numbers	22	18

Staff numbers are based on monthly average staff and exclude Non-Executive Directors.

Directors' remuneration

	2021 £000	2020 £000
Directors' salaries and benefits	1,972	1,908
Bonuses	851	–
Contributions to money purchase pension schemes	–	–
Total remuneration before accounting charges	2,823	1,908
Long-term incentives	268	485
Total	**3,091**	**2,393**

The highest paid Director earned:	2021 £000	2020 £000
Director's salary and benefits	722	373
Bonuses	605	–
Contribution to money purchase pension scheme	–	–
Total remuneration before accounting charges	1,327	373
Long-term incentives	48	485
Total	**1,375**	**858**

The number of Directors with a money purchase pension scheme during the year was 4 (2020: 5).

The Directors are the key management personnel of the Company.

Additional details with regards to Directors' remuneration, as required by Rule 19 of the AIM rules, can be found in the Directors' remuneration report.

44. RELATED PARTIES

During the year, the Company charged a management recharge to subsidiaries totalling £773k (2020: £773k). The amount due from subsidiary undertakings payable in cash of £94,465k (2020: £87,831k) is net of £7,632k (2019: £9,899k) provisions for doubtful accounts.

Further details of related parties of the Company are provided in Note 32.

45. POST-BALANCE SHEET EVENTS

As announced on 6 January 2022, the Company has received a preliminary approach from AdvancedAdvT Limited, a vehicle connected with Vin Murria. The Company has facilitated access to provide AdvancedAdvT Limited with the opportunity to make a formal offer to the Company's shareholders, but to date no offer has been received.

On 18 January 2022, the Chief Financial Officer, Mickey Kalifa, notified the Board of his resignation from his executive role of Chief Financial Officer.

On 21 January 2022, the Company reported that the Financial Conduct Authority had notified the Company that its investigation of the Company was being closed and that no enforcement action would be taken by it against the Company.

Subsequent to the year-end there have been no other material events specific to the Company requiring disclosure. Those items relevant to the Group are disclosed in Note 34.

46. SHARE CAPITAL

Movements in the Company's Share capital can be found at Note 28.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M&C SAATCHI PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of M&C Saatchi plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and analysis of net cash and the notes to the consolidated and company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the going concern assessment performed by the Directors with regard to the requirements of the applicable financial reporting framework, including the period covered, and the severe but plausible scenarios and reverse stress test performed;
- Testing the mathematical accuracy of the going concern model prepared by the Directors and the underlying calculations used within it;
- Verifying the level of cash and debt held by the group as at 31 December 2021 and movements post year end;
- Critically assessing the Directors' financial forecasts and the underlying key assumptions, including expectations for growth in revenue, costs and profits based on key customer revenue assumptions, margins and cost trends;
- Assessing whether under the severe but plausible scenarios the Group and Parent Company can comply with its covenants and remain within the available facility headroom, and that the reverse stress test scenario is highly unlikely; and
- Evaluating the adequacy of disclosures made in the annual report in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS' REPORT CONTINUED

Overview

Coverage*	86% of Group profit before tax 88% of Group revenue 81% of Group total assets
Key audit matters	We have identified Revenue Recognition, specifically the existence of revenue and the application of IFRS 15 Revenue from Contracts with Customers as a Key Audit Matter
Materiality	Group financial statements as a whole £1.366m based on 5% of headline profit before taxation

* These are areas which have been subject to a full scope audit or specified audit procedures by the group engagement team

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group has 113 reporting components which represent sub-groups, individual legal entities, and branches and we assessed 24 of these to be significant components. These significant components are based in the UK, US, Australia, South Africa, Italy and Malaysia. The Group audit team completed full scope audits on the Parent Company and 3 significant components; the remaining significant components were subject to full scope audits by BDO LLP component teams and other BDO member firm component teams overseas. Non-significant components were subject to desktop review procedures which included either specified audit procedures over large or higher risk balances or Group level analytical procedures. The Group audit team completed the procedures on non-significant components.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Issuance of detailed Group reporting instructions, which included the significant areas to be covered by their audit (including applicable key audit matters as detailed below), and set out the information required to be reported to the Group audit team;
- Regular communication with the component auditors throughout the planning, execution and completion phases of the audit to assess the planned testing, emerging findings and conclusions drawn;
- Attendance at key meetings at component level, and detailed discussions with the component auditors and component management throughout the audit process in respect of significant risk and selected other areas; and
- Remote review of component auditor working papers and specific work requests to ensure appropriateness of conclusions drawn.

We directed the efforts of component auditors towards the group-wide areas of risk, such as revenue recognition, and directed the work performed to ensure the testing plan that was agreed would address the risks of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter		*How the scope of our audit addressed the key audit matter*
Revenue recognition *Existence, and application of IFRS 15 – Revenue from Contracts with Customers* The Group's accounting policies are described on page 158 and its disclosures of revenue recognised are provided in note 4.	The Group's operations include a range of different ways in which it contracts with customers according to the type of advertising and marketing services provided. Across all significant components we identified two ways in which we considered the financial statements may be misstated in the area of revenue recognition: 1. We identified that revenue may be misstated due to fraudulent accounting entries being processed or recognition of revenues in 2021 which are not eligible for recognition, or not eligible for recognition until later accounting periods; and 2. We identified that errors may arise in recording revenues, including in relation to incorrect application of IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), for example incorrect recognition of revenue on a principal / agent basis. In addition, we were cognisant of challenges encountered by the Group in previous periods in reporting revenue as well as actions management had been undertaking in 2021 to improve the application of its revenue recognition policies.	As revenue recognition was an area we identified as a significant risk of misstatement on a group-wide basis, we selected further components of the group for targeted testing in addition to the components on which we performed a full audit scope. Our testing of Revenue recognition included the following: • Assessing whether, journal entries posted to revenue with unusual account combinations were valid, properly approved and supported by appropriate evidence of the Group having performed the services; • For a sample of revenues recognised both in the year and those recognised either side of the year end, verifying details of revenues recognised to contracts, schedules of work, communication with customers, publicly available evidence of the event occurring and other evidence that work had been performed. This included gaining an understanding of the nature of the project and the performance obligations in line with IFRS 15 as to whether revenue should be recognised over time or at a point in time; • For a sample of revenue recognised over time, we recalculated the revenue recognised to records of work performed and other inputs and compared this to our expectations of revenue to be recorded; • Obtaining management's assessments as to whether revenue should be recognised gross or net of media costs, in certain agencies in the Group, and assessed this against the nature of the contracts and requirements of IFRS 15; and • Testing accrued and deferred income on a sample basis to underlying documentation including contracts, invoices and post year end invoicing.

Key audit matter	*How the scope of our audit addressed the key audit matter*
	Key observations: We had no material findings in respect of the existence of revenue and the application of IFRS 15. We have not identified any matters which suggest that the revenue recognition policies have not been consistently applied.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

INDEPENDENT AUDITORS' REPORT CONTINUED

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2021 Group financial statements	*2021 Parent company financial statements*
Materiality	£1.366m	£0.660m
Basis for determining materiality	5% of Headline profit before taxation	Materiality was capped at 55% of Group materiality
Rationale for the benchmark applied	We consider this to be the most appropriate benchmark since this removes from underlying profit the impact of certain items that are not part of routine business income and expenses and is also a key measure of the Group's performance for stakeholders based on the investor expectations.	The Parent Company does not trade, and materiality was capped at a percentage of Group materiality to respond to aggregation risk.
Performance materiality	£0.82m	£0.45m
Basis for determining performance materiality	We set performance materiality at 60% of overall materiality. The level of performance materiality was set after considering several factors including that it was our first year as auditors, our knowledge of the control environment and the level of transactions in the year.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 3% and 84% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.04m to £1.15m. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £30,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

As the Group has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 111 to 112; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 111 to 112.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 121; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 38 to 49; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 86; and • The section describing the work of the Audit Committee set out on pages 80 to 87.

INDEPENDENT AUDITORS' REPORT CONTINUED

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding and accumulated knowledge of the Group and Parent Company, and the sector in which it operates, we considered the risks of incidents occurring which were contrary to applicable laws and regulations, including fraud, and whether such actions or non-compliance might have a material effect on the financial statements. These included but are not limited to those that relate to the form and content of the financial statements, such as accounting policies, UK-adopted international accounting standards, the Companies Act 2006, the Corporate Governance Code 2018, relevant taxation legislation, Health and Safety and the Bribery Act 2010 and equivalent legislation and regulation where the Group has overseas operations.

In addition, changes to legislation affecting all UK companies such as tax legislation (e.g. The Corporate Criminal Offence Act or 'CCO'), GDPR and other developments can give rise to contingent or actual liabilities in the event of non-compliance.

We made enquiries of those charged with governance and management, and obtained and reviewed supporting documentation concerning the Group's and Parent Company's internal policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations;
- detecting and responding to the risks of fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

INDEPENDENT AUDITORS' REPORT CONTINUED

In making these enquiries we considered whether those charged with governance and management were aware of any instances of non-compliance or had any knowledge of any actual, suspected or alleged fraud.

We also reviewed the Group's tax computations and returns and financial statements against the requirements of the relevant tax legislation and applicable accounting framework respectively.

We assessed the susceptibility of the financial statements to material misstatement including fraud and determined that the principal risks were related to the risk of management of control through recording inappropriate journal entries and bias in accounting estimates and revenue recognition.

Our audit procedures included:

- challenging assumptions and judgements made by management in their significant accounting estimates as disclosed on pages 132 to 133;
- identifying and testing a sample of journal entries, in particular journal entries posted with unusual account combinations to supporting documentation;
- review of minutes of board and board committee meetings from throughout the year including, where relevant, any whistleblowing reports received;
- testing of the consolidation including a sample of manual adjustments at the consolidation level to supporting documentation; and
- performing the procedures as set out in the key audit matters section of our report.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

KIERAN STORAN
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

28 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).


OXFORD
STREET W1
10/10 IN 10
Top-scoring sourdough.
Perfect produce.
Glorious groceries.
Delivered in 10 minutes.
GORILLAS
LT748
116

ADDITIONAL INFORMATION

GLOSSARY

Billings	Billings comprise all gross amounts billed, or billable to clients in respect of commission-based and fee-based income, whether acting as agent or principal, together with the total of other fees earned, in addition to those instances where the Group has made payments on behalf of customers to third parties. It is stated exclusive of VAT and sales taxes. This is a non-Statutory number and is unaudited.
Headline results	A self-defined alternative measure of profit that provides a different perspective to the Statutory results. The Directors believe it provides a better view of the underlying performance of the Company, because it excludes a number of items that are not part of routine business income and expenses. These Headline figures are a better way to measure and manage the business and are used for internal performance management and reward. "Headline results" is not a defined term in IFRS. Headline results represent the underlying trading profitability of the Group and excludes: • Separately disclosed items that are one-off in nature and are not part of running the business. • Acquisition-related costs. • Gains or losses generated by disposals of subsidiaries and associates. • Fair value adjustments to unlisted equity investments, acquisition related contingent consideration and put options. • Dividends paid to IFRS 2 put option holders. A reconciliation of Statutory to Headline results is presented in Note 1.
Company	M&C Saatchi plc, a company incorporated and domiciled in England and Wales with company number 05114893, listed on the AIM Market of the London Stock Exchange plc.
Group	The Company and its subsidiaries.
Net debt	Net debt at a period end is calculated as the sum of the net borrowings of the Group, derived from the accounts in the balance sheet, excluding lease liabilities.
Net revenue	Net revenue is equal to revenue less project cost/direct cost. It is not an IFRS defined term. It is, however, used as a key performance indicator by the Group.
Minority interests and non-controlling interest	Within the Group, there are a number of subsidiary companies and partnerships in which employees hold a direct interest in the equity of those companies. These employees are referred to as minority shareholders. Of these subsidiary companies and partnerships, the majority account for the shareholding of their minority shareholders as a management incentive (through the award of conditional shares) and are 100% consolidated in the Group's financial statements. The remaining seven subsidiary companies (including one without a put option) account for their minority shareholders as non-controlling interests, a defined IFRS term, with their share of the Group's profits being shown separately on the Income Statement.
Revenue	Revenue comprises the total of all gross amounts billed, or billable to clients in respect of commission-based, fee-based and any other income where we act as principal and our share of income where we act as an agent. The difference between Billings and Revenue is represented by costs incurred on behalf of clients with whom we operate as an agent, and timing differences where invoicing occurs in advance or in arrears of the related revenue being recognised.
EBITDA	EBITDA is earnings before depreciation, amortisation, finance expense and taxation, and excludes any charges relating to IFRS 16. It is not an IFRS defined term. It is, however, used as a key performance indicator by the Group.

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THRIVE BY FIVE

M&C Saatchi in partnership with:

The world's first TED Talk about neuroscience given by 7-year-old Molly Wright.

Problem:
Leading scientific research has proven how positive interactions in the first five years of a child's life can have a remarkable impact on their entire future. Yet parents all around the world are finding this out too late, if ever.

Solution:
Use the proof to highlight the solution. 7-year-old Molly Wright took to the TED stage and proved what play-based learning in the first five years can produce. Molly presented facts, experiments, and a heartfelt plea in a language anyone, anywhere would understand.

Results:
The film spread around the world and was watched by families, adopted by hospitals as far away as Afghanistan, and shown to policy makers. But the real impact will be felt in years to come as children are given everything they need to Thrive By Five.

No.1 TED Talk of 2021.

23 mil
Views and counting.

Played in 190 markets.

Translated into 22 languages.

1.1 bil
Global campaign reach.

M&C SAATCHI GROUP

M&C Saatchi Plc
Annual Report and Accounts 2021
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