

M&C SAATCHI GROUP

M&C SAATCHI PLC

Annual Report and Accounts 2022



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Highlights

Financial Highlights

Record net revenue of £271.1m
(2021: £249.3m).
Record Headline EBITDA of £45.2m
(2021: £40.8m).
Record Headline operating profit of £35.4m
(2021: £31.1m).
Headline operating profit margin of 13.1%
(2021: 12.5%).
Statutory operating profit of £10.5m
(2021: £27.3m).
Record Headline profit before tax of £31.8m
(2021: £27.3m).
Statutory profit before tax of £5.4m
(2021: £21.6m).
Headline basic earnings per share of 14.8p
(2021: 11.3p).
Statutory basic earnings per share of 0.1p
(2021: 10.5p).
Net cash of £30.0m
(2021: £34.4m).
Drawdown on revolving credit facility of £7.0m
(2021: £20.0m).

Non-Financial Highlights

New business: appointed to the Emirates Airline, Samsung and Volkswagen global rosters, awarded the UK Covid-19 Inquiry account, received new global assignments from Diageo, Tinder, LVMH, PepsiCo and Australia Retirement Trust.
Scaled new start-ups including M&C Saatchi LIFE, a sustainability agency, Thread Innovation, a product and service innovation practice and M&C Saatchi Fluency, a data and analytics consultancy.
Completed Phase One of a global efficiency programme with material cost savings identified.
Planet commitments launched, targets validated by Science Based Targets initiative.
Established partnership with EY Europe.

Recognition:

M&C Saatchi Fluency – Start-up Agency of the Year.
M&C Saatchi Sport & Entertainment – Sponsorship Agency of the Year.
Razor PR – Global PR Agency of the Year, African Agency of the Year.
M&C Saatchi Performance – Performance Marketing Agency of the Year.
M&C Saatchi Indonesia – Digital and Social Agency of the Year.
M&C Saatchi Clear – Top Consultant “Excellence in Client Services”.
M&C Saatchi Australia Group – Top 10 Innovative Agencies in Australia.

Strategic report

Investment case

Our investment case is built on our strategy to be the world's leading creative solutions company, of specialist expertise, connected through data and tech, to deliver meaningful change.

The Company is differentiated through its breadth of client solutions and capabilities, including: advertising, brand analytics and design, data analytics, product and service innovation, growth consulting, sports and entertainment marketing, talent and influencer management, media including performance media, behaviour change and the countering of misinformation.

Over the last two years, the Company has delivered record revenue and profit, and growth well ahead of its 2021 Capital Markets Day targets. More than half (54%) of net revenue and most (75%) of the Headline operating profit is now generated by the higher-growth, high-margin (non-Advertising) specialisms.

The Company has built new capabilities in data, sustainability, innovation and SaaS, transformed governance and controls, and delivered phase one of a global efficiency programme.

The global efficiency programme was initiated in the last quarter of 2022 with cost savings and margin improvements expected to be delivered from the second half of 2023 and on an ongoing basis thereafter.

The simplification programme will deliver a streamlined operating model and a reduction of both legal and operating entities in 2023 and 2024.

The Company's cashflow and earnings growth is expected to accelerate significantly, as put options are exercised and cash-settled in 2023 and 2024. This will allow the Company to pay dividends to its shareholders and fund selective M&A opportunities.

Growth through M&A will replace the start-up strategy.

At the Company's Capital Markets Day in February 2023, it was announced that over the next five years the Company is targeting:

- Net revenue growth of 8% CAGR (FY 2022 to 2027).
- Operating profit growth of 16% CAGR (FY 2022 to 2027).
- Improved margins in all specialisms by pursuing further cost efficiencies across support functions globally.
- A Group operating profit margin of 18% by 2027.

Chairman's statement

I am pleased to report that 2022 was another year of strong revenue and Headline profit growth which keeps us ahead of the financial plan first set out in 2021. In 2022, the Company recorded its highest ever absolute net revenue, Headline operating profit, Headline profit before tax and Headline earnings.

On a reported revenue basis, four of our five specialisms saw growth. Overall, there was a 9% increase in Group net revenue (5% on a like-for-like basis) and a 17% increase in Headline profit before tax. Headline earnings per share increased from 11.3p to 14.9p. Primarily because of costs associated with the takeover activities, there was a 75% reduction in Statutory profit before tax whilst Statutory earnings per share reduced from 10.5p to 0.1p.

One of the Company's priorities continues to be the management of cash and liquidity. In spite of incurring £10.8m of costs associated with defending against the attempted takeovers, year-end cash was £30.0m, compared to £34.4m last year.

Details of the Company's financial performance can be found on pages 11 to 18.

Company ownership

We ended the year as an independent company. During the year, we received two offers for the Company, the first from AdvancedAdvT Limited ("**AdvT**"), and the second from Next Fifteen Communications Group plc ("**Next 15**"). The Directors believed the offer from AdvT failed to reflect the Company's growth and opportunities and that it did not offer a fair value for the business. The Directors recognised the strength of the strategic, commercial and cultural fit of the offer from Next 15 but were unable to recommend it to shareholders due to the decline in value of the offer as a result of the decline in the Next 15 share price.

The takeover activities stretched from 4 January to 31 October 2022. They were a distraction which delayed certain key decisions and cost significant time and money. I would like to thank shareholders for their support in achieving our strong standalone future.

Board composition

I have notified the Board of my intention not to seek re-election as a director at this year's Annual General Meeting. It has been a privilege to chair the Company through a three-year turnaround.

Mickey Kalifa, the Chief Financial Officer, resigned in May 2022 and was replaced on an interim basis by Bruce Marson as Interim Chief Financial Officer. Following the completion of a search process for a permanent Chief Financial Officer, Bruce Marson has been appointed to the Board as the permanent Chief Financial Officer. Bruce is a seasoned finance professional and brings knowledge of the sector from his time at Dentsu and Technicolor as well as experience transforming finance functions both at the Company and in prior roles.

Vin Murria recused herself from the Board during the takeover proceedings and did not stand for re-election at the Company's Annual General Meeting in June 2022.

Lisa Gordon, Senior Independent Director, is not seeking re-election to the Board and will therefore step down from the Board at this year's Annual General Meeting. The Company will seek to appoint a new Senior Independent Director in due course.

As announced by the Company on 30 March 2023, Zillah Byng-Thorne will succeed me as independent Non-Executive Chair with her appointment expected to be effective from 15 June 2023. I am delighted that Zillah has agreed to take on the role as Chair of the Company and I am confident that her experience in the sector and experience of M&A, and data and technology will guide the Company in delivering its strategy.

Chris Sweetland will also be appointed as a Non-Executive Director to the Board effective from 15 June 2023. Chris will serve as a representative of AdvT and Vin Murria who hold in aggregate 22.2% of the Company's issued share capital and will not be considered to be independent.

Full biographies of the three current Non-Executive Directors can be found on pages 54 to 56.

Strategy

In last year's Chairman's statement, I mentioned that we had been able to secure a number of vital senior hires and that the Company's Executive Committee was also fully operational. Having the right senior management and leadership team in place has been key to focussing on and reinforcing the Group's strategy in spite of external distractions. Our Capital Markets Day, held in February 2023, set out our global efficiency programme, which will continue the strategy of simplifying and strengthening the business.

Corporate governance

My role has centred around championing the Company's corporate governance. I am therefore happy to report further progress, including increased focus on risk management and improved controls. The Audit Committee has now been renamed the "Audit & Risk Committee" and its focus on risk has increased accordingly. Please see page 63 for details of its remit. We made further progress in our efforts to fully comply with the UK Corporate Governance Code 2018 (the "Code"). Please see page 62 for details of this process, which is nearly complete. The integration of the Code into our business framework gives me further confidence that our business is equipped to take advantage of further growth opportunities as they arise. Please see pages 69 to 71 for details of the Nomination Committee's activities and page 58 for details of the follow-up on the recommendations for Board improvement following the external review commissioned in 2021. The Directors' Remuneration Policy (the "Remuneration Policy") continues to be refined to better comply with the Code and is set out on pages 77 to 82.

A Group Sustainability Committee has also been set up to ensure that we deliver on our commitments in this area. Please refer to page 61 for details.

Please refer to pages 29 to 31 for details of the Board's engagement with its stakeholders (section 172 statement).

Sustainability: Planet & People initiatives

Responding to the climate crisis requires decisive and ambitious action. In July we issued our first sustainability update report which set out 12 commitments to create meaningful change for both planet and people. We are progressing well on these. Specifically, our commitments to halve greenhouse gas emissions both across our own operations and our value chain by 2030 have now been validated by the Science Based Targets initiative. We are making rapid progress in switching our major offices to renewable energy and are also working with our production partners on emissions reduction. A sustainability leadership team has been created to oversee the development and delivery of our global sustainability strategy and action plans.

Implementing diversity, equity and inclusion in our businesses is vital for growth, innovation and also recruitment and retention of employees. Louise Jackson is the Non-Executive Director with responsibility for workforce engagement and has worked with the Chief People Officer on our people initiatives. In 2022 the Company expanded its employee-led networks globally, ran extensive training on mentorship and inclusivity, and ran a global engagement survey which resulted in action plans to celebrate and enhance the strong culture.

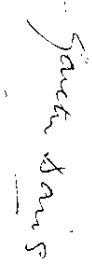
Please refer to pages 32 to 41 for more details of these 12 commitments and the sustainability and people initiatives.

Outlook

The outlook for 2023 is positive despite the clear headwinds in the macro-environment and challenges in the market. A global efficiency programme kicked off towards the end of 2022 and we anticipate significant cost savings both this year and in the future.

It has been a privilege to chair the Company through the three-year turnaround. This year's results highlight another record year for the Company, demonstrating the successful delivery of its growth strategy and mark a further milestone in the Company's transformation journey. On behalf of the Board, I would like to thank everyone throughout the Group for their continued commitment and hard work especially given the disruption caused by the takeover activities over the last year. The results are an outstanding achievement and allow us to look to the future with confidence.

Finally, I would like to thank Lisa Gordon, Senior Independent Director, for her tremendous efforts and dedication over her three-year term and for swiftly and successfully finding the Company a new independent Non-Executive Chair.

A handwritten signature in dark ink, appearing to read "Gareth Davis". The signature is written in a cursive, flowing style.

Gareth Davis
Chairman
17 April 2023

Chief Executive's review

Overview

2022 was another record year. Unexpected events were met with remarkable resilience and remarkable profitability. Growth was achieved in spite of obstacles.

In 2020 we stabilised the Company and laid the foundations for future success. In 2021 we gained momentum. In 2022 our record net revenue, Headline operating profit, Headline profit before tax and Headline earnings demonstrated the extent of the turnaround.

Targets were set at the Capital Markets Day in 2021, and all of our 2022 targets were surpassed. Between 2020 and 2022 we delivered net revenue CAGR of 10%, Headline operating profit CAGR of 71% and an operating margin improvement from 5% to 13%. As a result, at the Capital Markets Day in February 2023, the Company set out new five-year growth targets to 2027.

This performance is due to our people. They deliver the award-winning work and the revenue day-in, day-out.

On new business, we were appointed to the Emirates Airline, Samsung and Volkswagen global rosters, we won the UK Covid-19 Inquiry account, Australia Retirement Trust, a new global assignment from Diegeo, and Vattenfall Heat UK (part of the Vattenfall Group), one of the world's leading sustainable energy companies.

New client offers were launched in four areas: data analytics, sustainability, digital innovation and B2B SaaS.

We completed the first phase of our global efficiency programme which will result in further simplification of our operating model globally and start delivering cost savings in the second half of 2023.

And all of this with a successful defence against the two failed takeover bids.

2022 financial summary

- Net revenue growth of 8.7% from £249m to £271m.
- Highest ever net revenue, Headline operating profit, Headline profit before tax and Headline earnings.
- Revolving credit facility utilisation reduced from £20m in 2021 to £7m in 2022.

Specialism performance

The business operates through five connected specialisms. Today, 75% of our operating profit and over half of our revenue come from specialisms other than Advertising. We are no longer just an advertising agency, we are much more than that, we are a creative solutions company. Specialist expertise in disciplines you may expect, such as performance media, PR and data analytics. But also in some that you may not, such as: influencer management, eSports marketing and behaviour change. This specialist expertise connects, through data and technology, to deliver meaningful, commercial and societal change.

Advertising: Scaled and personalised content to create and fulfil demand.

Like-for-like net revenue reduced by 4% (2022: £118.1m vs. 2021: £123.0m).

Capabilities: data analytics, integrated campaigns, social strategy and content, dynamic digital content, personalisation, owned and earned media, and PR communications.

Appointed to Samsung, VW and Emirates Airline global rosters.

Relationships with existing clients extended: TikTok in Asia and Australia, Lexus in South Africa, Costa Coffee in the UK and Diageo globally.

Creative highlights: "Running Billboards" for Adidas, "Come and Say G'day" for Tourism Australia, "As Good as the Original" for Burger King and "Ribbon Dancer" for NHS England.

New Global Head of Advertising Network appointed to accelerate global client growth.

Consulting: Growth consulting in high-margin and emerging sectors.

Like-for-like net revenue increased by 8% (2022: £37.0m vs. 2021: £34.3m).

Capabilities: growth, sustainability, CX, DX, brand, product and service innovation, and data analytics.

New clients include: Diageo, Skyscanner, Swisscom, G42 and Tony Blair Institute for Global Change.

Existing clients include: McDonald's, Nestle, Optus, Nike, Continental Tires and Discover Financial Services.

Highlights: "Top Consultant" for "Excellence in Client Services" for our growth consultancy business and "Start-up Agency of the Year" awarded to our data analytics business.

Issues: Communications for global affairs and social issues.

Like-for-like net revenue increased by 22% (2022: £41.4m vs. 2021: £33.9m).

Capabilities: climate, health, behaviour change, national security, conflict prevention and the protection of human rights.

New client wins include: UK Covid-19 Inquiry ("Every Story Matters"), Wellcome, Co-Develop and Minderoo.

Existing clients include: UNICEF, the Conrad N. Hilton Foundation, FCDO and Luminate.

Passions: Connecting brands directly to consumers through passions and personalities.

Like-for-like net revenue increased by 23% (2022: £33.4m vs. 2021: £27.3m).

Capabilities: sponsorship, content, activation, social media, influencer marketing, and celebrity and broadcast talent management.

New client wins include: Kia, FIFA and Unilever (Axe).

Existing clients include: Whoop, Coca-Cola, McDonalds, Barclays, Heineken, Ballantine's and Adidas. Key talent includes: Jamie and Harry Redknapp, Jermaine Jenas, Dame Denise Lewis, Andrew Flintoff, Roman Keating, Sir Trevor McDonald, Sue Barker, Saffron Barker and Chloe Burrows.

Highlights: digital and social activations for UEFA Women's Euros, "The Absolut Choir", dominating the sector's awards and being awarded "Influencer Agency of the Year".

Media: Connecting brands with digitally connected consumers.

Like-for-like net revenue reduced by 2% (2022: £34.2m vs. 2021: £34.7m).

Capabilities: media planning, buying and performance media.

New client wins include: Trust, Asics, World Pride, Australia Retirement, Nando's and Spur.

Existing clients include: GrabTaxi, Snapchat, Mobile Premier League, Weather Channel, Lexus, Continental Tyres and Mweb.

2022 People and Planet

A global employee engagement survey, The Loop, was launched and initial results were encouraging with high, positive engagement. A Global Head of Diversity, Equity and Inclusion ("DE&I") was hired to support and drive the DE&I strategy. Employee-led networks were expanded globally to support protected groups, including: gender, ethnicity, LGBTQ+, and family.

Planet commitments were published to halve greenhouse gas emissions across the Company's own operations and its value chain by 2030, validated by the Science Based Targets initiative. Commitment has been made to improving the positive impact of our work, and grow the percentage of revenue from planet-positive campaigns.

Strategy

At our Capital Markets Day this year, we announced our ambition to be the world's leading creative solutions company, of specialist expertise, connected through data and tech, to deliver meaningful change.

Our strategy will focus on high-margin organic growth, improved efficiency, further simplification and M&A.

This includes investment in key capabilities, focusing on data, digital transformation and CX, across our high-margin businesses, increased productisation within all specialisms, expansion into geographic growth markets, and development of a new media proposition.

We initiated a global efficiency programme in the last quarter of 2022, with cost savings and margin improvements expected to be delivered from the second half of 2023, and on an ongoing basis thereafter.

The focus on simplification also involves streamlining the operating model and reducing both legal and operating entities in 2023 and 2024.

We will pursue selective bolt-on M&A opportunities to further strengthen our market proposition.

Outlook

Whilst there are clear and obvious headwinds affecting society, business in general and our sector, we have a clear roadmap for the next stage of our transformation journey.

We are well placed and remain confident that further progress will be made in the current year, and that we will continue to accelerate change and deliver profitable growth.

For the first time, in a long time, we have a clear runway ahead of us.



Moray MacLennan
Chief Executive Officer
17 April 2023

Please note that the Chief Executive's review refers exclusively to Headline performance measures which we believe provide a better measure of underlying performance than Statutory performance measures. Refer to page 11 for a summary of both Headline and Statutory performance measures and to page 12 for a reconciliation between Statutory profit before taxation and Headline profit before taxation.

Financial review

Financial performance

The Group manages its financial performance through a number of key performance measures, which are stated below.

- Net revenue of £271.1m, up 8.7% from £249.3m, like-for-like growth of 4.3%.
- Headline operating profit margin of 13.1%, up from 12.5%.
- Headline profit before tax of £31.8m, the highest ever for the Group, up from £27.3m.
- Statutory profit before tax of £5.4m, down from £21.6m.
- Headline earnings per share of 14.8p, up from 11.3p.
- Statutory earnings per share of 0.1p, down from 10.5p.
- Net cash of £30.0m, down from £34.4m.
- Drawdown on the Company's revolving multicurrency credit facility of £7.0m, reduced from £20.0m.

£m	Headline			Statutory		
	2022	2021	Movement	2022	2021	Movement
Billings*	597.5	533.4	12.0%	-	-	-
Revenue	462.5	394.6	17.2%	462.5	394.6	17.2%
Net revenue*	271.1	249.3	8.7%	-	-	-
EBITDA*	45.2	40.8	10.8%	-	-	-
Operating profit	35.4	31.1	13.8%	10.5	27.3	-61.5%
Profit before taxation	31.8	27.3	16.5%	5.4	21.6	-75.0%
Profit for the year	24.0	20.0	20.5%	0.2	13.2	-98.5%
Earnings**	18.1	13.7	32.8%	0.1	12.8	-99.2%
Earnings per share	14.8p	11.3p	31.7%	0.1p	10.5p	-99.3%
Tax rate	24.5%	26.6%	-2.1pts	95.5%	39.1%	+56.4pts

*Billings, net revenue and EBITDA are excluded from Statutory results, as these are not IFRS terms. Although our peers may use these same terms, they are not necessarily calculated on the same basis. However, as measures of Headline performance, they have been included to better assess the underlying performance of the business and to enable better comparability both across the industry and when comparing year-on-year results.

**Earnings are calculated after deducting share of profits attributable to non-controlling interests.

Refer to the Glossary on pages 222 to 223 for key definitions used in this section including Headline results, billings, revenue, net revenue and EBITDA.

Headline results

The Headline results are alternative performance measures that the Board considers the most appropriate basis to assess the underlying performance of the business, monitor its results on a month-to-month basis, enable comparison with industry peers and measure like-for-like, year-on-year performance.

Group Headline operating profit was £35.4m, increasing from £31.1m in 2021. The Group reported a Statutory operating profit of £10.5m, down from £27.3m in 2021, predominantly as a result of takeover defence advisory costs and other non-trading items.

The Group's Headline profit improvement compared to 2021 was driven largely by strong performance in the Issues and Passions specialisms and by central cost savings. Despite reduced revenue in Advertising, an improvement in the operating profit margin resulted in increased absolute profit in this specialism.

The Group Headline operating profit margin increased to 13.1% from 12.5% in 2021. This represents continued progress towards the Group's operating profit margin target of 18% by 2027 announced at the Capital Markets Day in February 2023.

The key movements between Statutory to Headline results

	Year ended 31 December 2022	Year ended 31 December 2021
	£000	£000
Statutory profit before taxation	5,423	21,632
Separately disclosed items	13,352	(3,783)
Dividends paid to IFRS 2 put option holders	7,811	5,270
Put option accounting – IFRS 9 and IFRS 2	2,233	2,121
Movement of FVTPL Investments under IFRS 9	1,587	(2,510)
Amortisation of acquired intangibles	597	965
Impairment of non-current assets	564	2,770
Revaluation of contingent consideration	266	532
Loss on disposal of subsidiaries and associates	-	83
Revaluation of associates on transition to subsidiaries	-	234
Headline profit before taxation	31,833	27,314

The larger items causing the movement between Statutory and Headline results for 2022 are explained below and further details are provided in Notes 1 and 2 of the financial statements.

Separately disclosed items

During 2022, £10.8m of costs were incurred as the Company was subject to two competing bids to take control and full ownership of the business. Managing the Company's response to these two takeover bids resulted in a number of one-off external advisory and additional internal management costs. In addition, we commenced a global efficiency programme which incurred one-off professional fees of £1.0m, and we restructured and closed a number of businesses with costs of £1.8m. Last year's credit of £3.8m arose 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, partially offset by lease surrender expenses and the cost arising from the repayment of £1.0m of furlough money to the UK government.

Dividends paid to IFRS 2 put option holders

Local management in some of the Group's subsidiaries own minority shareholdings in those subsidiaries. As shareholders, they also have rights to receive dividends, and, as they are employees of those subsidiaries, these are recognised as staff costs.

FVTPL investments under IFRS 9 - financial assets at fair value through profit and loss

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. Market weakness in the technology sector made fundraising and trading more difficult for them in 2022, resulting in an impairment of £2.9m and downwards revaluations of £2.7m. However, this was partially offset by upwards revaluations of £3.0m and profit on disposal of £1.2m.

Put option accounting – IFRS 9 and IFRS 2

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

Amortisation of acquired intangibles

Acquired intangibles relate to brand names and customer relationships. Refer to Note 14 of the financial statements for details.

Impairment of non-current assets

In 2022, the Group recorded an impairment charge of £0.6m, which primarily relates to the write-off of goodwill in M&C Saatchi (Hong Kong) Limited and Scarecrow Communications Limited. The 2021 charge mainly consisted of a £1.9m goodwill write-off in Santa Clara Participações Ltda, along with smaller intangible write-offs.

Net revenue performance by specialism

Group net revenue increased 8.7% in 2022 (4.3% on a like-for-like basis). A like-for-like basis applies constant foreign exchange rates and removes entities disposed of or acquired during 2021, since there were no disposals or acquisitions during 2022; it also adjusts for any reclassification of entities between the specialisms. The Passions and Issues specialisms saw the largest like-for-like net revenue growth of all specialisms in 2022.

Net revenue by Specialism	Reported		Like-for-Like	
	2022 £m	Growth versus 2021	2022 £m	Growth versus 2021
Advertising	124.3	(2.3)%	118.1	(4.0)%
Media	34.2	4.2%	34.2	(1.5)%
Issues	42.2	24.4%	41.4	22.0%
Consulting	37.0	19.6%	37.0	7.7%
Passions	33.4	36.7%	33.4	22.6%
Group	271.1	8.7%	264.1	4.3%

Advertising remains the largest specialism, comprising 46% of total net revenue (2021: 51%) on a reported basis. However, the other four specialisms have increased their share of total net revenue to 54% (2020: 49%). This shift away from Advertising continues to support operating profit growth, as these other specialisms have an average operating profit margin of 24% compared to Advertising with an operating profit margin of 9%. There has been a marked shift in revenue between the different specialisms over recent years as shown by the table below:

Reported net revenue	Advertising	Media	Issues	Consulting	Passions	Total
2022	46%	13%	15%	14%	12%	100%
2021	51%	13%	14%	12%	10%	100%
2020	61%	10%	13%	8%	8%	100%
2019	64%	11%	10%	7%	8%	100%

Net revenue performance by region

At a regional level, 2022 saw a reduction in Australia's reported revenue, due to the loss of two major clients. The largest regional increase was in the Americas with a 33% increase in reported revenue but the Middle East and Africa, and Asia also grew significantly.

Net revenue by Region	Reported		Like-for-Like	
	2022 £m	Growth versus 2021	2022 £m	Growth versus 2021
UK	98.2	3.3%	98.2	3.3%
Europe	15.3	0.7%	15.3	(1.1)%
Middle East and Africa	23.4	15.6%	23.4	11.7%
Asia	26.1	12.1%	22.1	10.3%
Australia	52.9	(2.1)%	52.9	(5.4)%
Americas	55.2	33.1%	52.2	13.9%
Group	271.1	8.7%	264.1	4.3%

The UK remains the largest region in the Group comprising 36% of total net revenue (2021: 39%) on a reported revenue basis. The recent shifts in share of revenue by region can be seen in the table below:

Reported net revenue	UK	Europe*	Middle East and Africa	Asia*	Australia	Americas*	Total
2022	36%	6%	9%	10%	19%	20%	100%
2021	39%	6%	8%	8%	22%	17%	100%
2020	39%	13%	7%	5%	21%	15%	100%
2019	40%	12%	7%	5%	20%	16%	100%

*Includes material acquisitions or disposals during this period. The businesses in France and Spain (Europe) were disposed of and the businesses in China and Pakistan (Asia) and Brazil (Americas) were acquired.

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 £1.2m (2021: £1.6m). Higher interest rates on the Company's revolving multicurrency credit facility agreement were offset by optimal allocation of cash around the Group, which reduced the drawdown on the Facility.

The interest on leases increased to £3.0m (2021: £2.8m) due to the full-year impact of leases entered into in 2021.

The fair value adjustment of put option liabilities created a charge of £1.1m (2021: charge of £0.9m). This increase is due to increased profitability in the agencies where there are outstanding put option arrangements.

Tax

Headline Tax

Our Headline tax rate has reduced marginally from 26.6% to 24.5%. The reduction is due to the use of prior years' tax losses (caused in part by the Covid-19 pandemic) to offset current profitability and an increase in profits from countries with lower tax rates, partly offset by increased expenditure on disallowable costs.

Statutory Tax

The Statutory tax rate increased from 39.1% in 2021 to 95.5% in 2022. In general, we expect large variations in Statutory tax rates. This is because items such as share-based payments (option charges) and put options arising from investments in subsidiaries are non-deductible against corporation tax, due to their being capital in nature. In 2022, two parties tried to acquire the Company and a proportion of the defence costs was disallowable due to their being capital in nature. This increased our non-deductible expenses.

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 2022, the share of profits attributable to non-controlling interests reduced to £5.9m (2021: £6.4m) and minority interests reduced to 25% of profit after tax (2021: 32%). This reflects a reduction during the year in the minority interest shareholdings in several Group entities, as a result of the settlement of put options, to the value of £12.1m.

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

Dividends

The Board believes that the Group has significant growth potential. Accordingly, the Board believes that the Group would be best served, and this potential realised, from investing annual profits back into the business and into new growth initiatives.

However, the Board recognises the importance of dividends within the Company's capital allocation policy, alongside the settlement of put options and investment in growth initiatives. The Board has therefore decided to resume payment of dividends in 2023 and intends to adopt a progressive dividend policy in future, targeting a payout ratio of 25% in the medium term.

The Company did not pay a dividend to its shareholders in 2022 (2021: nil). But given the financial performance during the year, the Board is recommending the payment of a final dividend of 1.5 pence per share.

Subject to shareholder approval at the Annual General Meeting, to be held on 14 June 2023, the dividend will be paid on 12 July 2023 to shareholders on the register of members at 9 June 2023. The shares will go ex-dividend on 8 June 2023.

Cash flow and banking arrangements

Total gross cash (excluding bank overdrafts) at 31 December 2022 was £41.5m (2021: £69.4m). Cash net of bank borrowings was £30.0m, compared to £34.4m in 2021.

In 2022, the Group generated operating cash from trading (before working capital) of £43.0m, before the costs associated with the takeover defence (£10.8m) and before dividends and allocations paid to IFRS 2 put option holders (£7.8m). There was a £4.8m net inflow from working capital (2021: £15.2m outflow), driven mainly by a focus on billing more quickly and collecting more promptly. This was offset by £10.3m of lease payments (2021: £9.0m) and £12.1m of payments to acquire non-controlling interests (2021: £5.3m). In addition, £5.6m of tangible and intangible fixed assets were purchased in 2022 (compared to £2.6m in 2021), primarily due to investment in the new office in Sydney, Australia.

Net operating cashflow (operating cash from trading, net of working capital, purchases of intangible / tangible fixed assets, and the principal payment on leases) for the year was £34.9m, which represents a cash conversion from Headline operating profit of 99%.

The following table sets out the key movements in net cash during 2022:

Movement in net cash during 2022	£m
Net cash at the beginning of the year	34.4
Increase in cash from trading	43.0
Increase in cash from working capital movements	4.8
Net interest paid	(0.8)
Purchases of intangible/tangible fixed assets	(5.6)
Tax paid	(6.7)
Dividends and allocations paid to IFRS 2 put option holders	(7.8)
Payment of lease liabilities	(10.3)
Costs associated with the takeover defence	(10.8)
Cash consideration for non-controlling interest acquired	(12.1)
Other movements	1.9
Net cash at the end of the year	30.0

The Company has a revolving multicurrency credit facility agreement with National Westminster Bank Plc and Barclays Bank PLC for up to £47.0m (the "Facility") which terminates on 21 May 2024, with an option to extend for an additional year. The Facility includes a £2.5m overdraft and the ability to draw up to £3.0m as a bonding facility as required. 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 2022, £7.0m was drawn on the Facility compared to £20.0m at 31 December 2021.

Capital expenditure

Total capital expenditure in 2022 (including software acquired) increased to £5.6m (2021: £2.6m). This included £1.7m on furniture, fittings and other equipment (2021: £0.3m), £1.6m (2021: £1.4m) on computer equipment, £1.1m (2021: £0.1m) on leasehold improvements, and £1.0m (2021: £0.8m) on software and film rights. The remaining £0.2m (2021: nil) was spent on acquiring the customer relationships of the Channel Mum influencer network.

Share-based incentive arrangements

The Group operates a business model through which certain members of 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 intend to settle put options in cash rather than shares when the options fall due, which reduces the risk of substantial share dilution to shareholders.

The table below presents a range of potential cash payments to settle put options 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 three-year plans which were developed as part of our budget cycle.

Future Share Price of the Company	Potentially payable						Total
	2023 £000	2024 £000	2025 £000	2026 £000	2027 £000	2028 £000	£000
At 151p*	£17,498	£2,470	£373	£2,932	£924	£740	£24,937
At 160p	£18,324	£2,609	£401	£2,978	£979	£784	£26,075
At 175p	£19,746	£2,841	£448	£3,102	£1,071	£858	£28,066
At 200p	£22,323	£3,227	£526	£3,522	£1,224	£981	£31,803
At 225p	£24,800	£3,512	£604	£3,941	£1,377	£1,103	£35,337
At 250p	£27,226	£3,747	£682	£4,360	£1,530	£1,226	£38,771
At 300p	£32,121	£4,217	£838	£5,199	£1,836	£1,471	£45,682

*Share price at 31 December 2022

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 by way of shares in the Company, then the number of shares in the Company that will be provided is equal to the liability divided by the Company's share price at the date of exercise.

Summary

The Company's performance in 2022 was strong, particularly given the distractions of the potential takeovers. Driven by a 9% increase in revenue and a further increase in Headline operating profit margin to 13.1% (2021: 12.5%), the Company generated its highest ever net revenue, Headline operating profit, Headline profit before tax and Headline earnings. The strategy set out in 2021, and reinforced in 2023, continues to reap rewards and we have a clear path towards further margin and profit increases.

The Company expects Headline profit before tax for 2023 to be in line with market expectations of £36.5m-£38.0m, representing a 15-19% increase on the record profits of 2022.

Along with the wider market, we have seen some impact in the year to date from the headwinds in the technology sector, particularly in our Media specialism. However, we continue to see the benefit of our diverse range of businesses with strong pipelines in the Consulting, Issues and Passions specialisms, which gives us confidence for the remainder of the year. In addition, the cost efficiency programme is expected to deliver savings in the second half of 2023. Consequently, profit will be more weighted to the second half of 2023, than in 2022.



Bruce Marson
Chief Financial Officer
17 April 2023

Our business model

The Group is made up of five specialisms each with its own distinct, sizable and growing market. These connect, where appropriate, to deliver optimum creative solutions for clients. Over half the Group's revenue is generated by combining these specialisms globally.

Strategy and Simplification

Creative solutions company of specialist expertise connected through data and tech to deliver meaningful change					
Advertising	Consulting	Issues	Passions	Media	
The first frictionless creative network. Agile. Seamless. Borderless.	Transforming businesses by unlocking existing & new growth opportunities.	World leading comms specialist, tackling global & social issues in defence, diplomacy & development.	Engaging people through their passions to deliver brand, commercial and societal benefit.	Best in class performance and new breed creative planning solution.	
Net revenue 6% CAGR to 2027.	Net revenue 13% CAGR to 2027.	Net revenue 9% CAGR to 2027.	Net revenue 10% CAGR to 2027.	Net revenue 8% CAGR to 2027.	
Doubling PBT from 2022 to 2027.	Fastest growing division with six specialist consultancies.	EU expansion: new Brussels office.	New offers: rights holders marketing.	Differentiating performance through investment in data clean rooms, machine learning technology and AI-driven planning.	
Investing in tech & data to deliver margin and revenue growth.	Major investment in digital transformation focussing on CX.	New global strategic advisory acquisition.	New products: passion pulse and a Gen-Z proposition.	Build M&C Saatchi Creative Media Solutions.	
From 25% to 28% of group profit.	Tripling profits.	Threat analytics and SafetyTech investment.	New Offices: Singapore and Middle East.		
Margin increase of 6ppts.					
Shared Services					

Efficiency

We are building a simpler, leaner, and more connected model through:

1. Back office consolidation and offshoring in the areas of Finance, HR and IT, including de-duplicating functions across our divisions.
2. Middle office, offshoring and concentrating production capabilities in lower cost geographies.
3. Creating a central procurement function.
4. Rationalising our property footprint.
5. Further simplification by closing a further six operating entities in 2023 and aiming to reduce our legal entities from over 100 to 36 by the end of 2024.

M&A

Our change in strategy away from building new start-ups towards making bolt-on acquisitions is a marked shift. This will enable the Company to become more profitable but also to build and scale the new, cutting-edge capabilities required as a creative solutions company.

Geographic Footprint

Our five global specialisms operate globally across six regions and twenty-five countries.

UK	Europe	Middle East and Africa	Asia	Australia	Americas
• HQ: London • Presence in: England	• 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

Advertising

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

2022 Net Revenue: £124.3m

We produced award-winning work across the globe including "Running Billboards" for Adidas in Europe, "As Good as the Original" for Burger King in the Middle East, "Ribbon Dancer" for NHS England, "Come and say G'day" for Tourism Australia and a Ted Talk for Minderoo. Our New York agency has continued its ground-breaking campaigns for Tourism Iceland with "Icelandiverse", "OutHorse Your Email" and "Better than Space".

Consulting

Transforming businesses by unlocking existing and new growth opportunities.

2022 Net Revenue: £37.0m

During 2022 we refined this specialism to focus on new and emerging growth opportunities within our clients ranging from brand strength to experience transformation, product and service innovation and sustainability. Our award-winning strategists, designers, consultants and innovators continued to create compelling brands, experiences and innovative services which inspire and excite consumers.

Issues

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

2022 Net Revenue: £42.2m

Our Issues specialism continues to partner with governments, civil society, foundations, academia and the private sector to tackle the critical issues of our time, including the climate and health emergencies, national security, human rights and freedoms, social justice, conflict prevention, and sustainable development goals. For example, in 2022 we were appointed as the lead communications agency on the launch of the UK Covid Inquiry's "Every Story Matters" listening exercise.

Passions

Connecting brands direct to consumers through their passions and personalities.

2022 Net Revenue: £33.4m

The Passions specialism is made up of:

- The global Sport & Entertainment network, which connects brands to consumer passions. In 2022, we developed cutting-edge digital and diversity-focused campaigns for Absolut, Barclays and Coca-Cola.
- The Talent Group (M&C Saatchi Merlin and M&C Saatchi Social), which manages influencers and celebrity broadcast talent. In 2022 we developed a large network of influencer Mums – a large and growing consumer influence area. Both agencies had a record year of signing new talent.

Media

Connecting brands with today's connected customers.

2022 Net Revenue: £34.2m

Our multi-award-winning performance media agency continues to differentiate itself through its strong footprint across the US, EMEA and APAC and its focus on digital-first clients.

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.

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 macro-economic outlook is seeing disruption as a result of the Russian invasion of Ukraine and high inflation. 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.

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. Virtual risk workshops were carried out with agencies to ensure that all key risks and mitigations had been identified. 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. No additional risks have been added to the register as part of the 2022 process because it already reflects the most significant risks and uncertainties. Risks are ranked in descending order of risk score. Their ranking is based on assessments from agencies weighted by their 2022 revenue. We have also provided an explanation of the movement in our risk assessment against the previous year's risk register to provide the reader with a better insight into the Board's risk assessments.

Principal risk	Mitigating actions	Risk movement since 2021	Explanation
People and talent – inability to retain and recruit 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.	- Development of new employee value propositions in some markets (defining and reinforcing the reasons why current employees chose to join and remain with their agency). - Talent mapping (ensuring that staff are in place to fill future talent needs and that this future career progression is visible to them) - Benchmarking salaries against industry standards. - Supporting flexible working for our employees including embedding ongoing hybrid working arrangements. - Exploiting possibilities of remote working by hiring talent from geographically distant locations e.g. M&C Saatchi Sport & Entertainment in the US hiring a VP based in Hawaii, and London agencies adopting a similarly flexible approach. - Leveraging Group relationships to get the best talent on either a temporary or permanent basis - Creative use of employee benefits to offer a more attractive workplace than competitors e.g. support for employee fertility treatment, extended leave provision for mental health support, mental health first aid training, extended parental leave, use of "stay interviews", free emergency care days for dependents, offering money to employees to spend on a passion, and inclusive Bank Holidays. - Use of mentors to support employee development and increase loyalty. - Continued focus on diversity, equity and inclusion initiatives which create a positive work environment and provide opportunities for all to reach their potential. - Resource planning when staffing client projects to support employees working on assignments which interest them and ensure that they are not over-utilised. - Incentivisation structures implemented where historic put option arrangements have ceased.	INCREASED	Battles for talent in many markets because of demographic and post-Covid-19 pandemic shifts
Loss of key clients and reliance on key clients A significant reduction in spend by, or the loss of one or more of, the Group's largest clients. If these are not replaced by new client accounts or an increase in business from existing clients, it could have a significant impact on the business, revenues and results of the Group.	- New business activity driven both by dedicated new business specialists but also agency management. - Exploiting client leads from within the Group or from networks outside the Group (e.g. SERMO global network of PR companies to which M&C Saatchi Talk belongs). - Central Growth team in place to identify and attract major new clients - Development of service offerings in high-growth areas: Thread Innovation, a product and service innovation practice, M&C Saatchi Fluency, a data and analytics consultancy practice and M&C Saatchi LIFE, a sustainability agency. - No single client expected to account for more than 15% of Group revenue in 2023. - Maintaining key client relationships by performing client satisfaction surveys or other tools to track client sentiment. - Maintaining close contact with the most important stakeholders at key clients. - Focussing on high quality and value-adding deliverables for key clients.	FLAT	Mixed picture but our larger agencies are maintaining their market share
Inflation The Group is subject to increasing operating costs which may adversely affect its earnings.	- Pushing for client contracts to include inflation-linked price increases. - Using performance-based incentives and tactical salary increases rather than company-wide increases. - Managing increased supplier costs by implementing cost-saving measures such as surrendering office space. - Assertive negotiation with suppliers when they push for price increases to match inflation.	INCREASED	Inflation increased in all our key markets in 2022

Principal risk	Mitigating actions	Risk movement since 2021	Explanation
Failure to evolve service offering to clients 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 and for more sustainable solutions to respond to the climate emergency.	- Integration of high-growth offerings (Thread Innovation / M&C Saatchi Fluency / M&C Saatchi LIFE) across other Group companies. - Formation of strategic partnerships to broaden service offerings e.g. Italy collaboration with EY and MCD Partners' partnerships with Contentful and HubSpot to exploit their complementary service offerings. - Focus on investing in new skillsets (particularly creative, strategic and digital) to provide integrated offerings to clients. - Investment in technology to better serve the needs of existing clients e.g. development of Brand Desire Engine by M&C Saatchi Clear and M&C Saatchi Fluency, development of Living Brand Intelligence, Proximity Mapping and Living Segmentation technologies. - Investment in our own sustainability practice and introduction of ESG-related objectives both to keep pace with client demands for advice on their ESG requirements and to meet client expectations on our ESG performance e.g. failure to meet emission reductions required by the UK government will prevent us participating in its tenders.	REDUCED	Appropriate investment in new service offerings in 2022
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, standardisation and globalisation of computer systems. - Use of training programmes covering data protection and awareness of cyber security risks for new joiners. - Employment of staff with relevant expertise e.g. manager dedicated to cyber security, security for cloud environments and IT governance. - Use of external security consultants to advise on ISO accreditation and risk management. - ISO22301 certification maintained for the London head office. - Striving to increase ISO27001 regime coverage for the critical areas of our technology infrastructure. - Use of Platforms such as Mobile Device Management, Identity Management, and the use of security operations centres help us continuously improve our security posture. - Insuring against cyber risk.	FLAT	Cyber defence initiatives keeping pace with evolving threats
Physical 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 e.g. our issues specialist works closely with international security advisors for regional input, such as on travel risk and/or civil unrest and uses ISOS to inform associated risk and mitigations. - Making use of appropriate advisors on higher risk areas of the Group e.g. external advisers advising on risk management. - Use of specialist security operations teams in high-risk locations. - Vetting employees, suppliers, or partners (and obtaining security clearance where appropriate). - Mandatory security training implemented for all UK employees, to be rolled-out to other offices in 2023. - Business continuity plan developed and communicated to all UK employees. - Card access-control security system now implemented in our London head office.	FLAT	Risk and mitigation in line with prior year

Principal risk	Mitigating actions	Risk movement since 2021	Explanation
Government and central bank decisions Changes to exchange rates, interest rates and tax rates can affect profitability, cash flows and future liquidity.	- Mitigation of FX movements by negotiating contracts in the agency's own currency. - Reducing interest rate exposure by eliminating local loans where possible. - Implementing 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. - Use of external tax advisors. - Strategic planning to respond optimally to government announcements on tax and central bank decisions on interest rates.	INCREASED	Interest rates increased in all key markets in 2022
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 HR, finance and legal functions. - Use of external legal counsel to advise on local legal and regulatory requirements. - Standardising HR and Finance policies and procedures within the Group. - Where possible, active and positive engagement with regulators and trade bodies e.g. discussions with the Institute of Practitioners in Advertising. - Client contracts updated in response to recent developments in EU privacy laws. - Keeping up to date with changes in the law and communicating these to the business. - Keeping up to date with requirements on sustainability reporting by attending webinars and subscribing to email updates.	FLAT	Clear progress in some areas but increased burdens because of new data protection legislation
Covid-19 pandemic Despite our success in adapting to remote working, Covid-19 remains a threat to the business, employees and suppliers as illustrated by recent events in China. The Group may suffer a decline in revenue from those clients affected by the pandemic.	- Close monitoring of Covid-19 levels in a country in advance of travel. - Transferring risk of Covid-19 related cancellation costs to clients by amending contracts. - Continual monitoring of government advice for changes to ensure regulatory and compliance controls. - Investment in technology to maintain our operational and internal cohesion and high standards of delivery to clients. - Reduction in office space. - Continued investment in business continuity e.g. ISO 22301 certification achieved in the London head office. - Monitoring employee wellbeing and providing adequate support.	REDUCED	Impact of the Covid-19 pandemic has reduced in all our markets apart from China

Principal risk	Mitigating actions	Risk movement since 2021	Explanation
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.	- Mandatory training for all UK employees on data protection, security and compliance which will be rolled out to overseas offices. - Strengthening of corporate governance and the Company's legal function. - Standardising policies and procedures around the world. - Using a strategic financial and corporate communications advisory firm, Brunswick Group LLP. - Careful management of talent's activities within M&C Saatchi Merlin and M&C Saatchi Social to ensure that they do not damage their own or the Group's reputation. This is achieved by providing comprehensive upfront guidance, monitoring social media posts and as a last resort, if problems cannot be resolved, terminating relationships. - Support offered to Group companies by M&C Saatchi LIFE, our specialist sustainability consultancy, on making appropriate decisions from an ESG standpoint on potentially high-risk clients. - Protocol in place for responding to media enquiries, reflecting need for client confidentiality. - Use of a whistleblowing tool (Vault) to allow employees to report any form of misconduct in the workplace.	FLAT	Risk and mitigation in line with prior year
Financial mismanagement and fraud Due to the large number of businesses in the Group and the de-centralised 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.	- Roll-out of the Netsuite ERP system to more markets resulting in greater standardisation and improved oversight and control. - Continued roll-out of standard Group accounting policies and procedures, combined with training for individual agencies on key areas. - Improved Group and regional oversight over agency reporting during the year. - Anti-fraud training being rolled-out to employees. - Closure of statutory entities and simplification of Group structure to reduce fraud risk.	REDUCED	Greater standardisation continues to reduce risk in this area
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.	- Continued roll-out of standard Group accounting policies and procedures, combined with training for individual agencies on key areas. - Roll-out of the Netsuite ERP system to more markets resulting in greater standardisation and improved oversight and control. - Local finance initiatives to improve controls and processes being implemented and aligned to Group initiatives. - Improved Group oversight of agency reporting during the year. - Improved communication and co-operation between Group finance and agencies. - Improvement of controls around ESG reporting obligations e.g. implementation of a data management tool to ensure that greenhouse gas ("GHG") emissions are being appropriately captured.	REDUCED	Greater standardisation continues to reduce risk in this area

Principal risk	Mitigating actions	Risk movement since 2021	Explanation
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. - Monthly 13-week cash flow forecasting now in place across the Group. - Regular liaison and transparent relationships with lenders. - Implementing monthly reporting on and analysis of working capital - Performing forward covenant testing on a quarterly basis, applying sensitivity analysis and stress modelling. - Ongoing embedding of Kyriba Treasury management system. - Cash-pooling being implemented across the UK and the US. - Proactively pushing back on client payment terms if they seem unreasonable. - Use of credit insurance in the M&C Saatchi Performance business. - Use of credit checking for prospective clients and suppliers.	FLAT	Our underlying processes in this area continue to improve but the costs associated with the defence against the takeover adversely impacted cash
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 our geographic spread.	- Investing in technology to allow us to work remotely from higher risk regions. - Constant planning and review of project security, information, and cyber risk management protocols in higher risk regions. - Continuing to review and update our business contingency plans. - Use of tax and legal advice in advance of entering new territories. - Using external security consultants to advise on higher risk areas of the Group. - Avoiding certain pitches in higher risk markets where an agency is not confident that bribery will not be involved.	FLAT	Risk and mitigation in line with prior year

Board engagement with stakeholders

Companies Act 2006, section 172 statement

The Code incorporates section 172 of the UK Companies Act 2006 which requires us, as a matter of good corporate governance and citizenship, to consider the interests of identified stakeholder groups in making business decisions. This duty requires us to ensure stakeholders are able to have their views and input taken into consideration, and to consider the likely impact on stakeholders of business decisions.

The Board's decisions are guided by what is most likely to promote the success of the Company in the long-term through creating sustainable value for shareholders and contributing to wider society. In order to run a successful business, it is essential that we speak to our investors, clients, suppliers and employees. We take time to engage with, and listen to, the views of our stakeholders in order to shape our decision-making and to continue to improve the operations of the Company.

Each Director understands their duties, and acts in a way that, in their judgement, promotes the success of the Company for the benefit of all stakeholders, with due regard to the varying interests of different stakeholder groups.

We are mindful of the necessity to engage with our key stakeholders. We are committed to creating an environment that supports open dialogue for our internal and external stakeholders alike. Detailed information and examples on how the Board has discharged these responsibilities in 2022 are set out in the stakeholder engagement section on pages 29 to 31.

Leadership

At a time when decisive and innovative leadership was paramount, the Board continued to provide the Company with leadership within a framework of prudent and effective controls, enabling risks to be assessed and managed alongside the strategic aims of the Company, whilst within a takeover period. During 2022, the Board undertook reviews of the Company's strategy and was actively involved in reviewing and approving changes which ultimately drive the future of the business.

Board materials and discussions seek to consider appropriately the impact and views of key stakeholder groups. Specific examples of some of the decision making throughout the year include detailed discussions on refining and sharpening the Company's strategy, the execution and delivery of the Group's global efficiency programme, the Group's operating model and the Group's put option arrangements and remaining put option liabilities.

Business and business conduct

Throughout the year, the Board has continued to track the financial and business impact of economic events including operational activity post the Covid-19 pandemic, the impact of the war in Ukraine and inflation. In addition, during the takeover period, the Board regularly considered and reviewed the offers received from the two bidders in relation to the Company in order to be able to make their recommendations to shareholders.

The way we work and the Company's expectations for conduct and behaviour are set out in our Group policies. These policies cover areas such as whistleblowing, bribery and corruption, employee and supplier conduct and human rights. Our established governance policies and protocols served us well, providing structure to the Company during the year especially whilst in the takeover period. The Board recognises the importance of corporate governance and has remained focused and committed to delivering strong corporate governance to preserve the long-term sustainable success of the Company for the benefit of all of its stakeholders throughout the year. A description of how the Company has adopted the Code can be found on page 62.

Clients and business partnerships

The Board is committed to ensuring client deliverables are of consistently high quality and to taking into consideration emerging changes in the marketing landscape. The Board is regularly briefed on key developments across the Group's specialisms, including on new and existing client relationships. We aim to treat our suppliers fairly, by enforcing high standards of business conduct. We are introducing a data management tool that will improve our ability to identify and address practices which are at odds with our values and culture, for example corruption, bribery and modern slavery, and help ensure our suppliers are committed to upholding ethical business approaches.

Shareholder engagement

Engagement with shareholders is achieved through investor roadshows led by our Chief Executive Officer and Chief Financial Officer throughout the year. Feedback received during roadshows is reported to the Board for discussion at Board meetings. The roadshows involved discussions on the Company's resilience to the economic headwinds including the Company's ability to contain inflation risk, the remaining put option liabilities, the future growth of the Company and its approach to future acquisitions and the Group's global efficiency programme.

In addition, both the Chairman and Senior Independent Director meet with shareholders as and when requested. 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.

Employees

The Board acknowledges people are fundamental and core to our business and the delivery of our strategic ambitions. We have developed a global people strategy which focuses on five key areas:

- Putting diversity, equity and inclusion at the centre of how we operate.
- Connecting our people.
- Developing brilliant leaders.
- Growing our people and their careers.
- Creating a value-add tech-enabled people function.

As a result of the global people strategy, a number of new initiatives were put in place during this year which are set out below:

- We launched our first global employee engagement survey. The survey was completed by 69% of our workforce and provides rich data on our strengths and opportunities, in relation to employee engagement. The survey results are accessible by both the Board and the leaders in each of our businesses and have led to appropriate action plans being created at both a global and individual company level.
- We launched a global mentoring programme, with 50 partnerships created. The scheme matches employees who are keen to progress with mentors in other parts of our global business who have relevant experience or skills to share.
- We partnered with Included, a leading diversity, equity and inclusion consultancy, to co-create and deliver a leadership development journey to drive inclusive behaviours and foster an inclusive culture. This was delivered with our senior leaders across all UK-based businesses.
- We also expanded our confidential whistleblowing tool so that it is available to all employees globally, with the aim of embedding a culture where concerns can be raised freely. This led to one complaint being raised and thoroughly investigated. Two-way communication was enabled with the person raising the complaint, via the platform itself.

The global people strategy is complemented by local strategies that are specific to each region or company in the Group. These local strategies vary, but typically have a focus on topics like talent attraction, employee wellbeing and training. It is also common for them to include important initiatives such as the creation and operation of employee-led networks, representing the views and needs of underrepresented groups. These networks are a critical part of shaping our culture; driving changes to policies and ways of working and curating learning events. The localised people strategies will also place an emphasis on employee communication – typically including email updates from leadership and town hall style briefings.

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.

It is why we have two beliefs at the core of how we operate:

- Brutal Simplicity of Thought – It is easier to complicate than to simplify. Simple messages enter the brain quicker and stay longer. Brutal Simplicity of Thought is therefore a painful necessity.
- Diversity of Thought – People who are similar think in similar ways. Difference brings fresh perspective. Diversity of Thought is therefore a creative necessity.

Community and environment

In order to secure a world where businesses and people can continue to thrive, deep cuts in global GHG emissions are necessary. We have therefore committed to a 50% reduction in our Scope 1, Scope 2 and Scope 3 emissions between 2019 and 2030 and are currently setting our long-term net zero target. We have demonstrated good progress in reducing our Scope 1 and Scope 2 emissions against our 2019 baseline and have had our near-term emissions reduction targets validated by the Science Based Targets initiative (“SBTi”). We have also put measures in place to start to align our client work with the transition to a planet-positive world.

At the same time businesses across our global network are continuing to offer people and funding to organisations that have a positive societal impact. For more information on our community and environmental work please refer to the ESG section of the report. For details on our environmental impact in the UK, refer to the Directors’ report for the Company’s streamlined energy and carbon reporting. For more details on our analysis of our climate risk exposure refer to the voluntary disclosures made on pages 42 to 51 in line with the requirements of the Task Force on Climate-related Financial Disclosures (“TCFD”).

A Group Sustainability Committee has been formed to oversee the Group’s ESG strategy and embed appropriate ESG policies. The committee includes the Chief Executive Officer, a Non-Executive Director and the Chief Financial Officer, and provides oversight, assesses risk, agrees direction and scrutinises delivery of people and planet commitments. Once a year the committee will be joined by independent external experts to bring in outside thinking and review our strategy and performance against our commitments. Additional information on ESG can be found on pages 32 to 51.

Environmental, Social and Governance ("ESG")

The need to act on social and environmental issues has never been more urgent. Demand for sustainable products and services is accelerating fast, and expectations from investors, consumers, regulators and talent are rightly ratcheting up. In July 2022, we published our first sustainability update report which set out 12 bold commitments to create meaningful change for the planet (focusing initially on climate) and for people (focusing on diversity, equity and inclusion), as well as highlighting examples of our client work and internal initiatives in these areas.

Our 12 Commitments

Progress against these commitments has been driven by additional investment as well as increased focus. We have appointed a Global Sustainability Director and set up a Group Sustainability Committee to provide oversight, agree direction and scrutinise delivery. Please refer to page 61 for details of the committee's remit and membership. We have also begun to link executive compensation to our sustainability goals for the first time. These performance targets are equally weighted across planet and people and in total will make up 10% of the overall performance bonus for Executive Directors and other members of the Executive Committee. Please see the Directors' remuneration report on pages 72 to 89 for more details.

Planet Commitments		People Commitments	
The way we work		The way we work	
1 Setting a net zero target in line with the SBTi net zero standard		7 Evolve how we recruit, develop and reward our people to address under-representation	
2 Reducing our emissions		8 Create an inclusive experience where all can flourish, perform and belong	
3 Reaching carbon neutrality		9 Inspire and support people from underrepresented groups to start careers in the industry	
The work we do		The work we do	
4 Building climate literate teams		10 Train our teams to champion diversity, equity and inclusion and embed conscious creativity	
5 Grow the % of revenue from planet-positive campaigns year on year		11 Offer people and funding to organisations that have a positive impact	
6 Review the environmental approach of potential new clients		12 Collaborate with key partners to create campaigns that support our planet and people ambitions	

We will report more fully against our 12 commitments in our 2023 sustainability update report later in the year but we have already achieved significant progress - please see below.

Our focus on planet

Global GHG emissions disclosures

Scope 1 and Scope 2 – Global data summary					
Environmental KPIs	Units	2019	2020	2021	2022
Energy consumption (MWh)	MWh	4,597	3,378	3,160	3,256
Natural gas	MWh	667	399	402	525
Other fuels	MWh	263	170	220	123
Purchased electricity	MWh	3,667	2,809	2,537	2,608
Of which renewables	%	34%	37%	38%	35%
Greenhouse gas emissions (location-based)	tCO ₂ e	1,955	1,497	1,286	1,374
Scope 1	tCO ₂ e	184	116	125	131
Scope 2	tCO ₂ e	1,771	1,381	1,162	1,243
Greenhouse gas emissions (market-based)	tCO ₂ e	1,697	1,339	1,111	1,199
Scope 1	tCO ₂ e	184	116	125	131
Scope 2	tCO ₂ e	1,514	1,223	987	1,068
Tracking against SBT (% reduction from base year)	%	0%	21%	35%	29%

Science-based targets		Units	Value
2030 reduction target (Scope 1 and Scope 2 market-based)		tCO ₂ e	848.7
% reduction from 2019 base year		%	50%
Annual % reduction to achieve target		%	5%

2022 methodology and commentary

Almost 99% of our energy consumption data was covered by primary data from our energy providers. For the remaining office where primary data was not available, we estimated energy consumption and emissions based on floor space and headcount.

The reduction in the % of renewable electricity used in 2022 (35%) compared to 2021 (38%) was due to a temporary move of one of the larger UK divisions from the London head office, in which renewable energy is used, to another London location, in which it is not.

Overall, our Scope 1 and Scope 2 emissions are tracking well against our near-term science-based target of a 50% reduction by 2030. Like most businesses, we have seen a rebound of emissions following the end of the Covid-19 pandemic. However, in January 2023, our Australian businesses switched to a renewable energy contract for their electricity supply and this will significantly reduce our market-based emissions.

For the avoidance of doubt, we are not within the scope of the UK Emissions Trading System.

Scope 3 emissions

Calculations for our Scope 3 emissions baseline from 2019 used both spend data and actual data where possible. Please see tables below showing our 2019 emissions baseline:

2019 GHG footprint by scope	% of total
Scope 1	1%
Scope 2 (market-based)	4%
Scope 3*	95%

*Total scope 3 emissions – 33,463 tCO₂e

2019 Scope 3 category breakdown**	% of total
Purchased goods and services	76%
Business travel	17%
Other	4%
Capital goods	2%
Fuel and energy-related activities	1%

**2019 baseline emissions, using both spend data and actual data, where possible

We are working to improve the accuracy of our Scope 3 emissions accounting. So far we have completed this work for our 2022 air travel emissions.

Our 2022 emissions from air travel were 3,123 tCO₂e. We calculated these emissions using the distance between airports multiplied by the Department for Environment, Food & Rural Affairs ("Defra") air travel emissions factors by cabin class. For multi-stop flights, we calculated each journey separately. 12% of this figure was estimated from spend and other data.

Purchased goods and services are the other significant component of Scope 3 emissions. These were identified by matching supplier spend with the GHG Protocol Scope 3's 15 categories and multiplying them by the relevant emissions factors. 52% of this spend came from "media", for which we used the Defra emissions factor of £0.22 kgCO₂e/£*. This is a broad category, and so was further subdivided into "digital services providers" and "analogue provision" to better understand where and how we can reduce these types of emissions. We reviewed our top 100 suppliers, who account for 55% of our overall spend. 29% of our overall spend is with digital service providers that sit within these top 100 suppliers. This highlights the importance of developing a better understanding of the GHG impacts of digital services, and how we can work with the industry to reduce associated GHG emissions. Other key categories among our top 100 suppliers were real estate, financial services, professional services and external talent management.

We look forward to further refining the reporting of our Scope 3 data during 2023.

* Source: "Motion picture, video and TV programme production services, sound recording & music publishing & programming and broadcasting services" in "Table 13: Indirect emissions from the supply chain" 2011.

The way we work

Commitment 1: Setting a net zero target in line with the SBTi net zero standard

In December we were delighted to announce the validation of our near-term science-based target by the SBTi. GHG emissions must be cut quickly and deeply across all sectors. We have therefore committed to halving our absolute Scope 1, 2 and 3 GHG emissions by 2030 from a 2019 base year. Many of our global locations now run on renewable energy and we are focussing increasingly on Scope 3 emissions (particularly business travel and production) which make up the majority of our emissions.

Working alongside Ad Net Zero, Ad Green, Purpose Disruptors and the Conscious Advertising Network, we are implementing measures that reduce emissions during the production process. These include:

- Reducing the need to fly for shoots.
- Reducing waste and emissions from catering.
- Reducing emissions from onsite electricity generation.
- Considering technologies such as visual effects ("VFX").
- Exploring measuring and reducing emissions from digital media.

Commitment 2: Reducing our emissions

Refer to page 33 for full details of our Scope 1 and 2 emissions. We have started work on gaining a fuller understanding of our Scope 3 emissions on which we will be reporting later in the year. In the meantime, we have calculated our emissions from air travel, the bulk of our business travel footprint. In 2022 those emissions were 3,123 tCO₂e. We have more work to do to map an accurate breakdown of the air travel emissions from 2019 (our baseline year), but initial calculations suggest that emissions from air travel in 2022 were approximately 20% lower than in 2019.

Like most businesses, we face significant challenges measuring GHG emissions data with confidence. We are therefore working to improve the quality and coverage of our emissions data. As we refine our methodologies and improve data quality, we will apply these to prior years and restate data if a material gap is identified. Data quality is particularly challenging for Scope 3 emissions, as they are beyond our direct control. The introduction of our new ESG data management tool is designed to improve how we capture and calculate Scope 3 emissions and should improve both data quality and coverage.

Like many organisations in the service industry, the major direct environmental impacts from the way we work are GHG emissions.

However, we are also addressing other environmental factors. Please refer to our website (www.mcsaatchi.com), for our Global Reporting Initiative ("GRI") data table which includes other environmental impacts.

This year we also undertook our first analysis based on the Task Force on Climate-related Financial Disclosures ("TCFD") framework. Please see pages 42 to 51. This TCFD analysis has:

- Confirmed our view that our current environmental strategy supports us in remaining relatively low risk in terms of both physical and transition climate risks.
- Highlighted those areas where we need to evolve our strategy: in talent acquisition and retention, employee engagement and publicising our environmental strategy and achievements.
- Helped us to identify parts of our client portfolio where we could introduce targeted conversations around sustainability.

Commitment 3: Reaching carbon neutrality

Our commitment to carbon neutrality across our own operations by 2025 and across our value chain by 2030 recognises both the need to reduce atmospheric GHG emissions as quickly as possible, as well as the insufficiency of the use of offsets alone for achieving a stable climate. We have therefore committed to the following:

- To focus primarily on reducing our own carbon footprint as far as possible, in line with our ambitious science-based target, as well as encouraging our partners to do the same.

- To offset our 2022 Scope 1 and 2 footprint by purchasing verified gold standard carbon offsets.
- To introduce a strategy for carbon offsetting in 2023 which will:
 - Take a more creative approach to maximising co-benefits in addition to climate benefits.
 - Act as an 'internal price on carbon' to drive behaviour change in our business.
 - Show greater transparency around impacts than is currently available in the global carbon markets.

The work we do

Commitment 4: Building climate literate teams

We recognise that addressing the climate impacts of communications and advertising, whether in the way we work or in the products and services we promote for our clients, needs to be an industry-wide effort. This is why we play an active role in the Ad Net Zero Steering Groups and benefit from industry-wide resources, initiatives and collaborations in the area. We have invested in training for our people globally through the Ad Net Zero Essentials Certificate and the #changehebrief online package. We were delighted to be able to take advantage of the Ad Net Zero Summit and post-event content to support our employees in their learning journeys.

Commitment 5: Grow the % of revenue from planet-positive campaigns* year on year

By far our biggest planetary impacts are from the outcomes of the work we do with clients. We are putting the power of advertising behind the transition towards a planet-positive way of living. For instance, between 2021 and 2022 the percentage of revenue earned by our London advertising agency from planet-positive campaigns more than doubled. These campaigns included overtly planet-related messaging and varied from putting wind power at the front of the global clean energy agenda to encouraging customers to adopt sustainable behaviours e.g. through messaging around reusable cups, alternative milks and water efficiency.

Commitment 6: Review the environmental approach of potential new clients

The launch of M&C Saatchi LIFE at the start of last year has also helped our clients transition to being more sustainable environmentally, socially and economically. M&C Saatchi LIFE has secured a number of new clients including Vattenfall Heat UK and De'Longhi and has collaborated with businesses from across the Group to help secure new client work in the UK, US and Middle East. They have also partnered with leading sustainability insight platform, GlobeScan, and several large brands to develop key consumer insights for our client work.

* Definition of a "planet-positive campaign": a campaign must be able to demonstrate a provable reduction of negative impacts vs the market or previous iterations of a product or service or way of usage:

- Product/Service e.g. less plastic in packaging, reduced water usage, shift to electric (vs petrol), circular production techniques, lower impact ingredients (e.g. plant-based food). Note that the enhanced environmental credentials of the product or service do not need to be the focus of the communication.
- Behaviour e.g. the campaigns promote behaviours which reduce the environmental impact of how we live e.g. recycling, frequency of travel, mode of travel, water usage, plant-based eating, use of renewables etc.

See below an example of a planet-positive campaign from our UAE agency and then an example of a social impact campaign from our Issues specialist:

Planet-positive campaign

Burger King - Some things just aren't as good as the original

With several options on its global menu, Burger King Kuwait saw the need to include vegetarian options locally. It worked with M&C Saatchi UAE and Ronaldo lookalike, Saki, to find a way to engage the audience while celebrating healthier alternatives to meat. The campaign featured humorous dialogue, clever copywriting and shots to match. Landing on its final line, "Some things just aren't as good as the original", it gained international recognition for its humour and production value.

Campaign reach:

- over 200,000 views in a country of 4.2 million people.

Social impact campaign

Polio eradication – "One last push"

Working with The Global Polio Eradication Initiative ("GPEI"), M&C Saatchi World Services and Headspace PR developed an activation at the 2022 World Health Summit in Berlin in the lead-up to World Polio Day. Margarete Steiff who was the founder of Steiff, the world-famous German teddy bear manufacturer, suffered from polio, so those attending were given a special edition Steiff bear. The aims of the campaign were to:

- i) showcase the progress made against polio and the urgency needed to finish the job, and
- ii) demonstrate a chorus of support for polio eradication.

Campaign reach:

- 150+ GPEI and donor stakeholders presented with a special edition Steiff bear.
- 6 German influencers showed their support across social media.
- Campaign was live across 29 media outlets.

Our focus on people

The way we work

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

We have appointed a Global Head of Diversity, Equity and Inclusion to support this vision and have taken signature actions to fulfil each of the 6 "People commitments" we have made in this area:

Commitment 7: Evolve how we recruit, develop and reward our people to address under-representation

Recruitment

We continued advertising vacancies openly across our UK businesses, providing colleagues with the opportunity to pursue varied career routes across our 15 UK-based companies. We have also continued mandating diverse candidate shortlists for all senior vacancies to help drive equity.

Training

We have organised:

- a mandatory learning programme on inclusive leadership for all UK Chief Executive Officers, and
- a partnership with Fearless Futures to pilot and scale conscious inclusion training to UK employees.

Employee survey

We ran our inaugural Global Employee Engagement Survey, called "The Loop", inviting all employees to share their experiences of working in the Group. It was the first time we had offered employees the ability to disclose demographic data relating to their identity. Though it was voluntary, 90% of those who completed the survey opted to share those details. This provides us with critical data by which to measure and monitor representation at different levels of seniority over time.

As of 30 January 2023, the UK workforce is made up of 54% female employees and 17% employees from an under-represented ethnicity* (compared to 12% in the wider marketing industry**). Our UK leadership team consists of 40% female employees and 13% under-represented ethnic minority employees.

Refer to page 70 for details of the ethnic make-up of the Board.

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. 2022 is showing a mixed picture compared to 2021 with progress in some areas but not in others.

Our data snapshot on 5 April 2022 showed:

- A gender pay gap of 26.4% (2021: 25.5%) 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 19.5% (2021: 20.2%) based on median pay gap figures (which indicate the difference between the midpoints in the range of male and female hourly pay).

2022 saw a reduction in the proportion of women in the upper pay quartile from 41% to 39%, but an increase in the proportion of women in the upper middle quartile from 53% to 56%. We remain committed to reducing our gender pay gap. The full report is available on the Company's website (www.mcsaatchi.com).

Commitment 8: Create an inclusive experience where all can flourish, perform and belong

We have been providing additional support for our six UK-based 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, and equivalents have been set up in our other large overseas businesses. Each of the six networks runs regular, well-attended events and programmes:

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

- A Black History Month exhibition "Black and Bold", in partnership with Harrods Racial, Equality and Diversity network.
- An Eid exhibition at the London head office, exhibiting Muslim artists.

The Family Network (representing parents and carers) delivered:

- The annual family morning during October half-term with over 60 children attending.
- A returners' workshop for primary carers.
- Close co-operation with HR on a new parental leave policy which is due to launch in 2023.

*Source: MyPeople, M&C Saatchi UK Group HR Information System

**Source: 2020 Marketing Week's Career and Salary Survey

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

- LGBTQ+ History Month: online talk from Alexis Caught.
- Trans Awareness Week events/panels.
- Awareness and fundraising for World Aids Day.

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

- A partnership with Self-Space providing access to group therapy sessions for colleagues.
- Mental Health First Aiders to support the employee group.
- Fitness classes via Third Space.
- Breathwork sessions to improve mental wellbeing.

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

- Multiple social events throughout the year to foster community and support for early-stage creatives.

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

- Events and talks for International Women's Week.
- Gett Home Safe – a partnership with Gett, the business taxi app, to ensure colleagues can travel home safely after late work commitments.
- Free Sanitary Items provided in our gender-neutral UK washrooms.

Our overseas offices are also starting their own initiatives:

- "Thrive in South Africa" focusing on holistic wellbeing. Colleagues have access to financial wellbeing platforms, fitness apps and yoga sessions.
- "Femme&C" in Australia set up to champion women and to create a practical suite of tools to support thought and action in both their personal and professional lives.

Commitment 9: Inspire and support people from underrepresented groups to start careers in the industry

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

Open House UK

Open House is a programme of talks and seminars for people from outside the Group to give them the opportunity to experience and learn about the advertising industry. Since its launch in the UK in 2020, it has had nearly 4,000 participants from 38 countries some of whom have been offered permanent roles or internships within the Group. The diversity data for the programme has been outstanding with 72% female, 50% from ethnic minority backgrounds, 23% from the LGBTQ+ community, 9% identifying as a person with a disability, 59% state educated and 20% eligible for free school meals.

Open House Australia

The Australian Open House programme had over 500 participants registering for weekly sessions. Guest speakers from across the Australian Group showcased the breadth of the Group's offering. Diversity data for the programme indicated that participants were 3% First Nations People, 20% who identified as LGBTQ+ and only 42% who identified their first ethnicity as Australian. As a result of the programme, 9 internship placements have been offered within the Australian Group.

Carbon Academy

Carbon Academy is the Group's creative mentor programme delivered in collaboration with the University of Greenwich. It aims to help address the gender imbalance in creative roles by empowering year 11-13 female-identifying and non-binary students to discover their creative potential and credible career paths in creative industries before they leave school. It launched in 2019 and is a six-month programme where students are matched with female mentors from across the Group in design, creative, strategy and PR.

The work we do

Commitment 10: Train our teams to champion diversity, equity and inclusion and embed conscious creativity

We have:

- Completed the first phase of this work, working with external partners and internal teams globally to help understand the opportunities and challenges for producing people-positive work for clients. This work will define the training and education content we begin to roll out in 2023.
- Begun building out global diversity, equity and inclusion spaces on our newly launched Huddle platform, driving employee engagement and knowledge-sharing.

Commitment 11: Offer people and funding to organisations that have a positive impact

Mentor Black Business ("MBB"):

We have supported MBB since 2020 as it continues to grow. We believe that it is the UK's third largest corporate sponsored mentoring programme for small businesses (behind Google and Digital Boost). In 2022 the number of businesses supported grew by 61% to over 1,900. Other highlights included:

- Hosting 25 events and collaborating with 17 new partners;
- Submitting our application for charitable status to help secure future funding.

Saturday School:

Saturday School gives would-be entrepreneurs the opportunity to learn the basics of business. Though open to all, we particularly want to ensure that under-represented groups have access to training, opportunities and rewarding entrepreneurial careers. During 2022 we also provided wider support to businesses including business coaching and free headshots. Other special events included supporting a global sustainability initiative to bring our CPD Accredited Business Planning course to food entrepreneurs in Nigeria, Pakistan, Bangladesh, Singapore, Mexico, Ireland and the UK.

Commitment 12: Collaborate with key partners to create campaigns that support our planet and people ambitions

The Saatchi Gallery

The Company became principal patron of the Saatchi Gallery in September 2021 and this continued into 2022. 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.

Art4Change

In collaboration with the Saatchi Gallery we launched a pioneering international art initiative – the annual Art for Change Prize. As part of a shared mission to make art, culture, and creativity accessible to everyone, this free-to-enter prize was a celebration of emerging artistic talent. 2022's prize invited emerging artists from around the world to creatively respond to the theme of 'Equality'. A total prize fund of £20,000 was split between six regional winners and all artists exhibited their winning works in a dedicated exhibition at the Saatchi Gallery in London.

See below a campaign from the UK Sport & Entertainment agency promoting diversity, equity and inclusion:

Diversity, equity and inclusion campaign

Absolut Vodka – Born to Mix

Just like their vodka was originally crafted to be mixed, Absolut believes that life is most interesting when we mix things up, whether drinks, ideas, or people.

So M&C Saatchi Sport & Entertainment UK brought their global #BornToMix cultural programme to the UK and kickstarted it with a trio of unlikely fashion talent: drag star Tayce, top celebrity designer Chet Lo and the Institute of Digital Fashion. They mixed together to create Second Skin Couture, a garment which aimed to challenge existing stereotypes and perceptions of fashion and provide a vision of the future – a world where what you wear is not tied to the binds of gender, seasonal trends, religious expression, or function.

Campaign reach:

- 48m media reach.
- 161 pieces of editorial and social content.
- 1.4m views on hero film.
- 13.4m social reach.
- 5m editorial coverage reach.

Building our capabilities - ESG Data Management System

We are introducing a new ESG Data Management System which will enable us to report on activities across our businesses and transform how we approach ESG opportunities and risk. This system will enable a cohesive and centralised approach to a variety of different issues.

Our London operations are leaders in the Group in their approach to ESG, having achieved a number of ISO certifications broadly related to ESG issues, including ISO 45001, ISO 14001, ISO 22301 and ISO 27001. Now, for the first time, we will be able to begin implementing and monitoring a standardised set of supplier requirements across all our suppliers globally.

This will:

- Help us build a supply chain that addresses our climate and other environmental goals.
- Help us identify and actively address any human rights issues.
- Enable us to understand where there may be risks of modern slavery further down the supply chain.
- Help us ensure diversity, equity and inclusion principles are maintained across our value chain.

We will also be able to use the system to more fully understand how our network of freelancers are managed and to ensure that our internal policies and the way they are delivered, from health and safety to anti-corruption, are consistent across the Group.

Finally, the system will also be a useful tool for us to report back to each of our individual businesses on their progress against our Group goals, fostering engagement and encouraging healthy competition between them.

Task Force on Climate-related disclosures

The Group is committed to identifying climate change risks to the business and reporting on these in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The statement below has been prepared on a voluntary basis this year in order to provide full transparency for stakeholders and investors and explain the progress made. We are assessing compliance internally and are working on building improvement actions into our future plans to ensure the greatest possible compliance when we provide the statutory TCFD data in future years.

Voluntary reporting in line with the recommendations of the TCFD

Governance

Recommended disclosures	Our disclosure
Description of the Board's oversight of climate-related risks and opportunities	- The Group Sustainability Committee ("the committee") has been formed by the Board to oversee the Group's ESG strategy and embed appropriate ESG policies. It also has responsibility for risk management of climate related issues. The committee will be reporting to the Board in 2023 and includes a Non-Executive Director (Lisa Gordon) as Chair, the Chief Executive Officer and the Chief Financial Officer and provides oversight, assesses risk, agrees direction and scrutinises delivery of people and planet commitments. - Once a year the committee is joined by independent experts to bring in outside thinking and review strategy and performance against our commitments. - The sustainability leadership team consists of the Chief People Officer and Chief Sustainability Officer supported by our Global Head of Diversity, Equity and Inclusion and our Global Sustainability Director. It oversees development and delivery of our sustainability strategy and action plan. - The Global Sustainability Director runs a Global Sustainability Task Force with senior representatives from our major divisions and regions. Task force members work with their leadership teams to develop and activate global strategies within their business areas. They oversee local planet teams to embed the approach into the companies across our network. - The Board are also fully committed to growing and scaling M&C Saatchi LIFE which it sees as a material opportunity in the climate space. M&C Saatchi LIFE was launched in 2022 and is led by sustainability experts who have experience from a variety of companies including IKEA, Iceland Foods, Procter & Gamble and Virgin Group. M&C Saatchi LIFE offers strategic sustainability consultancy and insight to clients across a range of industries, both in its own right, and in partnership with other Group businesses.
Description of management's role in assessing and managing climate-related risks and opportunities	The Group's people and planet commitments are included on the agenda of quarterly Executive Committee meetings together with any upcoming risks and opportunities associated with meeting these commitments.

Recommended disclosures	Our disclosure
	Every Executive Committee member is assigned targets relating to people and planet and there are implications for individuals' incentives. Examples of agenda items include discussing: • whether to pitch for work that would potentially have an adverse climate impact; and • the economic impact of the need to meet our climate targets in order to maintain our eligibility to pitch for certain client work. Group management is committed to exploiting the opportunities presented by the climate crisis and the presence of M&C Saatchi LIFE both externally, as an offering to clients, and internally, to support Group companies. There is clear growth potential in both areas. Please also refer to the section below on page 46 on "Our climate opportunities."

Strategy

Recommended disclosures	Our disclosure
Description of the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	Physical risks As an office-based group of companies, our physical risks are limited to where our people work and live. These general risks are already present in the short-term (2023) and will increase in the medium-term (2024-2027) and long-term (2028-2030). They can be summarised as follows: • Risk of flooding, hurricanes and wildfires affecting our leased buildings, infrastructure and data storage. • Increased costs of cooling buildings during heatwaves. • Health impacts on our people from extreme weather including heat, rain and increased prevalence of disease. • Loss of local transportation and other infrastructure due to extreme weather. • General societal impacts from climate change. • Stress and wellbeing issues for our people. We have not yet allocated relative priorities to these risks and they do not yet impact on the financial planning process. This risk prioritisation and its impact on the financial planning process will be reviewed during 2023. However, we have assessed that they are likely to affect our business financially in the following ways: • Costs of cooling during heatwaves. • Service disruption (physical, digital). • Interruptions to data storage. • Building repairs. • Increased cost of talent recruitment/retention (affected communities will have higher living costs). • Health and wellbeing costs for our people. The resulting potential impacts on human populations (including our people, local communities and consumers) include: • Lower productivity. • Poor mental health. • Poor physical health. • Water shortages. • Reduced access/increased cost of food.

Recommended disclosures	Our disclosure
	• Inability of local power grid to cope with demand. • Melting airport runways, roads and rail infrastructure. • Wildfires. • The inability to travel even locally. • Political instability. • Migration from affected areas to less affected areas and resulting civil unrest. We have not yet attempted to quantify the associated financial impact. Our offices are leased, not owned, and due to the nature of our business, our biggest asset is our people. We have therefore mapped climate risk against areas at particular risk from climate change, rather than pinpointing exact office locations. We have worked on specific "at-risk" cities and have identified: • London*, New York*, Sydney, Melbourne, Cape Town, Dubai*, Abu Dhabi*, Kuala Lumpur*, Shanghai*, Jakarta*, Hong Kong, Singapore and Stockholm. * = most at risk even at the most optimistic temperature rise scenarios according to the "Climate Central Coastal Risk Screening Tool – 1.5°C warming scenario". We have undertaken specific analysis of climate risks by office location, time horizon and headcount. The percentages below relate to areas that have already experienced the climate impacts being described and for whom climate change increases the likelihood and severity of recurrence. In the short-term: • 20% of our employees are in regions at extreme risk of wildfire. • 20% of our employees are in regions at increased risk of hurricanes, typhoons and cyclones. • 15% of our employees are in regions at extreme risk of prolonged extreme heat (including locations such as Dubai and Abu Dhabi which are forecast to become 'unlivable' by the second half of this century). • 38% of our employees are in cities with significant areas that are predicted to be below the high-water tide level by 2030. Rising sea levels can result in permanent flooding of low-lying areas, increased frequency, extent and depth of tidal inundation and beaches moving further inland or eroding. Likely local policy responses include increased municipal taxes to improve flood defences and measures to improve the safety of people and property during extreme weather events. How we are mitigating these risks: • In line with the UK government's commitment to a net zero economy through the Climate Change Act 2008 (2050 Target Amendment) Order 2019, we have committed to reducing our own carbon footprint (see pages 35 to 36). As a UK government supplier, we have developed our transition plan in line with the UK government's commitment and have produced an annual carbon reduction plan outlining our actions, which, in line with government requirements, is published on our website. • We are also exploring the concept of advertised emissions and are seeking to increase our revenue from planet-positive campaigns to play our role both in accelerating the low carbon transition and reducing the global emissions that are causing climate change. • Improving energy efficiency and installing on-site renewables, where possible, to reduce the cost of energy and minimise the risk of supply disruption.

Recommended disclosures	Our disclosure
	- Leasing not buying office space to minimise financial exposure to damage to buildings as a result of climate change. - Reviewing our data management and security solutions in the light of physical climate risk. - Continuing to use our digital capabilities to collaborate and offer our services remotely. - Increasing cross-business collaboration, which means we are better able to overcome location-specific disruption. - Continuing to understand the needs of our people and invest in employee well-being. - Continuing investment in business continuity planning and support for hybrid working to ensure that employees have an alternative working environment. <u>Physical risks to our client portfolio</u> Our business is dependent on the success of our clients' businesses. In 2023 we intend to analyse the physical climate risk exposure of our major clients and their progress in mitigating those risks. This will enable us to understand our exposure to the physical risks faced by our clients, and could also provide us with opportunities to help mitigate them. <u>Transition risks (all considered to be short-term):</u> Loss of key clients: - We undertake work for UK government departments. As part of the bidding process this year, some departments have mandated that suppliers set net zero targets and report their progress against them annually. In order to be able to bid for this work, we will need to continue demonstrating good progress in this area. - We are also beginning to see questions coming from the rest of our client portfolio. For example, the "Clean Creatives Group" has 465 agency members and 1,300 creatives, all of whom have agreed not to work for fossil fuel clients. They have also launched a pledge for companies to confirm that in their future requests for proposals and agency reviews, they will ask agencies to avoid work for fossil fuel clients. - In 2022 less than 2% of our revenue came from oil and gas clients and less than 0.7% of our revenue came from non-governmental organisations that might object to us working with oil and gas companies. We will continue to monitor developments in this area but our revenue risk under any scenario is very low. <u>Transition risks to our client portfolio:</u> Following the French government's ruling in 2022 which ended the advertising of fossil fuels and banned domestic short-haul flights, we have reviewed our exposure to businesses that are at higher risk of similar regulation. In 2022 our percentage of revenue from: - Fossil fuel companies that do not have credible transition plans to shift to renewables was less than 2%. - Automotive companies that do not have credible transition plans to shift to EVs was 0.1%. - Travel and tourism sector companies that are reliant on flying (including a travel client that is reliant on regular snowfall in the Alps) was 0.7%. <u>Other transition risks:</u> - Loss of talent due to employees' preference for working with companies with apparently greener credentials.

Recommended disclosures	Our disclosure
	• There is an increased focus on greenwashing in advertising, particularly in the UK, and increasingly in Europe, with potential financial and reputational impacts. The rules can be complex. We must be particularly careful that the creative elements of our campaigns are not called out under greenwashing codes. • Increased operating costs due to increasing utility prices. How we are mitigating these risks: • We have had our near-term science-based target verified by the SBTi, and are targeting a 50% reduction in Scope 1, 2 & 3 emissions by 2030 (refer to pages 33 to 36 for more details), as well as increasing the percentage of revenue we generate from planet-positive campaigns. • Delivering our climate commitments and building sustainability into marketing, talent on-boarding and also learning and development. • Requiring teams to run a 3-step check process scrutinising all new business opportunities for climate risks, and to refer concerns to the central team. • Ongoing training and engagement with our people on how to avoid greenwashing in creative work. • Seeking new "low carbon" clients. • Developing a more thorough understanding of the value of different sectors in our client portfolio. This will help us ensure that our portfolio is diversified against key physical and transition risks. • Reducing operating costs by generating operational efficiencies. <u>Our climate opportunities</u> The way we work - work spaces, people experience and purchasing: • Energy efficiency initiatives in the buildings we occupy will help reduce our energy usage and cut energy bills, especially with increasing global energy costs. For example, our London head office has been benefitting from energy efficiency improvements made in the HVAC system in 2019, which has a payback period long before the end of the lease. • We are exploring the opportunity to install rooftop solar panels and efficiency measures in our South African office which we expect to produce cost savings and increased energy security. • The use of video conferencing has improved employee experience and reduced the amount of time teams spend travelling e.g. in taxis, at airports etc. • In the future we envisage the use of local production teams and studio VFX as an opportunity not only to reduce GHG emissions, but also to help save costs for our clients. • Talent within our industry is increasingly keen to work for employers that take sustainability seriously. Demonstrating our commitment to sustainability means that we can continue to attract and retain the best talent, particularly if we can demonstrate tangible progress. • We are exploring reducing the cost of debt through use of sustainability-linked loans. The work we do - how we service our clients, develop campaigns and grow our business: • Many of our clients are considering climate issues in their businesses and their communications. Embedding climate considerations in responses to briefs creates opportunities for us to expand our offering to existing clients. • Growing our body of planet-positive work will help us win clients who are looking for agencies that can deliver on sustainability goals and campaigns.

Recommended disclosures	Our disclosure								
Description of the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning	• In preparing the Annual Report and Accounts, the Directors have considered that the impact of climate change on the Group is manageable under the existing strategy and is not expected to have a material impact on the longer-term viability of the Group. • Specific financial cost provisions have not yet been allocated to climate-related risks although this will be considered from the mid-2020s as the climate crisis develops. • However, we have made significant financial investment in energy-saving measures around the Group. This reflects our determination to achieve the target of halving Scope 1, 2 and 3 emissions by 2030. Please see pages 51 and 94 for details of the schemes undertaken in our largest offices in the UK, Australia and South Africa. • Increasing operating costs due to increasing utility prices are already being incorporated in the Group's financial planning but we hope to partially offset these through operational efficiencies and energy-saving measures. • We are investigating sustainability-linked loans which will reduce the costs of debt servicing and we hope to be able to incorporate these savings in future financial planning. • The strategic significance which we attach to the potential impact of climate-related risks is illustrated by the inclusion of ESG as a metric in bonus calculations. For example, please refer to pages 79 and 84 for details of the ESG targets for Executive Directors. • Under our existing strategy we have built our team, competencies and technological capabilities. This has involved hiring specialist ESG expertise, and introducing a new Group-wide ESG data platform. Selling climate-related services to clients is an opportunity and we are determined to take full advantage. Please also refer to pages 42 and 46 for more details about opportunities.								
Description of the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	We are aware that physical and transition risks associated with climate change are constantly developing. We believe that an orderly transition to a world where temperatures have increased by 1.5°C is unlikely. We therefore anticipate that our strategy will have to evolve accordingly. Specific activities under our existing strategy and potential evolutions include: <table border="1"> <thead> <tr> <th data-bbox="517 725 576 1256">Existing activity in physical climate risk strategy</th><th data-bbox="517 1256 576 1854">Possible future evolutions to remain resilient</th></tr> </thead> <tbody> <tr> <td data-bbox="432 725 517 1256">Improving energy efficiency and installing on-site renewables where possible to reduce cost of energy and minimise risk of supply disruption.</td><td data-bbox="432 1256 517 1854">We may need to expand this approach to other utilities, such as water in areas with high likelihood of water shortages (e.g. Cape Town).</td></tr> <tr> <td data-bbox="373 725 432 1256">Reviewing our data management and security solutions in the light of physical climate risk.</td><td data-bbox="373 1256 432 1854">We envisage stronger engagement on this issue with our suppliers over time where necessary.</td></tr> <tr> <td data-bbox="314 725 373 1256">Continuing to use our digital capabilities to collaborate and offer our services remotely.</td><td data-bbox="314 1256 373 1854">Over time we may need to enhance these digital capabilities due to changing products and services on the market and increased client and employee expectations.</td></tr> </tbody> </table>	Existing activity in physical climate risk strategy	Possible future evolutions to remain resilient	Improving energy efficiency and installing on-site renewables where possible to reduce cost of energy and minimise risk of supply disruption.	We may need to expand this approach to other utilities, such as water in areas with high likelihood of water shortages (e.g. Cape Town).	Reviewing our data management and security solutions in the light of physical climate risk.	We envisage stronger engagement on this issue with our suppliers over time where necessary.	Continuing to use our digital capabilities to collaborate and offer our services remotely.	Over time we may need to enhance these digital capabilities due to changing products and services on the market and increased client and employee expectations.
Existing activity in physical climate risk strategy	Possible future evolutions to remain resilient								
Improving energy efficiency and installing on-site renewables where possible to reduce cost of energy and minimise risk of supply disruption.	We may need to expand this approach to other utilities, such as water in areas with high likelihood of water shortages (e.g. Cape Town).								
Reviewing our data management and security solutions in the light of physical climate risk.	We envisage stronger engagement on this issue with our suppliers over time where necessary.								
Continuing to use our digital capabilities to collaborate and offer our services remotely.	Over time we may need to enhance these digital capabilities due to changing products and services on the market and increased client and employee expectations.								

Recommended disclosures	Our disclosure	
	Increasing cross-business collaboration, which means we are better able to overcome location-specific disruptions.	We will continue to evolve our strategy to promote cross-business collaboration and identify those areas and businesses at most need.
	Continuing to understand the needs of our people and invest in employee well-being.	We will regularly review our approach to employee well-being to ensure that it remains fit for purpose.
	Existing activity in climate transition risk strategy	Possible future evolutions to remain resilient
	Development of M&C Saatchi LIFE, our dedicated sustainability consultancy.	Growth of M&C Saatchi LIFE to provide more holistic client-facing sustainability support to more Group companies.
	Membership of Ad Net Zero, the primary industry body for addressing the climate impacts of advertising and communications.	Likelihood of more stringent eligibility requirements for membership of Ad Net Zero over time.
	Training our people on greenwashing issues.	
	Setting a near-term science-based target validated by the SBTi and working towards halving our Scope 1, Scope 2 and Scope 3 emissions between 2019 and 2030.	
	Continuing to expand the proportion of our offices powered by renewable energy.	
	Including GRI and TCFD data in our Annual Report.	
	Reviewing new clients against our 3-step checks.	

Recommended disclosures	Our disclosure	
	Using questionnaires with existing clients to spark sustainability conversations.	We anticipate that these questionnaires will evolve over time, particularly in the light of emerging climate risks and opportunities in key sectors/geographies, and also as our clients become better informed in this area.
	Training our people to be climate literate and to understand greenwashing issues.	Our training is not static but continues to evolve with the changing needs of our people and business.
	Seeking new climate-positive clients.	This is an emerging part of our strategy, which will evolve over time as climate solutions develop and methodologies for assessing their efficacy and transparency metrics develop.
	Exploring sustainable aviation fuels as an opportunity for future mitigation of business travel emissions.	We expect the use of sustainable aviation fuels to become an increasingly mainstream approach to reducing GHG emissions from necessary long-haul flights. However, we are aware that supply is expensive and will remain constrained for some years. We hope that early entry into this space will secure some degree of resilience for us but anticipate that the market will move swiftly once it becomes mainstream. Our priority is, of course, to reduce the need to fly altogether.
	Loss of talent due to employee preferences to work with companies with apparently greener credentials.	We anticipate that employee preferences will evolve over time. We aim to monitor the changing landscape closely, to meet and exceed their needs where possible, and apply appropriate cost-benefit analysis to problems which arise.

Risk Management

Recommended disclosure	Our disclosure
Description of the organisation's processes for identifying and assessing climate-related risks.	• At a Group level, risks and their relative status in the Group-wide risk register are discussed at Audit & Risk Committee meetings. The Audit & Risk Committee assess the completeness of the register. • Individual agencies also maintain their own risk registers and can escalate specific climate-related risks for managing and for potential inclusion in the Group risk register. • The development of M&C Saatchi LIFE (refer to pages 36 and 42 for more details), our dedicated sustainability consultancy, means that we have talent with expertise and contacts who are able to highlight and assess existing and emerging risks. • The Finance and LIFE teams are responsible for reviewing and assessing the impact of emerging regulatory requirements in this area and any risks or risk mitigation which these might present.

Description of the organisation's processes for managing climate-related risks.	• Experts from M&C Saatchi LIFE assess and advise the Board and Audit & Risk Committee on the management of any climate-related risks escalated to Group level or at individual agency level. • The Group Sustainability Committee forms part of the Group's governance structure and provides a forum to involve the most senior stakeholders in discussions around sustainability and risk. Its members include the Chief Executive Officer and the Chief Financial Officer as well as representatives from M&C Saatchi LIFE. • The Audit & Risk Committee also assesses the adequacy of any climate risk mitigation shown in the current risk register and suggests additional mitigation where necessary to manage climate-related risks. • The development and measurement of progress towards achieving organisation-wide targets, client response targets and local targets is a vital climate risk management tool. These processes are managed by the LIFE team with support from other departments.
Description of how processes for identifying assessing and managing climate-related risks are integrated into the organisation's overall risk management	• We are starting to include climate-related risks in the risk identification, assessment, escalation and management processes in the same way as other risks. This has begun as discussions of climate-related risks and issues have become more frequent around the Group. Expertise in this area is concentrated in the M&C Saatchi LIFE team but agencies are increasingly wanting to be involved in managing climate-related risk and understanding how to best incorporate sustainability into the way they work and the work they do. • These processes are still in their early stages. The scope of the Audit & Risk Committee was only expanded to include risk in 2022. However, because we are a people-based business and own no buildings, physical climate-related risks have been assessed as less material and lower priority. • The Audit & Risk Committee reviews and monitors the Group's risk management processes and related compliance activities. This includes the management of climate-related risks.

Metrics and Targets

Recommended disclosures	Our disclosure
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process:	• Scope 1, Scope 2 and Scope 3 GHG emissions. • Business travel emissions per business. • Number of our businesses with high physical climate risks that have appropriate mitigation plans in place. • % of revenue at risk from climate transition. Please refer to pages 79 and 84 for details of how these metrics are included in remuneration policies.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	Refer to pages 33 to 34 for details of Scope 1, Scope 2 and Scope 3 emissions.

Description of the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Organisation-wide targets As part of our net zero target setting, we have had our 1.5°C near-term target validated by the SBTi. This includes a commitment to reducing our absolute Scope 1, Scope 2 and Scope 3 emissions by 50% in 2030 compared to our 2019 baseline. Our near-term target is consistent with the statement we made in last year's Annual Report and Accounts. Given the need for global emissions to be cut quickly and deeply to limit the global temperature rise to 1.5°C, we have prioritised our near-term target, and will be finalising our net zero target for submission to the SBTi this year. We also have targets to: • Grow the percentage of revenue from planet-positive campaigns. • Review the environmental approaches of new clients. Following our pilot, we are still refining our methodology and baseline for the calculation of revenue from planet-positive campaigns. We have therefore not yet set targets for this climate opportunity. Please refer to the sustainability pages on our website at www.mcsaatchipic.com for more details. Client response targets Our clients are increasingly asking for information related to our climate performance. We have set a target of: • 100% of client requests for ESG information to be answered accurately and in a timely manner. • Continuing to bid for client work as a result of meeting their sustainability performance requirements. Local targets We source renewable energy for our head office at 36 Golden Square, London. We also undertook a range of energy efficiency upgrades to our hardware between 2019-2021 and we continue to see the benefits of these measures. In January 2023 our Australia business also moved to a renewable energy tariff – we will report on the resultant impacts in our 2023 report. In our South African business we are undertaking an energy efficiency project and are exploring installing solar panels. Our primary objective for this work is the reduction of CO2 emissions, but we have also identified three other significant potential co-benefits: • Increasing energy-resilience in an energy market that is subject to load-shedding. • Reduction in energy costs. • Deepening relationships with a key client.
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For broader sustainability indicators, please see the GRI table on our website www.mcsaatchipic.com.

Strategic report

The Investment case (page 3), the Chairman's statement (pages 4 to 6), the Chief Executive's review (pages 7 to 10), the Financial review (pages 11 to 18), Our business model (pages 19 to 22), Principal risks and uncertainties (pages 23 to 28), Board engagement with stakeholders (section 172 statement, pages 29 to 31) and Environmental, Social and Governance (pages 32 to 51) and together form the Strategic report.

The Strategic report is approved by order of the Board.



Victoria Clarke
General Counsel & Company Secretary
17 April 2023

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 2022.

As the Company's outgoing Chairman, I can reflect on the corporate governance journey undertaken at the Company and look back with pride on what we have achieved. I am naturally saddened to be leaving the Company, but I do so with the satisfaction and confidence that the Group is on the right path.

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 entity, 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. In 2021, we commissioned an evaluation of the effectiveness of the Board and its committees by an external adviser. Whilst a decision was made to postpone the evaluation of the Board and its committees' performance during 2022 due to the takeover activities, the 2021 review continues to be relevant and to inform Board meetings. Please see details on page 58. The responsibilities of the Board and its committees and the way in which they uphold high standards of corporate governance are set out on pages 59 to 62.

Board composition

Vin Murria is the Chair of AdvT, one of the companies which launched a bid to take over the Company during the year. In June, the independent Non-Executive Directors concluded that it was not appropriate for Vin to be proposed for re-election as a director at the Company's Annual General Meeting and resolved that Vin be removed from the Board with immediate effect. Please see pages 54 to 57 for details of the current Board of Directors. Mickey Kalifa, the Company's former Chief Financial Officer, left the Company in May 2022.

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. The Company's non-compliance is as result of the absence of an internal audit function and of remuneration practices which are still evolving. Please see full details on page 62.

Committees of the Board

The Board is supported by the Audit & Risk Committee, Nomination Committee and Remuneration Committee. The Board appoints the committee members. The reports of the Audit & Risk Committee and the Remuneration Committee can be found on pages 63 to 68 and 72 to 89 respectively whilst the report of the Nomination Committee can be found on pages 69 to 71. 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 www.mcsaatchipic.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 and managing 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. The Board does not believe there to be any inherent Directors' conflicts of interest. A review of Directors' conflicts of interest is conducted at least annually.

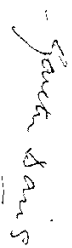
Executive Committee

The Executive Committee is led by the Chief Executive Officer and consists of 18 individuals who lead the key business lines responsible for the Group's revenue. Monthly (and more frequently during the takeover period) business update calls between the Executive Committee members assisted with the effective operation of our business and the delivery of the results. The Executive Committee also provides a platform to share knowledge and drive collaboration across the Group. The Executive Committee is responsible for the execution and delivery of the strategy including the Group's global efficiency programme.

Shareholder engagement

Over the course of the year and whilst in a takeover offer period, we maintained an active dialogue with representatives of shareholders in order to remain in tune with and be guided by shareholder views. This enabled us to adapt our approach wherever possible in response to issues raised. We are grateful for our investors' ongoing support and look forward to repaying their confidence in our future as an independent company.

I am confident that the Company 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
17 April 2023

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 of the financial statements are as set out below. Bruce Marson was not in office during the year but was appointed to the Board as at 12 April 2023.

Gareth Davis

Non-Executive Chairman

Key strengths

A highly experienced former Chief Executive Officer and 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.

Role

Chairman of the Board, which is responsible for Group strategy, performance and governance and Chair of the Nomination Committee.

Joined the Board

February 2020.

Other commitments

Chair of Pod Point Group Holdings plc and Non-Executive Director of Gresham House Plc.

Previous experience

Chair of DS Smith Plc (2012-2021), Non-Executive Director/Chair of Ferguson Plc (2003-2019), Chair 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.

Role

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

Joined the 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).
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.
Role	As a Non-Executive Director, provides strategic advice, monitors management performance and chairs the Remuneration Committee.
Joined the Board	March 2020.
Previous experience	Group People Director of Selfridges Group Limited, Human Resource Director of Kyowa Hakkō 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 HfR consultancy firm 7days Limited.
Committees	Audit & Risk Committee, Nomination Committee and Remuneration Committee (Chair).
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.
Role	As a Non-Executive Director, provides strategic advice, monitors management performance and chairs the Audit & Risk Committee.
Joined the 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	Audit & Risk Committee (Chair), Nomination Committee and Remuneration Committee.

Lisa Gordon

Non-Executive Director

Key strengths

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

Role

As the Senior Independent 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 the Board

March 2020.

Other commitments

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

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

Audit & Risk Committee, Nomination Committee and Remuneration Committee.

Bruce Marson

Executive Director

Key strengths

Finance leadership and creating high-performing teams, driving improved business performance and strengthening controls, deep knowledge of the Company's finances.

Role

Leads the Finance department as well as taking responsibility for a number of strategic and cross-functional initiatives.

Joined the Board

12 April 2023.

Other commitments

None

Previous experience

Deputy and Interim Chief Financial Officer at the Company (2021-2023), Global Finance Director of Advertising at Technicolor (2019-2021), Group Financial Controller at Dentis Aegis Network (2016-2018).

Committees

None (attends committees by invitation).

Board composition (as at 31 December 2022)

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 & 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. Whilst the Board postponed the evaluation of its performance during 2022 given the takeover activity, the 2021 review still informs the Board and the committees. See the next page for a summary of the key findings:

Gender
(Male: 3/Female: 2)

Ethnicity
(White: 5)

Tenure
(Under 3 years: 5)

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. Lintstock were appointed by the Board as an independent evaluator following a review of relevant Board advisory firms and their offerings.

Lintstock is an advisory firm that specialises in Board evaluations and previously reviewed the Board of the Company in 2021. Lintstock was selected again as a provider due to the familiarity with the workings of the Board and to ensure that there is consistency and continuity in the presentation of the findings. Lintstock provides a bespoke and business-focused approach to Board evaluations and is committed to providing independent advice.

Lintstock does not provide any services to the Company other than the evaluation of the Board and its committees and does not have any other connections to the Company other than the evaluation work.

The first stage of the 2021 review involved Lintstock engaging with the key project sponsors to set the context for the evaluation and to tailor survey content to the specific circumstances of the Company. All Directors were then invited to complete a survey addressing the performance of the Board and each of its committees, after which each Director was interviewed by a Lintstock representative. The anonymity of the respondents was ensured throughout the process, in order to promote an open and frank exchange of views.

The Board decided to postpone the evaluation of its performance during 2022, to enable the Directors to devote full focus to addressing the takeover bids. It is anticipated that the review will be conducted in 2023 providing a stable foundation for evaluation, which will enable the exercise to add full value.

The most recent review involved one-to-one interviews with each of the Directors. During 2022, the Board continued to focus on the implementation of the four key actions which this review identified, namely:

- i. Monitoring strategic and business plans, which are a key focus for the Chief Executive Officer.
- ii. Developing the engagement with management and the wider business as Covid-19 restrictions subside.
- iii. Pursuing continued improvements in the information flow.
- iv. Continuing to develop the dynamic and relationship between the Board and management.

In 2023, the Board review process will follow up on the progress made on each of these action points above, and assess the role played by the Board throughout the takeover period, in order to draw lessons for further improvement.

Governance review

Division of responsibilities and the Company's purpose

Board:

Chaired by Gareth Davis (appointed Chairman 1 January 2021, but appointed to the Board in February 2020).

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 controls.

The Board currently consists of six members, the Chairman, the Chief Executive Officer, the Chief Financial Officer (who was recently appointed on 12 April 2023) and three Non-Executive Directors. Details of the members of the Board's careers and strengths can be found on pages 54 to 56. The Directors' report can be found on pages 90 to 97.

Audit & Risk 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 & Risk 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 & 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 & Risk Committee requires. The report of the Audit & Risk Committee can be found on pages 63 to 68.

Remuneration Committee

Chaired by Louise Jackson (appointed 6 May 2020).

Responsible for:

- Determining the policy for Executive Director remuneration.
- The committee previously 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 and can confirm this currently remains the case.

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 & 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 Remuneration Committee requires. The Directors' remuneration report can be found on pages 72 to 89.

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 and Colin Jones. The Chief Executive Officer, the Chief People Officer, the General Counsel & 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 Nomination Committee requires. The report of the Nomination Committee can be found on pages 69 to 71.

Company's purpose

The revised strategy was presented to the Company's stakeholders at a Capital Markets Day held on 8 February 2023.

The strategy is to be the world's leading creative solutions company, of specialist expertise, connected through data and tech, to deliver meaningful change and includes:

- Accelerating into high-margin, digital led growth.
- Building capabilities, with a focus on data and tech.
- New opportunities through M&A and partnerships.
- A new more efficient operating model.

Attendance at Board and Committee meetings during the year

Nine scheduled meetings of the Board were held during the year ended 31 December 2022. There were also three meetings of an Independent Committee of the Board. The Independent Committee of the Board was formed as a result of the takeover activities of the Company in order to address the conflict of interest between the Company and Vin Murria, a then current Director, in respect of the takeover offers. The attendance record of the Directors at the meetings of the Board and of the Board's committees is shown in the table below.

	Independent Audit & Risk Remuneration Nomination Board Committee Committee Committee Committee of the Board				
Chairman					
Gareth Davis	9/9	2/3	n/a*	n/a*	2/2
Executive Directors					
Moray MacLennan	9/9	3/3	n/a*	n/a*	n/a*
Mickey Kalifa**	3/3	1/1	n/a*	n/a*	n/a*
Non-Executive Directors					
Lisa Gordon	9/9	3/3	5/5	5/6	2/2
Louise Jackson	8/9	2/3	4/5	6/6	1/2
Colin Jones	9/9	2/3	5/5	5/6	2/2
Vinodkha Murria***	0/3	n/a	n/a*	n/a*	0/0

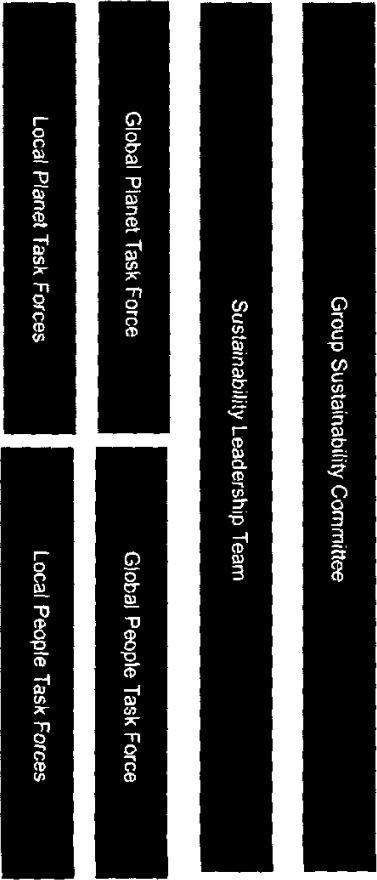
* Attends by invitation

** Departed Board on 13 May 2022

*** Departed Board on 6 June 2022

Group Sustainability Committee

We have introduced a new governance structure and network of task forces to deliver on our action commitments on sustainability:



The importance which we are placing on this area is indicated by the Group Sustainability Committee's membership: it includes the Chief Executive Officer, a Non-Executive Director (Lisa Gordon), and the Chief Financial Officer. Once a year this group will be joined by independent external experts to critique our strategy and performance in the light of our commitments.

A sustainability leadership team oversees development and delivery of our global sustainability strategy and action plans. This is jointly led by our Chief People Officer and Chief Sustainability Officer supported by our Global Head of Diversity, Equity and Inclusion and our Global Sustainability Director, both of whom were new appointments in 2022.

The Global Planet Task Force and the Global People Task Force meet regularly and are composed of senior representatives from across our major specialisms and regions. These task forces work with the leadership team to develop and activate global strategies within their business areas overseeing local teams to embed the approach into the companies across our network.

Compliance with the UK Corporate Governance Code 2018 (the "Code")

As an AIM-listed entity, 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 2022.

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.

The Audit & Risk 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. Implementation of an internal audit function was deferred in 2022, due to the uncertainty of the Group's future, pending the outcome of the takeover bids. It has since been concluded that it would be appropriate to wait until the global efficiency programme has been completed including the possible creation of a shared finance service centre.

41) There should be a description of the work of the remuneration committee in the annual report, including: reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps; a description, with examples, of how the remuneration committee has addressed the factors in Provision 40; what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;

Whilst the Company aims to Comply with the Code, our evolving remuneration practices are still not as mature as many FTSE main market companies and 2022 was a year when management focus was directed on dealing with potential takeovers of the Company. As such, there are some elements with which we do not currently comply and have made less progress on than had been hoped. These are the reporting of Chief Executive Officer pay ratios, employee engagement to explain executive remuneration and how the factors within Provision 40 of the Code have been addressed.

Report of the Audit & Risk Committee

I am pleased to present the Audit & Risk Committee's report for the year ended 31 December 2022. During the year, the principal activities of the committee have continued to be the monitoring of progress in improving internal financial controls and reporting, and ensuring a more efficient year-end close and external audit. The committee also spent a significant amount of time supporting the Board in reviewing the documentation and financial forecasts required as part of the process for defending the Company against the two unsuccessful takeover offers received in 2022.

During the year the Audit Committee was renamed the Audit & Risk Committee and its focus on risk has increased accordingly. The 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. Committee meetings are also attended by the Chief Financial Officer, other Directors, the General Counsel & Company Secretary, 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 & Risk Committee are:

- Financial reporting: 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, b) review significant financial reporting judgements, issues and estimates, and 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: a) assess the effectiveness of the external audit process, b) review and monitor the external auditors' independence and objectivity, c) review and approve the provision of non-audit services by the external auditors, and 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: 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.mcsaatchipic.com/governance and reflect the requirements of the UK Corporate Governance Code 2018 (the "Code").

The Audit & Risk Committee works to a programme aligned to key events in the financial reporting cycle. Meeting agendas include key audit, accounting and reporting issues as well as standing items required by the committee's terms of reference. In addition, one-off deep dives into specific risk areas may be requested by the committee at any time.

Activities of the Audit & Risk Committee

Since reporting on the 2021 Annual Report and Accounts in April 2022, and up until the date of this report, the Audit & Risk Committee has undertaken the following activities:

Area of focus	Matters considered
Financial reporting	- Review of 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. - Review of the Annual Report and Accounts and confirmation to the Board that they are fair, balanced and reasonable. - Review of other financial announcements made during the period. - Supporting the Board in the review of documents and financial forecasts in connection with the takeover offers for the Company.
External 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	- 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. - Consideration of the need for an internal audit function.
Risk management	- Reviewing management's risk management processes and the Group risk register. - Deep-dives into specific risk areas. - 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. - Annual review of the effectiveness of the external audit. - Annual review of the committee's terms of reference.

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

Significant accounting issues and judgements

Going concern and viability

As explained on pages 90 to 92, the financial statements have been prepared on the going concern basis. In this context, the Board and the Audit & Risk 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 a global recession and rising inflation, the strategic initiatives to simplify the business and improve profitability, and the support of the Group's lenders. For the purposes of assessing going concern, management prepared a set of cash flow forecasts, evaluating four different severe but plausible downside scenarios, covering the period to the end of 2025. The Board and Audit & Risk 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 & Risk Committee believe that it remains appropriate to prepare the financial statements on a going concern basis.

The Board and the Audit & Risk 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 (referred to above) extended to the end of 2025, 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 & Risk Committee have concluded that the statement made by the Directors on page 92 in relation to the longer-term viability of the Group is appropriate.

The Company entered into a three-year revolving multicurrency credit facility of £47.0m in 2021 which terminates on 31 May 2024 unless extended for a further year. The Board has concluded that, under all scenarios modelled by management, the Company 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 & Risk 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, including detailed reviews of all contracts and projects that spanned the year end date. 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.

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 & Risk Committee has considered the key judgements and estimates made by management in respect of these put option schemes, 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 2022 was £37.2m (2021: £36.0m), 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 2023 budget

and three-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 & Risk Committee has reviewed management's assessment of the recoverability of this goodwill and the impairment recognised in 2022, 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 18 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 disposed of £0.9m of the investments at a £1.2m gain on disposal. The net revaluation adjustment was a reduction of £2.3m and largely reflects the inflation-led pressures on the technology sector in 2022. The portfolio has a carrying value at the balance sheet date of £12.0m (see Note 19 of the financial statements).

The valuation of early-stage businesses is inherently challenging and subjective, especially where there has been no funding round in the period (which is the case for nearly half of the investments by value), and therefore requires a number of judgements to be made. This is illustrated by the significant portfolio revaluation movements during the year, both upwards and downwards. The valuations applied 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 portfolio valuations from the investment managers. The Audit & Risk Committee has reviewed the year end valuation of the portfolio and is satisfied that the judgements made in valuing the portfolio at 31 December 2022 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. Due to the Company being subject to two competing bids to take control and full ownership of the business, included within the separately disclosed items are senior management costs as an estimate of time spent on the transaction where they have been unable to undertake other planned strategic activities and day-to-day management of the business. The amount of separately disclosed items increased significantly in 2022 to a post-tax cost of £11.4m (2021: credit £3.0m), largely as a result of the significant one-off costs incurred in defending the Company against the takeover offers.

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 & Risk 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. Implementation of an internal audit function was deferred in 2022, due to the uncertainty of the Group's future, pending the outcome of the takeover bids. It has since been concluded that it would be appropriate to wait until the global efficiency programme has been completed, including the possible creation of a shared finance service centre.

External auditor and audit effectiveness

This is BDO's second year as auditors. The BDO partner responsible for the audit is Kieran Storan (Senior Statutory Auditor). The Audit & Risk 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 including:

- Reviewing the audit plan, scope, materiality and resources (including the impact of ISA 315 on the audit approach).
- Challenging the auditors on the findings of the FRC's Audit Quality Review, and the steps taken by BDO to improve their audit quality.
- Monitoring the independence and transparency of the auditors (see below).
- Regular meetings between the Audit & Risk Committee Chair and the audit partner without management present.
- Meetings between the Audit & Risk 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 2023.

The external auditors' report to the Directors and to the Audit & Risk Committee has confirmed that BDO remained independent throughout the 2022 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 their independence. Prior approval from the Audit & Risk 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 2022 audit of the Group and its subsidiaries is £1.7m (2021: £2.0m). The decrease in the fee from the previous year reflects the smoother 2022 audit, as a result of improvements in financial controls, processes and reporting, and audit efficiencies in the second year of BDO's appointment.

Effectiveness of the Group's system of internal controls and risk management

The Audit & Risk 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.

Over the past three years, significant steps have been taken to improve the Group's internal financial controls and processes 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 all continue to be monitored and reviewed by the Audit & Risk Committee for effectiveness.

As a result of these improvements, the 2022 audit again benefited from a significant reduction in the number of changes to the draft numbers and the audit was substantially completed by the end of March. It is due to be signed off two weeks earlier than the 2021 audit and we expect this improvement to continue for the 2023 audit. The external audit remains substantive rather than controls-based and in 2023 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 follows a traditional three lines of defence model for managing risk and internal control. The focus over the past 12 months has been on further improving entity level controls, particularly the documentation of finance policies and risk and control matrices. At the same time further 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, particularly revenue recognition.

Further steps will be taken in 2023 to improve the effectiveness of the Group's internal controls, including: the development of entity-level systems controls across the Group's global financial systems and implementation of the control recommendations of the external auditors. The committee will also review the recommendations arising from the global efficiency programme, including the possible creation of a shared service centre, to ensure controls remain robust in the new environment.

The Audit & Risk Committee also continues to review and update the Group's principal risks schedule shown on pages 23 to 28 and in 2023 will undertake deep dives into a number of the principal risks.

Annual Report and Accounts

At the request of the Board, the Audit & Risk 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 & Risk Committee

17 April 2023

Report of the Nomination Committee

The Nomination Committee presents the following report for the 2022 financial year.

Meetings

The committee met formally twice during 2022. Committee members' attendance at meetings are indicated on page 60. The Chief Executive Officer, the Chief People Officer, the General Counsel & 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 committee and as required, 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 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 www.mcsaatchiplc.com/governance.

Composition and election/re-election of Directors

Until 6 June 2022, the committee was composed of five Non-Executive Directors: Gareth Davis (Committee Chair), Lisa Gordon, Louise Jackson, Colin Jones and Vin Murria. Following Vin Murria's departure from the Board on 6 June, the committee was reduced to four Non-Executive Directors. Their qualifications and experience are available on pages 54 to 56.

The Company's articles of association require a director appointed by the Board to retire at the Company's next Annual General Meeting. In addition, the articles of association require directors to retire at each Annual General Meeting on the basis recommended by the corporate governance code adopted from time to time 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. As the Company has adopted the UK Corporate Governance Code, all of the Directors currently must offer themselves for re-election at each Annual General Meeting.

The Directors of the Company other than Vin Murria (the "Independent Directors") concluded that it was not appropriate for Vin Murria to be proposed for re-election as a director at the Annual General Meeting in 2022. This conclusion was drawn in light of the takeover offers for the Company including an offer by AdvT, a vehicle connected with Vin Murria. Therefore, the Independent Directors resolved that Vin Murria be removed from the Board and no resolution for Vin Murria's re-election was presented at the Annual General Meeting in 2022.

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 all the Directors save for Vin Murria at the Annual General Meeting held in 2022.

Board Chair replacement

Following my announcement to step down from the Board, the committee instructed The Inizio Partnership Limited on the search for a new independent Non-Executive Chair of the Company. The search process was managed by Lisa Gordon, the Senior Independent Director. The Inizio Partnership Limited had no links to the Company nor to any of the Directors on appointment. Following a thorough search process, I am delighted that Zillah Byngh-Thorne will join the Company as the new independent Non-Executive Chair on 15 June 2023.

Permanent Chief Financial Officer

Given the potential corporate transaction as a result of the two takeover bids received during 2022, the Company decided to seek an interim, rather than a permanent Chief Financial Officer until the outcome of the corporate activity was known. Internal and external candidates were considered and an internal candidate, Bruce Marson, the then Deputy Chief Financial Officer, was appointed as interim Chief Financial Officer.

Towards the end of last year, the committee instructed independent specialists, Independent Search Partnership LLP to assist with the search for a permanent Chief Financial Officer. Independent Search Partnership LLP had no links to the Company nor to any of the Directors on appointment. Following a search process that included both internal and external candidates, Bruce Marson was appointed as the permanent Chief Financial Officer on 30 March 2023 and to the Board on 12 April 2023.

Non-Executive Director changes

Lisa Gordon, Senior Independent Director, has chosen not to seek re-election to the Board and will therefore step down from the Board at this year's Annual General Meeting. The Company will seek to appoint a new Senior Independent Director in due course.

Chris Sweetland is due to become a Non-Executive Director effective 15 June 2023 and will serve as a representative of AdvT and Vin Murria who, at the date of this report, hold in aggregate 27,237,985 ordinary shares in the Company, representing 22.2% of the Company's issued share capital. Accordingly, Chris will not be considered to be independent. Chris will be entitled to remain on the Board (subject to normal performance conditions) provided AdvT and Vin Murria retain an aggregate interest of at least 11.5% of the Company's issued share capital.

Culture and diversity, equity and inclusion

The UK 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.

Unfortunately, the two Board departures during the year saw a reduction in the proportion of female Directors on the Board, reducing from 43% to 40% and a reduction in the number of Directors from ethnic minorities, reducing from 29% to 0%. We are aware that we are some way from meeting Board diversity targets. 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 so we will strive to improve this position. One measure we are taking to address the issues of diversity and succession planning is to include internal talent development as a target in our new ESG strategy. We consider this to be the best way to remain steady and true to the Company's culture and values.

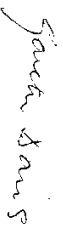
We have created and successfully recruited for a new role, Global Head of Diversity, Equity and Inclusion. This role will support the substantial programme of work underway in this area which is changing the way we hire, develop and promote our people. The Company also has in place a comprehensive internal policy on diversity.

Please see pages 37 to 41 for details of the Company's diversity initiatives.

Looking ahead

The Nomination Committee's task is to look to the future and ensure that there is the best possible leadership from those tasked with the responsibility of ensuring the long-term, sustainable success of the business for everyone.

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

A handwritten signature in dark ink, appearing to read 'Gareth Davis', written in a cursive style.

Gareth Davis
Chair of the Nomination Committee
17 April 2023

Directors' remuneration report

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 December 2022.

Over the past twelve months, the Remuneration Committee has been heavily involved in remuneration discussions linked specifically to the two failed takeover bids, which dominated the financial year, and for this, I would like to extend my huge thanks to my Board colleagues who have provided unwavering support and counsel during this challenging time. In what has proven to be a year of significant uncertainty for both the Board and all employees of the Group, I have been hugely impressed to observe the continued passion, resilience and focus that our senior leaders and their teams have demonstrated.

In what has been another challenging year, particularly considering the Group's successful defence against the two failed takeover bids, I would like to take this opportunity to thank everyone for their ongoing commitment to our clients, our colleagues and our business. I truly believe that the huge strides that we have made over the past two years, in terms of embedding our remuneration framework linked to our reward strategy, aided us throughout the takeover bid process and enabled us to better understand its potential impact and resulting actions on the remuneration of all of our people, but particularly our senior leaders.

As I have mentioned in previous years, 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 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 77 to 82 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, the Board Chair, attends our meetings. Due to the ongoing nature of the takeover bids, Vin Murria did not attend any committee meetings over the course of the year. 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 Remuneration Committee over the past year has focused predominantly on the impact of the potential takeover bids, as well as ensuring that "business as usual" activities such as annual bonus and LTIP design and progress were not overlooked. With the support of our Chief People Officer and General Counsel & Company Secretary, we have continued with our extensive review of all equity-based incentive arrangements within the Group's subsidiaries. As these mature, we continue to replace 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 February 2023 included:

- Net revenue growth of 8% CAGR (FY 2022 to 2027).
- Operating profit growth of 16% CAGR (FY 2022 to 2027).
- Improved margins in all specialisms.
- A Group operating profit margin of 18% by 2027.

Takeover matters

Due to the ongoing nature of the proposed takeovers during the year, a significant focus for the committee during the year, was on takeover related remuneration matters. The committee worked closely with its remuneration advisors and external lawyers to ensure that, in the event of a change of control of the Company, all remuneration treatment was

in line with the scheme rules and the Company's Remuneration Policy and approved, where necessary, by the Takeover Panel. A small number of one-off discretionary bonuses were paid to several key individuals who played a significant role during the period of takeover related activities. No Executive Director received one of these discretionary bonuses.

The ongoing uncertainty created by the takeover process meant that the committee took the decision to delay the grant of FY22 LTIP awards. With neither of the takeover bids being successful, LTIP awards were eventually made on 12 December 2022. The committee utilised the discretion available to them under the rules of the LTIP to bring forward the normal vesting date for these awards from December 2025 to 31 May 2025. The committee determined that awards would ordinarily have been made in May 2022 and that the delay was outside the control of management. As a result the committee aligned the vesting date to three years from when the awards would ordinarily have been made, had the takeover bids not been ongoing.

Executive Directors

As disclosed in last year's report, Mickey Kaifia, the Company's Chief Financial Officer, stepped down from the Board and left the business in May 2022. On termination of his employment, he was paid in respect of accrued but untaken holiday. In addition, the committee exercised the discretion available to it under the restricted share award plan and determined that Mickey should receive £500,000, which represented 38% of the outstanding restricted share award made on appointment. Ordinarily, 62% of the award would have vested in early 2023 with the remainder vesting in early 2024. All payments made to him were in line with the Remuneration Policy and the remainder of his restricted share award lapsed.

I am pleased to confirm that Bruce Marson was appointed as Chief Financial Officer, effective 30 March 2023 and to the Board on 12 April 2023.

The Remuneration Committee has responsibility for Executive Directors' remuneration as well as the remuneration of Executives who form the membership of the Group's Executive Committee and over the past twelve months we have continued to simplify and align our approach to reward for our senior leadership teams across the Group. There were no increases in salary for the Executive Directors in the year ended 31 December 2022, although the committee approved a modest increase to Moray MacLennan's salary effective from 1 January 2023, which was in line with external benchmarking.

The strong performance of the business during the year, despite the distraction afforded by the takeover process, resulted in bonuses of 77% of the maximum opportunity for Moray MacLennan. The committee reviewed the formulaic outcome of the bonus calculations and felt that level of payment did not reflect the overall performance and personal contribution of Moray during the year and determined that he should be paid 100% of his maximum bonus opportunity.

Employee engagement
Over the past 12 months, the business has increased the focus on its ESG agenda and we have seen specific ESG measures form part of our executive bonus scorecard for the first time. Focusing on both people and planet metrics, I am pleased to be able to report steady progress in this area, specifically in the area of SBTi carbon emissions reductions. The appointment of both a Global Head of Diversity, Equity and Inclusion and Global Head of Sustainability during 2022 now enables the business to take the next step and begin to deliver against the ESG commitments set out in the Company's sustainability report.

As set out in last year's report, we also started measuring employee engagement globally for the first time in 2022. Our first global employee survey took place in Q3 2022 and achieved a 69% response rate. The survey has provided rich insights which are informing our people strategies at both a global and local level. The Group has invested in a long-term partnership with survey provider Glint and the next survey will run in June 2023.

I am the Non-Executive Director with responsibility for workforce engagement and I have worked with the Chief People Officer to establish mechanisms for the Board to engage directly with employees across the business. This work was understandably delayed as a result of the significant time taken on takeover matters during 2022 and I look forward to this becoming more of a focus for 2023.

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. Similar networks exist in our other major markets of Australia and South Africa and are launching in the US in 2023.

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 2021 remuneration report which included the Remuneration Policy are set out on page 76 of the report.

Implementing the Remuneration Policy in 2023

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 has agreed a moderate 3% base pay award, which is below that of the wider workforce, for Moray MacLennan in the year ending 31 December 2023.

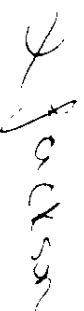
Bruce Marson was appointed as Chief Financial Officer on 30 March 2023. On appointment, his base pay was set at £275,000 and his maximum annual bonus potential set at 100% of base pay.

The annual 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 2023. 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
17 April 2023

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.
- Collin 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 six times during 2022, but in addition, was engaged in numerous remuneration discussions relating to the two failed takeover bids. Over the course of the year the main activities were to finalise the Remuneration Policy and implement it for 2022 and to discuss extensively the treatment of remuneration for Executive Directors, senior leadership and all other relevant employees in relation to the two failed takeover bids.

Advisors

The committee retains Korn Ferry to provide independent remuneration consultancy services to the Group and during 2022 used CMS Cameron McKenna Nabarro Olswang LLP to advise on employment law and share incentive arrangements. 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. Neither of these external advisers had any links to the Company nor to any of the Directors on appointment.

The total fee for advice provided to the committee during the year was £43,375 (2021 – £127,444). The committee is satisfied that the advice it 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 June 2022 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 2021 Directors' remuneration report (including the Remuneration Policy)	94.50% (68,294,602)	5.50% (3,974,876)	(27,201,200)*	59.1%

A vote withheld is not a vote in law and is not counted in the calculation of the votes for or against a resolution. The withheld votes received were from the two shareholders that were connected to the AdvT takeover offer for the Company.

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 companies¹, 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.
- 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, ensure that poor performance is not rewarded.
- Alignment to culture – the executive pay policies are fully aligned to the Company's culture.

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

Summary of our Remuneration policy

Purpose	Operation	Opportunity	Performance measures
Base Salary	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 considered during any annual salary review.
Benefits	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.
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.			

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 most 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 2022, the Chief Executive Officer's annual bonus opportunity was 100% of salary and for the period of the year worked, 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 2022, the bonus was based on Group Headline profit before tax targets (50% weighting), revenue targets (25% weighting), ESG targets (10% weighting) and personal objectives (15% weighting). The targets and performance against them will be disclosed in the relevant Annual Report and Accounts following the end of the performance period.

Purpose	Operation	Opportunity	Performance measures
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 200% of salary in 2022. It is anticipated that any future award would be reduced to 150% of salary. No awards were granted to the former Chief Financial Officer 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. 2022 awards will be assessed against TSR performance versus the FTSE SmallCap Index (50% weighting) and Earnings Per Share (50% weighting).
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.

Purpose	Operation	Opportunity	Performance measures
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. During 2022, additional fees were paid to Non-Executive Directors to compensate them for the significant time spent on takeover matters.	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 and any 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

Annual 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 considering 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 considering 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.

Annual Remuneration Report

This section summarises remuneration paid out to the Directors for the 2022 financial year, and details of how the Remuneration Policy will be implemented in the 2023 financial year.

Directors' Remuneration for the 2022 financial year

	Base salary/fees		Benefits		Pension		Annual bonus		Long-term incentives ¹		Total		Total fixed remuneration		Total variable remuneration	
	£000		£000		£000		£000		£000		£000		£000		£000	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Moray	650	650	41	33	39	39	650	605	-	-	1,380	1,327	730	722	650	605
MacLennan ²																
Mickey Kaifia ^{3,4}	134	375	26	11	8	28	-	246	500	-	668	660	168	414	500	246
Gareth Davis	250	250	-	-	-	-	-	-	-	-	250	250	250	250	-	-
Colin Jones ⁵	95	75	-	-	-	-	-	-	-	-	95	75	95	75	-	-
Lisa Gordon ⁵	115	75	-	-	-	-	-	-	-	-	115	75	115	75	-	-
Louise Jackson ⁵	95	75	-	-	-	-	-	-	-	-	95	75	95	75	-	-
Vinodha Murria ⁶	102	125	-	-	-	3	-	-	-	-	102	128	102	128	-	-
TOTAL	1,441	1,625	67	44	47	70	650	851	500	-	2,705	2,590	1,555	1,739	1,150	851

- No LTIP awards vested in 2021. LTIP values of £48,000 for Moray MacLennan and £220,000 for Mickey Kaifia disclosed for 2021 in last year's report represented share-based payment charges for LTIP awards accrued in the year. From 2022 onwards, share-based payment charges will solely be reported in Note 27 of the financial statements on page 169 of the report and this table will be used for LTIP cash payments. Hence the £500,000 amount allocated above to Mickey Kaifia for 2022 related to his vested restricted share award being paid, see page 87 for more details on this payment.
- The year-on-year increase in benefits for Moray MacLennan is due to an annual increase in his private medical insurance premium in 2023.
- Mickey Kaifia stepped down from the Board on 13 May 2022.
- On termination of employment, Mickey Kaifia received £14,481 for accrued but untaken holiday to the termination date as set out under benefits above. To more accurately reflect the nature of the benefit received, a reclassification of £5,500 was made from "pension" to "benefits" in respect of his 2021 remuneration.
- Colin Jones, Lisa Gordon and Louise Jackson received additional fees relating to time spent on takeover related matters as set out on page 88 of the report.
- Vinodha Murria ceased to be a member of the Board on 6 June 2022.
- Bill Muirhead stepped down from the Board and left the Company on 31 March 2021 so he and his 2021 remuneration have been excluded from the table.

Directors' Remuneration for the 2022 and 2023 financial years

Base salary

Moray MacLennan was appointed Chief Executive Officer with effect from 1 January 2021 on a salary of £650,000. Moray's salary was increased to £670,000 from 1 January 2023, which is a modest increase of 3%, in line with external benchmarking and below that of the average increase for the wider workforce across the Group.

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 rate of the wider workforce. Benefits consist principally of private healthcare, life assurance, income protection and permanent health insurance. Moray MacLennan also receives a car allowance of £20,000 per annum.

Group Annual Bonus plan

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

2022 Group Annual Bonus

For 2022, the Group Annual Bonus was structured in line with the Remuneration Policy. The maximum opportunity for the Chief Executive Officer was 100% of salary. The outgoing Chief Financial Officer did not participate in the 2022 bonus between the start of the financial year and the date that he left the Company on 13 May 2022.

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%	27.9-31.0-33.0	31.8	35.5%
Net revenue	25%	241.9-254.7-267.4	271.1	25%
ESG	10%	Refer to page 85	Refer to page 85	3.75%
Personal objectives (Moray MacLennan)	15%	-	-	15%

ESG Measures

Measure	Weighting (% of bonus)	Targets £m (threshold-mid-stretch)	Performance achieved £m	% of bonus earned
Planet	5%	- Meeting SBTi carbon reduction targets: year on year reductions in carbon across Scope 1, Scope 2 and Scope 3 in line with attaining our 2030 SBTi. - A year-on-year increase in % revenue coming from planet-positive work.	- Commitment to the SBTi submitted. - Scope 1 and Scope 2 targets exceeded. - Scope 3 emissions progress so far: - Working to establish accurate baseline data and targets for each key market. - Work commenced to reduce emissions from production and from business travel. - Reporting mechanisms have been set up, but consistent reporting not yet achieved.	2.5%
People	5%	- Improved gender and ethnic diversity at leadership levels. Measured by data of Executive Committee and UK top 2 levels. - Conduct an equal pay audit in the UK workforce and show a multiyear plan to address any identified equal pay issues.	- Improvement targets not met. - Equal pay analysis complete. Follow up actions in progress.	0%

Based on the above, the formulaic bonus outcomes would have resulted in a bonus payment of 77% of the maximum bonus opportunity for Moray MacLennan, resulting in a payment of £500,419.

2022 has been an abnormal year, in which takeover matters have dominated and brought considerable distraction and uncertainty throughout the Group.

The 2022 results showed a Headline operating profit margin of 13.1%, up 0.6pts, net revenue growth of 9% to £271m, record Headline profit before tax of £31.8m, strong net cash of £30.0m and the drawdown on the Company's revolving credit facility has reduced to £7m (down from £20m in FY21). At year-end, the strong balance sheet provides further flexibility for resuming the payment of dividends going forward including the Board's recommendation of a final dividend of 1.5 pence per share and satisfying future capital and investment requirements, demonstrating clear resilience and focus across the Group.

The Board considers that the Chief Executive Officer has led the Company towards another record year of financial performance, facilitating the delivery of strong performance of £31.8m Headline profit before tax.

After extensive discussion and consideration, the committee believes that in order for the 2022 bonus payment to reflect a fair incentive, the overall performance of the Company and in recognition of a successful defence against the failed takeover bids, that a bonus payment at 100% of maximum is more appropriate and has therefore exercised the discretion available to us in this respect. This results in Moray MacLennan receiving a bonus payment for 2022 of £650,000.

2023 Group Annual Bonus

For 2023, the Group Annual Bonus is structured in line with the Remuneration Policy. The maximum opportunity for the Chief Executive Officer and the Chief Financial Officer is 100% of salary. 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%

For 2023, examples of measures falling under the planet and people metrics of our ESG measure are SBTi carbon reduction targets and improvements in the Group's engagement survey scores relating to inclusion. Further information on each of these will be disclosed in next year's report.

Long-term incentive plan ("LTIP")

2022 LTIP awards

The Chief Executive Officer received an award under the LTIP in 2022 of 200% of salary. The award, which was made on 12 December 2022, 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 2024, are as summarised in the table below.

Performance measure	Weighting
Relative TSR vs. FTSE Small Cap Index	50%
Earnings per share	50%

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 earnings per share targets. However, as the earnings per share targets are felt to be commercially sensitive at the current time these will be disclosed in a future Directors' remuneration report.

Ordinarily LTIP awards for the year ended 31 December 2022 would have been made following the announcement of the Company's financial results in April 2022, but due to the ongoing takeover process, these awards were delayed until 12 December 2022. After careful consideration, the committee determined to exercise the discretion available to them under the LTIP scheme rules and will allow awards to vest on 31 May 2025 which is when the awards would ordinarily have been expected to vest had the takeover bids not taken place.

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

Payments to past Directors

As disclosed in last year's report, Mickey Kalifa had notified the Company of his intention to leave. He stepped down from the Board and left employment on 13 May 2022. Payments were made to Mickey on termination of his employment for untaken but accrued holiday, a residual bonus payment for FY21 and payment in respect of his vested restricted share awards. Further details are included in the Directors' remuneration table on page 83. All other entitlements under his restricted share award lapsed on termination.

Outgoing Chief Financial Officer L TIP awards

As part of his remuneration arrangements on recruitment in 2019, Mickey Kalifa, the outgoing 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 the 2020 remuneration report.

As explained in the 2020 report, with his consent, these awards were varied to create greater alignment with shareholders and introduce three-year performance targets through participation in the L TIP 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 were then due to vest 62% in early 2023 and 38% in early 2024. On termination of his employment on 13 May 2022, the committee exercised the discretion available to them under the restricted share award plan and determined that Mickey Kalifa should receive a payment of £500,000 in respect of his outstanding restricted share awards. There is no further entitlement under this award and malus and clawback provisions in line with the terms of the original award remain in place.

2023 L TIP awards

L TIP awards granted in 2023 will vest to the extent performance targets are met over the period to 31 December 2025 against equally weighted TSR and EPS measures. Awards made to Executive Directors will be in line with the Company's Remuneration Policy.

The table below details all awards held by Executive Directors under the L TIP and the restricted share awards at 31 December 2022:

	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 FY23	28 September 2024	100% of any vested shares will be released on the second anniversary of the vesting date
	12 December 2022	878,022	0%	FY22 to FY24	31 May 2025	100% of any vested shares will be released on the second anniversary of the vesting date

Chairman and Non-Executive Directors' remuneration

The fee structure for the Non-Executive Directors in respect of 2022 is set out in the table below.

Fee as at % 31 December 2022 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 & Risk Committee Chair	£25,000	0%
Remuneration Committee Chair	£25,000	0%

During the course of 2022, as a direct result of the two competing takeover offers, the Company's Non-Executive Directors were engaged on the Company's affairs almost on a daily basis and as a result, their commitment has been substantially in excess of that which would normally be expected. It was therefore agreed to make additional payments to each of Lisa Gordon, Louise Jackson and Colin Jones in accordance with their engagement terms. Louise Jackson and Colin Jones each received an additional payment of £20,000 and, to reflect the significant additional work as Senior Independent Director, Lisa Gordon received an additional fee of £40,000.

As previously disclosed by the Company, Gareth Davis and Lisa Gordon will step down as Chairman and Senior Independent Director at the close of the Annual General Meeting respectively on 14 June 2023.

Zillah Byng-Thorne will be appointed as independent Non-Executive Chair effective 15 June 2023 and her fee will be set at £250,000.

In addition, Chris Sweetland will be appointed as a Non-Executive Director to the Board and his fee will be set at £50,000.

Shareholdings and share interests

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 2022 (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 December 2022	Shares subject to deferral/holding period (but not performance)	Unvested shares subject to performance conditions	% of salary held counting towards shareholding requirement
Moray MacLennan ¹	532,149	-	1,478,022	131%
Mickey Kalifa ²	27,985	-	-	n/a
Gareth Davis	178,590	-	-	n/a
Vinodka Murria ³	15,237,985	-	-	n/a
Colin Jones	37,758	-	-	n/a
Louise Jackson	-	-	-	n/a
Lisa Gordon	100,000	-	-	n/a

1. Moray MacLennan's shareholding has remained constant with that of 2021 and any change in percentage of salary held is as a result of share price fluctuation only.
2. Mickey Kalifa stepped down from the Board and left his employment with the Company on 13 May 2022. He purchased his shares on 12 August 2018 prior to the implementation of the Remuneration Policy. As such these shares are not subject to any holding requirement.
3. Vinodka Murria ceased to be a Director of the Company on 6 June 2022.

Policy on external appointments

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. Moray MacLennan holds no external appointments.

Engagement with the workforce

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.

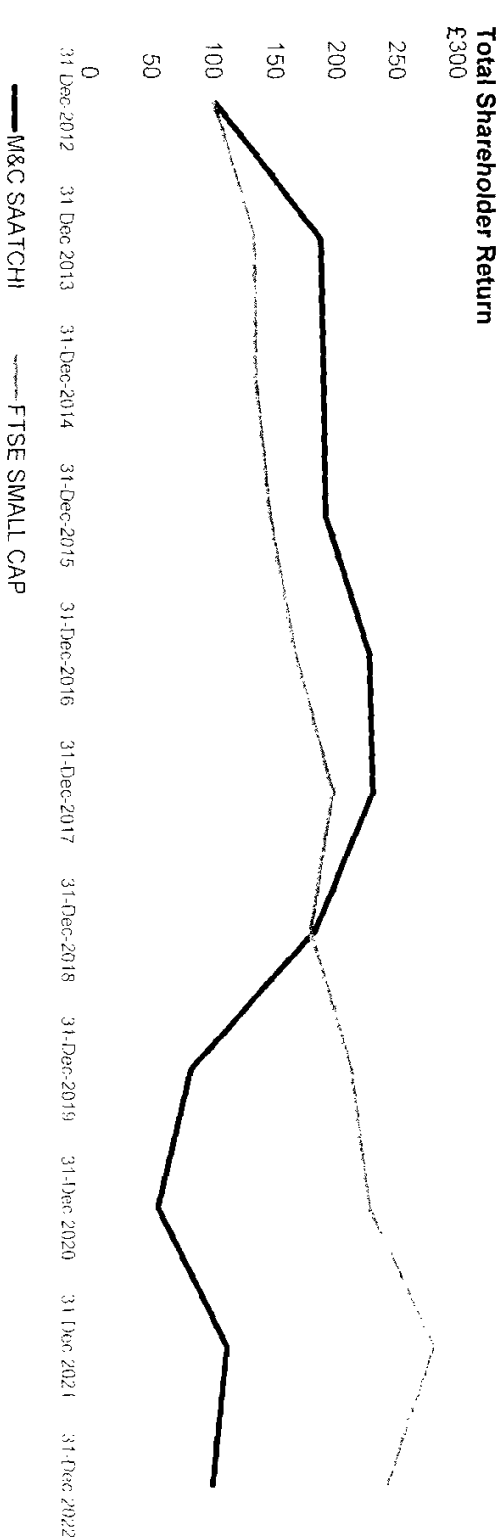
Multiple mechanisms exist across both the Group and its individual companies in order to facilitate this, including participative "all hands" style meetings and various newsletters.

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.

The launch of the Company's first global employee engagement survey in 2022 was key in improving the Board's understanding of employee sentiment.

Performance graph

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
17 April 2023

Directors' report

The Directors present their report together with the audited financial statements of the Group and Company for the year ended 31 December 2022.

Strategic report

The Company's Strategic report is set out on pages 3 to 51 and includes the section 172 statement on pages 29 to 31. The Strategic report contains an indication of likely future developments in the business of the Company and the Group.

Dividends

The Company did not pay a dividend to its shareholders in 2022 (2021: nil). The Company understands the importance of returning capital to shareholders. Given the financial performance during the year, the Board is recommending the payment of a final dividend of 1.5 pence per share.

Subject to shareholder approval at the Annual General Meeting, to be held on 14 June 2023, the dividend will be paid on 12 July 2023 to shareholders on the register of members at 9 June 2023. The shares will go ex-dividend on 8 June 2023.

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

These financial statements have been prepared on the going concern basis, as discussed in the Financial Statements on page 101 and the report of the Audit & Risk Committee on page 65.

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 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 2025. The four 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 first quarter of 2023 onwards. The estimated decline in profit before tax ranges from £22m to £26m compared to the base case plan for the cumulative period ending 31 December 2024, including a £11m to £18m 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 Company 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.

The Company has 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 an option to extend until the fourth anniversary.

At 31 December 2022, the Group held total gross cash of £37m, with bank borrowings of £7.2m (£7.0m drawn down on the Facility and £0.2m local overseas debt). With the borrowing headroom within the Facility of £40m, the Group therefore had liquidity headroom of £77m.

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 £1.3m to £7m over the 12 months to 31 December 2022. The Facility is expected to continue to reduce to zero over the term, before any M&A activity, and the Board expects to agree a new facility in the course of the going concern period.

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 from the lenders.
- Closing loss-making entities.
- Selling unlisted investments, either as a portfolio or individually (at 31 December 2022, these are valued at £12.0m).

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 three-year time horizon (from 31 December 2022) 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 and encompasses three years of detailed forecasts and the maturity of the Facility in 2024 together with its potential one-year extension until 2025.

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 2025.

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 23 to 28 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 (2021: nil).

Directors

The names of the Directors and details of their careers and skills are set out on pages 54 to 56. Details relating to Board meeting attendance and the composition of the committees of the Board are shown in the Governance review on pages 59 to 61.

The Directors of the Company who were in office during 2022 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	13 May 2022
Moray MacLennan	1 January 2021	–
Bruce Marson	12 April 2023	–
Non-Executive Directors		
Gareth Davis	3 February 2020	–
Colin Jones	3 February 2020	–
Lisa Gordon	17 March 2020	–
Louise Jackson	17 March 2020	–
Vinodha Murria	3 March 2021	6 June 2022

The Company's articles of association require a director appointed by the Board to retire at the Company's next Annual General Meeting. In addition, the articles of association require directors to retire at each Annual General Meeting on the basis recommended by the corporate governance code adopted from time to time 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. As the Company has adopted the UK Corporate Governance Code, all of the Directors currently must offer themselves for re-election at each Annual General Meeting.

Streamlined energy and carbon reporting ("SECR")

The UK government's SECR policy was implemented on 1 April 2019. This is the third year that the Group has adopted disclosures on energy and carbon so comparative figures for 2019 onwards are also included. The tables below represent the Group's energy use and associated GHG emissions from electricity and fuel for its UK-based companies for the year ended 31 December 2022.

In the tables below:

- "Scope 1 emissions" cover direct GHG emissions 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 ESG report 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.

Scope 1	2022	2021	2020	2019	
Natural gas utilised	424,097	402,037	398,862	653,930	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)	1,006,537	819,498	793,057	1,204,341	kWh
Electricity (supplied from National Grid without REGO certs)	89,404	119,179	126,562	186,317	kWh
Total electricity (supplied from National Grid)	1,095,941	938,677	919,619	1,390,658	kWh

Corresponding emissions from activities for which the Company is responsible:

	2022	2021	2020	2019	
Scope 1					
Natural gas utilised	78,02	73,74	73,43	120,27	tCO2e
Vehicle operations	-	-	-	-	tCO2e
Fugitive emissions (HVAC refrigeration gas top up)	0,59	-	-	-	tCO2e
Total Scope 1 emissions	78,61	73,74	73,43	120,27	tCO2e
Scope 2 (dual reporting)					
Market-based emissions					
Electricity (supplied from National Grid with REGO certs)	-	-	-	-	tCO2e
Electricity (supplied from National Grid without REGO certs)	17,28	25,84	31,41	48,92	tCO2e
Total electricity (Market based emissions determination)	17,28	25,84	31,41	48,92	tCO2e
Total gross Scope 1 & Scope 2 emissions	95,89	99,58	104,84	169,19	tCO2e
(Market based included)					

Following a recalculation this year, the 2021 gas utilisation figures in the above tables have been restated to reflect a 5% reduction compared to the figures published in last year's Annual Report and Accounts.

Total Scope 2 location-based emissions	2022	2021	2020	2019
Total electricity (supplied from National Grid, UK Grid mix factors)	211.93	203.73	226.35	365.92 tCO ₂ e
Total Scope 1 emissions (as above)	78.61	73.74	73.43	120.27 tCO ₂ e
Total gross Scope 1 & Scope 2 emissions (all location-based included)	290.54	277.47	299.78	486.19 tCO₂e

Energy intensity ratio

The energy intensity ratio used has been based upon the standard measure of tCO₂e (gross Scope 1 + 2) per £100,000 revenue. The intensity ratios from 2019-2022 are as follows:

	2022	2021	2020	2019
Turnover of UK Group companies	£157,928,000	£145,803,000	£134,357,000	£163,297,000
Market based intensity ratio: tCO ₂ e / Gross Scope 1 + 2 / £100,000 revenue	0.061	0.068	0.078	0.104
Location based intensity ratio: tCO ₂ e / Gross Scope 1 + 2 / £100,000 revenue	0.184	0.190	0.223	0.298

The UK Group's Scope 1 and Scope 2 location-based emissions increased by 5% vs 2021 as employees returned to the office following the Covid-19 pandemic. However, market-based emissions reduced by 4% continuing the downward trend from all four reported years. There was an 8% increase in UK Group turnover compared to 2021 so both the location-based intensity ratio (3% reduction) and the market-based intensity ratio (11% reduction) have improved. These intensity-based ratios have also reduced consistently in all reported years.

Energy efficiency action taken in financial year

Previous energy efficiency works in the London head office at 36 Golden Square have included replacing and upgrading the boiler system and the air handling unit, and replacing the lighting systems and fan coil units. These measures became fully operational in 2022.

Social responsibility

Our London head office follows the guidance in the International (Social Responsibility) Standard ISO 26000, is accredited for BS OHSAS 18001, ISO 14001 and is registered with the CIPS Sustainability Index. For information on our broader social responsibility strategy please see the section on "Our focus on planet" on pages 33 to 37.

In addition, the Group is involved with many campaigns (including paid, low bono and pro bono work) that help create a socially responsible world.

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 29 to 31.

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 approved a Group-wide whistleblowing policy in 2021 which is routinely reviewed for efficacy.

Fraud

The Board approved a Group-wide anti-fraud policy in 2021. The Group suffered a payment fraud incident in the US. The fraud identified a control weakness which has since been rectified. Training and coaching were provided to all Financial Controllers within the Group around this type of fraud to ensure that the Group does not suffer such an incident again. The fraud did not result in a significant loss to the Group. A loss of \$2,500 was incurred.

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 29 to 31.

Governance

AIM-listed companies are required to adopt a recognised corporate governance code. The Board has selected the UK Corporate Governance Code 2018, which can be found at 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 62 for the two areas of non-compliance. The Company's Corporate governance report is provided on pages 52 to 99 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.mcsaatchipic.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 and managed accordingly 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 4 April 2023:

Shareholders	Number of ordinary shares	Percentage of the Company's issued share capital
Vinodka Murria	15,237,985	12.46%
Octopus Investments Nominees Limited	13,505,948	11.05%
AdvancedAdvT Limited	12,000,000	9.82%
Paradise Investment Management	9,419,542	7.70%
Invesco	8,949,103	7.32%
Artisan Partners	7,228,648	5.91%
Lord Maurice Saatchi	4,124,882	3.37%
Stonelage 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.mcsaatchipic.com).

Events since the end of the financial year

As part of our simplification strategy, the Group continued to close down small entities including Clear Deutschland GmbH, M&C Saatchi Share Inc and Black & White Strategy Limited.

The Board is recommending the payment of a final dividend of 1.5 pence per share.

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 2022, the Directors were given the authority to purchase up to 12,225,746 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 2022, the Directors were given the authority to issue shares in the capital of the Company up to a maximum nominal amount of £407,524 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 £122,256 (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 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 did not purchase 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 2022. BDO LLP will be seeking reappointment at the Company's Annual General Meeting to be held in 2023.

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 & Company Secretary
M&C Saatchi plc
Company Number 05114893
17 April 2023

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 UK adopted 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 UK adopted 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

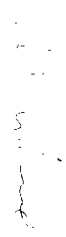
The Directors are responsible for the maintenance and integrity of the Company's website (www.mcsaatchipic.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 the 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
17 April 2023

Bruce Marson
Chief Financial Officer
17 April 2023

Financial statements

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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 financial statements have been prepared on the going concern basis, as discussed in the Directors' Report on pages 90 to 97 and the Report of the Audit & Risk Committee (pages 64 to 69).

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 financial statements.

The Board have formed their opinion after evaluating 5 different severe but plausible forecast scenarios and a reverse stress test, extending to 31 December 2025, comprising:

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; and
5. a reverse stress test case.

These severe but plausible scenarios are assumed to materialise from Q1 2023 onwards. The estimated decline in profit before tax ranges from £22m to £26m compared to the base case plan for the cumulative period ending 31 December 2024, including a £11m to £18m 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 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 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 explained in more detail in the relevant notes to the Group financial statements.

Revenue recognition

The Group applied IFRS 15 Revenue on contracts with customers from the start of 2018.

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 commission-based income in relation to talent performance. 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 the 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 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 Group's share price and the subsidiary's financial performance. 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.

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 (pages 11 to 18), 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 financial statements, management necessarily makes judgements and estimates that can have a significant impact on the 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 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 to start a subsidiary using their unique skills, and there are no indicators it should be accounted for under IFRS 2, then the award is accounted for under IFRS 9.

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. Discounted cash flow models, based on the Group's latest budget and 3 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 (Investments in associates and joint ventures), and note 17 (Leases).

The Group has recognised a total impairment charge of £564k in the year (2021: £3,294k), of which £728k relates to intangibles (2021: £2,937k) and £164k relates to the reversal of a previous impairment of right-of-use assets, for a property which has been sublet in 2022 (2021: £Nil). There was no impairment in the year of plant and equipment (2021: £Nil), or associate investments (2021: £357k).

Significant estimates and assumptions

Some areas of the Group'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 Group has based its assumptions and estimates on parameters available when the financial statements were prepared.

Deferred tax assets

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

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 Group'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

		2022	2021
		Total	Total
		£000	£000
Year ended 31 December	Note		
Billings (unaudited)	4	597,520	533,350
Revenue	4	462,533	394,575
Project cost / direct cost		(191,393)	(145,239)
Net revenue	4	271,140	249,336
Staff costs	5	(198,765)	(172,493)
Depreciation	16,17	(9,326)	(9,196)
Amortisation	14	(1,060)	(1,412)
Impairment charges	14,17	(564)	(2,937)
Other operating charges		(49,474)	(39,573)
Other (losses) / gains	19	(1,403)	3,533
Operating profit		10,548	27,258
Share of results of associates and joint ventures	15	(10)	(190)
Gain on disposal of subsidiaries	11	-	42
Impairment of associate investment	15	-	(357)
Finance income	7	391	260
Finance expense	7	(5,506)	(5,381)
Profit before taxation		5,423	21,632
Taxation	8	(5,178)	(8,459)
Profit for the year		245	13,173
Attributable to:			
Equity shareholders of the Group		90	12,757
Non-controlling interests		155	416
Profit for the year		245	13,173
Profit per share			
Basic (pence)	1	0.07p	10.53p
Diluted (pence)	1	0.07p	9.38p

Headline results			
Operating profit	1	35,388	31,136
Profit before taxation	1	31,833	27,314
Profit after tax attributable to equity shareholders of the Group	1	18,105	13,687
Basic earnings per share (pence)	1	14.81p	11.30p
Diluted earnings per share (pence)	1	13.47p	10.06p
EBITDA		45,168	40,821

The notes on pages 101 to 105 and 114 to 201 form part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

Year ended 31 December	2022	2021
	£000	£000
Profit for the year	245	13,173
Other comprehensive profit*		
Exchange differences on translating foreign operations	4,785	664
Other comprehensive profit for the year net of tax	4,785	664
Total comprehensive profit for the year	5,030	13,837
Total comprehensive profit attributable to:		
Equity shareholders of the Group	4,875	13,421
Non-controlling interests	155	416
Total comprehensive profit for the year	5,030	13,837

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

The notes on pages 101 to 105 and 114 to 201 form part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December	Note	2022 £000	2021 £000
Non-current assets			
Intangible assets	14	41,968	40,499
Investments in associates and JV	15	191	202
Plant and equipment	16	8,310	6,333
Right-of-use assets	17	43,992	44,397
Other non-current assets	18	1,107	1,211
Deferred tax assets	9	5,131	6,777
Financial assets at fair value through profit or loss	19	11,986	15,183
Deferred and contingent consideration	13	914	-
		113,599	114,602
Current assets			
Trade and other receivables	20	132,067	132,741
Current tax assets		3,909	247
Cash and cash equivalents		41,492	69,419
		177,468	202,407
Current liabilities			
Trade and other payables	21	(155,547)	(154,049)
Provisions	22	(1,056)	(1,193)
Current tax liabilities		(481)	(837)
Borrowings	23	(4,430)	(14,737)
Lease liabilities	17	(6,448)	(6,950)
Deferred and contingent consideration	13	-	(984)
Minority shareholder put option liabilities	26/27	(18,419)	(20,788)
		(186,381)	(199,538)
Net current (liabilities) / assets		(8,913)	2,869
Total assets less current liabilities		104,686	117,471
Non-current liabilities			
Deferred tax liabilities	9	(1,245)	(777)
Corporation tax liabilities	9	(856)	-
Borrowings	23	(6,802)	(19,821)
Lease liabilities	17	(49,122)	(49,895)
Minority shareholder put option liabilities	26/27	(4,429)	(11,572)
Other non-current liabilities	24	(4,046)	(2,549)
		(66,500)	(84,614)
Total net assets		38,186	32,857

At 31 December	Note	2022 £000	2021 £000
Equity			
Share capital	28	1,227	1,227
Share premium		50,327	50,327
Merger reserve		37,554	37,554
Treasury reserve		(550)	(550)
Minority interest put option reserve		(2,896)	(6,615)
Non-controlling interest acquired		(32,984)	(29,190)
Foreign exchange reserve		6,638	1,853
Accumulated losses		(21,303)	(22,122)
Equity attributable to shareholders of the Group		38,013	32,484
Non-controlling interest		173	373
Total equity		38,186	32,857

Reserves are defined in note 35.

These consolidated financial statements pages 101 to 201 were approved and authorised for issue by the Board of Directors on 17 April 2023 and signed on its behalf by:



Bruce Marson

Chief Financial Officer

M&C Saatchi plc

Company Number 05114893

The notes on pages 101 to 105 and 114 to 201 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	MI put option reserve £000	Non-controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings / losses £000	Sub total £000	Non-controlling interest in equity £000	Total £000	
At 31 December 2020	Note	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)	(276)
Total transactions with owners	68	5,720	-	-	(1,662)	-	(21)	(29,940)	(25,835)	(276)	(26,111)	(26,111)
Total profit for the year	-	-	-	-	-	-	-	12,757	12,757	416	13,173	13,173
Total other comprehensive income for the year	-	-	-	-	-	-	664	-	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	32,857
Share option charge	27	-	-	-	-	-	-	1,229	1,229	-	1,229	1,229
Amounts paid on settlement of LTP	27	-	-	-	-	-	-	(500)	(500)	-	(500)	(500)
Exercise of put options	26	-	-	-	-	3,719	(3,794)	-	(75)	75	-	-
Dividends	10	-	-	-	-	-	-	-	-	(430)	(430)	(430)
Total transactions with owners	-	-	-	-	3,719	(3,794)	-	729	654	(355)	299	299
Total profit for the year	-	-	-	-	-	-	-	90	90	155	245	245
Total other comprehensive income for the year	-	-	-	-	-	-	4,785	-	4,785	-	4,785	4,785
At 31 December 2022	1,227	50,327	37,554	(550)	(2,896)	(32,984)	6,538	(21,303)	38,013	173	38,186	38,186

The notes on pages 101 to 105 and 114 to 201 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

Year ended 31 December	Note	2022 £000	2021 £000
Operating profit		10,548	27,258
Adjustments for:			
Depreciation of plant and equipment	16	2,480	2,237
Depreciation of right-of-use assets	17	6,846	6,959
Loss on sale of plant and equipment		165	95
Loss on sale of software intangibles		175	824
Revaluation of financial assets at FVTPL	19	1,403	(3,533)
Revaluation of contingent consideration	13	266	532
Amortisation of acquired intangible assets	14	597	965
Impairment of goodwill and other intangibles	14	556	1,900
Impairment and amortisation of capitalised software intangible assets	14	635	1,484
Exercise of share-based payment schemes with cash	26	(500)	–
Equity settled share-based payment expenses	27	1,229	2,235
Operating cash before movements in working capital		24,400	40,956
(Increase) in trade and other receivables		(4,187)	(38,912)
Increase in trade and other payables		9,104	23,434
(Decrease) / increase in provisions		(137)	316
Cash generated from operations		29,180	25,794
Tax paid		(6,712)	(6,844)
Net cash from operating activities		22,468	18,950
Investing activities			
Acquisitions of subsidiaries net of cash acquired	12	–	633
Disposal of associate or subsidiary (net of cash disposed of)	11	–	(2)
Acquisitions of unlisted investments	19	–	(81)
Proceeds from sale of unlisted investments	19	918	209
Proceeds from sale of plant and equipment		–	223
Purchase of plant and equipment	16	(4,383)	(1,789)
Purchase of capitalised software	14	(1,192)	(837)
Interest received	7	391	260
Net cash consumed by investing activities		(4,266)	(1,384)

Net cash from operating and investing activities		18,202	17,566
Financing activities			
Dividends paid to non-controlling interest		(430)	(152)
Cash consideration for non-controlling interest acquired and other options	27	(12,104)	(5,348)
Payment of deferred consideration	13	(1,250)	-
Buyout of equity put options in cash		-	(632)
Payment of lease liabilities	17	(7,307)	(6,210)
Proceeds from bank loans	23	-	9,301
Repayment of bank loans	23	(13,410)	(16,909)
Borrowing costs		-	(602)
Interest paid	7	(1,200)	(1,555)
Interest paid on leases	17	(2,970)	(2,800)
Net cash consumed by financing activities		(38,671)	(24,907)
Net decrease in cash and cash equivalents		(20,469)	(7,341)
Effect of exchange rate fluctuations on cash held		2,711	(55)
Cash and cash equivalents at the beginning of the year		54,979	62,375
Total cash and cash equivalents at the end of the year		37,221	54,979
Cash and cash equivalents		41,492	69,419
Bank overdrafts*	23	(4,271)	(14,440)
Total cash and cash equivalents at the end of the year		37,221	54,979
Bank loans and borrowings**	23	(7,212)	(20,590)
Net cash		30,009	34,389

*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 the lease liability of £55,570k (2021: £56,845k) (note 17)

The notes on pages 101 to 105 and 114 to 201 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 2022	Note	Statutory 2022	Separately disclosed items (note 2)	Amortisation of acquired intangibles (note 14)	Impairment of non-current assets (note 14 & 17)	FVTPL investments under IFRS 9 (note 19)	Revaluation of contingent consideration (note 13)	Dividends paid to IFRS 2 put holders (note 5)*	Put option accounting (note 26 & 27)	Headline results
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Billings (unaudited)		597,520	-	-	-	-	-	-	-	597,520
Revenue		462,533	-	-	-	-	-	-	-	462,533
Net revenue		271,140	-	-	-	-	-	-	-	271,140
Staff costs	5	(198,765)	3,412	-	-	-	-	7,811	1,119	(186,423)
Depreciation	16,17	(9,326)	-	-	-	-	-	-	-	(9,326)
Amortisation	14	(1,060)	-	597	-	-	-	-	-	(463)
Impairments	14,17	(564)	-	-	564	-	-	-	-	-
Other operating charges		(49,474)	9,940	-	-	(272)	266	-	-	(39,540)
Other losses	9	(1,403)	-	-	-	1,403	-	-	-	-
Operating profit		10,548	13,352	597	564	1,131	266	7,811	1,119	35,388
Share of results of associates and JV	15	(10)	-	-	-	-	-	-	-	(10)
Finance income	7	391	-	-	-	-	-	-	-	391
Finance expense	7	(5,506)	-	-	-	456	-	-	1,114	(3,936)
Profit before taxation	3	5,423	13,352	597	564	1,587	266	7,811	2,233	31,833
Taxation	3	(5,178)	(1,982)	(174)	-	(409)	-	-	(47)	(7,790)
Profit for the year		245	11,370	423	564	1,178	266	7,811	2,186	24,043
Non-controlling interests		(155)	-	-	-	-	-	(5,783)	-	(5,938)
Profit attributable to equity holders of the Group**		90	11,370	423	564	1,178	266	2,028	2,186	18,105

* 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.

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.

		Statutory 2021	Separately disclosed items (note 2)	Amortisation of acquired intangibles (note 14)	Impairment of non-current assets (note 14 & 15)	Gain on disposal of subsidiaries and related costs (note 11)	Revaluation of associates on transition to subsidiaries (note 15)	FVTPL investments under IFRS 9 (note 19)	Revaluation of contingent consideration (note 13)	Dividends paid to IFRS 2 put holders (note 5)*	Put option accounting (note 26 & 27)	Headline results
Year ended 31 December 2021	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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 JV	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 the adjustments noted above

Headline results and earnings per share continued

Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of the Company's 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. Where schemes have moved from equity to cash payment and vice-versa the potential dilution is calculated as though they had been in their year-end position for the whole year.

Year ended 31 December 2022	2022	Headline 2022
Profit attributable to equity shareholders of the Group (£'000)	90	18,105
Basic earnings per share		
Weighted average number of shares (thousands)	122,257	122,257
Basic EPS	0.07p	14.81p
Diluted earnings per share		
Weighted average number of shares (thousands) as above	122,257	122,257
Add		
– LTP	905	905
– Put options	11,302	11,302
Total	134,464	134,464
Diluted EPS	0.07p	13.47p
Excluding the put options (payable in cash)	(11,302)	(11,302)
Weighted average number of shares (thousands) including dilutive shares	123,162	123,162
Diluted EPS – excluding items the Group intends and is able to pay in cash	0.07p	14.70p

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
– Restrictive 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
Excluding the deferred consideration (payable in cash)	135,994	135,994
Excluding the put options (payable in cash)	(695)	(695)
Weighted average number of shares (thousands) including dilutive shares	(13,342)	(13,342)
	121,957	121,957
Diluted EPS – excluding items the Group intends and is able to pay in cash	10.46p	11.22p

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 2022 comprise of the following:

	Operating costs £000	Staff costs £000	Taxation £000	After tax total £000
2022				
Takeover transaction costs	9,210	1,623	(1,294)	9,539
Strategic review and restructuring	992	1,789	(688)	2,093
Other	(262)	–	–	(262)
Total separately disclosed items	9,940	3,412	(1,982)	11,370

During 2022, the Company has been subject to two competing bids to take control and full ownership of the business. Managing the Company's response to these two bids has resulted in a number of external advisory costs and a refocusing of several key internal personnel away from the day-to-day running of the business. Included in the above is £811k related to senior management costs (including £360k representing CEO time), as an estimate of time spent on the transaction where they have been unable to undertake other planned strategic activities and day-to-day management of the business. In addition, incremental bonus costs were paid to several key individuals of £594k to reflect the significant additional workload they had to undertake.

In 2022, the Group has commenced a global cost efficiency programme, with the assistance of PricewaterhouseCoopers LLP. The professional fees incurred in relation to this project have been classified as non-Headline (£992k). In addition, within three of the agencies in the Group, a strategic review has been commenced which has resulted in staff redundancy costs in the year (£1,789k).

Other separately disclosed items relate to the release of the provision associated with the Financial Conduct Authority investigation, which is now closed with no enforcement action being taken, the cost of which was previously treated as non-Headline. In addition, legal fees were incurred in relation to a put option.

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

	Operating costs £000	Staff costs £000	Taxation £000	After tax total £000
2021				
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, the Group recognised the repayment of the UK furlough money that was received in 2020 and the forgiveness of the US "PPP" loans that were received in 2020. Included within strategic review and restructuring are 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 the lease surrender expense, due to restructuring of two lease spaces.

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.

The Group's performance is also assessed under a structure of specialisms, and this is reported under two segments: Advertising and High Growth Specialisms, excluding Group Central Costs.

Segmental Information by Geography

	UK	Europe	Middle East and Africa	Asia	Australia	Americas	Group Central Costs	Total
Year Ended 31 December 2022	£000	£000	£000	£000	£000	£000	£000	£000
Net revenue	98,241	15,316	23,368	26,154	52,855	55,206	–	271,140
Operating profit / (loss)	19,528	1,852	2,625	6,951	5,817	9,970	(11,355)	35,388
Operating profit margin	19%	12%	11%	29%	11%	18%	–	13%
Profit / (loss) before tax	17,416	1,832	2,345	6,757	4,904	8,278	(9,699)	31,833

	UK	Europe	Middle East and Africa	Asia	Australia	Americas	Group Central Costs	Total
Year Ended 31 December 2021*	£000	£000	£000	£000	£000	£000	£000	£000
Net revenue	95,104	15,207	20,216	23,324	53,997	41,488	–	249,336
Operating profit / (loss)	17,837	1,929	2,842	7,331	5,832	7,525	(12,160)	31,136
Operating profit margin	19%	13%	14%	31%	11%	18%	–	12%
Profit / (loss) before tax	17,426	1,906	2,430	6,702	5,257	6,441	(12,848)	27,314

* 2021 figures have been restated to bring geographical split of Performance entities in line with internal management reporting.

Included within the Group's revenues is a customer that makes up more than 10% of total revenue, contributing £32.8m (2021: £23.6m). This is included within UK, Americas and within the High Growth Specialisms.

Segmental Information by Specialisms

	Advertising	High Growth Specialisms	Group Central Costs	Total
Year Ended 31 December 2022	£000	£000	£000	£000
Net revenue	124,300	146,840	–	271,140
Operating profit / (loss)	11,728	35,015	(11,355)	35,388
Operating profit margin	9%	24%	–	13%
Profit / (loss) before tax	9,928	31,604	(9,699)	31,833

	Advertising*	High Growth Specialisms*	Group Central Costs	Total
Year Ended 31 December 2021	£000	£000	£000	£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

*In 2022 two agencies were included in High Growth Specialisms, compared to Advertising in 2021. The figures relating to these entities in 2021 were net revenue, £2,623k, operating loss, £175k and loss before tax, £156k.

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 entities within the Group 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 clients, where entities within the Group 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 entities within the Group 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 the gross amount billed with a corresponding amount recorded as an expense.

Treatment of costs

Costs incurred in relation to the fulfilment of a contract are generally expensed as incurred if revenue is recognised over time.

Disaggregation of revenue

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

	Reported		
	2022	2021	2022 vs 2021
	£m	£m	Movement
Revenue			
Specialism			
Advertising*	221.8	193.8	14.5%
Media	36.6	33.1	10.6%
Issues	92.7	87.7	5.7%
Consulting*	45.9	39.5	16.1%
Passions*	65.5	40.5	61.6%
Group	462.5	394.6	17.2%

*Included in 2021 Advertising Revenue is £2,441k relating to an agency recognised in Passions in 2022 and £1,345k relating to an agency recognised in Consulting in 2022.

Revenue Region	Reported		
	2022	2021	2022 vs 2021
	£m	£m	Movement
UK	139.3	101.1	38.1%
Europe	24.9	26.9	(7.5)%
Middle East & Africa	53.0	37.9	39.8%
Asia	39.0	41.3	(5.7)%
Australia	89.5	82.8	8.0%
Americas	116.8	104.6	11.5%
Group	462.5	394.6	17.2%

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 the 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 should be recognised at the point the entity's right to consideration is unconditional, which normally will be at the time the PO is satisfied (which may not be the same as when an invoice is raised).

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 entities within 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

The provision of advertising and marketing services to 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 an entity within 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. 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 entity within the Group enters into retainer fees that relate to arrangements whereby the nature of the entity'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 outcome 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 the Group 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.

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).

Staff costs (including Directors)

Year ended 31 December	2022	2021
	£000	£000
Wages and salaries	156,476	141,615
Social security costs	16,152	13,085
Pension costs	8,833	5,403
Other staff costs*	5,832	6,950
Total	187,293	167,053
Allocations and dividends paid to holders of IFRS 2 put options	1	5,270
Share based incentive plans:		
Cash settled	27	(2,065)
Equity settled	27	2,235
Total share based incentive plans	3,661	170
Total staff costs	198,765	172,493

*Other staff costs include profit share, LTIP charges and other staff benefits.

Staff numbers	2022	2021
UK	772	734
Europe	166	161
Middle East and Africa	421	383
Asia	596	592
Australia	439	465
Americas	340	318
Total	2,734	2,653

These staff numbers are based on the average number of staff throughout the year in 2022.

Pensions

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

Compensation for key management personnel and directors

Key management remuneration	2022	2021
	£000	£000
Wages and salaries	2,214	2,741
Pension costs	53	82
Share based payments*	381	268
Total	2,648	3,091

*Included within share based payments is £174k (2021: £220k) relating to Mickey Kalifa who left the Company in May 2022.

Key management personnel include the Directors and employees responsible for planning, directing and controlling the activities of the Group. Refer to page 83 of the Directors' remuneration report for detail of the Directors' remuneration, including the highest paid Director.

6. Auditors' remuneration

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

Year ended 31 December	2022	2021
	£000	£000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	1,506	1,450
Fees payable to associates of the Company's auditor for the audit of the accounts of subsidiaries	174	237
Audit fees relating to the prior period	300	–
	1,980	1,687
Other services provided by the Auditors:		
Other assurance services – interim agreed upon procedures	25	46
Corporate finance services	499	–
Taxation compliance services	168	66
Taxation advisory services	176	112
	868	224
Total	2,848	1,911

7. Net finance 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, except for the amortisation of loan costs which are recognised over the life of the loan.

Analysis

Year ended 31 December	2022 £000	2021 £000
Bank interest receivable	331	187
Other interest receivable	55	47
Sublease finance income	5	26
Financial income	391	260
Bank interest payable	(1,200)	(1,555)
Amortisation of loan costs	(222)	(130)
Interest on lease liabilities	(2,970)	(2,800)
Valuation adjustment to IFRS 9 put option liabilities (Note 26)	(1,114)	(896)
Financial expense	(5,506)	(5,381)
Net finance expense	(5,115)	(5,121)

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		2022	2021
		£000	£000
Taxation in the year			
UK		730	1,832
Overseas		3,020	4,470
Withholding taxes payable		14	31
Adjustment for (over) / under provision in prior periods		(986)	1,476
Total		2,778	7,809
Deferred taxation			
Recognition of temporary differences		1,719	1,651
Adjustment for under / (over) provision in prior periods		709	(974)
Effect of changes in tax rates		(28)	(27)
Total		2,400	650
Total taxation		5,178	8,459

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

Year ended 31 December	2022	2022	2021	2021
	£000	%	£000	%
Profit before taxation	5,423		21,632	
Taxation at UK corporation tax rate of 19.00% (2019: 19.00%)	1,030	19.0%	4,110	19.0%
Expenses not deductible for tax	1,314	24.2%	386	1.8%
Different tax rates applicable in overseas jurisdictions	1,081	20.0%	1,467	6.8%
Option charges not deductible for tax	1,070	19.7%	925	4.3%
Tax losses for which no deferred tax asset was recognised	834	15.4%	528	2.4%
Impairment with no tax credit	138	2.5%	537	2.5%
Withholding taxes payable	14	0.3%	31	0.1%
Tax effect of associates	2	0.0%	1	0.0%
Effect of changes in tax rates on deferred tax	(28)	-0.5%	(27)	-0.1%
Adjustment for tax (over)/under provision in prior periods	(277)	-5.1%	491	2.3%
Effect of changes in tax rates	-	0.0%	(6)	0.0%
Disposal of subsidiaries on which no tax is charged	-	0.0%	16	0.1%
Total taxation	5,178	95.5%	8,459	39.1%
Effective tax rate	95.5%		39.1%	

Large variations in future tax rates of the statutory accounts are expected due to significant items such as share-based payments (option charges) and put options being non-deductible against corporation tax as a result of these items being capital in nature.

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

- Expenses not deductible for tax: in 2022 two parties tried to acquire the Company and a proportion of the defence costs was disallowable due to their being capital in nature. This increased the non-deductible expenses. In addition, as the world returned to normal following the Covid-19 pandemic, there was increased client entertaining which is disallowable for corporation tax purposes. There were also capital allowances resulting from office refurbishment that could not be claimed.
- Option charges include dividends paid to those shareholders in the subsidiary companies that also have a put option arrangement in place within that entity, which are not deductible for tax: the Group's 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 nor on the payment of the dividends.
- Different tax rates applicable in overseas jurisdictions. The Group operates in multiple locations round the world where tax rates are higher than the UK, e.g. Australia (30%) and USA (between 21% to 28%).
- The net effect of the adjustment for current and deferred tax in prior periods is a release of an over provision of £279k (2021: £491k under provision) of total tax charge.
- Impairment with no tax credit. On most of the acquisitions no tax benefit was received from the acquisition of goodwill. During the period some of the goodwill was impaired with no future tax benefit of such impairments.

Looking forward, UK corporation tax will increase from 19% to 25% from April 2023. Large variations in future tax rates are expected 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

As can be seen in the Headline tax reconciliation, the largest drivers of Headline tax charge are the local entities' profitability with central costs being incurred in the UK, a lower tax market, and profits being made in higher tax countries such as Australia and USA.

Our Headline tax rate has reduced from 26.6% to 24.5%. The reduction is due to the use of prior years' tax losses (caused in part by the Covid-19 pandemic) to offset current profitability and an increase in profits from countries with lower tax rates, partly offset by increased expenditure on disallowable costs.

Year ended 31 December	2022		2021	
	£000	%	£000	%
Headline profit before taxation (Note 1)	31,833		27,314	
Taxation at UK corporation tax rate of 19.00% (2021: 19.00%)	6,048	19.0%	5,189	19.0%
Different tax rates applicable in overseas jurisdictions	1,297	4.1%	1,510	5.4%
Tax losses for which no deferred tax asset was recognised	683	2.1%	528	1.9%
Expenses not deductible for tax	781	2.5%	386	1.4%
Effect of changes in tax rates on deferred tax	29	0.1%	(230)	-0.8%
Withholding taxes payable	14	0.0%	31	0.1%
Tax effect of associates	2	0.0%	(44)	-0.2%
Adjustment for tax (over)/under provision in prior periods	(246)	-0.8%	502	1.8%
Non-controlling interest share of partnership income	(818)	-2.6%	(595)	-2.2%
Effect of changes in tax rates	–	0.0%	(6)	0.0%
Headline taxation (Note 1)	7,790	24.5%	7,271	26.6%
Headline effective tax rate	24.5%		26.6%	

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

	2022	2021
At 31 December	£000	£000
Deferred tax assets	5,131	6,777
Deferred tax liabilities	(1,245)	(777)
Net deferred tax	3,886	6,000

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 2022 and 2021.

	Intangibles	Capital allowances	Tax losses	Purchased investments	Working capital differences	Total
	£000	£000	£000	£000	£000	£000
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	(1,150)	–	71	–	–	(1,079)
At 31 December 2021	(977)	1,377	3,777	(1,232)	3,055	6,000
Exchange differences	124	(15)	(198)	–	375	286
Income statement (charge) / credit	484	581	(1,561)	238	(2,142)	(2,400)
At 31 December 2022	(369)	1,943	2,018	(994)	1,288	3,886

Based on the 2023 budget and 3-year plans, approved by the Board, the Group has reviewed the deferred tax asset created by tax losses for their recoverability. Where the Group believes such losses may not be recoverable they have not been recognised on the balance sheet and have been included in unrecognised deferred tax assets.

Within the local entities £1,556k (2021: £3,101k) 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 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
At 31 December 2022						
Deferred tax assets	706	1,943	2,304	–	1,734	6,687
Deferred tax liabilities	(1,075)	–	(286)	(994)	(446)	(2,801)
Net deferred tax	(369)	1,943	2,018	(994)	1,288	3,886

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 IFRS16 (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 future projections so it is an estimate.

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

	Deferred Losses £000	tax impact £000
At 1 January 2022	6,426	1,457
Exchange differences	772	180
Written off in year	(1,158)	(326)
Losses utilised in year	(1,653)	(465)
Losses in year	6,246	1,299
At 31 December 2022	10,633	2,145

Expiry date of losses:

	2022 £000	2021 £000
One to five years	24	-
Five to ten years	565	648
Ten years or more	1,556	809
Total	2,145	1,457

10. Dividends

Policy

Interim dividends are recognised when they have been approved by the Board and are legally payable. Final dividends are recognised when they have been approved by the shareholders at the Company's Annual General Meeting.

No interim or final dividends were declared for 2021. No interim dividends were declared in 2022.

A final dividend of 1.5 pence per share has been recommended by the Board, which is a total amount of £1,834k. The final dividend, if approved at the Company's Annual General Meeting on 14 June 2023, will be paid on 12 July 2023 to all shareholders on the Company's register of members as at 9 June 2023. The ex-dividend date for the shares is 8 June 2023.

The payment of this dividend will not have any tax consequences for the Group.

11. Disposals

Policy

Disposals of entities in the Group are accounted for in accordance with IFRS 10.25. 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; and
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

Analysis

There were no disposals in 2022.

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, which was communicated to the market and to shareholders. This process continued into 2021, with four entities either ceasing trading or being divested. These entities were Creative Spark (Pty) Ltd, M&C Saatchi PR LLP, M&C Saatchi Marketing Arts Ltd and Create Collective PTE Ltd. These entities contributed £39k of losses to the 2021 results.

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

	2022	2021
	£000	£000
Plant and equipment	-	2
Trade and other receivables	-	21
Cash and cash equivalents	-	2
Trade and other payables	-	(67)
Add net liabilities	-	(42)
Gain on disposal of subsidiaries	-	42

Within note 1 in 2021, there are costs of £125k that relate to severance and legal fees for the disposal.

12. Acquisitions of subsidiaries

There were no acquisitions in 2022.

On 2 February 2021, the Group acquired two entities that were previously associates, 40% of M&C Saatchi (Hong Kong) Ltd and 25.1% of Santa Clara Participações Ltda. In addition, on 1 January 2021, the Group 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) Ltd are marketing agencies, these qualify as a business as defined in IFRS 3.

The amounts recognised in 2021, 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 liabilities	(343)	(736)	–	(1,079)
Total identifiable assets acquired and liabilities assumed	2,357	(89)	–	2,268
Plus: goodwill	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	–	6,890
Net cash outflow arising on acquisition:				
Cash and cash equivalent balances acquired	750	513	29	1,292
	750	513	29	1,292

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 recorded at fair value in line with IFRS 13 (note 29).

The balances are 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	2022 £000	2021 £000
Current		
Deferred consideration		
Levergy Marketing Agency (Pty) Limited	-	(984)
Total current	-	(984)
Assets		
	2022 £000	2021 £000
Non-current		
Contingent consideration		
Saatchinvest Ltd	914	-
Total non-current	914	-

Movements in liabilities in the year		2022	2021
		£000	£000
At 1 January		(984)	(1,679)
Exchange differences		–	48
Charged to the income statement *		(266)	(532)
Conditional consideration paid in cash **		1,250	659
Conditional consideration paid in equity		–	520
At 31 December		–	(984)
* £266k revaluation of deferred consideration due to Leverage Marketing Agency (Pty) Limited on payment			
** £1,250k paid to Leverage Marketing Agency (Pty) Limited.			
Movements in assets in the year			
	2022	2021	
	£000	£000	
At 1 January	–	–	
Reclassification from financial assets at fair value through profit or loss (note 19) ***	914	–	
At 31 December	914	–	

*** The £914k of contingent consideration relates to the sale of Dataset Ltd ("Dataset"), one of the entities in the Group's portfolio of unlisted companies, in which it held a 5.18% shareholding. The sale to Verve Group took place in July 2022, and £779k of cash was received as initial consideration. Verve Group is part of Media and Games Invest Se ("MGI"), a Swedish company which is listed on the Nasdaq Market in Stockholm and in the Scale segment of the Frankfurt Stock Exchange. Two further tranches of consideration may be received, on which the Group has undertaken a probability assessment in determining the value recognised:

Tranche 2:

Up to £534k to be received as cash or MGI shares. The exact amount to be received will be reduced proportionately based on:

- 1) one or both of the two Dataset founders leaving the employment of Dataset before July 2025,
- 2) if they leave, the terms and timing of their departures,
- 3) whether the consideration is paid in cash or shares. Receiving shares results in a maximum consideration of £534k rather than £485k, and the minimum is 0.

Tranche 3:

Up to £924k to be received as cash or MGI shares as part of an earn-out calculation. The earn-out consideration is dependent on Dataset's 2024 net revenue and must be paid by August 2025. The contingent consideration was calculated following a review of Dataset's future prospects and potential net revenues and involved sensitivity analysis of different revenue scenarios. Receiving any earn-out consideration is also dependent on the two founders remaining employed by Dataset until July 2025. The maximum consideration which could be received for tranche 3 is £1,458k and the minimum is 0, this has been valued at £426k.

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 subsumed.

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.

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 2023 budget and 3-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 2022 %	Residual growth rates 2021 %	Pre-tax discount rates 2022 %	Pre-tax discount rates 2021 %
UK	1.5	1.5	16-18	14-17
Asia and Australia	1.5	1.5	15-18	16-19
Middle East	1.5	1.5	15	17
India	1.5	1.5	23	23
South Africa	1.5	1.5	27	28
Europe	1.5	1.5	12	15
Americas	1.5	1.5	14-16	15-18

Analysis

	Goodwill £000	Brand name £000	Customer relationships £000	Software and film rights £000	Total £000
Cost					
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
Exchange differences	2,258	169	355	145	2,927
Acquired	–	–	200	992	1,192
Disposal	–	–	–	(678)	(678)
At 31 December 2022	60,694	8,363	14,606	3,691	87,354
Accumulated amortisation and impairment					
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
Exchange differences	489	28	57	113	687
Amortisation charge	–	104	493	463	1,060
Impairment	556	–	–	172	728
Disposal	–	–	–	(503)	(503)
At 31 December 2022	23,505	7,261	12,045	2,575	45,386
Net book value					
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
At 31 December 2022	37,189	1,102	2,561	1,116	41,968

Goodwill	Cash generating units (CGUs)	31 December		Region	Specialism
		2022	2021		
		£000	£000		
	Shepardson Stern + Kaminsky LLP	5,899	5,375	Americas	Advertising
	LIDA NY LLP (MCD)	5,821	5,198	Americas	Consulting
	Clear Ideas Ltd	5,031	5,031	Europe	Consulting
	M&C Saatchi Mobile Ltd	4,283	4,283	UK	Media
	M&C Saatchi Agency Pty Ltd (Australia)	2,863	2,719	Australia	Various
	M&C Saatchi Social Ltd	2,612	2,612	UK	Passions
	M&C Saatchi (Hong Kong) Limited*	2,506	2,806	Asia	Advertising
	Bohemia Group Pty Ltd (Australia)	1,904	1,812	Australia	Media
	M&C Saatchi Advertising GmbH	1,376	1,306	Europe	Advertising
	M&C Saatchi Sport & Entertainment Ltd	1,184	1,184	UK	Passions
	Levergy Marketing Agency (PTY) Limited (South Africa)	860	820	Middle East and Africa	Passions
	M&C Saatchi Merlin Ltd	765	765	UK	Passions
	M&C Saatchi Middle East Fz LLC (Dubai)	765	684	Middle East and Africa	Advertising
	M&C Saatchi Talk Ltd	625	625	UK	Advertising
	Santa Clara Participações Ltda	624	529	Americas	Advertising
	M&C Saatchi (M) SDN BHD	71	68	Asia	Advertising
	Scarecrow Communications Ltd*	-	159	Asia	Advertising
Total		37,189	35,976		

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

The 2022 review of goodwill was undertaken as at 31 December, and resulted in the impairments of M&C Saatchi (Hong Kong) Limited £396k and Scarecrow Communications Ltd £160k (2021: £500k).

The following sensitivity analysis has been performed, showing the impairment required, if the profit forecasts reduced and the discount rates increased. The CGUs included in this sensitivity analysis are those for which a reasonably possible change in a key assumption could give rise to impairment, being Bohemia Group Pty Ltd (Australia), Levergy Marketing Agency (PTY) Limited (South Africa), M&C Saatchi (Hong Kong) Limited and Santa Clara Participações Ltda (Brazil). These entities remain at risk of impairment.

Discount rates increased by	Annual profit forecast reduced by			
	0%	10%	20%	30%
0%	-	603	2,114	3,490
1%	-	1,272	2,653	3,913
3%	1,072	2,345	3,519	4,593
5%	2,069	3,168	4,184	5,116

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.

Analysis

Region & Name	Nature of business	Country of incorporation or registration	Investment in associates		Proportion of ownership interest held at 31 December	
			2022	2021	2022	2021
Europe			£000	£000		
Cometis SARL *	Advertising	France	56	-	49%	-
M&C Saatchi Little Stories SAS	PR	France	-	-	25%	25%
M&C Saatchi SAL	Advertising	Lebanon	-	-	10%	10%
Asia and Australia						
Love Frankie Ltd	Advertising	Thailand	135	202	25%	25%
February Communications Private Limited	Advertising	India	-	-	20%	20%
M&C Saatchi Limited	Advertising	Japan	-	-	25%	25%
Total			191	202		

* In January 2022, as a result of two put option arrangements, the Group acquired a 49% holding in Cometis SARL, a French company

M&C Saatchi SAL has the following subsidiaries: M&C Saatchi Mena and Al Dallah For Creativity & Design LLC.

All shares in associates are held by subsidiary companies in the Group. Where an associate has the right to use the brand name, the Group holds the right to withdraw such use, to protect it from damage.

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

Balance sheet value as at 31 December		2022	2021
		£000	£000
Investments intended to be held in the long term		191	202
Investments categorised as held-for-sale		-	-
Total associate investments		191	202
Balance sheet movements			
		2022	2021
		£000	£000
At 1 January		202	2,829
Exchange movements		(1)	(10)
Transferred to subsidiary		-	(2,407)
Revaluation of associates on transition to subsidiaries		-	(234)
Acquisition of associates		-	338
Impairment of associate		-	(357)
Share of (loss) / profit after taxation		(10)	43
At 31 December		191	202
Income statement			
		2022	2021
		£000	£000
Share of (loss) / profit after taxation		(10)	43
Revaluation of associates on transition to subsidiaries		-	(233)
Share of result of Associates and Joint Ventures		(10)	(190)
Impairment of associate investment		-	(357)
Year to 31 December		(10)	(547)

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

	2022			2021		
	Asia £000	Europe £000	Total £000	Asia £000	Europe £000	Americas £000
Income statement						
Revenue	4,006	712	4,718	4,240	2,580	148
Operating profit / (loss)	765	165	930	940	71	(14)
Profit / (loss) before taxation	(201)	143	(58)	215	71	(25)
Profit / (loss) after taxation	(208)	113	(95)	174	49	(32)
Group's share	(65)	55	(10)	43	12	(12)
Dividends received	-	-	-	-	-	-
	2022			2021		
	Asia £000	Europe £000	Total £000	Asia £000	Europe £000	Americas* £000
Balance sheet						
Total assets	1,557	151	1,708	1,410	804	-
Total liabilities	(1,088)	(38)	(1,126)	(914)	(854)	-
Net assets / (liabilities)	469	113	583	496	(50)	-
Our share	117	56	173	124	(12)	-
Losses not recognised	13	-	13	12	12	-
Goodwill	5	-	5	66	-	-
Total	135	56	191	202	-	-

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

Analysis

	Leasehold improvements	Furniture, fittings and other equipment	Computer equipment	Motor vehicles	Total
Cost	£000	£000	£000	£000	£000
At 31 December 2020	8,490	4,021	4,845	17	17,373
Exchange differences	(114)	(48)	(86)	21	(227)
Additions	145	266	1,352	26	1,789
Additions – business combinations	3	152	177	29	361
Disposals	(1,228)	(473)	(456)	(15)	(2,172)
At 31 December 2021	7,296	3,918	5,832	78	17,124
Exchange differences	324	121	259	4	708
Additions*	1,145	1,674	1,551	13	4,383
Disposals	(1,596)	(1,066)	(404)	–	(3,066)
At 31 December 2022	7,169	4,647	7,238	95	19,149
Depreciation					
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
Exchange differences	230	53	183	3	469
Depreciation charge	990	381	1,087	22	2,480
Disposals	(1,579)	(926)	(396)	–	(2,901)
At 31 December 2022	3,671	2,163	4,964	41	10,839
Net book value					
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
At 31 December 2022	3,498	2,484	2,274	54	8,310

* The additions in 2022 relate mainly to Australia for the lease that was entered into at the end of 2021 (£745k of Leasehold Improvements and £1,225k of furniture, fittings and other equipment)

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

	Note	2022 £000	2021 £000
From plant and equipment	16	2,480	2,237
From right-of-use assets	17	6,846	6,959
		9,326	9,196

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 the 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 asset's 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.

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 sublease income on a straight-line basis over the lease term. The Group accounts for finance leases as finance lease receivables, using the effective interest rate method.

Short-term leases and leases of low-value assets

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

Estimates relating to leases

The Group has made estimates in 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 105.

Analysis

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

	Land & Buildings £000	Computer equipment £000	Motor vehicles £000	Total £000
Right-of-use assets				
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 1 January 2022	43,892	422	83	44,397
Additions	3,966	395	134	4,495
Modifications	950	–	24	974
Disposals	(96)	(116)	(49)	(261)
Depreciation	(6,495)	(267)	(84)	(6,846)
Reversal of impairment	164	–	–	164
Sublease	(164)	–	–	(164)
Foreign exchange	1,203	29	1	1,233
At 31 December 2022	43,420	463	109	43,992

Lease liabilities	Land & Buildings £000	Computer equipment £000	Motor vehicles £000	Total £000
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)	0	(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 1 January 2022	56,332	445	68	56,845
Additions	3,966	395	134	4,495
Modifications	260	–	24	284
Disposals	(132)	(94)	(50)	(276)
Accretion of interest	2,945	21	4	2,970
Payments	(9,889)	(308)	(80)	(10,277)
Foreign exchange	1,508	20	1	1,529
At 31 December 2022	54,990	479	101	55,570

*This relates to lease disposals which were reclassified to Provisions in 2021.

The additions in 2022 predominately relate to the new offices in Berlin (Germany), Sydney and Melbourne (Australia).

Of lease payments made in the year of £10,277k (2021: £9,010k), £7,307k (2021: £6,210k) related to payment of principal on the corresponding lease liabilities and the balance to payment of interest £2,970k (2021: £2,800k) due on the lease liabilities.

Lease liabilities	Land & Buildings £000	Computer equipment £000	Motor vehicles £000	Total £000
Amounts due within one year	6,196	196	56	6,448
Amounts due after one year	48,794	283	45	49,122
At 31 December 2022	54,990	479	101	55,570
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

Income statement charge	2022 £000	2021 £000
Depreciation of right-of-use assets	(6,846)	(6,959)
Short-term lease expense	(505)	(300)
Low-value lease expense	(68)	(263)
Short-term sublease income	–	94
Right-of-use asset impairment*	164	–
Charge to operating profit	(7,255)	(7,428)
Sublease finance income	5	26
Lease liability interest expense	(2,970)	(2,800)
Lease charge to profit before tax	(10,220)	(10,202)

*This is the reversal of an impairment from 2020, as the impaired asset was sublet during 2022.

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.

The cash payment maturity of the lease liabilities held as at 31 December 2022, net of sublease receipts, is as follows:

Future cash payments	2022 £000	2021 £000
Period ending 31 December:		
2023	9,026	8,074
2024	8,149	6,730
2025	7,870	6,689
2026	6,935	5,922
2027	6,415	5,716
Later years	31,363	30,227
Gross future liability before discounting	69,758	63,358

Of the future lease payments post-2027, £21.8m relates to a single office lease which expires in 2034. This lease agreement was entered into in December 2019.

18. Other non-current assets

At 31 December	2022	2021
	£000	£000
Other debtors including rent deposits	1,107	1,113
Loans to employees	–	98
Total other non-current assets	1,107	1,211

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 held by other shareholders and discounting for convertible loan notes.

Analysis

The unlisted equity investments held by Saatchinvest Ltd mainly relate to 18 (2021: 20) early-stage companies. The Group also owns 10% of one UK company, 59A Limited (via Alive & Kicking Global Limited). In addition, overseas investments are owned by:

- M&C Saatchi International Holdings BV, which owns a 10% shareholding in Austraille SAS and a 0.76% shareholding in Sesión Tequila Holdings Pty Ltd (Australia).
- M&C Saatchi Agency Pty Ltd (Australia), which also owns a 2.1% shareholding in Sesión Tequila Holdings Pty Ltd.
- M&C Saatchi European Holdings Limited, which owns a 10% shareholding in M&C Saatchi Madrid SL (Spain).

With regards to the early-stage non-client investments, the most the Group has 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.

The activity in the year relating to the equity investments held at FVTPL is presented below:

	2022	2021
	£000	£000
At 1 January	15,183	11,410
Additions	–	501
Disposals	(918)	(209)
Gain/loss on disposal	1,168	–
Impairment	(2,863)	–
Revaluation upwards	3,016	4,255
Revaluation downwards	(2,724)	(722)
Reclassification to contingent consideration (note 13)	(914)	–
Foreign exchange	38	(52)
At 31 December	11,986	15,183

Other gains/(losses) in income statement		2022	2021
		£000	£000
Revaluations		292	3,533
Gain/loss on disposal		1,168	-
Impairment		(2,863)	-
Total		(1,403)	3,533

In 2022, there were no additions and the disposals related to companies in the Saatchinvest portfolio. £918k of cash was received in respect of the disposals, which resulted in a gain on disposal of £1,168k. Within this, £779k related to the disposal of Dataset, and as part of this disposal there was an additional amount of contingent consideration recognised, refer to note 13 for further detail.

An impairment of £2,863k was recognised relating to the investment in StreetTeam Software Limited (Pollen). The £3,016k revaluation upwards and £2,705k of the revaluation downwards relates to the unlisted investments held by Saatchinvest Ltd. £1,741k of the revaluation upwards relates to Picasso Labs, Inc. and £1,484k of the revaluation downwards relates to Citymapper Limited.

Other revaluation movements relate to investments held by both the Australian business and M&C Saatchi International Holdings B.V. in Sesion Tequila Holdings Pty Ltd.

Within the value of £11,986k above, investments with a value of £6,082k have no price points since 1 January 2021. The absence of a market transaction means the Group has less reliable information on which to base its estimate of fair value, as in many cases there is limited quantitative financial information available as the Group is a small minority shareholder in early stage businesses. There is a greater degree of judgement and exposure to future movements in fair value upwards and downwards on these investments in particular, as is evident in the case of some of the 2022 downwards revaluations, 85% of which result from fair value movements on 2 investment holdings.

In 2021 there were additions of £501k, within this £420k relates to a 10% shareholding in an unlisted investment, Australe SAS, acquired as part of a share for share exchange and the remainder related to additions of £81k by Saatchinvest Ltd. In 2021, the £209k disposal was of a company in the Saatchinvest portfolio and it resulted in neither a gain nor a loss on disposal.

The Group's 10% shareholdings in M&C Saatchi Madrid SL and 59A Limited are all 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.

	2022 £000	2021 £000
Trade receivables	97,431	86,302
Loss allowance	(1,829)	(877)
Net trade receivables	95,602	85,425
Prepayments	4,890	2,664
Amounts due from associates	38	123
VAT and sales tax recoverable	167	52
Other receivables*	31,370	44,477
Total trade and other receivables	132,067	132,741

*Other receivables comprises accrued income of £12.7m (31 December 2021: £13.9m), 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 £2.2m (31 December 2021: £2.4m), unbilled media receivables balances of £12.3m (31 December 2021: £23.3m) and other amounts receivable of £4.3m (31 December 2021: £4.9m). There is no additional ECL recorded in relation to these amounts.

Set out below is the movement in the loss allowance (which includes provision for expected credit losses) of trade receivables and contract assets.

	2022 £000	2021 £000
As at 1 January	(877)	(677)
Release / (increase) for expected losses during the year	96	(40)
Movement in forward looking provision for specific bad debts:		
- Charge during the year	(1,469)	(375)
- Released during the year	421	190
Utilisation of provision	0	25
Year-end provision	(1,829)	(877)

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.

	2022 £000	2021 £000
Trade creditors	50,437	36,578
Contract liabilities	20,502	18,939
Sales taxation and social security payables	3,495	6,059
Accruals	67,601	75,466
Other payables	13,512	17,007
Total trade and other payables	155,547	154,049

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.

The year-end provision of £1.1m (2021: £1.2m) comprises of costs relating to the tax liabilities in Kenya of £0.3m (2021: £0.2m), and income protection schemes of £0.5m (2021: £0.6m), and £0.3m (2021: £0.4m) in relation to property dilapidations.

	2022 £000	2021 £000
At 1 January	(1,193)	(666)
Reclassification*	–	(346)
Charged to the income statement:		
- Overseas sales taxation and social security liabilities	(92)	(16)
- Income protection provision	(92)	(165)
Utilised or released in the year		
- Lease dilapidations	21	–
- Release associated with the FCA investigation	300	–
At 31 December	(1,056)	(1,193)

*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.

As at the end of 2022 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.

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. Where there is a significant change to the future cash flows, the EIR is reassessed with a corresponding change in the carrying amount of the amortised cost. The change in the carrying amount is recognised in profit or loss as income or expense.

Interest payable is included within accruals as a current liability.

Analysis

Amounts due within one year

	2022 £000	2021 £000
At 31 December		
Overdrafts*	(4,271)	(14,440)
Local bank loans	(159)	(297)
	(4,430)	(14,737)

* These overdrafts can be legally offset with other cash balances. However, they have not been netted off in accordance with IAS32.42 as there is no intention to settle on a net basis.

Amounts due after one year

	2022 £000	2021 £000
At 31 December		
Local bank loans	(52)	(293)
Secured bank loans	(6,750)	(19,528)
	(6,802)	(19,821)

Secured bank loans

On 31 May 2021, the Company entered into a revolving multicurrency facility agreement with National Westminster Bank Plc and Barclays Bank PLC for up to £47m (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 an option to extend until the fourth anniversary. At 31 December 2022, the Group had up to £47.0m (2021: £47.0m) of funds available under the Facility.

The Facility includes two financial covenants, which if either were to be breached would result in a default of the agreement:

- 1 Interest Cover – EBIT for the previous 12 months must exceed 5 times the net finance charge (external debt interest, excluding IFRS16 finance lease interest payments) for the previous 12 months.
- 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 reduced to 3.0 times from 31 March 2022, 2.5 times from 30 June 2022, and reduces to 2.0 times from 31 March 2023.

	2022	2021
At 31 December	£000	£000
Gross secured bank loans	(7,000)	(20,000)
Capitalised finance costs	250	472
Total secured bank loans	(6,750)	(19,528)

Total secured bank loans are due as follows:

	2022	2021
At 31 December	£000	£000
In one year or less, or on demand	–	–
In more than one year but not more than five years	(6,750)	(19,528)
	(6,750)	(19,528)

Total bank loans and borrowings used to calculate net cash are as follows. IFRS 16 Leases is excluded from the calculation of net cash in accordance with the Group's bank covenants:

	Gross secured bank loans £000	Local bank loans £000	Total bank loans* £000
At 31 December 2020	(27,271)	(2,357)	(29,628)
Cash movements	7,608	-	7,608
Acquisitions – business combinations	-	(468)	(468)
Non-cash movements			
– Foreign exchange	(337)	35	(302)
– Other**	-	2,200	2,200
At 31 December 2021	(20,000)	(590)	(20,590)
Cash movements	13,000	410	13,410
Non-cash movements			
– Foreign exchange	-	(32)	(32)
At 31 December 2022	(7,000)	(212)	(7,212)

* The borrowing used to calculate net cash

** Other includes the forgiveness of the US Paycheck Protection Program (PPP) loans.

24. Other non-current liabilities

	2022	2021
31 December	£000	£000
Employment benefits*	1,846	1,108
Long term bonuses	1,362	1,014
Other**	838	427
	4,046	2,549

*This relates to long term service leave in some locations, deferred contributions to pension schemes and long-term bonus plans. In addition, a termination indemnity plan in Italy of £535k (2021: £547k); this liability is for the 13th month salary accrual for all Italian employees to be paid to them when they leave the Company; this was included in 'other' in 2021, reclassified within the table for comparability

**The main items include a contractual make good liability in relation to the Australia office lease of £690k (2021: £116k).

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 contingent consideration (note 13) (value 2022 Nil), 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. The Board made the decision during 2021 that put options would, from then on, be settled in cash, where the Group has cash resources to do so. In the case of the L TIP schemes, it is the Board's intention that an Employee Benefit Trust is set up to acquire the shares and fulfil these schemes using the acquired equity.

In the table below, potential cash payments are presented, based on the 2022 year-end share price of the Company of 151.0p and the estimated future business performance for each business unit. The payments are stated in the year at which the put option schemes first become exercisable. The forecasts are based on the Group's three-year plans, developed as part of the budget cycle, and assume all TSR targets are fulfilled, and that equity is bought by the Employee Benefit Trust in the year of vesting at a Company share price of 151.0p. The table also shows the amount of these potential cash payments that has been recognised as a liability as at 31 December 2022, with the % of the related employment services not yet delivered to the Group at that date.

Total future expected liabilities as at 31 December 2022

Potentially payable										Services not yet delivered as at 31 Dec 2022	Balance sheet liability as at 31 Dec 2022
										%*	£000
At Company share price of 151.0p											
2023											
£000											
2024											
£000											
2025											
£000											
2026											
£000											
2027											
£000											
2028											
£000											
Total											
£000											
IFRS 9 put option schemes										16%	3,856
IFRS 2 put option schemes										7%	18,992
LTIPs										72%	—**
17,498											
4,541											
3,254											
2,932											
924											
740											
29,889											

*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.

**L TIPs are accounted for as equity-settled, and thus do not create a balance sheet liability. The 2025 value of £2,881k relates to the L TIPs issued in December 2022, the new awards have increased the total potentially payable in the table below, compared to the previous forecast issued with the interim financial statements.

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 not exercise their options on the dates estimated in the table above.

If the Group 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.

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 Company share price	Potentially payable						Total £000
	2023 £000	2024 £000	2025 £000	2026 £000	2027 £000	2028 £000	
At 151p	£17,498	£4,541	£3,254	£2,932	£924	£740	£29,889
At 160p	£18,324	£4,804	£3,453	£2,978	£979	£784	£31,322
At 175p	£19,746	£5,241	£3,787	£3,102	£1,071	£858	£33,805
At 200p	£22,323	£5,970	£4,342	£3,522	£1,224	£981	£38,362
At 225p	£24,800	£6,598	£4,896	£3,941	£1,377	£1,103	£42,715
At 250p	£27,226	£7,176	£5,451	£4,360	£1,530	£1,226	£46,969
At 300p	£32,121	£8,332	£6,561	£5,199	£1,836	£1,471	£55,520

26. Minority shareholder put option liabilities (IFRS 9)

Policy

See below but also Basis of Preparation note on pages 102 to 103.

Some of the subsidiaries' local management have a put option arrangement in place. The put option arrangements give these employees a right to exchange their minority holdings in the subsidiary into shares in the Company or cash (at the Group's choice).

These schemes are considered as rewarding future business performance and, as they are not conditional on the holder being an employee of the business, they are accounted for in accordance with IFRS 9.

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. Current liabilities are determined by the Company's year-end share price and the historical results of the companies where the option holders can exercise within the next twelve months. Non-current liabilities are determined by the Company's year-end share price and the projected results of the companies where the option holders cannot exercise their options within the next twelve months.

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.

Analysis

IFRS 9 put options exercisable from year ended 31 December 2022:

Subsidiary	% of subsidiaries' shares	
	Year	exercisable
M&C Saatchi (Switzerland) SA	2023	21.0
M&C Saatchi Merlin Ltd	2023	15.0
Santa Clara Participações Ltda	2023	25.0
Santa Clara Participações Ltda	2026	24.9
This Film Studio Pty Ltd	2023	30.0

It is the Group's option to fulfil these options in equity or cash and it is the Group's present intention to fulfil the options in cash (if available). However, if they are fulfilled in equity, the estimated number of the Company shares that will be issued to fulfil these options at 151.0p is 2,553,018 shares (2021: at 168.50p, 3,108,605 shares would need to be issued).

Liability as at 31 December	2022 £000	2021 £000
Amounts falling due within one year	(2,584)	(3,238)
Amounts falling due after one year, but less than three years	(1,272)	(2,000)
	(3,856)	(5,238)

Movement in liability during the year	2022 £000	2021 £000
At 1 January	(5,238)	(2,782)
Exchange difference	(1)	16
Exercises	2,497	424
Acquisitions	–	(2,000)
Income statement charge due to:		
– Change in profit estimates	(970)	(399)
– Change in Company share price	406	(497)
– Amortisation of discount	(550)	–
Total income statement charge (Note 7)	(1,114)	(896)
At 31 December	(3,856)	(5,238)

Put options exercised in year	2022 £000	2021 £000
Paid in equity	–	424
Paid in cash	2,497	–
Total	2,497	424

During the year the put options for 25.9% of Bohemia Group Pty Limited and 15.0% of Resolution Design Pty Limited were exercised, and the equity was acquired by the Group.

27. Share-based payments (IFRS 2)

Policy

See below but also Basis of Preparation note on pages 102 to 103.

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 relevant subsidiary, or where the holder received the option as a result of employment with the relevant subsidiary, 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 the date of grant, risk free rate, the historic volatility of the share price, the dividend yield and the 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 a put option arrangement includes a business continuation 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 share premium.

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.

Conversion from equity-settled to cash-settled

Before 21 September 2021 the Group had settled the options using equity, where there was a choice to cash settle or equity-settle. The Board made the decision that put options from that date would be settled in cash, where cash resources are available to do so. Up to 21 September 2021, the Group accounted for these put options as equity-settled. From 21 September 2021, the Group accounted for these put options as cash-settled.

The transition from equity-settled to cash-settled required a fair value assessment on the day of the modification and a movement between equity and liabilities.

Where, for an unvested scheme that existed at 21 September 2021, the Company's share price multiple (the market condition) at the inception of the option is higher than the current Company's share price multiple, then the difference is charged to the income statement.

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	<i>Booked to staff costs</i>	<i>Booked to staff costs</i>
Liability of the put option	<i>Booked to equity (no impact on net assets)</i>	<i>Booked to liabilities (reduces net assets)</i>
Recognition of the cost	<i>Spread evenly between the date the put option is issued and the date the put option vests. No further costs after vesting date.</i>	<i>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.</i>
Revaluation adjustments	<i>Adjusted by changes in the profit of the subsidiary only.</i>	<i>Adjusted by changes in the profit of the subsidiary and the relevant share price multiple.</i>
Exercise of put option	<i>New Company shares issued to put option holders.</i>	<i>Cash issued to put option holders.</i>

Summary of schemes

The Group has the following share-based payment schemes:

- Put options – from 21 September 2021 these put options have been accounted for as cash settled.
- South African equity purchased with non-recourse loans – some of the South African subsidiaries have sold equity to staff 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 14,009k (2021 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 in the prior year.
- 2021 L TIP awards - on 28 September 2021 and 21 December 2021, the Group awarded equity-settled L TIPs to senior executive managers. This scheme grants a future award of the Company's shares, dependent on the achievement of certain future performance conditions:
 - Group's total shareholder return (TSR) versus the total shareholder return (TSR) 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 PBT performance in 2023 versus target (30% of the award).
- 2022 L TIP awards - on 12 December 2022, the Group awarded equity-settled L TIPs to senior executive managers. This scheme grants a future award of the Company's shares, dependent on the achievement of certain future performance conditions:
 - Group's total shareholder return (TSR) versus the total shareholder return (TSR) of the FTSE Small Cap Index over the 3 years from December 2021 to December 2024 (50% of the award).
 - Group's full year Headline PAT performance per share in 2023 versus target (50% of the award).
- Restrictive share awards - the two cash awards made to the previous Chief Financial Officer on his recruitment were converted to restrictive share awards on 28 September 2021, based on the 45 day average share price to 28 May 2021 of 137.7p. On departure of the previous Chief Financial Officer a partial payment was made in cash. At 31 December 2022 there are no restrictive awards in existence.

For the LTIPs it is intended that an Employee Share Option Plan (Employee Benefit 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:

	2022	2021	2021
	LTIP	LTIP	LTIP
Issue date	12/12/2022	21/12/2021	28/09/2021
Vesting date	31/05/2025	21/12/2024	28/09/2024
Share price at grant	£1.48	£1.63	£1.56
Expected volatility	76%	80%	81%
Risk free rate	3.32%	0.67%	0.51%
Dividend yield	0%	0%	0%
Fair value of award per share	£1.47	£1.62	£1.55

TSR element against FTSE Small Cap index:

Expected volatility	291%	147%	158%
Fair value of award per share	£0.63	£0.72	£0.67

Income statement charge

	2022 Equity £000	2022 Cash £000	2022 Total £000	2021 Equity £000	2021 Cash £000	2021 Total £000
Put options to 21 September 2021 - equity settled	-	-	-	1,283	-	1,283
Put options from 22 September 2021						
– imputed equity charge due to transition	-	-	-	779	-	779
– charge/(credit) since transition (see below)	580	432	1,012	-	(797)	(797)
South Africa non-recourse loan scheme	-	107	107	-	(40)	(40)
Total not affecting headline results (Note 1)	580	539	1,119	2,062	(837)	1,225
Release of cash award due to leaver (Note 1)	-	-	-	-	(2,598)	(2,598)
LTI Ps	438	-	438	135	-	135
Restrictive share awards	211	-	211	38	-	38
Cash awards	-	1,893	1,893	-	1,370	1,370
Total	1,229	2,432	3,661	2,235	(2,065)	170

Total put option liability

	2022 Total £000	2021 Total £000
Put options liability (IFRS 2)	(18,992)	(27,122)
Put options liability (IFRS 9)	(3,856)	(5,238)
Total put options (Note 25)	(22,848)	(32,360)
Current - Minority shareholder put option liabilities	(18,419)	(20,788)
Non-current - Minority shareholder put option liabilities	(4,429)	(11,572)
Total	(22,848)	(32,360)

Cash-settled liability

The movement in the liability by scheme is detailed below:

	Put options	South Africa non-recourse loan scheme	Cash awards	Total
	£000	£000	£000	£000
At 1 January 2021	-	(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)
(Charge) / credit to income statement	(692)	-	(1,043)	(1,735)
- Straight-line recognition	(3,382)	-	(327)	(3,709)
- Change in subsidiary profit estimates	4,871	40	-	4,911
- Change in Company multiple	797	40	(1,370)	(533)
Total income state (charge) / credit	-	-	2,598	2,598
Reversal of charge caused by employee resignation	4,859	-	489	5,348
Settled	(66)	37	-	(29)
Foreign exchange	(27,122)	(468)	(326)	(27,916)
At 31 December 2021				
(Charge) / credit to income statement	(963)	-	(1,893)	(2,856)
- Straight-line recognition	(1,858)	(231)	-	(2,089)
- Change in subsidiary profit estimates	2,389	124	-	2,513
- Change in Company multiple	(432)	(107)	(1,893)	(2,432)
Total income statement charge	8,553	-	1,054	9,607
Settled	9	(23)	-	(14)
Foreign exchange	(18,992)	(598)	(1,165)	(20,755)
At 31 December 2022				

Cash consideration for non-controlling interest acquired and other options

	2022 Total £000	2021 Total £000
Put options liability (IFRS 2)	(9,607)	(5,348)
Put options liability (IFRS 9)	(2,497)	-
Total cash consideration for non-controlling interest acquired and other options	(12,104)	(5,348)

Put Options		Vesting	% Entity subject to the put option
Clear Deutschland GmbH	2024	20.00%	
Clear Deutschland GmbH	2026	20.00%	
Clear Ideas (Singapore) Ltd	2023	10.00%	
Clear Ideas Ltd – B1 shares	Vested	5.00%	
Clear Ideas Ltd – B2 shares	Vested	5.00%	
Clear LA LLC	Vested	12.00%	
FCINQ SAS	Vested	11.62%	
Greenhouse Australia Pty Ltd	2023	8.53%	
Greenhouse Australia Pty Ltd	2024	4.80%	
Human Digital Ltd	2023	23.00%	
Human Digital Ltd	2024	17.00%	
LIDA NY LLP (MCD)	Vested	24.50%	
M&C Saatchi (Hong Kong) Limited	Vested	20.00%	
M&C Saatchi AB	Vested	30.00%	
M&C Saatchi Advertising GmbH	2023	4.10%	
M&C Saatchi Agency Pty Ltd	Vested	10.00%	
M&C Saatchi Fluency Limited*	2026	7.50%	
M&C Saatchi Fluency Limited*	2027	10.00%	
M&C Saatchi Fluency Limited*	2028	2.50%	
M&C Saatchi Holdings Asia Pte Ltd (Indonesia)	2024	27.40%	
M&C Saatchi Holdings Asia Pte Ltd (Indonesia)	2026	22.50%	
M&C Saatchi Merlin Ltd	2023	15.00%	
M&C Saatchi Middle East Holdings Ltd	Vested	20.00%	
M&C Saatchi Share Inc	Vested	20.00%	
M&C Saatchi Social Ltd	2023	16.00%	
M&C Saatchi Spencer Hong Kong Limited	2024	30.00%	
M&C Saatchi Sport & Entertainment Ltd	Vested	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 LTD	Vested	10.00%	
M&C Saatchi Sports & Entertainment GmbH	Vested	7.00%	
M&C Saatchi Talk Ltd	Vested	39.00%	
M&C Saatchi Talk Ltd	2023	10.00%	
M&C Saatchi World Services LLP	Vested	15.00%	
M&C Saatchi, S.A. DE C.V.	2023	40.00%	

Majority LLC	2024	8.00%
RE Team Pty Ltd	Vested	13.00%
RE Worldwide UK Ltd	Vested	43.20%
Scarecrow M&C Saatchi Ltd	Vested	49.00%
The Source (W1) LLP	Vested	10.00%
The Source Insight Australia Pty Ltd	2025	35.00%
Thread Innovation Ltd	2027	10.00%
Thread Innovation Ltd	2028	10.00%

¹New scheme in year.
At any point in time, the valuation of certain put option schemes may be in dispute with the put option holders who have challenged the valuation of the schemes. We believe we have taken a prudent position in assessing the liabilities, and therefore consider any adverse outturn to be unlikely. As at 31 December 2022, the maximum aggregate liability that is not accrued amounts to £2.4m (2021: £nil), which is approximately 10% of the put option liability.

L TIP and Restrictive Shares

Shares issuable

During the year the Group also awarded L TIPs and settled restrictive share awards.

The table below shows the number of shares that the Company will issue at the Company's share price at 31 December 2022 of 151.0p (2021 : 168.5p) assuming all awards under the L TIPs are held to their vesting date and fully vest.

Number of Shares	L TIP '000	Restrictive shares '000	Total '000
At 1 January 2022	1,927	799	2,726
Forfeited on departure	(556)	–	(556)
Vested and reclassification to cash settled scheme on employee departure	–	(799)	(799)
Granted or amended	1,904	–	1,904
At 31 December 2022	3,275	–	3,275

Shares issuable used in these accounts

	2022 Number of shares '000	Note	2022 Share price used	2021 Number of shares '000	2021 Share price used
Per EPS calculation	1	905	163p	828	141.6p
Share based payments	27	3,275	147p-162p	2,726	155p-162p

The share-based payments calculation (note 27) uses the number of shares that could be issued at the first possible 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 unchanged share option charge at start of year and the share of profits that is allocatable to the equity during the year. Where the 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 that will be issued 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 Company reacquires its own equity instruments (treasury shares), the consideration paid is deducted from equity attributable to the Company's shareholders and recognised within the treasury reserve.

Analysis

	Number of shares	1p Ordinary shares £000
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. Ltd	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
No issue of shares	-	-
At 31 December 2022	122,743,435	1,227

The Group holds 485,970 (2021: 485,970) of the above Company shares in treasury.

29. Fair value measurement

Policy

See also basis of preparation on page 104.

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 £200k (2021: £3,819k). 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.

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 2022 and 31 December 2021:

At 31 December 2022	Level 1 £000	Level 2 £000	Level 3 £000
Financial assets			
Equity investments at FVTPL	-	-	11,986
Contingent consideration	-	-	914
Total	-	-	12,900

At 31 December 2021	Level 1 £000	Level 2 £000	Level 3 £000
Financial assets			
Equity investments at FVTPL	-	-	15,183

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
At 1 January 2022	15,183
Disposals	(918)
Gain on disposal	1,168
Revaluations	292
Impairment	(2,863)
Currency movements	38
At 31 December 2022	12,900

Valuation and sensitivity to valuation

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Where appropriate such valuations are performed in consultation with third-party valuation specialists for complex calculations.

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. Within the value of £12,900k above, £6,082k have no price points in the past 12 months. 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:

	Increase/ (decrease) in fair value of asset 2022 £000	Increase/ (decrease) in fair value of asset 2021 £000
Adjusted share price		
+10%	1,290	1,519
-10%	(1,290)	(1,519)

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:

	Decrease in fair value of asset 2022	Decrease in fair value of asset 2021
Risk adjusted sales price	£000	£000
-30% sales discount due to illiquid nature*	(3,870)	(4,556)
-12% risk discount for unwilling market place**	(1,084)	(1,276)
Value after discounts	7,946	9,353

* 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 contract assets, trade and other receivables, cash and cash equivalents, contract liabilities, trade and other payables, loans and borrowings, minority interest 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 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 (MI) put options.

Exposure to market risk arises in the normal course of the Group's business.

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 2022		Increase/ (decrease) in profit after tax 2022		Increase/ (decrease) in profit before tax 2021		Increase/ (decrease) in profit after tax 2021	
	£000		£000		£000		£000	
USD +10%	848		727		362		214	
USD -10%	(771)		(661)		(330)		(195)	
AUD +10%	490		321		526		349	
AUD -10%	(446)		(292)		(478)		(317)	

The year-end and average exchange rates to GBP for the significant currencies are as follows:

Currency	Year-End Rate		Average Rate	
	2022	2021	2022	2021
USD	1.21	1.35	1.20	1.35
AUD	1.77	1.86	1.77	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 the Group can sell to clients in a freely convertible currency. Within the 2022 year-end cash balances the Group holds £1,242k in Indian Rupees; £524k in Libyan Dinars; and £3,725k in South African Rands.

30.4 – Interest rate risk

The Group is exposed to interest rate risk because it holds a banking facility of up to £47m and a net overdraft facility of up to £2.5m, both based on floating interest risks. 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 before tax for the year ended 31 December 2022 would (decrease)/increase by £(35)k / £35k (2021: £(100)k / £100k). 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 SONIA + 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 come 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 current year 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.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Group

	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	over 5 years
	£000	£000	£000	£000	£000
At 31 December 2022					
Trade and other payables*	(93,060)	(34,996)	(2,508)	(976)	(10)
Lease liabilities	(2,256)	(6,770)	(8,149)	(21,220)	(31,363)
Loans and borrowings	(59)	(100)	(6,802)	-	-
Overdrafts	(4,271)	-	-	-	-
IFRS 9 put options	-	(2,584)	-	(1,272)	-
Total	(99,746)	(44,350)	(17,459)	(23,468)	(31,373)

* excludes taxes as these are not considered financial instruments and contract liabilities as these are not financial liabilities

	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	over 5 years
	£000	£000	£000	£000	£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

Company

	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	over 5 years
	£000	£000	£000	£000	£000
At 31 December 2022					
Trade and other payables	(5,190)	-	-	-	-
Overdrafts	(4,271)	-	-	-	-
Loans and borrowings	-	-	(6,750)	-	-
Total	(9,461)	-	(6,750)	-	-

At 31 December 2021	Up to 3 months £000	3 to 12 months £000	1 to 2 years £000	2 to 5 years £000	over 5 years £000
Trade and other payables	(3,551)	(361)	(292)	(161)	–
Loans and borrowings	–	–	–	(19,528)	–
Total	(3,551)	(361)	(292)	(19,689)	–

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 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 and the risk of default is considered low.

Impairment

The Group has one principal class of assets in scope for expected credit loss test, trade receivables.

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 2022 or 31 December 2021 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 as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables under IFRS 15.

31 December 2022	Trade receivables					Total
	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 (£000s)	70,673	25,496	9,333	2,701	4,124	112,327

Calculated expected credit loss provision (£'000's)	11	3	2	14	146	176
Specific further loss allowances (£'000's)	-	-	-	-	1,653	1,653
Total loss allowance (£'000's)	11	3	2	14	1,799	1,829

31 December 2021	Trade receivables						Total
	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 (£'000's)	72,941	19,200	6,107	956	3,302	102,506	
Calculated expected credit loss provision (£'000's)	11	2	1	5	117	136	
Specific further loss allowances (£'000's)	-	-	-	-	741	741	
Total loss allowance (£'000's)	11	2	1	5	858	877	

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 the Group has 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 has used put option awards to incentivise certain local key management (who are non controlling interest). 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.

31. Group companies

Key

* This subsidiary company is exempt from the requirements relating to the audit of individual accounts for the year ended 31 December 2022 by virtue of Section 479A of the Companies Act 2006. M&C Saatchi plc (the "Company") will guarantee the debts and liabilities of the subsidiary company in accordance with Section 479C of the Companies Act 2006.

** Entities where all equity is directly held by the Company, all other subsidiary companies' equity is either in part or wholly held via subsidiaries of the Company.

As at 31 December 2022	Country	Company Number	Registered Office Address	Specialism	Effective % ownership 2022
United Kingdom					
LIDA (UK) LLP*	United Kingdom	OC395890	36 Golden Square, London, W1F 9EE	Advertising	100
LIDA Limited*	United Kingdom	03860916	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi (UK) Limited*	United Kingdom	03003693	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Accelerator Limited*	United Kingdom	09660056	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Export Limited*	United Kingdom	03920028	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Marketing Arts Limited*	United Kingdom	03357727	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi PR International Limited*	United Kingdom	08838406	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi PR Limited*	United Kingdom	07280464	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi PR UK LLP*	United Kingdom	OC362334	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Shp Limited*	United Kingdom	09660100	36 Golden Square, London, W1F 9EE	Advertising	100
M&C Saatchi Talk Limited*	United Kingdom	04239240	36 Golden Square, London, W1F 9EE	Advertising	51

The Source (London) Limited*	United Kingdom	07140265	36 Golden Square, London, W1F 9EE	Advertising	100
The Source (W1) LLP*	United Kingdom	OC384624	36 Golden Square, London, W1F 9EE	Advertising	90
This Is Noticed Limited*	United Kingdom	11843904	36 Golden Square, London, W1F 9EE	Advertising	68.5
Clear Ideas Consultancy LLP*	United Kingdom	OC362532	36 Golden Square, London, W1F 9EE	Consulting	90
Clear Ideas Limited*	United Kingdom	04529082	36 Golden Square, London, W1F 9EE	Consulting	90
M&C Saatchi Fluency Limited*	United Kingdom	12863921	36 Golden Square, London, W1F 9EE	Consulting	80
M&C Saatchi Life Limited*	United Kingdom	14336008	34-36 Golden Square, London, W1F 9EE	Consulting	100
Influence Communications Limited*	United Kingdom	04917646	36 Golden Square, London, W1F 9EE	Consulting	95
Re Worldwide Ltd*	United Kingdom	10503044	36 Golden Square, London, W1F 9EE	Consulting	56.8
Thread Innovation Limited*	United Kingdom	13510974	36 Golden Square, London, W1F 9EE	Consulting	80
Alive & Kicking Global Limited*	United Kingdom	11250736	36 Golden Square, London, W1F 9EE	Dormant	100
Black & White Strategy Limited*	United Kingdom	11295145	36 Golden Square, London, W1F 9EE	Dormant	100
H2R Research Limited*	United Kingdom	11668322	36 Golden Square, London, W1F 9EE	Dormant	85
Human Digital Limited*	United Kingdom	07510403	36 Golden Square, London, W1F 9EE	Issues	60
M&C Saatchi World Services LLP*	United Kingdom	OC364842	36 Golden Square, London, W1F 4EE	Issues	85
M&C Saatchi WS .ORG Limited*	United Kingdom	10896282	36 Golden Square, London, W1F 9EE	Issues	85

Tricycle Communications Limited*	United Kingdom	07643884	36 Golden Square, London, W1F 9EE	Issues	85
M&C Saatchi Network Limited* & **	United Kingdom	07844657	36 Golden Square, London, W1F 9EE	Group Central Costs	100
Saatchiinvest Ltd*	United Kingdom	07498729	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M&C Saatchi International Holdings B.V.	United Kingdom	24295679 (FC024340)	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M&C Saatchi European Holdings Limited*	United Kingdom	05982868	36 Golden Square, London, W1F 9EE	Group Central Costs	96
M&C Saatchi German Holdings Limited*	United Kingdom	06227163	36 Golden Square, London, W1F 9EE	Group Central Costs	100
M&C Saatchi International Limited*	United Kingdom	03375635	36 Golden Square, London, W1F 4EE	Local Central Costs	100
M&C Saatchi Middle East Holdco Limited*	United Kingdom	09374189	36 Golden Square, London, W1F 4EE	Local Central Costs	80
M&C Saatchi WMH Limited*	United Kingdom	03457658	36 Golden Square, London, W1F 9EE	Local Central Costs	100
M&C Saatchi Worldwide Limited*	United Kingdom	02999983	36 Golden Square, London, W1F 9EE	Local Central Costs	100
FYND Media Limited*	United Kingdom	10104986	36 Golden Square, London, W1F 9EE	Media	100
M&C Saatchi Mobile Limited*	United Kingdom	05437661	36 Golden Square, London, W1F 9EE	Media	100
M&C Saatchi Merlin Limited*	United Kingdom	03422630	36 Golden Square, London, W1F 9EE	Passions	70
M&C Saatchi Social Limited* & **	United Kingdom	09110893	36 Golden Square, London, W1F 9EE	Passions	84
M&C Saatchi Sport & Entertainment Limited*	United Kingdom	03306364	36 Golden Square, London, W1F 9EE	Passions	75
Europe					

M&C Saatchi (Switzerland) SA	Switzerland	660-0442009-4	Boulevard Des Promenades 8, 1227, Carouge, Geneva, Switzerland	Advertising	76
M&C Saatchi AB	Sweden	556902-1792	Skeppsbron 16, 11130, Stockholm, Sweden	Advertising	70
M&C Saatchi Advertising GmbH	Germany	95484	Munzstrasse 21-23, 10178, Berlin, Germany	Advertising	96
M&C Saatchi Digital GmbH	Germany	137809	Munzstrasse 21-23, 10178, Berlin, Germany	Advertising	100
M&C Saatchi Gol AB	Sweden	559076-6076	Skeppsbron 16, 11130, Stockholm, Sweden	Advertising	70
M&C Saatchi PR AB	Sweden	559103-4201	Skeppsbron 16, 11130, Stockholm, Sweden	Advertising	70
M&C Saatchi PR S.r.l.	Italy	IT08977250961	V Le Monte Nero 76, Milano, 20135, Italy	Advertising	100
M&C Saatchi SPA	Italy	IT07039280966	V Le Monte Nero 76, Milano, 20135, Italy	Advertising	100
Clear Deutschland GmbH	Germany	113523	C/O Wework, Taunusanlage 8, 60329, Frankfurt Am Main, Germany	Consulting	57
M&C Saatchi Sport & Entertainment Benelux B.V.	Netherlands	860734560	Keizersgracht, 81015CN, Amsterdam	Passions	100
M&C Saatchi Sports & Entertainment GmbH	Germany	142905	Munzstrasse 21-23, 10178, Berlin, Germany	Passions	93
Middle East and Africa					
Black & White Customer Strategy (Pty) Limited	South Africa	211/005659/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1

Creative Spark Interactive (Pty) Limited**	South Africa	2010/016508/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1
Dalmatian Communications (Pty) Limited**	South Africa	2015/396439/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1
M&C Saatchi Abel (Pty) Limited	South Africa	2009/022172/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50
M&C Saatchi Africa (Pty) Limited**	South Africa	2013/037719	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De Waterkant, Cape Town, South Africa	Advertising	50.1
M&C Saatchi FZ LLC	United Arab Emirates	177	PO Box: 77932, Abu Dhabi, United Arab Emirates	Advertising	80
M&C Saatchi Middle East FZ LLC	United Arab Emirates	30670	M&C Saatchi, Penthouse, Building 1, Twofour54, PO Box 77932, Abu Dhabi, United Arab Emirates	Advertising	80
Razor Media (Pty) Limited	South Africa	2017/177757/07	9 8 th Street, Houghton, Johannesburg, Gauteng, 2198, South Africa	Advertising	49
M&C Saatchi Bahrain W.L.L	Bahrain	74157	51, 122, 1605, 316, Manama Center	Dormant	100
M&C Saatchi Connect (Pty) Limited**	South Africa	2013/037737/07	Media Quarter, 5 th Floor, Corner, Somerset And De Smit Street, De	Media	50.1

				Waterkant, Cape Town, South Africa		
Levergy Marketing Agency (Pty) Limited**	South Africa	2005/021589/07		9 8 th Street, Houghton, Johannesburg, Gauteng, 2198, South Africa	Passions	70
Asia						
Design Factory Sdn Bhd	Malaysia	201001034805		No. 15B, 2 nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor Darul Ehsan, Malaysia	Advertising	100
M&C Saatchi Advertising (Shanghai) Limited	China	91310000740556813A		Room 248, Floor 2, Unit 5, No. 11, Wanchang Road, New Lingang Area, China (Shanghai) Pilot Free Trade Zone, China	Advertising	80
M&C Saatchi (Hong Kong) Limited	Hong Kong	509500		Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point, Hong Kong	Advertising	80
M&C Saatchi Spencer Hong Kong Limited	Hong Kong	2661802		1 st Floor, Catic Plaza, No. 8 Causeway Road, Causeway Bay, Hong Kong	Advertising	70
M&C Saatchi Communications Pvt Limited	India	U74300DL2005PTC141682		Flat No 270-D, Pocket C Mayur Vihar Phase II, New Delhi, 110091, India	Advertising	94.8
Scarecrow M&C Saatchi Limited**	India	U22190MH2008PLC188548		2 nd Floor, Kamani Chambers 32 Ramji Bhai Kamani Marg, Ballard Estate Mumbai, Mumbai City, MH 400038 IN, India	Advertising	51

PT. MCS Saatchi Indonesia	Indonesia	576/11U/PMA/2018	Dea Tower 1 Mezanine Floor, Jl. Mega Kuningan Kav. e4.3 No.1-2, Kuningan Timur, Setiabudi, Jakarta Selatan, 12920, Indonesia	Advertising	50.1
M&C Saatchi (M) Sdn Bhd	Malaysia	606116-D	No.15b, 2 nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor, Malaysia	Advertising	100
M&C Saatchi Source (M) SDN BHD	Malaysia	1313653-D	No.15b, 2 nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor, Malaysia	Advertising	100
Watermelon Production Sdn Bhd	Malaysia	1083441 -M	No.15b, 2 nd Floor, Jalan Tengku Ampuan, Zabedah F9/F, Section 9, 40100 Shah Alam, Selangor, Malaysia	Advertising	100
M&C Saatchi World Services Pakistan (Pvt) Ltd	Pakistan	0081911	48m, Block 6, P.Ec.H.S, Karachi, Pakistan	Issues	43
M&C Saatchi (S) Pte Limited	Singapore	199504816C	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Advertising	100
Clear Ideas (Singapore) Pte Limited	Singapore	201020335R	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Consulting	86
Clear Asia Limited	Hong Kong	1289028	6 th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong	Dormant	95
Re HK Lim ted	Hong Kong	2699219	Rm 2610, 26/F Prosperity, Millennia	Dormant	100

M&C Saatchi World Services (Singapore) Pte Limited	Singapore	202104508W	Plaza, 663 King's Rd, North Point, Hong Kong	Issues	85
M&C Saatchi Asia Limited	Hong Kong	1959819	59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore	Local Central Costs	100
M&C Saatchi Holdings Asia Pte Limited	Singapore	20172 5519K	Rm 2610, 26/F Prosperity, Millennia Plaza, 663 King's Rd, North Point, Hong Kong	Local Central Costs	50.1
M&C Saatchi Mobile India LLP	India	AAK-8869	1 Coleman Street, #05-06a, The Adelphi, 179803 Singapore	Media	100
M&C Saatchi Mobile Asia Pacific Pte Limited	Singapore	201410399M	141b First Floor, Cl House Shahpur Jat, New Delhi, 110049, India	Media	100
Australia			59 Mohamed Sultan Road, #02-08, Sultan-Link, Singapore		
1440 Agency Pty Limited	Australia	100 473 363	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Bellwether Global Pty Limited	Australia	114 615 226	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Brands In Space Pty Limited	Australia	129 800 639	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Elastic Productions Pty Limited	Australia	635 737 861	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Go Studios Pty Limited	Australia	092 941 878	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90

Greenhouse Australia Pty Limited	Australia	629 584 121	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	78
Hidden Characters Pty Limited	Australia	108 886 291	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	85.5
LIDA Australia Pty Limited	Australia	125 908 009	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
M&C Saatchi Direct Pty Limited	Australia	072 221 811	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
M&C Saatchi Melbourne Pty Limited	Australia	004 777 379	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	89.9
M&C Saatchi Sydney Pty Limited	Australia	637 963 323	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Park Avenue PR Pty Limited	Australia	604 298 071	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Resolution Design Pty Limited	Australia	621 985 288	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	90
Saatchi Ventures Pty Limited	Australia	614 007 957	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	54
The Source Insight Australia Pty Limited	Australia	618 841 928	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	58.5
This Film Studio Pty Limited	Australia	624 003 541	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	63

Tricky Jigsaw Pty Limited	Australia	069 431 054	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	88
Ugly Sydney Pty Limited	Australia	618 242 710	99 Macquarie Street, Sydney, NSW 2000, Australia	Advertising	67.5
Re Team Pty Limited	Australia	105 887 321	99 Macquarie Street, Sydney, NSW 2000, Australia	Consulting	78.8
Yes Agency Pty Limited	Australia	621 425 143	99 Macquarie Street, Sydney, NSW 2000, Australia	Consulting	78.8
eMCSaatchi Pty Limited	Australia	089 856 093	99 Macquarie Street, Sydney, NSW 2000, Australia	Dormant	90
World Services (Australia) Pty Limited	Australia	629 191 420	C/O Walker Wayland Services Pty Ltd, Suite 11.01, Leve 11, 60 Castlereagh St, Sydney NSW, Australia	Issues	85
M&C Saatchi Agency Pty Limited	Australia	069 431 054	99 Macquarie Street, Sydney, NSW 2000, Australia	Local Central Costs	90
M&C Saatchi Asia Pac Holdings Pty Limited	Australia	097 299 020	99 Macquarie Street, Sydney, NSW 2000, Australia	Local Central Costs	100
Bohemia Group Pty Limited	Australia	154 100 562	99 Macquarie Street, Sydney, NSW 2000, Australia	Media	90
M&C Saatchi Sport & Entertainment Pty Limited	Australia	139 568 102	99 Macquarie Street, Sydney, NSW 2000, Australia	Passions	81
Americas					
Agência Digital Zeroacem Ltda	Brazil	NIRE-3522979148	Rua Wisard, 305, Vila Madalena, 3 Andar-Con,	Advertising	46

				Sao Paulo, 05434-080, Brazil		
CSZ Comunicação Ltda	Brazil	03.910.644/0001-05		Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao Paulo, 05434-080, Brazil	Advertising	50.1
Lily Participações Ltda	Brazil	21.188.539/0001-96		Avenida Brigadeiro Faria Lima, 1355, Jardim Paulistano 16 Andar, Sal, Sao Paulo, 01452-919, Brazil	Advertising	100
M&C Saatchi Brasil Participações Ltda	Brazil	10.570.593/0001-85		Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao Paulo, 05434-080, Brazil	Advertising	100
M&C Saatchi, S.A. DE. C.V	Mexico	N-2017052183		Darwin 74, Piso 1, Miguel Hidalgo, 11590 Ciudad de México, CDMX, Mexico	Advertising	60
Majority LLC	USA	5445173		874 Walker Rd Ste C, Dover, Kent, Delaware 19904 USA	Advertising	92.32
Santa Clara Participações Ltda	Brazil	09.349.720/0001-31		Rua Wisard, 305, Vila Madalena, 3 Andar-Con, Sao Paulo, 05434-080, Brazil	Advertising	50.1
Shepardson Stern + Kaminsky LLP	USA	4656653		80 State Street, Albany, 12207-2543, New York, USA	Advertising	100
Clear USA LLC	USA	20-8599548		138 West 25 th Street, Floor 5, New York, NY 10001, USA	Consulting	95
LIDA NY LLP (MCD)	USA	4902983		138 West 25 th Street, Floor 5, New York, NY 10001, USA	Consulting	75.5

Clear LA LLC	USA	6241713	2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, USA	Dormant	95
Clear NY LLP	USA	30-0891764	1209 Orange Street Wilmington, Delaware 19801, USA	Dormant	95
LIDA USA LLP	USA	6333479	251 Little Falls Drive, Wilmington, New Castle, 19808Delaware, USA	Dormant	100
M&C Saatchi NY LLP	USA	45-4683918	874 Walker Rd Ste C, Dover, Kent, Delaware 19904, USA	Dormant	95
M&C Saatchi PR LLP	USA	27-1665526	1740 Broadway, New York, 10019, USA	Dormant	100
M&C Saatchi Share Inc.	USA	5580330	160 Greentree Dr Ste 101, Dover, Kent, Delaware, 19904 USA	Dormant	80
World Services US Inc.	USA	C2543767	88 Pine Street, 30 th Floor New York NY 10005 United States	Issues	100
M&C Saatchi Agency Inc.	USA	13-3839670	304 East 45 th Street, New York, New York, 10017, USA	Local Central Costs	100
M&C Saatchi Mobile LLC	USA	45-3638296	2032 Broadway, Santa Monica California, 90404 USA	Media	100
M&C Saatchi Sport & Entertainment LA LLC	USA	6369786	874 Walker Rd Ste C, Dover, Kent, Delaware 19904 USA	Passions	90
M&C Saatchi Sport & Entertainment NY LLP	USA	46-5182795	160 Greentree Dr Ste 101, Dover, Kent, Delaware, 19904 USA	Passions	69.5

Associate Entities

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.

As at 31 December 2022	Country	Company Number	Registered Office Address	Specialism	Effective % ownership 2022
Love Frankie Limited	Thailand	105557000000	571 Rsu Tower, 10 th Floor, Soi Sukhumvit 31, Sukhumvit Road, Wattana District, Bangkok, Thailand	Advertising	21
M&C Saatchi SAL	Lebanon	1010949	Quantum Tower, Charles Malek Avenue, St Nicolas, Beirut, Lebanon	Advertising	10
M&C Saatchi Little Stories SAS	France	449386944	32 Rue Notre Dame Des Victoires, 75002 Paris, France	Advertising	25.77
Cometis S.a.r.l	France	384769592	14 Rue Meslay, 75003 Paris, France	Advertising	49
M&C Saatchi Limited	Japan	0110-01-060760	1-26-1 Ebisu-Nishi, Shibuya-Ku, Tokyo 150-0021, Japan	Advertising	10
February Communications Pvt Limited	India	U74999DL2012PTC233245	141b First Floor, Cl House Shapur Jat, New Delhi, 110049, India	Advertising	20

32. Related party transactions

Key management remuneration

Key management remuneration is disclosed in note 5.

Detail on Directors' remuneration is disclosed in the Directors' Remuneration Report on page 83.

Other related parties

During the year, the Group made purchases of £84k (2021: £418k) from its associates. At 31 December 2022, there was £31k due to associates in respect of these transactions (2021: £35k).

During the year, £127k (2021: £420k) of fees were charged by Group companies to associates. At 31 December 2022, associates owed Group companies £38k (2021: £123k).

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:

Capital commitments

At the year-end the Group had £56k committed costs (2021: £Nil) to acquire property plant and equipment.

Other commitments

Other than the normal contractual commitments to staff and the commitment to complete profitable projects for clients, the Group does not have any other material commitments which are not reflected on the balance sheet.

34. Post-balance sheet events

As part of our simplification strategy, the Group continued to close down small entities including Clear Deutschland GmbH, M&C Saatchi Share Inc and Black & White Strategy Limited.

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 the Company's 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 the 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.

36. New and revised standards issued but not yet effective

In the current year, the following Standards and Interpretations became effective:

- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- AIP (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities
- Amendments to IFRS 3 – Reference to the Conceptual Framework

The above amendments do not have a material difference on the Group's accounts.

At the date of authorisation of these 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 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Applying IFRS 9 “Financial Instruments” with IFRS 4 ‘Insurance Contracts’ (Amendments to IFRS 4)	IFRS Insurance
Amendments to IFRS 17	Changes to international insurance accounting
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Application of consistency
Definition of Accounting Estimate (Amendments to IAS 8)	Distinguishing between accounting policies and estimates
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practise Statement 2)	Application of Materiality
Deferred Tax – Amendments to IAS 12 Income Taxes	Recognising deferred tax on leases

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Company Balance Sheet

At 31 December	Note	2022 £000	2021 £000
Non-current assets			
Investments	38	133,742	138,954
Deferred tax		153	276
Amounts due from subsidiary undertakings	42	94,887	94,465
Other non-current assets	39	951	1,019
		229,733	234,714
Current assets			
Trade and other receivables	40	5,762	6,799
Cash and cash equivalents		157	2,375
		5,919	9,174
Current liabilities			
Trade and other payables	41	(54,202)	(58,845)
Provisions		–	(300)
Deferred and Contingent consideration	13	–	(984)
Put option liability	27	(7,002)	(11,379)
Bank loans	23	(4,271)	–
		(65,475)	(71,508)
Net current liabilities		(59,556)	(62,334)
Total assets less current liabilities		170,177	172,380
Non-current liabilities			
Employment benefit provision		(110)	(196)
Put option liability		–	(471)
Bank loans	23	(6,750)	(19,528)
		(6,860)	(20,195)
Total net assets		163,317	152,185

Capital and reserves			
Share capital	46	1,227	1,227
Share premium		50,327	50,327
Merger reserve		71,116	71,116
Treasury reserve		(550)	(550)
Share option reserve		1,316	1,167
Share based payment reserve		31,114	31,114
Profit and loss account		8,767	(2,216)
Shareholders' funds		163,317	152,185

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 2022 is a profit after tax of £10,983k (2021: loss of £8,310k).

The notes on pages 205 to 210 form part of these Company financial statements.

These Company financial statements on pages 202 to 210 were approved and authorised for issue by the Board on 17 April 2023 and signed on its behalf by:



Bruce Marson

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 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
Share option charge	-	-	-	-	173	1,283	-	1,456
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
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
Exercise of share options	-	-	-	-	(500)	-	-	(500)
Share option charge	-	-	-	-	649	-	-	649
Total transactions with owners	-	-	-	-	149	-	-	149
Total comprehensive profit for the year	-	-	-	-	-	-	10,983	10,983
At 31 December 2022	1,227	50,327	71,116	(550)	1,316	31,114	8,767	163,317

The notes on pages 205 to 210 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 of the Group. The Company is quoted on London's AIM stock exchange and is domiciled and incorporated in England and Wales (registered number 05114893). The address of its registered office is 36 Golden Square, London, W1F 9EE.

The 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 90.

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; and
- 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, become due and are payable. Disclosure of dividend activity can be found at note 10 to the consolidated financial statements.

e) *Treasury shares*

When the Company reacquires 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. Most of this debt balance has been assessed as an intercompany receivable under IFRS 9.

Where such debt is accounted for under IFRS9, judgment is applied to assess whether the company expects repayment of amounts which are technically due on demand within the next year, in which case the receivable is classified as current or whether it is not, in which case the receivable will be classified as non-current.

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 financial statements were prepared.

Recoverability of intercompany receivables

Estimates on the future recoverability of intercompany receivables are based on underlying profitability and cash generation, in addition to the substance of the agreements, this can include 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.

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

	2022	2021
	£000	£000
At 1 January	138,954	129,874
Acquisition of subsidiaries	-	4,909
Disposal of shares in subsidiary	(3)	-
Put option revaluation	(3,977)	(972)
Conditional shares conversion to put option assets	-	3,815
Release of provision against conditional share awards	-	45
Conditional share awards*	-	1,283
Impairment charge**	(1,232)	-
At 31 December	133,742	138,954

* Conditional share awards (note 27)

** Impairment has been recognised in relation to the investment held in Scatecrow Communications Ltd and M&C Saatchi Little Stories SAS

The value in use calculations have been based on the forecast profitability based on the 2023 Board approved budget and 3-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 and has led to the recognition of the impairment charge shown in the table above.

The direct and indirect subsidiary undertakings are listed in note 31 to the consolidated financial statements.

39. Other non-current assets

	2022	2021
	£000	£000
Loans to support subsidiary acquisition*	921	921
Loans to assist equity purchase**	19	98
Other	11	–
Total	951	1,019

* This relates to the AUD1.6m (2021: AUD1.6m) loans that the Group lent local management of M&C Saatchi Agency Pty Ltd. 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 Austral an 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.

** 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

	2022	2021
	£000	£000
Amounts due less than one year		
Prepayments	269	219
Corporation tax group relief – due from subsidiaries	5,412	6,356
Other receivables	81	224
Total	5,762	6,799

41. Trade and other payables

	2022	2021
	£000	£000
Trade creditors	(434)	(84)
Amounts due to subsidiaries*	(49,012)	(54,480)
Accruals	(4,756)	(4,281)
Total	(54,202)	(58,845)

* 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.

Amounts receivable from subsidiary undertakings include receivables relating to exercised put options. As detailed in note 1 and note 26 to the consolidated financial statements, the Group has a number of put option arrangements in place. 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 Group's choice).

	2022	2021
	£000	£000
Amounts due from subsidiary undertakings	94,887	94,465

The amounts due from subsidiary undertakings are net of the expected credit losses of £10,351k (2021: £7,632k) that have been provided against these balances. The annual review of the expected credit loss provision took into account trading performance, the reorganisations taking place and likely future performance.

43. Staff cost

Staff costs (including Directors) comprise:

Year ended 31 December	2022	2021
	£000	£000
Wages and salaries	5,351	5,383
Social security costs	695	662
Other pension costs	97	62
Other staff benefits	49	52
	6,192	6,159
Staff numbers	20	22

Staff numbers are based on monthly average staff.

Directors' remuneration

	2022 £000	2021 £000
Directors' salaries and benefits	2,200	2,735
Pension costs	67	88
Total remuneration before accounting charges	2,267	2,823
Long-term incentives	381	268
Total	2,648	3,091

The highest paid Director earned:	2022 £000	2021 £000
Director's salary and benefits	1,380	1,327
Long-term incentives	207	48
Total	1,587	1,375

The number of Directors with a money purchase pension scheme during the year was 2 (2021: 4).

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 on page 83. There has been neither grant to, nor exercise by, the Directors with regards to share options during either 2022 or 2021.

44. Related parties

During the year, the Company charged a management recharge to subsidiaries totalling £733k (2021: £773k). Further details of related parties of the Company are provided in note 32 to the consolidated financial statements.

45. Post-balance sheet events

A final dividend of 1.5 pence per share has been recommended, which is a total amount of £1,834k. The final dividend, if approved at the Company's Annual General Meeting on 14 June 2023, will be paid on 12 July 2023 to all shareholders on the register of members on 9 June 2023.

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 to the consolidated financial statements.

46. Share capital

Movements in the Company's Share capital can be found at note 28 to the consolidated financial statements.

Independent auditors' report to the members of M&C Saatchi plc

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 2022 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 2022 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement 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;
- 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 2022 and movements post year end;
- Discussing and challenging the Directors' financial forecasts and the underlying key assumptions at a group wide level and specifically in certain underlying subsidiaries for which visibility and therefore certainty over future financial performance was more limited. In the course of this work, we evaluated whether expectations for growth in revenue, costs and profits based on key customer revenue assumptions, margins and cost trends were reasonable. We have obtained evidence supporting the reasonableness of key assumptions including internal documentation and third party evidence;
- Evaluating the suitability of the sensitivities applied, in the severe but plausible scenarios and reverse stress test that were performed by the Directors;

- Determining 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 whether the reverse stress test scenario is highly unlikely as the Directors consider it to be; and
- Checking the adequacy of disclosures made in the annual report in respect of going concern, against the knowledge obtained during the course of the audit.

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 voluntary 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.

Overview

Coverage	86% (2021: 86%) of Group profit before tax 92% (2021: 88%) of Group revenue 86% (2021: 81%) of Group total assets	
Key audit matters		
	2022	2021
	Revenue Recognition	X
		X
	Valuation of financial assets at fair value through profit or loss	X
Materiality	Group financial statements as a whole £1.59m (2021: £1.37m) based on 5% (2021: 5%) of headline profit before taxation	

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, USA, 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 either BDO LLP component teams (for significant components in the UK and USA) or other BDO International member firm component teams overseas (for components based in other countries). Non-significant components were subject to either specified audit procedures over large or higher risk balances and a group level analytical procedure, or group level analytical procedures without additional substantive audit 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. 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;
- 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 risks and selected other areas; and
- Remote review of component auditor working papers and specific work requests to ensure appropriateness of conclusions drawn.

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. These matters were 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 these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition	The Group contracts with its clients and customers in a range of different ways according to the	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 specified audit procedures in addition to the

Existence, and application of IFRS 15 – Revenue from Contracts with Customers	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:	components on which we performed a full audit scope, as explained above.
The Group's accounting policies are described on page 102 and its disclosures of revenue recognised are provided in note 4.	1. We identified a risk that revenue may be misstated due to fraudulent accounting entries being processed or revenues being recognised inappropriately in 2022; 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"), in respect of incorrect recognition of revenue on a principal / agent basis. Given the specific matters noted above we have considered this to be a Key Audit Matter.	Our testing of revenue recognition included the following: • Assessing whether journal entries posted to revenue with unusual account combinations were valid, 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 and the appropriate amount of revenue had been recognised and the appropriate amount of accrued or deferred income has been accounted. For the application in accordance with IFRS 15 we considered each primary revenue stream and obtained management's assessment of the recognition criteria in respect of the recognition on principal or agency basis depending on the nature of each service being provided. Key observations: We had no material findings in respect of the existence of revenue and the application of IFRS 15. We did not identify any matters which suggest that the revenue recognition policies have not been consistently applied.

Valuation of financial assets at fair value through profit or loss Refer to the accounting policies and Note 19 of the financial statements.	The Group holds shares in unlisted investments, which are held at fair value, with fair value gains and losses recognised in the income statement. The investments are generally for a small minority, equity stake in unlisted early-stage businesses. There is judgement applied in the valuation of the equity investment, with most being based on a recent funding round or sale of shares. However, as is common with such unlisted investments, some valuations or adjustments to valuations are made based on the fund manager's expertise with less supporting evidence available which increases the uncertainty attaching to the measurement of the fair values recorded, and, accordingly, the risk that disclosures provided may not fully explain the sensitivity to further fair value gains and losses.	Our testing of the valuation of financial assets at fair value through profit or loss included the following: • Agreeing the initial cost and opening balances of investments to the previous year's audited balances. • Obtaining Management's valuations for these investments, except for those that were immaterial, both individually and in aggregate, and holding discussions with the Group's fund managers to assess the suitability and reliability of the valuation (e.g. proximity to latest funding round, class of share issued and whether the issue included third parties) for inclusion in the valuation model; • Verifying the inputs into these valuations to external sources where available, e.g. information on funding rounds, and other available information (from the Group or other publicly available information), and considering whether there were circumstances or events that had arisen since the dates of these inputs that would impact the valuations; • Searching for ancillary evidence at Companies House, on the internet and from other sources to corroborate or contradict management's estimates; • Considering the impact on valuations of different share classes of the investment held compared to any funding round, and considering whether there were any circumstances or events that had arisen since the dates of the valuation inputs that would impact on the valuations; • Evaluating the sufficiency of the disclosures by reference to the circumstances of the portfolio at the reporting date and the degree of exposure to further gains and losses; and • Challenging management as to whether historic experience of realised gains and losses ought to
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	As such, we considered this to be a Key Audit Matter due to the high level of judgement applied, the resulting potential for significant gains and losses in any given period and the value of the overall investments.	impact the approach used to value the investments as at the reporting date. We engaged our specialists experienced in the audit of such investments to assist with the assessment of the valuations and the practical application of technical valuation guidance to the investments in question. Key observations: We consider the judgements made in the valuation of financial assets to be reasonable.
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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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022	2021	2022	2021
	£m	£m	£m	£m
Materiality	1.59	1.37	0.80	0.66
Basis for determining materiality	5% (2021: 5%) of Headline profit before taxation		Materiality was capped at 50% of Group materiality	
Rationale for the benchmark applied	We consider this to be the most appropriate benchmark since this removes the impact of certain items from underlying profit that are not part of routine business		The Parent Company does not trade, and materiality was capped at a percentage of Group materiality to respond to aggregation risk.	

	income and expenses, as explained in note 1 to the financial statements. Headline profit before taxation is also a key measure of the Group's performance.			
Performance materiality	1.11	0.82	0.56	0.45
Basis for determining performance materiality	We set performance materiality at 70% (2021: 60%) of overall materiality.			
Rationale for the percentage applied for performance materiality	In reaching our conclusion on the level of performance materiality to be applied for 2022 we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the group's internal controls and management's attitude towards proposed adjustments.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 2% and 63% (2021: 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 £0.03m to £1.0m (2021: £0.04m to £1.15m). In the audit of each component, we further applied performance materiality levels of 70%, (2021: 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 & Risk Committee that we would report to them all individual audit differences in excess of £38,000 (2021: £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 90 to 91; 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 91 to 92.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 98; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 23 to 28; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 67 to 68; and • The section describing the work of the Audit & Risk Committee set out on pages 63 to 68.

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
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	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 Directors' responsibilities statement, 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.

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance and the Audit & Risk Committee, and inspection of written information from external legal counsel; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be UK-adopted international accounting standards, UK and international direct, indirect and employment tax legislation, AIM Listing Rules, the Companies Act 2006, and the Corporate Governance Code 2018.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be 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 and developments can give rise to contingent or actual liabilities in the event of non-compliance.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Evaluating recent developments in regulation for applicability to the Group's operations and determining whether any impact on the financial statements has been properly addressed by the Directors.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be inappropriate journal entries relating to revenue recognition and the exertion of bias in accounting estimates.

Our procedures in respect of the above included:

- challenging the assumptions and judgements made by management in their significant accounting estimates which are disclosed on pages 104 to 105, through examination and assessment of contradictory as well as corroborative evidence that we researched independently as well as received from the Group;
- recalculation of certain financial metrics for example in relation to our testing of discount rates and through sensitivity analysis where applicable;
- identifying and testing a sample of journal entries, in particular journal entries posted with unusual account combinations, to supporting documentation;
- reviewing 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 also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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/auditorresponsibilities. 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.

DocuSigned by:
Kieran Storan
 81A21A4381E0A87

Kieran Storan (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
 London, UK

17 April 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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 believes 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, listed on the AIM Market of the London Stock Exchange plc.
Group	The Company and its subsidiaries.
Net cash	Net cash at a period end is calculated as the sum of the net cash of the Group, derived from the cash ledgers and accounts in the balance sheet. Net cash excludes lease liabilities.
Net revenue	Net revenue is equal to revenue less project cost / direct cost. It is not an IFRS defined term. It is, however, used as a key performance indicator by the Group.
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 dividends) and are 100% consolidated in the Group's financial statements. The remaining five 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 the entity within the Group acts as principal and the share of income where the entity within the Group acts as an agent. The difference between Billings and Revenue is represented by costs incurred on behalf of clients with whom the entity within the Group operates as an agent, and timing differences where invoicing occurs in advance or in arrears of the related revenue being recognised.

Headline EBITDA	Headline EBITDA is equal to the operating profit or loss before depreciation, amortisation, finance expense and taxation. It is not an IFRS defined term. It is, however, used as a key performance indicator by the Group.
Like-for-like	The like-for-like basis applies constant foreign exchange rates and removes entities disposed of or acquired during 2021, since there were no disposals or acquisitions during 2022.
CAGR	Compound Annual Growth Rate - the mean annual growth rate over a specified period of time longer than one year.
Scope 1 emissions	Greenhouse gas emissions from sources that the Group owns or controls directly from sources that the Group owns or controls directly e.g. on-site HVAC, emissions from company-owned cars.
Scope 2 emissions	Greenhouse gas emissions that the Group causes indirectly when the energy it purchases and uses is produced.
Scope 3 emissions	Greenhouse gas emissions that are not produced by the Group but by companies for which the Group is indirectly responsible, up and down its value chain. An example of this is when an entity within the Group buys, uses and disposes of products and services from suppliers. Scope 3 emissions include all sources not within the Scope 1 and Scope 2 boundaries. Our carbon accounting follows the greenhouse gas protocol.

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Preliminary announcement of 2023 result
April 2024