M&CSAATCHI

ANNUAL REPORT

The impossible
must be
attempted,
as frequently
as possible.

CHAIRMAN

Revenues up, profits up, dividend up. 2016 was M&C Saatchi's best year ever and also our 21st. Let's hope we don't grow up. Let's hope we don't lose the boundless optimism which started the company.

Graph One shows the number of new start-up companies created in each year since we started. Each start-up means a new partner for us.

Our aim is to be the eternal entrepreneurs, constantly attracting the world's creative thinkers, people who won't be anybody's wage-slave, in the belief that a free spirit can satisfy a client's demands better than a fettered one. An unrestricted mind will fly higher, see further and see more.

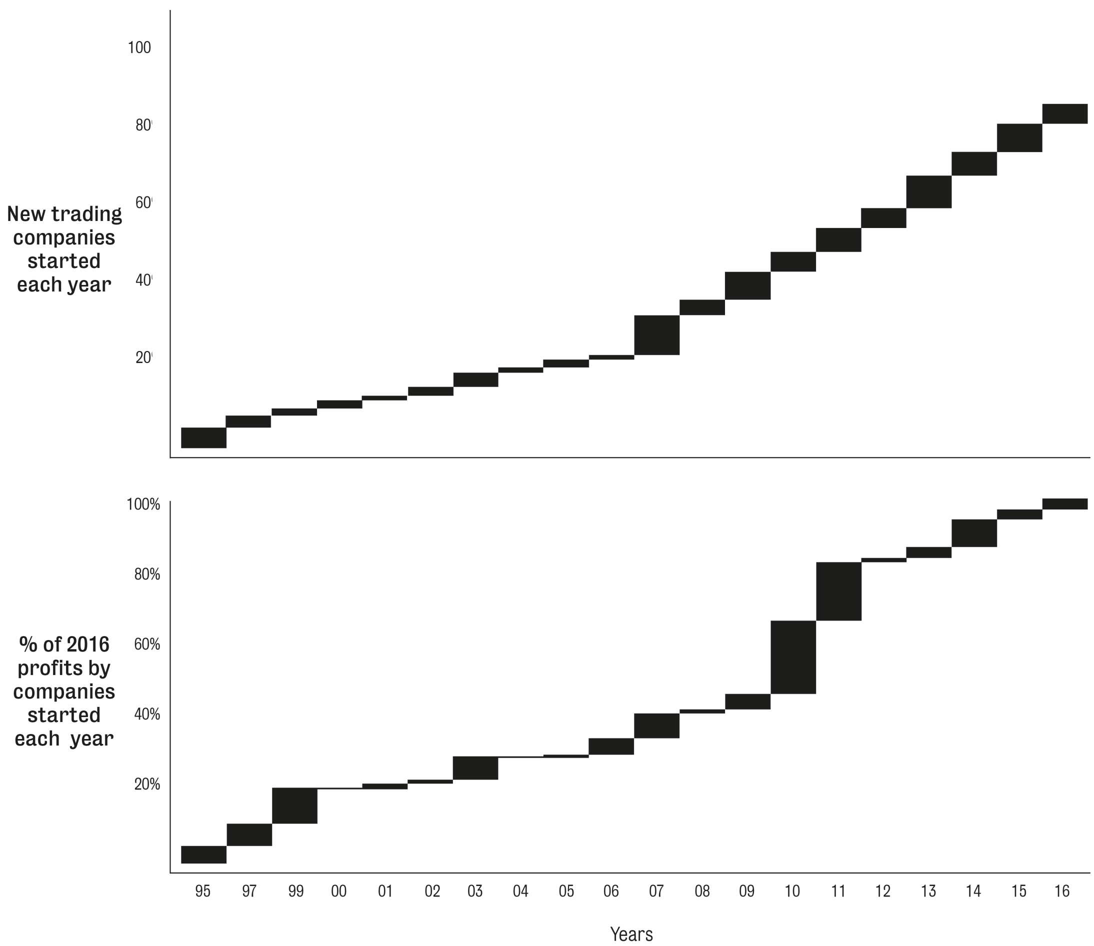
Graph Two shows where our record 2016 headline profits come from. Had we not opened new offices, started new disciplines, we would be forced down the road of endless acquisition.

Graph One is the cause of the record revenues, profits and dividends that David and Jamie comment on. Graph Two shows that it works.

If over time, we outperform our peers, it is because our growth is organic and as everyone knows, organic growth is sustainable, tastes better and is more satisfying for all.

For 2017, the plan is to do more of the same but in different areas and different locations, with the best possible people.

Jeremy Sinclair
Chairman
15 March 2017



RESULTS

REVENUE +26%
PROFIT +18%
EARNINGS +17%
EPS +13%

All on a headline basis as defined in note 4.

NEW BUSINESS

BBQ GALORE
BRIDGESTONE
CIVIL AVIATION AUTHORITY
CODORNIU
COM HEM
DEPARTMENT OF WORK AND PENSIONS
E.ON
EBAY
FOX
GOOGLE
HOME OFFICE
HUAWEI
KLIA
NN INVESTMENT PARTNERS
PR1MA
PHE (ANTIMICROBIAL RESISTANCE)
RAIL DELIVERY GROUP
REEBOK
SHELL
STRONGBOW
SUN INTERNATIONAL
TABCORP
VIRGIN RED
WOOLWORTHS
YOUTUBE

STRATEGIC REPORT

CHIEF EXECUTIVE

Summary of results

2016 saw excellent revenue momentum and earnings growth. Actual revenues grew by 26%, with constant currency revenues increasing 19%, whilst we increased like-for-like revenues 9%. We returned a headline operating margin of 10.2%, down from 10.4% in 2015, with the previously announced UK restructuring costs causing the drag. If these are excluded then the 2016 headline operating margin increased to 10.9%. The headline profit before tax advanced 18% to £23.7m and headline net earnings rose 17%.

UK

Like-for-like revenue in the UK was up 5%, with CRM, Sport & Entertainment, PR and Mobile continuing to perform particularly positively. We experienced a commendable run of account wins across our group of businesses in the year, including Virgin Red, the Home Office, NN Investment Partners, E.ON, PHE (Antimicrobial Resistance), the Rail Delivery Group, the Civil Aviation Authority and the Department of Work and Pensions.

M&C Saatchi Mobile was awarded Digital Agency of the Year and Most Effective Media Agency of the Year, whilst M&C Saatchi Sport & Entertainment won Agency of the Year (for the fifth time). We are launching Re, our successful Australian brand identity unit, in the UK in the first quarter of 2017.

The UK headline operating profit was 12% down on 2015 but included previously announced restructuring costs of £1.6m in the advertising agency unit, which if excluded, meant operating profit actually grew 2% on 2015. The headline operating margin decreased to 11.7% compared with 2015's 14.0% but if the restructuring costs are excluded then the margin came in at 13.6%. These margins exclude the impact of Group recharges. The restructure is complete and the new management team is in place and making good progress.

Europe

European like-for-like revenues increased 5% year on year. Headline operating profit was up 10%, with a headline operating margin of 15.1% (2015: 16.1%).

Our Stockholm office kept up its strong new business record and won the TV and broadband supplier Com Hem. Both Germany and Italy continue to shine, with Italy winning E.ON. In France, advertising was still slow but our agency was appointed by YouTube and Google for some projects and continues to grow through diversification.

Our office in Spain is much improved, winning Codorniu and Huawei, and as a consequence we are increasing our shareholding from 24% to 51%. We are starting a sponsorship company in Madrid as well as opening Clear in Berlin.

CHIEF EXECUTIVE
Continued

Middle East and Africa
Like-for-like revenues in the Middle East and Africa were up 23%.

South Africa finished strongly, having lost their Edgars client mid-year but subsequently picked up the Sun International and Strongbow accounts. We are making a small acquisition in Johannesburg of 51% of Levergy, a sport and entertainment company, which will capitalise on the large South African sports market. Our Abu Dhabi lost Etihad and has subsequently been rebuilding revenues. Our Dubai office is growing steadily, as is Tel Aviv office.

Operating profit in the region was up 4% and the headline operating margin dipped to 9.3% from 12.3% in 2015.

Asia and Australia
In Asia and Australia, like-for-like revenue was up 13% year on year.

Australia had another good year, winning Woolworths (without a pitch), BBQ Galore, eBay and Tabcorp. They were awarded 'Most Innovative Communications Company in Australia', reflecting some of their ground breaking and pioneering work for their clients. In February 2017, we acquired 51% of Bohemia, a media buying and planning operation. This add on positions us well for satisfying the needs of our clients, who are increasingly seeking a closer relationship between their media agency and the content and creative providers. We also are launching The Source, our successful UK research operation, in Melbourne.

Our associate in China, aeiou, had a good second half. Malaysia is still excelling and won the KLIA and Pr1ma accounts. Singapore is developing positively and won Shell and Bridgestone.

Our Mobile operation continues to thrive in the region and we added new offices in New Delhi and Bangalore to work alongside our mobile offices in Singapore and Sydney.

The headline regional operating margin was 11.0% (2015: 9.9%), with the headline operating profit ahead an impressive 37% on 2015.

Americas

Constant currency revenues increased 97%, with like-for-like up 18%. With the acquisitions' contribution, there was a very good 118% increase in operating profit to £7.0m and a headline operating margin of 15.4% (2015: 15.2%).

Mobile are performing exceptionally well and building a formidable client base across the US.

The SS+K relationship in New York is thriving. In the light of this outstanding growth, we increased our shareholding in SS+K from 33% to 51% in March 2016 and then to 67% in February of this. Also in March 2016, we acquired 51% of MCD Partners in New York and Chicago, who specialise in customer digital experience. This business is progressing well.

Our office in Los Angeles lost the UGG account in the first quarter but later in the year won some projects for Reebok and Fox. Brazil's macro-economic factors and trading remained tough, and appropriately we made an impairment charge of £3.7m for our Santa Clara associate.

Both Clear and Sport & Entertainment are planning to open in Los Angeles in the first half and we are looking to open an office in Mexico, where the management of our Madrid office has a strong network of clients and contacts.

Outlook

2016 was an outstanding year for M&C Saatchi. We continue to roll out our proven strategy of winning new business and starting new businesses and see positive momentum across our global network and business channels.

The year has started well and we are confident that we will continue to make good progress in 2017 and beyond.

David Kershaw
Chief Executive
15 March 2017

FINANCE DIRECTOR

Objectives and strategic priorities

Key performance indicators

The Group manages its operational performance through a number of key performance indicators:

- revenue growth, both regionally and within marketing disciplines;
- continual improvement of operating margins;
- earnings per share growth;
- enhancement of net cash from operating activities; and
- improvement of the talent levels within the Group, in particular our creative capabilities, as well as the reputation and integrity of all our businesses.

Revenue

Our focus is on revenue growth and margin improvement, leaving our local CEOs to manage their cost base to their local currency revenues. Group revenues increased 26.0%, however excluding currency movement, the main influence being the positive effect of a weakening of sterling against most currencies following the Brexit vote, the constant currency revenue growth was 19.1% (constant currency basis). Excluding the impact of foreign currency movements and corporate transactions, then the like-for-like revenue rise was 9.2%.

Operating profit and margin

At a Group level, we monitor results on a headline basis. Our headline operating margin decreased to 10.2% (2015: 10.4%), however this margin includes £1.6m of restructuring costs within the UK advertising agency, which when excluded meant a headline operating margin of 10.9% and an improvement of 0.5%. Revenues advanced 25.9% in 2016 to £225.4m (2015: £178.9m). This resulted in headline operating profit increasing 24% to £23.0m (2015: £18.6m). Statutory operating profit declined to £6.7m (2015: £14.7m) with a charge of £16.3m (2015: £3.9m) non-headline items (note 1).

Headline results

The Group has used a headline basis to describe its results; this is not a defined term in IFRS. The headline results reflect the underlying profitability of our business units by excluding all effects of buying and selling equity by the Group; and the accounting effects our entrepreneurs holding equity in the business they run (business model). Such business model accounting effects, charge the income statement for the Group's fair value liability of its local entrepreneurs' equity conversion rights, but do not account for the value enhancement they make to our local holdings.

In addition to headline, we describe our results on a constant currency basis, and on a like-for-like basis (constant currency excluding businesses acquired in the year).

The items that are excluded from headline results are the amortisation or impairment of intangible assets (including goodwill and acquired intangibles, but excluding software) acquired in business combinations, changes to deferred and contingent consideration and other acquisition related charges taken to the income statement; impairment of investment in associates and investments; profit and loss on disposal of associates; and the income statement impact of put option accounting and share based payment charges.
Such exclusions are consistent with our industry peer group.

The key movements between statutory to headline results.

£'m	2016	2015	Movement	%
Headline profit before taxation	23.8	20.1	3.7	18%
Put option accounting	(8.6)	(4.8)	(3.8)	
Impairment charge	(3.7)	(0.9)	(2.8)	
Provision against investments	(0.7)	–	(0.7)	
Other non-headline charges	(4.0)	(1.8)	(2.2)	
Statutory profit before taxation	6.8	12.6	(5.8)	(46)%

For a full reconciliation of statutory to headline results see note 1. For constant currency, and like-for-like headline results see note 2.

Statutory results

The Group's operations achieved revenue of £225.4m (2015: £178.9m) a growth of 26.0%. The Group's operations statutory profit before tax reduced to £6.8m (2015: £12.5m) and basic EPS was 0.20p (2015: 9.08p).

The reduction in year-on-year statutory profit before tax of £5.7m and the basic earnings per share decline, despite the underlying trading operations increasing their profit by £3.7m was caused by a number of accounting adjustments. The differences can be seen in note 1, and have been caused by an impairment of a Brazilian associate due to the local economic climate; an accounting revaluation of an associate when we took control and due to the increased IFRS2, share based payment charged in part caused by new businesses and growth shares issued in the year.

Financial income and expense

The Group's headline net interest payable was £790k (2015: £472k). The upsurge in interest payable arose mainly from enhanced Group borrowing to fund acquisitions during 2016.

Minority put option revaluations are excluded from the headline results as the charge can vary significantly each year and does not reflect the business's underlying performance. The accounting for this produces counterintuitive effects with a rise in our share price and upturns in the actual or expected performance of our subsidiaries with put options, creating a finance expense charge to our accounts and reducing our profits. The charge for non-headline fair value adjustment to minority put option liabilities of £0.6m arose from two movements in our share price in 2016, which rose from 326.5p as at 1 January to 380.0p as at 31 December, offset by reductions in estimates of minority put liabilities. Further details can be seen in note 27.

FINANCE DIRECTOR
Continued

Tax
The effective tax rate on headline profit before tax was 17.3% (2015: 19.2%). The Group does not recognise a deferred tax asset on any losses until the future profits of these businesses are probable (note 14). The Group benefitted from improved profitability from some of the newer offices utilising tax losses brought forward.

The tax rate on statutory profit before tax was 50.78% (2015: 27.0%). The rise in statutory tax rate was predominantly caused by the new non-deductible for tax purposes IFRS2 charges in 2016, the level of which significantly reduced operating profit.

Non-controlling interest
The proportion of headline profits attributable to non-controlling shareholders grew to £4.2m (2015: £3.0m), with the uplift coming from the New York additions of MCD and SS+K as subsidiaries in March 2016.

Dividend
As part of a progressive dividend policy, the Board is proposing to pay a final dividend of 6.44p per share (2015: 5.60p), giving a total dividend of 8.29p compared to 7.21p in 2015. The final dividend will be paid, subject to shareholder approval at the 7 June 2017 AGM, on 7 July 2017 to shareholders on the register at 9 June 2017.

Cash flow, banking arrangements and net assets
Cash net of bank borrowings at 31 December 2016 was £3.6m compared to £8.5m at 31 December 2015. The Group continued to generate cash which it used to make small tactical acquisitions and fund new offices. The Group spent £12.8m on acquisitions, being primarily investments in New York; in March 2016, we acquired 51% of MCD, a customer digital experience agency and in the same month raised our shareholding in SS+K from 33% to 51%.

To manage these and to fund acquisitions going forward, the Group augmented its banking facilities with RBS on 6 January 2016. These comprise a revolving credit facility totalling £40.0m, which reduces by £2.0m annually and has been agreed to 30 April 2020. On top of the above to fund working capital in the UK, the Group has a £5m debt factoring arrangement, of which £3.6m was drawn down at the year end.

Net assets advanced to £49.4m (2015: £42.0m); the main movements being intangible assets up £22.7m, the net cash balance decreased to £3.6m (2015: £8.5m) and the minority put option liabilities increasing £8.8m.

Capital expenditure
Total capital expenditure for 2016 went up to £4.0m (2015: £2.0m). This was a function of refurbishment costs, with investment in fit out costs to improve the working environment of network office space.

Associates
The return from our associates was a profit of £1,530k (2015: £2,017k). There was no share of profits from M&C Saatchi SAL, our associate that covers the Middle East and North Africa region, as there was in 2015.

In Asia and Australia, our share of profits from associates of £290k (2015: £325k) came mainly from aeiou, our associate in China, whilst our share of our European associates based in Russia, Spain and Turkey was a small loss of £3k (2015: £25k profit). The profit share of our UK associates, being Blue 449 (formerly Walker Media) was £1,323k (2015: £809k) and the share from the Americas, was a loss of £80k (2015: £858k), reducing with our New York associate SS+K becoming a subsidiary in March 2016.

Principal activity, trading review and future developments
See Directors' Report on page 18.

Principal risks and uncertainties
Client losses can be damaging, although some turnover over time is normal and to be expected. Losses can happen for a variety of reasons. Our client profile is in line with those of our major competitors, and we continue to convert new clients on the basis of our creative excellence, our strategic wisdom, the commitment and brilliance of our staff and our diverse portfolio of services. There is also the risk, as a result of client cash shortages (caused both by economic and political factors), that budgets and fees are reduced or clients stop trading or run out of funding after work has been commissioned. Furthermore, as our offerings develop to reflect clients' changing marketing mix and cross selling opportunities, there is less visibility of future income. The other risks the Group faces are financial (details of which can be seen in note 6 of the financial statements), the risk that valued staff leave, and the risk that regulatory and legal changes affect our trading or ownership structures

Strategic report approval
By order of the Board

Jamie Hewitt
Finance Director
15 March 2017

BOARD

JEREMY SINCLAIR
CHAIRMAN

DAVID KERSHAW
CHIEF EXECUTIVE

MAURICE SAATCHI
EXECUTIVE DIRECTOR

BILL MUIRHEAD
EXECUTIVE DIRECTOR

JAMIE HEWITT
FINANCE DIRECTOR

JONATHAN GOLDSTEIN

INDEPENDENT NON EXECUTIVE DIRECTOR

MICHEAL PEAT

INDEPENDENT NON EXECUTIVE DIRECTOR*

MICHAEL DOBBS

INDEPENDENT NON EXECUTIVE DIRECTOR**

* Michael Peat was appointed as Non-Executive Director 8 June 2016.

** Michael Dobbs was appointed as Non-Executive Director on 1 January 2016.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of the Group and Company for the year ended 31 December 2016.

Results and dividends

The consolidated income statement on page 26 shows the results for the year. The Directors approved an interim dividend of 1.85p totalling £1,373,629 (2015: £1,158,000) and recommend a final dividend of 6.44p totalling £4,876,000 (2015: £4,033,000).

Principal activity, trading review and future developments

The principal activity of the Group during the year was the provision of advertising and marketing services. The review of trading, future developments and key performance indicators (being revenue growth, headline operating margin, headline earnings per share, and cash generation) is on pages 9 to 15.

Other risks and uncertainties

The Strategic Report deals with the principal risks and uncertainties. The Group trades internationally both through its local offices and via direct contracts in countries where we do not have offices. This trade exposes the Group to foreign exchange risk, political risk and in some locations physical risk. Other risks the Group is exposed to include client credit risk; the risk that the financial markets cause liquidity risk in addition to this client risk (given we have financial services clients); and cash flow risks. The Group mitigates such risks through monitoring, reviewing the available information and management's negotiation of contractual terms. Further details of our risks and risk management can be seen in note 6.

Going concern

Given the strength of the Group's balance sheet, its net cash, its bank covenants, the risks the Group faces (note 6), the expected trading performance and the two-year cash flow projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors continually review the Group's profit forecasts, and review monthly its balance sheet and cash flow forecasts. Annually, or earlier if needed, we review the long term (greater than one year) cash flow projections for the Group based on anticipated scenarios and acquisitions. If additional funding is required, it is secured before expenditure is made, as we have done during the year by extending our bank facility on 4 January 2016 (note 25).

Based on this the Directors believe the Group will continue as a going concern for the foreseeable future.

Financial instruments

Details of the use of financial instruments by the Group are contained in notes 23 to 25 of the financial statements.

Political contributions and effect of European Union referendum

The Group worked on an arm's-length basis for the campaign to keep the UK part of the European Union, as well as providing £5,000 of staff time for free.

The risks the Group faces with the UK departure from the EU include the following:

- We receive dividend flows from our EU operations, which are presently not subject to unrecoverable withholding tax, that many non-EU resident Groups suffer.
- The Group is dependent on high quality and flexible labour, to allow us to trade in the UK and export from the UK. The unknown changes to immigration rules are creating uncertainty with our EU staff working in our UK offices.
- Increased exchange volatility, with our contracts exporting from the UK creates extra risks to the Group, In the short term this has created a benefit to the Group, but such a benefit can quickly reverse.

During the year, the Group made no other political donations (2015: nil).

Directors

The names of the Directors are given on pages 16 and 17, biographies can be found on our website (www.mcsaatchiplc.com).

The Board reviews the independence of the Non-Executive Directors on an annual basis and considers them independent. All three Non-Executive Directors sit on our remuneration committee and audit committee, with Jonathan Goldstein serving as Chair of our remuneration committee and as Senior Independent Director and Michael Peat serving as Chair of our audit committee.

The Board met six times during the year. The Board governs in the spirit of the QCA corporate governance code for small and mid-size quoted companies.

Audit committee

The Audit committee meets formally twice a year with the Group's Auditor (KPMG LLP), planning and reviewing the audit, and considering the Group Auditor's independence. The committee's Chairman has regular direct contact with the Group's Auditor. At the end of 2014, the Group appointed BDO LLP as an internal auditor. The internal auditor has direct contact with the Audit committee Chairman.

Remuneration committee

Meets on an ad hoc basis, when there is a need to review Executive Directors' pay and rewards.

Nominations committee

Meets on an ad hoc basis, when there is a need to appoint new Directors.

DIRECTORS' REPORT
Continued

Social responsibility
The Group follows the guidance in the International (Social Responsibility) Standard ISO 26000 and is accredited for BS OHSAS 18001 and ISO 14001. We are in the process of registering with CIPS Sustainability Index.

On top of which, the Group is involved with many campaigns (including paid, low bono and pro bono) that help create a socially responsible world.

Employees and equal opportunities
The Group's equal opportunities policy is not to discriminate on any grounds other than someone's ability to work effectively. We will make reasonable adjustments to working arrangements or to a physical aspect of the workplace.

The Group recognises that its principal asset is its employees and their commitment to the Group's service, standards and customers. Decisions are made wherever possible in consultation with local management, with succession planning performed on a regular basis at all levels. Communication methods to employees vary according to need and local business size and can include all methods of communication.

Slavery and human trafficking statement
The Group continually monitors its supply chains and operates a zero-tolerance policy to slavery and human trafficking as will be reflected in its Modern Slavery Statement.

Insurance
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.

Substantial shareholdings

As at 2 March 2016, the Company had been notified by shareholders representing 3% or more of issued share capital of the following interests:

	Number of shares	%
Paradice Investment Management	9,249,099	12.2%
Octopus Investments	7,179,682	9.5%
Aviva plc and its subsidiaries	5,423,841	7.2%
David Kershaw	4,127,060	5.5%
Bill Muirhead	4,127,060	5.5%
Maurice Saatchi	4,127,060	5.5%
Jeremy Sinclair	4,127,060	5.5%
Herald Investment Trust plc	3,836,433	5.1%
Hargreave Hale	3,700,000	4.9%
Invesco Perpetual	3,079,354	4.1%

Regularly updated details of the Directors and substantial shareholders can be found on our corporate website www.mcsaatchiplc.com.

Events since the end of the financial year

During February 2017, the Group made the following small acquisitions:

- A controlling interest in our Spanish associate;
- Increased our holding in Shepardson Stern & Kaminsky LLP from 50.1% to 66.7% by issuing Group equity; and
- Acquired Bohemia an Australian media planning and buying operation.

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 Annual General Meeting (AGM) in 2016, the Directors were given the authority to purchase up to 7,210,500 of its ordinary shares. The Directors will seek to renew this authority at the next AGM. During the year, the Company held 700,000 of its ordinary shares ("treasury shares"). The Directors will use them to fulfil option obligations at a later date.

Directors' power to issue shares

At the AGM in 2016, the Directors were given the authority to issue up to 48,005,000 of its ordinary shares of which 7,210,500 were approved to be issued for cash. During the year, the Company issued 2,235,177 shares to fulfil options and to acquire equity (note 29). The Company did not issue any shares for cash.

Agreements that vest on change of control

Depending on the circumstance some of our put option agreements vest on change of control.

DIRECTORS' REPORT
Continued

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group consolidated financial statements in accordance with IFRSs as adopted by the EU and applicable law, and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law, the 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 parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group consolidated financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Website publication

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

Auditors

All the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's Auditors for the purposes of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

KPMG LLP will be seeking re-appointment as Auditor of the Company and a resolution proposing this will be put to the 2017 AGM.

By order of the Board

Andy Blackstone
Company Secretary
15 March 2017

REMUNERATION REPORT

Policy on Directors' remuneration

Attracting and retaining high calibre executives is a key Company objective. We seek to reward them in a way that encourages the creation of value for shareholders.

Directors' pension arrangements

The pension contributions, if made, are to the Directors' money purchase pension schemes.

Directors' contracts

All Executive Directors listed in the Remuneration Report have service contracts with 12-month notice periods. All Non-Executive Directors have contracts with a nil to 30-day notice period dependent on the circumstances.

Directors' options

At 31 December 2015, no Director held any options. During the year, the following options were issued:

Conditional share awards

In 2016, four participants paid (by way of a combination of payroll taxes and subscription price) £100,727 each for the award. This amount is not refundable if the vesting conditions are not met. In addition, one participant paid (by way of a combination of subscription price and deferred payment) £51,266.75 for the award. This amount is not refundable and will be paid in full if the vesting conditions are not met.

Vesting of the awards is subject to:

- the achievement of certain earnings and total shareholder return (TSR) targets (the "Performance Conditions") measured over the period from 1 January 2015 to 31 December 2018 (the "Performance Period"); and
- the Company's share price being above £5.00 per share at a point during the period between 1 January 2019 and 31 December 2022 (the "Share Price Target").

Performance Conditions:

- 20% of the award will be earned if average diluted EPS growth over the Performance Period is above 10%. This 20% level will increase to 100% of the award on a straight-line basis if diluted EPS growth over the Performance Period is between 10% and 20% (with 100% of the award being earned if diluted EPS growth of 20% or more is achieved). Below 10% diluted EPS growth, no award will be earned.
- Earned awards will be adjusted by the TSR condition.
  If TSR over the Performance Period is above 50% an earned award will be increased by a half; if TSR over the Performance Period is between 0% and 50% no adjustment will be made to an earned award; if TSR over the Performance Period is below 0% then earned awards will be reduced by 25%. The base share price used for TSR is 297p being the share price at the time the award was valued.

Subject to the Share Price Target being achieved, an earned award, representing shares in M&C Saatchi Worldwide, may be exchanged for M&C Saatchi shares. The maximum number of M&C Saatchi shares that may be required to be issued under the LTIP arrangements is 3,383,605.

The award caused an accounting charge of £231k in the year (2015: nil).

Other benefits

No Director of the Company has received or become entitled to receive a benefit (other than a fixed salary as an employee/consultant of the Company, the options indicated in this report, or a benefit included in the aggregate amount of remuneration shown in the financial statements) by reason of a contract made by the Company or a related corporation of which he is a member or with a company in which he has a substantial financial interest.

By order of the Board

Andy Blackstone
Company Secretary
15 March 2017

2016	Basic salary £000	Bonus[1] £000	Benefits in kind[2] £000	Pension £000	Total £000
Directors					
David Kershaw	**374**	**50**	**48**	**1**	**473**
Bill Muirhead	**374**	**50**	**49**	**–**	**473**
Maurice Saatchi	**374**	**50**	**45**	**–**	**469**
Jeremy Sinclair	**374**	**50**	**46**	**–**	**470**
Jamie Hewitt	**250**	**–**	**4**	**15**	**269**
Total	**1,746**	**200**	**192**	**16**	**2,154**
Non-Executive Directors					
Jonathan Goldstein	**40**	**–**	**–**	**–**	**40**
Michael Dobbs	**40**	**–**	**–**	**–**	**40**
Michael Peat	**22**	**–**	**–**	**–**	**22**
Adrian Martin	**18**	**–**	**–**	**–**	**18**
Total	**120**	**–**	**–**	**–**	**120**
TOTAL REWARDS	**1,866**	**200**	**192**	**16**	**2,274**

2015	Basic salary £000	Bonus £000	Benefits in kind[1] £000	Pension £000	Total £000
Directors					
David Kershaw	374	–	49	2	425
Bill Muirhead	374	–	55	–	429
Maurice Saatchi	374	–	50	–	424
Jeremy Sinclair	374	–	49	–	423
Jamie Hewitt	250	–	6	15	271
Total	1,746	–	209	17	1,972
Non-Executive Directors					
Lloyd Dorfman	40	–	–	–	40
Jonathan Goldstein	40	–	–	–	40
Adrian Martin	40	–	–	–	40
Total	120	–	–	–	120
TOTAL REWARDS	1,866	–	209	17	2,092

[1] These paper bonuses were given as part of the issue conditional share award.
[2] Benefits in kind include car allowances and permanent health insurance benefit.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2016 £000	Total 2015 £000
Billings	1	**458,180**	375,107
Revenue	1	**225,387**	178,928
Operating costs	7	**(218,738)**	(164,221)
Operating profit	1	**6,649**	14,707
Share of results of associates and joint ventures	10	**1,530**	2,017
Finance income	11	**440**	299
Finance costs	12	**(1,828)**	(4,477)
Profit before taxation	1	**6,791**	12,546
Taxation	14	**(3,451)**	(3,386)
Profit for the year		**3,340**	9,160
Attributable to:			
Equity shareholders of the Group	1	**144**	6,474
Non-controlling interests	1	**3,196**	2,686
Profit for the year	1	**3,340**	9,160
Earnings per share			
Basic (pence)	1	**0.20p**	9.08p
Diluted (pence)	1	**0.19p**	9.04p

Headline results*

Operating profit	**23,037**	18,578
Profit before tax	**23,776**	20,123
Profit after tax attributable to equity shareholders of the Group	**15,423**	13,241
Basic earnings per share (pence)	**21.07p**	18.57p
Diluted earnings per share (pence)	**20.55p**	18.49p

* The reconciliation of headline to statutory results above can be found in note 1.

The notes on pages 34 to 81 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December	Total 2016 £000	Total 2015 £000
Profit for the year	**3,340**	9,160
Other comprehensive income*		
Exchange differences on translating foreign operations before tax	**6,754**	(1,316)
Other comprehensive income for the year net of tax	**6,754**	(1,316)
Total comprehensive income for the year	**10,094**	7,844
Total comprehensive income attributable to:		
Equity shareholders of the Group	**6,898**	5,158
Non-controlling interests	**3,196**	2,686
Total comprehensive income for the year	**10,094**	7,844

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

The notes on pages 34 to 81 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December	Note	2016 £000	2015 £000
Non-current assets			
Intangible assets	17	**51,004**	28,286
Investments in associates	20	**19,277**	24,811
Plant and equipment	21	**10,619**	8,197
Deferred tax assets	15	**3,112**	1,476
Other non-current assets	22	**7,455**	8,349
		91,467	71,119
Current assets			
Trade and other receivables	23	**109,824**	87,692
Current tax assets		**1,057**	844
Cash and cash equivalents		**32,222**	32,344
		143,103	120,880
Current liabilities			
Bank overdraft		**–**	(98)
Trade and other payables	24	**(115,886)**	(94,533)
Current tax liabilities		**(1,186)**	(1,204)
Other financial liabilities	25	**(3,670)**	(3,155)
Deferred and contingent consideration	26	**–**	(1,792)
Minority shareholder put option liabilities	27	**(20,216)**	(16,738)
		(140,958)	(117,520)
Net current assets		**2,145**	3,360
Total assets less current liabilities		**93,612**	74,479
Non-current liabilities			
Deferred tax liabilities	15	**(380)**	(30)
Other financial liabilities	25	**(28,277)**	(23,594)
Minority shareholder put option liabilities	27	**(12,950)**	(7,626)
Other non-current liabilities	28	**(2,608)**	(1,208)
		(44,215)	(32,458)
Total net assets		**49,397**	42,021

The notes on pages 34 to 81 form part of these consolidated financial statements.

At 31 December	Note	2016 £000	2015 £000
Equity			
Share capital	29	**749**	727
Share premium		**24,099**	17,338
Merger reserve		**31,592**	31,592
Treasury reserve		**(792)**	(792)
Minority interest put option reserve		**(20,598)**	(12,595)
Non-controlling interest acquired		**(13,122)**	(9,233)
Foreign exchange reserve		**4,770**	(1,984)
Retained earnings		**15,871**	12,673
Equity attributable to shareholders of the Group		**42,569**	37,726
Non-controlling interest		**6,828**	4,295
Total equity		**49,397**	42,021

These consolidated financial statements were approved and authorised for issue by the Board on 15 March 2017 and signed on its behalf by:

Jamie Hewitt
Finance Director
M&C Saatchi plc
Company Number 05114893

The notes on pages 34 to 81 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000
At 1 January 2015		683	16,807	27,689	(792)
Acquisitions	18	–	–	–	–
Exercise of put options	27	13	224	3,903	–
Office closure		–	–	–	–
Exchange rate movements		–	–	–	–
Issue of shares to minorities		–	–	–	–
Issue of minority put options		–	–	–	–
Reclassification of minority put		–	–	–	–
Option exercise	30	31	307	–	–
Share option charge	30	–	–	–	–
Dividends	16	–	–	–	–
Total transactions with owners		44	531	3,903	–
Total comprehensive income for the year		–	–	–	–
At 1 January 2016		727	17,338	31,592	(792)
Acquisitions	18	**–**	**–**	**–**	**–**
Acquisitions of minority interest		**4**	**1,364**	**–**	**–**
Exercise of put options	27	**18**	**5,397**	**–**	**–**
Disposals		**–**	**–**	**–**	**–**
Exchange rate movements		**–**	**–**	**–**	**–**
Issue of shares to minorities		**–**	**–**	**–**	**–**
Issue of options	30	**–**	**–**	**–**	**–**
Share option charge	30	**–**	**–**	**–**	**–**
Dividends	16	**–**	**–**	**–**	**–**
Total transactions with owners		**22**	**6,761**	**–**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**–**
At 31 December 2016		**749**	**24,099**	**31,592**	**(792)**

The definitions of the reserves reported in the above can be found in note 5.

The notes on pages 34 to 81 form part of these consolidated financial statements.

MI put option reserve £000	Non-controlling interest acquired £000	Foreign exchange reserves £000	Retained earnings £000	Subtotal £000	Non-controlling interest in equity £000	Total £000
(13,070)	(7,882)	(668)	9,639	32,406	3,466	35,872
–	–	–	–	–	161	161
1,274	(1,274)	–	(48)	4,092	24	4,116
–	–	–	(158)	(158)	158	–
39	(77)	–	–	(38)	(121)	(159)
–	–	–	–	–	1,850	1,850
(2,190)	–	–	–	(2,190)	–	(2,190)
1,352	–	–	306	1,658	–	1,658
–	–	–	(3)	335	(338)	(3)
–	–	–	1,125	1,125	–	1,125
–	–	–	(4,662)	(4,662)	(3,591)	(8,253)
475	(1,351)	–	(3,440)	162	(1,857)	(1,695)
–	–	(1,316)	6,474	5,158	2,686	7,844
(12,595)	(9,233)	(1,984)	12,673	37,726	4,295	42,021
(10,249)	**–**	**–**	**–**	**(10,249)**	**1,919**	**(8,330)**
–	**(1,222)**	**–**	**–**	**146**	**–**	**146**
2,366	**(2,366)**	**–**	**–**	**5,415**	**(47)**	**5,368**
–	**–**	**–**	**–**	**–**	**(10)**	**(10)**
(120)	**(301)**	**–**	**–**	**(421)**	**627**	**206**
–	**–**	**–**	**–**	**–**	**14**	**14**
–	**–**	**–**	**515**	**515**	**–**	**515**
–	**–**	**–**	**7,997**	**7,997**	**–**	**7,997**
–	**–**	**–**	**(5,458)**	**(5,458)**	**(3,166)**	**(8,624)**
(8,003)	**(3,889)**	**–**	**3,054**	**(2,055)**	**(663)**	**(2,718)**
–	**–**	**6,754**	**144**	**6,898**	**3,196**	**10,094**
(20,598)	**(13,122)**	**4,770**	**15,871**	**42,569**	**6,828**	**49,397**

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Note	2016 £000	2015 £000
Revenue		**225,387**	178,928
Operating expenses	7	**(218,738)**	(164,221)
Operating profit		**6,649**	14,707
Adjustments for:			
Depreciation of plant and equipment	21	**2,668**	2,128
Loss on sale of plant and equipment		**542**	36
Loss on sale of software intangibles		**10**	12
Profit on disposal associate		**–**	(217)
Fair value revaluation of associate on step acquisition	20	**859**	–
Impairment and amortisation of acquired intangible assets	17	**2,324**	1,940
Impairment of associate and investments	20,22	**4,389**	–
Impairment of goodwill	17	**–**	889
Amortisation of capitalised software intangible assets	17	**354**	98
Equity settled share based payment expenses	30	**7,997**	1,125
Operating cash before movements in working capital		**25,792**	20,718
Increase in trade and other receivables		**(22,334)**	(17,192)
increases in trade and other payables		**19,342**	18,018
Cash generated from operations		**22,800**	21,544
Tax paid		**(4,073)**	(5,326)
Net cash from operating activities		**18,727**	16,218
Investing activities			
Acquisitions of subsidiaries net of cash acquired	19	**(12,822)**	(79)
Disposal of subsidiaries net of cash divested		**(263)**	–
Acquisitions of associates	19	**–**	(3,765)
Disposal of associates		**–**	325
Acquisitions of investments	22	**(1,056)**	(1,366)
Proceeds from sale of plant and equipment		**32**	7
Purchase of intangibles	17	**–**	(327)
Purchase of plant and equipment	21	**(3,873)**	(1,970)
Purchase of capitalised software		**(34)**	(158)
Dividends received from associates	20	**177**	1,173
Interest received		**440**	299
Net cash consumed investing activities		**(17,399)**	(5,861)
Net cash from operating and investing activities		**1,328**	10,357

The notes on pages 34 to 81 form part of these consolidated financial statements.

Year ended 31 December	Note	2016 £000	2015 £000
Net cash from operating and investing activities		**1,328**	10,357
Financing activities			
Dividends paid to equity holders of the Company	16	**(5,458)**	(4,662)
Dividends paid to non-controlling interest		**(3,166)**	(3,591)
Issue of shares to minorities		**514**	15
Repayment of finance leases		**(36)**	(31)
Inception of invoice discounting		**4,455**	3,130
Repayment of invoice discounting		**(3,943)**	–
Inception of bank loans		**11,433**	6,349
Repayment of bank loans		**(7,191)**	(968)
Interest paid		**(1,230)**	(771)
Net cash consumed by financing activities		**(4,622)**	(529)
Net (decrease)/increase in cash and cash equivalents		**(3,294)**	9,828
Effect of exchange rate fluctuations on cash held		**3,270**	(903)
Cash and cash equivalents at the beginning of the year		**32,246**	23,321
Cash and cash equivalents at the end of the year		**32,222**	32,246
Bank loans and borrowings*	25	**(28,582)**	(23,800)
NET CASH**		**3,640**	8,446
CAPITAL			
TOTAL MARKET CAPITALISATION (at 31 December: 380.0p; 326.50p)		**284,811**	237,414
GEARING RATIO*		**nil**	nil

* Bank loans and borrowings excludes £3,645k (2015: £3,130k) of invoice discounting.

** Gearing ratio and net cash are not defined under IFRS; see note 5.

NOTES

1. Headline results and earnings per share

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

Year ended 31 December 2016	Note	2016 £000	Amortisation of acquired intangibles (note 17) £000	Impairment of associate (note 20) £000	Provision against investments (note 22) £000	Revaluation of an associate on acquisition (note 20) £000	Acquisition related remuneration* (note 8)	Put option accounting** (note 30 & note 27) £000	Headline results £000
Billings	2	458,180	–	–	–	–		–	458,180
Revenue	2	225,387	–	–	–	–		–	225,387
Operating profit	7	6,649	2,324	3,738	651	859	819	7,997	23,037
Share of results of associates and JV	10	1,530	–	–	–	–	–	–	1,530
Finance income	11	440	–	–	–	–	–	–	440
Finance cost	12	(1,828)	–	–	–	–	–	597	(1,231)
Profit before taxation	2	6,791	2,324	3,738	651	859	819	8,594	23,776
Taxation	14	(3,451)	(659)	–	–	–		–	(4,110)
Profit for the year		3,340	1,665	3,738	651	859	819	8,594	19,666
Non-controlling interests		(3,196)	(256)	–	–	–	(540)	(251)	(4,243)
Profit attributable to equity holders of the Group		144	1,409	3,738	651	859	279	8,343	15,423

* Details of this breakdown can be found in note 8. The non-controlling interest charge is moved to operating profit due to underlying equity being defined as a conditional share award.

** These values represent put options accounted for as conditional share awards (£7,997k) (note 30) and fair value adjustments to minority put option liabilities (£597k) (note 27), the non-controlling interest charge is the additional charge had the put option not been accounted for under IFRS2 conditional share awards.

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

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

Year ended 31 December 2015	Note	2015 £000	Amortisation of acquired intangibles (note 17) £000	Acquisition of remaining shares in loss making associate (note 18) £000	Impairment of goodwill (note 17) £000	Acquisition related remuneration (note 8) £000	Put option accounting* (note 30 & note27) £000	Headline results £000
Billings	2	375,107	–	–	–	–	–	375,107
Revenue	2	178,928	–	–	–	–	–	178,928
Operating profit	7	14,707	1,940	(217)	889	134	1,125	18,578
Share of results of associates and JV	10	2,017	–	–	–	–	–	2,017
Finance income	11	299	–	–	–	–	–	299
Finance cost	12	(4,477)	–	–	–	–	3,706	(771)
Profit before taxation	2	12,546	1,940	(217)	889	134	4,831	20,123
Taxation	14	(3,386)	(541)	71	–	–	–	(3,856)
Profit for the year		9,160	1,399	(146)	889	134	4,831	16,267
Non-controlling interests		(2,686)	(162)	–	(178)	–	–	(3,026)
Profit attributable to equity holders of the Group		6,474	1,237	(146)	711	134	4,831	13,241

* These values represent put options accounted for under IFRS2 (£1,125k) (note 30) and fair value adjustments to minority put option liabilities (£3,706k) (note 27).

NOTES
Continued

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

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

* All the put options detailed in note 27 are non-dilutive as the exercise price approximates fair value of the underlying non-controlling interest.

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

* All the put options detailed in note 27 are non-dilutive as the exercise price approximates fair value of the underlying non-controlling interest.

NOTES
Continued

2. Segmental information

Segmental and headline income statement

Year ended 31 December 2016	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Billings	154,844	38,504	22,810	88,665	153,357	458,180
Revenue	88,504	26,685	11,673	52,531	45,994	225,387
Operating profit excluding Group costs	10,398	4,028	1,085	5,754	7,119	28,384
Group costs	(4,879)	(87)	–	(343)	(38)	(5,347)
Operating profit	5,519	3,941	1,085	5,411	7,081	23,037
Share of results of associates and JV	1,323	(3)	–	290	(80)	1,530
Financial income and cost	(343)	(43)	43	124	(572)	(791)
Profit before taxation	6,499	3,895	1,128	5,825	6,429	23,776
Taxation	(811)	(1,350)	(362)	(1,458)	(129)	(4,110)
Profit for the year	5,688	2,545	766	4,367	6,300	19,666
Non-controlling interests	(1,320)	(494)	(326)	(844)	(1,259)	(4,243)
Profit attributable to equity shareholders of the Group	4,368	2,051	440	3,523	5,041	15,423
Headline basic EPS						21.07p
Non-cash costs included in headline operating profit:						
Depreciation	(1,364)	(242)	(185)	(329)	(548)	(2,668)
Amortisation of software	(268)	(62)	(9)	(13)	(2)	(354)
Share option charges	–	–	–	–	–	–
Office locations	London	Paris Milan Berlin Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Dubai Beirut Tel Aviv	Sydney Melbourne New Delhi Bangalore Islamabad Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Chicago Los Angeles San Francisco São Paulo	

Segmental results are reconciled to the income statement in note 1. Our segmental and headline results are one and the same. The above segments reflect the fact that our business is run on an operating unit basis. In accordance with IFRS8 paragraph 12, we have aggregated our operating units into regional segments.

Segmental and headline income statement

Year ended 31 December 2015	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Billings	155,226	37,668	18,965	68,140	95,108	375,107
Revenue	84,159	22,745	8,549	42,103	21,372	178,928
Operating profit excluding Group costs	11,782	3,668	1,049	4,187	3,253	23,939
Group costs	(4,970)	(83)	–	(308)	–	(5,361)
Operating profit	6,812	3,585	1,049	3,879	3,253	18,578
Share of results of associates and JV	809	25	–	325	858	2,017
Financial income and cost	(527)	(60)	(17)	69	63	(472)
Profit before taxation	7,094	3,550	1,032	4,273	4,174	20,123
Taxation	(506)	(1,190)	(268)	(1,209)	(683)	(3,856)
Profit for the year	6,588	2,360	764	3,064	3,491	16,267
Non-controlling interests	(1,169)	(658)	(372)	(477)	(350)	(3,026)
Profit attributable to equity shareholders of the Group	5,419	1,702	392	2,587	3,141	13,241
Headline basic EPS						18.57p
Non-cash costs included in headline operating profit:						
Depreciation	(1,269)	(208)	(145)	(242)	(267)	(2,131)
Amortisation of software	(9)	(51)	(16)	(18)	(4)	(98)
Share option charges	(5)	–	–	–	–	(5)
Office locations	London	Paris Milan Berlin Madrid Geneva Stockholm Moscow Istanbul	Johannesburg Cape Town Abu Dhabi Beirut Tel Aviv	Sydney Melbourne New Delhi Hong Kong Shanghai Tokyo Kuala Lumpur Bangkok Singapore	New York Los Angeles San Francisco São Paulo	

NOTES
Continued

2. Segmental information continued

Segmental balance sheet

This note includes balance sheet information required by IFRS8 and other information required by IFRS12.

Year ended 31 December 2016	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Non-current assets	47,912	3,861	1,619	4,182	30,781	88,355
Current assets	56,562	19,493	7,912	24,974	33,105	142,046
Total assets	104,474	23,354	9,531	29,156	63,886	230,401
Current liabilities	(18,241)	(20,879)	(6,910)	(20,704)	(49,152)	(115,886)
Non-current liabilities	(404)	(439)	(39)	(631)	(1,095)	(2,608)
Total liabilities	(18,645)	(21,318)	(6,949)	(21,335)	(50,247)	(118,494)
Non-controlling interest in equity at year end	2,063	281	486	1,111	2,887	6,828
Dividends paid to non-controlling interests during year	991	678	129	797	571	3,166
Non-headline amortisation	1,000	41	267	77	939	2,324
Non-headline impairment	651	–	–	–	3,738	4,389
Capital expenditure	2,307	297	524	543	309	3,980
Depreciation	1,364	242	185	329	548	2,668

Year ended 31 December 2015	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Non-current assets	45,905	3,416	600	3,318	16,404	69,643
Current assets	44,144	16,672	5,472	17,495	36,253	120,036
Total assets	90,049	20,088	6,072	20,813	52,657	189,679
Current liabilities	(13,703)	(18,269)	(4,667)	(15,337)	(44,349)	(96,325)
Non-current liabilities	(366)	(140)	(21)	(350)	(331)	(1,208)
Total liabilities	(14,069)	(18,409)	(4,688)	(15,687)	(44,680)	(97,533)
Non-controlling interest in equity at year end	1,924	636	249	970	516	4,295
Dividends paid to non-controlling interests during year	1,167	384	248	1,578	214	3,591
Non-headline amortisation	1,031	55	496	200	158	1,940
Non-headline impairment	–	–	–	889	–	889
Capital expenditure	1,193	230	67	378	168	2,036
Depreciation	1,268	208	145	242	265	2,128

Reportable segment assets are reconciled to total assets as follows:

	2016 £000	2015 £000
Segment assets	**230,401**	189,679
Current tax asset	**1,057**	844
Deferred tax asset	**3,112**	1,476
Total assets per balance sheet	**234,570**	191,999

Reportable segment liabilities are reconciled to total liabilities as follows:

	2016 £000	2015 £000
Segment liabilities	**(118,494)**	(97,533)
Deferred tax liabilities	**(380)**	(30)
Current tax liabilities	**(1,186)**	(1,204)
Bank overdraft	**–**	(98)
Invoice discounting	**(3,645)**	(3,130)
Other financial liabilities	**(28,302)**	(23,619)
Minority shareholder put option liabilities	**(33,166)**	(24,364)
Total liabilities per balance sheet	**(185,173)**	(149,978)

Additional regional splits required for IFRS8 by origin.

Year ended 31 December 2016	UK £000	Europe £000	Middle East and Africa £000	Australia £000	Asia £000	Americas £000	Total £000
Revenue	**88,504**	**26,685**	**11,673**	**42,311**	**10,220**	**45,994**	**225,387**
Non-current assets	**47,912**	**3,861**	**1,619**	**2,940**	**1,242**	**30,781**	**88,355**

Year ended 31 December 2015	UK £000	Europe £000	Middle East and Africa £000	Australia £000	Asia £000	Americas £000	Total £000
Revenue	84,159	22,745	8,549	33,272	8,831	21,372	178,928
Non-current assets	45,904	3,416	600	2,291	1,028	16,404	69,643

NOTES
Continued

2. Segmental information continued

Segmental income statement translated at 2015 exchange rates
It is normal practice in our industry to provide like-for-like results and constant currency results.

Had our 2016 results been translated at 2015 exchange rates then our constant currency results would have been:

Year ended 31 December 2016	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Revenue	**88,504**	**23,766**	**11,356**	**47,418**	**42,106**	**213,150**
Operating profit excluding Group costs	**10,398**	**3,573**	**1,095**	**5,298**	**6,800**	**27,164**
Group costs	(4,885)	(78)	–	(308)	(38)	(5,309)
Operating profit	**5,513**	**3,495**	**1,095**	**4,990**	**6,762**	**21,855**
Share of results of associates and JV	1,323	(5)	–	273	(72)	1,519
Financial income and cost	(393)	(43)	44	113	(510)	(789)
Profit before taxation	**6,443**	**3,447**	**1,139**	**5,376**	**6,180**	**22,585**
Taxation	(799)	(1,197)	(371)	(1,337)	(65)	(3,769)
Profit for the year	**5,644**	**2,250**	**768**	**4,039**	**6,115**	**18,816**
Increase/(decrease) in 2016 results caused by translation differences	**44**	**295**	**(2)**	**328**	**185**	**850**

Had our 2016 results been translated at 2015 exchange rates, with the companies we owned in 2015, then our like-for-like results would have been:

Year ended 31 December 2016	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	Total £000
Revenue	**88,504**	**23,766**	**10,557**	**47,418**	**25,294**	**195,539**
Operating profit excluding Group costs	**10,398**	**3,573**	**1,095**	**5,298**	**3,934**	**24,298**
Group costs	(4,885)	(78)	–	(308)	(38)	(5,309)
Operating profit	**5,513**	**3,495**	**1,095**	**4,990**	**3,896**	**18,989**
Share of results of associates and JV	1,323	(5)	–	273	555	2,146
Financial income and cost	(393)	(43)	44	113	(454)	(733)
Profit before taxation	**6,443**	**3,447**	**1,139**	**5,376**	**3,997**	**20,402**
Taxation	(799)	(1,197)	(371)	(1,337)	123	(3,581)
Profit for the year	**5,644**	**2,250**	**768**	**4,039**	**4,120**	**16,821**
Increase/(decrease) in 2016 results caused by translation and acquisition differences	**44**	**295**	**(2)**	**328**	**2,180**	**2,845**

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

	2016	2015
US dollar	**1.3558**	1.5282
Malaysian ringgit	**5.6104**	5.9695
Australian dollar	**1.8247**	2.0354
South African rand	**19.9843**	19.5022
Brazilian real	**4.7442**	5.0952
Euro	**1.2244**	1.3780

3. Group subsidiaries

The Group believes that local entrepreneurs should own a local stake in their destiny. This is reflected in the list below and the accounting effects in notes 20, 27 and 30.

The principal group subsidiaries and associated companies are:

As at 31 December 2016	Country	Effective % ownership	Activities
UK			
Audience Communications Ltd**	United Kingdom	100	Dormant
Clear Ideas Consultancy LLP**	United Kingdom	100	Marketing
Clear Ideas Ltd**	United Kingdom	100	Marketing
FYND Media Ltd	United Kingdom	100	Media Buying
Horizon PR Ltd**	United Kingdom	80	PR Agency (joint venture)
Human Digital Ltd**	United Kingdom	100	Research
Influence Communications Ltd	United Kingdom	95	Dormant
Lean Mean Fighting Machine Ltd**	United Kingdom	100	Advertising
LIDA (UK) LLP**	United Kingdom	99	Direct Marketing
LIDA Ltd** & ***	United Kingdom	100	Direct Marketing
M&C Saatchi (UK) Ltd** & ***	United Kingdom	100	Adverting
M&C Saatchi Accelerator Ltd**	United Kingdom	80	Advertising
M&C Saatchi European Holdings Ltd**	United Kingdom	96	Holding Company
M&C Saatchi Export Ltd** & ***	United Kingdom	100	Advertising
M&C Saatchi German Holdings Ltd**	United Kingdom	96	Holding Company
M&C Saatchi International Ltd**	United Kingdom	100	Holding Company
M&C Saatchi Marketing Arts Ltd**	United Kingdom	50	Advertising
M&C Saatchi Merlin Ltd**	United Kingdom	55	Talent Management
M&C Saatchi Middle East Holdco Ltd**	United Kingdom	80	Holding Company
M&C Saatchi Mobile Ltd**	United Kingdom	90	Mobile Marketing
M&C Saatchi Network Ltd** & ***	United Kingdom	100	Holding Company
M&C Saatchi PR International Ltd**	United Kingdom	100	PR Agency
M&C Saatchi PR Ltd**	United Kingdom	100	PR Agency
M&C Saatchi PR UK LLP**	United Kingdom	60	PR Agency
M&C Saatchi Russia Ltd**	United Kingdom	50	Advertising
M&C Saatchi Shop Ltd**	United Kingdom	73	Marketing
M&C Saatchi Sport & Entertainment Ltd** & ***	United Kingdom	97	Sport Sponsorship & Entertainment PR Agency
M&C Saatchi WMH Ltd**	United Kingdom	100	Holding Company
M&C Saatchi World Services LLP**	United Kingdom	80	Marketing
M&C Saatchi Worldwide Ltd** & ***	United Kingdom	100	Holding Company
Play London Ltd	United Kingdom	100	Dormant
Re Worldwide Ltd**	United Kingdom	100	Dormant
SaatchInvest Ltd**	United Kingdom	100	Holding Company
Talk Content Ltd	United Kingdom	46	Dormant
Talk PR Ltd** & ***	United Kingdom	51	PR Agency
Talk Store PR Ltd	United Kingdom	51	Dormant
Talk Tech PR Ltd	United Kingdom	51	Dormant

NOTES
Continued

3. Group Subsidiaries continued

As at 31 December 2016	Country	Effective % ownership	Activities
UK			
The Source (London) Ltd**	United Kingdom	88	Research Agency
The Source (W1) LLP**	United Kingdom	76	Research Agency
Tricycle Communications Ltd**	United Kingdom	80	Holding Company
Walker Media Ltd	United Kingdom	25	Media Agency (Associate)
EUROPE			
FCINQ SAS	France	88	Website Construction
M&C Saatchi Gad SAS	France	100	Advertising
M&C Saatchi Little Stories SAS	France	80	PR Agency
M&C Saatchi One SARL	France	100	Digital Marketing
Paris Gad Holding SAS	France	60	Holding Company
M&C Saatchi Berlin GmbH	Germany	75	Advertising
M&C Saatchi Sports & Entertainment GmbH	Germany	64	Sport Sponsorship & Entertainment PR Agency
M&C Saatchi Sun GmbH	Germany	91	Dormant
M&C Saatchi SpA	Italy	80	Advertising
M&C Saatchi PR srl	Italy	80	PR Agency
M&C Saatchi International Holdings BV	Netherlands	100	Holding Company
Clear Netherlands BV	Netherlands	100	Dormant
M&C Saatchi Madrid SRL	Spain	24*	Direct Marketing (Associate)
M&C Saatchi Digital SL	Spain	24	Digital Advertising (Associate)
Media By Design Spain SA	Spain	24	Media Agency (Associate)
M&C Saatchi AB	Sweden	60	Advertising and Marketing
M&C Saatchi (Switzerland) SA	Switzerland	88	Advertising
MIDDLE EAST AND AFRICA			
M&C Saatchi Bahrain WLL	Bahrain	100	Dormant
M&C Saatchi Tel Aviv Ltd	Israel	80	Advertising
M&C Saatchi SAL	Lebanon	10	Advertising (Associate)
Creative Spark Interactive (Pty) Ltd***	South Africa	50	Advertising
Dalmation Communications (Pty) Ltd	South Africa	50	Advertising
M&C Saatchi Abel (Pty) Ltd	South Africa	50	Advertising
M&C Saatchi Africa (Pty) Ltd	South Africa	50	Advertising
M&C Saatchi Connect (Pty) Ltd	South Africa	50	Advertising
M&C Saatchi Sports & Entertainment South Africa Pty Ltd	South Africa	50	Dormant
M&C Saatchi Istanbul	Turkey	25	Advertising (Associate)
M&C Saatchi Middle East Fz LLC	United Arab Emirates	80	Advertising
M&C Saatchi Fz LLC	United Arab Emirates	100	Advertising

As at 31 December 2016	Country	Effective % ownership	Activities
ASIA AND AUSTRALIA			
Bang Pty Ltd	Australia	76	Branding and Digital Marketing
Bellwether Global Pty Ltd	Australia	80	PR Agency
Brands In Space Pty Ltd	Australia	80	Design
Bright Red Oranges Pty Ltd	Australia	80	Design
Clear Australia Pty Ltd	Australia	100	Marketing Strategy
Go Studios Pty Ltd	Australia	80	Finished Art & Production Management Studio
LIDA Australia Pty Ltd	Australia	80	Digital Marketing
M&C Saatchi Agency Pty Ltd	Australia	80	Advertising
M&C Saatchi Asia Pac Holdings Pty Ltd	Australia	100	Holding Company
M&C Saatchi Direct Pty Ltd	Australia	80	Direct Marketing
M&C Saatchi Sport & Entertainment Pty Ltd	Australia	48	Sport Sponsorship & Entertainment PR Agency
M&C Saatchi Melbourne Pty Ltd	Australia	48	Advertising
Park Avenue PR Pty Ltd	Australia	80	PR & Marketing
Re Team Pty Ltd	Australia	76	Marketing
Saatchi Ventures Pty Ltd	Australia	60	Holding Company
Tricky Jigsaw Pty Ltd	Australia	68	Marketing
eMCSaatchi Pty Ltd	Australia	80	Dormant
M&C Saatchi Advertising (Shanghai) Ltd	China	40	Consultancy (Associate)
Clear Asia Ltd	Hong Kong	93	Dormant
M&C Saatchi Asia Ltd	Hong Kong	100	Advertising
M&C Saatchi (HK) Ltd	Hong Kong	40	Advertising (Associate)
M&C Saatchi Communications Pvt Ltd	India	95	Advertising
February Communications Pvt Ltd	India	20	Advertising (Associate)
M&C Saatchi Ltd	Japan	10	Advertising
M&C Saatchi (M) Sdn Bhd	Malaysia	49	Advertising
Design Factory Sdn Bhd	Malaysia	49	Advertising
Intelligence Factory Sdn Bhd	Malaysia	49	Advertising
M&C Saatchi World Services Pakistan (Pvt) Ltd	Pakistan	41	Marketing (joint venture)
Clear Ideas (Singapore) Pte Ltd	Singapore	93	Marketing
M&C Saatchi (S) Pte Ltd	Singapore	80	Advertising
M&C Saatchi Mobile Asia Pacific Pte Ltd	Singapore	95	Mobile Marketing
Love Frankie Ltd	Thailand	20	Marketing (Associate)

NOTES
Continued

3. Group Subsidiaries continued

As at 31 December 2016 AMERICAS	Country	Effective % ownership	Activities
Lily Participacoes Ltda	Brazil	100	Holding Company
M&C Saatchi Brasil Comunicação Ltda	Brazil	60	Advertising
M&C Saatchi Brasil Participacoes Ltda	Brazil	100	Holding Company
Santa Clara Participacoes Ltda	Brazil	25	Advertising (Associate)
M+C Saatchi/Insight Pesquisa & Planejamento Ltda	Brazil	100	Dormant
Clear USA LLC	USA	91	Marketing
LIDA NY LLP	USA	51	Direct Marketing
M&C Saatchi Agency Inc.	USA	100	Holding Company
M&C Saatchi LA Inc.	USA	90	Advertising
M&C Saatchi Mobile LLP	USA	99	Mobile Marketing
M&C Saatchi PR LLP	USA	100	PR
M&C Saatchi Share Inc.	USA	75	Marketing
M&C Saatchi Sports & Entertainment NY LLP	USA	93	Sport Sponsorship & Entertainment PR Agency
Shepardson Stern & Kaminsky LLP	USA	51*	Marketing Consultant (Associate)
M&C Saatchi NY LLP	USA	100	Dormant
World Services US Inc.	USA	80	Dormant
Clear NY LLP	USA	100	Dormant

* Following year end, step acquisitions have been made to increase these shareholdings.
** This subsidiary undertaking is exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as M&C Saatchi plc has guaranteed the subsidiary company under Section 479C of the Act.
*** With the exception of M&C Saatchi Network Ltd and Creative Spark Interactive (Pty) Ltd where all our equity is directly held by M&C Saatchi plc, all other subsidiary companies' equity is either in part or wholly held indirectly via subsidiaries of M&C Saatchi plc.

Most of our subsidiaries, associates and joint ventures (entities) have different classes of equity so that board representation reflects parties equity splits, and minorities can be protected from right changes, in all other regards our entities equity ranks pari passu.

List of the entities local registered address can be found in note 43.

M&C Saatchi plc exists as a holding company with all direct client relationships performed by its indirect subsidiaries. The results of the entities reflect the result of the Group less the results of M&C Saatchi plc.

4. Summary accounting policies

Basis of preparation
The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Going concern
Given the strength of the Group's balance sheet, its net cash, its bank covenants, the risks the Group faces (note 6), the expected trading performance and the two-year cash flow projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors continually review the Groups profit forecasts, and reviews monthly its balance sheet and cash flow forecasts. Annually, or earlier if needed, we review the long term (greater than one year) cash flow projections for the Group based on anticipated scenarios and acquisitions. If additional funding is required, it is secured before expenditure is made, as we have done during the year by extending our bank facility on 4 January 2016 (note 25).

Based on this the Directors believe the Group will continue as a going concern for the foreseeable future.

Headline results
The Directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance of the business. The headline results reflect the underlying profitability of our business units by excluding all effects of buying and selling equity by the Group; and the accounting effects of our entrepreneurs holding equity in the business they run (business model). Such business model accounting effects charge the income statement for the Groups fair value liability of its local entrepreneurs' equity conversion rights, but does not account for the value enhancement they make to our local holdings.

In addition, the headline results are used for internal performance management and minority shareholder put option liabilities. The term 'headline' is not a defined term in IFRS. Note 1 reconciles reported to headline results.

Our segmental reporting (note 2) reflects our headline results in accordance with IFRS8.

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

Accounting developments and changes
There were no significant accounting developments or changes during 2016 that affect these accounts. Other future developments are described in note 34.

IFRS elections
IFRS provides certain options available within accounting standards. Material judgements we have made, and continue to make, include goodwill and intangible asset acquisitions where the Group does not recognise the non-controlling interests share of goodwill.

Critical accounting policies
Revenue recognition
Billings comprises the gross amounts billed to clients in respect of commission based and fee based income together with the total of other fees earned. Revenue comprises commission and fees earned in respect of amounts billed. Revenue and billings are stated exclusive of VAT, sales taxes and trade discounts.

Each type of revenue is recognised on the following basis:

a) Project fees are recognised over the period of the relevant assignments or agreements, in line with incurred costs. The primary input of all work performed under these arrangements is labour. As a result of the relationship between labour and cost, there is normally a direct relationship between costs incurred and the proportion of the contract performed to date.
b) Retainer fees are spread over the period of the contract on a straight-line basis.
c) Commission on media spend is recognised when the advertisements appear in the media.

Subsidiary acquisitions
The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values of the assets given, liabilities incurred or assumed and the equity instruments issued by the Group in exchange for control. The identifiable assets and liabilities (including contingent liabilities) acquired that meet the conditions for recognition under IFRS3 are recognised at their fair values at the date of acquisition.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

All acquisition costs are expensed to the income statement in the period that they occur.

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Continued

Goodwill
Goodwill arising on the acquisition of a subsidiary is recognised as an asset, being the excess of consideration paid over the interest in the fair value of the identifiable net assets acquired. Cost comprises the fair value of assets given, liabilities assumed (contingent and deferred consideration) and equity instruments issued.

In 2009 and before, where the Group increased its stake in a subsidiary, goodwill equals the difference between the consideration paid and the fair value of the minority interest acquired. In 2010 and beyond, such balances are taken to reserves in accordance with IAS27. The amendment to the standard did not require retrospective restatement.

Goodwill relating to associates is included within the carrying value of the investment in associates.

Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at net book value as at that date.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication of impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

The impairment test is based on management's projections for the next five years and regional growth rates thereafter.

Goodwill arising from foreign investments is retranslated at the year end rate.

Minority shareholder put option liabilities
The equity partners In the Group's subsidiaries hold put options that allow them to require the Group to purchase their non-controlling interest on exercise. The put options can be exchanged for either a variable number of shares or cash. The Group has elected to account for these as put option liabilities under IAS32 and measures them at the present value of the amounts expected to be payable on exercise; this is deemed a proxy for fair value. The fair value is remeasured at each period end with the movements being recognised in the income statement in finance income or cost.

On inception of a put option, the liability is recognised on the balance sheet and a corresponding debit is included in the minority interest put option reserve (note 5).

On exercise, the liability is extinguished, and its related minority interest put option reserve is moved to the non-controlling interest acquired reserve (note 5).

Employee benefits – equity settled share based payments
In addition to the put option liabilities, some entities have issued put options which are forfeited on termination of employment of the minorities. As such, these arrangements are treated as share based payment and accounted for under IFRS2, as opposed to IAS39. The cost of such equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted, including assumptions non-market vesting conditions such as, profitability and sales growth targets. Subsequent changes in the likelihood of achieving such non-market conditions are reflected as adjustments to the share option charge over the vesting period. Where awards depend on future events, we assess the likelihood of these conditions being met and make an appropriate charge at the end of each reporting period. The credit for equity settled transactions is taken to retained earnings.

Assets and liabilities in respect of put options held by shareholders in associates are accounted for as derivatives and not recognised until the Group gains control and fully consolidates the entity.

The remaining accounting policies, details of IFRS13 hierarchy and additional details on the above are set out in note 34.

Put option conditional shares awards
The cost of awards to employees of subsidiary undertakings classified as conditional shares awards is accounted for as a share option under IFRS2 and is charged to the income statement over the period of the award.

On exercise, the share for share exchange is treated at nominal value or initial acquired value.

Dividends paid to employees of subsidiaries who have conditional share awards are expensed as employee remuneration.

5. Definition of terms

Foreign exchange reserve

For overseas operations, 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 a separate component of equity. Such translation differences will be recognised as income or expense in the period in which the operation is disposed of.

Gearing ratio

Gearing ratio is equal to net debt divided by market capitalisation at the balance sheet date.

Key management

Key management has been defined as the persons discharging managerial responsibilities (PDMRs) of the Group.

Net cash (debt)

Cash and cash equivalents at the end of the year less external borrowings (excluding any capitalised finance cost, finance leases and debt factoring).

Merger reserve

Premium paid for shares above the nominal value of share capital, caused by the acquisition of more than 90% of subsidiaries' shares. The merger reserve is released to retained earnings when there is a disposal or impairment charge or amortisation charge posted in respect of the investment that created it.

Minority interest put option reserve

Corresponds to the initial fair value of the liability in respect of the put options at creation. When the put option is exercised, the related amount in this reserve is taken to non-controlling interest acquired reserve. All revaluations of put options are expensed via the income statement to profit and loss reserve.

Non-controlling interest

Contains the non-controlling interest's share of equity reserves of our subsidiaries.

Non-controlling interest acquired reserve

From 1 January 2010, a non-controlling interest acquired reserve is used when the Group acquires an increased stake in a subsidiary. If the stepped acquisition is due to a put option then the non-controlling interest acquired reserve is equal to the minority interest put option reserve transferred less book value of the minority interest acquired. Otherwise the non-controlling interest acquired reserve is equal to the consideration paid less book value of the minority interest acquired. If the equity stake in the subsidiary is subsequently sold, then balances from this reserve will be taken to retained earnings.

Retained earnings

Cumulative gains and losses recognised.

Share premium

Premium paid for shares above the nominal value of share capital, where that premium was not taken to merger reserve.

Treasury reserve

Amount paid for own shares acquired

6. Risk and risk management

The Group has identified specific categories of business risk and developed policies for their management and control. These policies are kept under constant review as risk and risk perceptions change.

Currency risk (see below, and note 23 and 24)	Market risk (see below)
Interest rate risk (note 13)	Credit risk (note 23)
Share price risk (note 27)	Talent risk (Directors' report)

Income statement currency exposure

The Group's results are presented in sterling and are subject to fluctuation as a result of exchange rate movements. The Group continues to review its exposure to exchange rate movements and considers methods to reduce the exchange rate risk.

2016 profits would have changed as follows, had average exchange rates been changed by:

Exchange rate	Increase/(decrease) in profit before tax £000	Increase/(decrease) in profit after tax £000
+10%	**(1,177)**	**(868)**
(10)%	**1,439**	**1,061**

See note 2 for the income statement translated at prior year exchange rates.

Market risk

The Group does not have a substantial market share in any market. The key risk the Group is exposed to is the loss of clients. The Group has policies to monitor client feedback and act where there are issues.

Largest clients as a % of total revenue	2016 %	2015 %
Top client	**4.9**	5.9
Top 10	**30.5**	30.4
Top 15	**39.5**	42.8
Top 30	**54.2**	56.2

NOTES
Continued

Liquidity risk
Centrally the Group ensures that bank facilities are available to meet the Group's liquidity needs. Liquidity is monitored centrally and managed locally. Spare local cash is released to the centre by way of dividends and loan repayments. In managing its liquidity risk, management considers its net cash and minimises its gearing ratio, and where working capital is utilised to fund the business, management makes sure that the Group has sufficient bank facilities to cope with an unwinding of positive working capital flows and to fund the negative working capital effect of revenue growth. Our bank debt maturity analysis can be seen in note 25 and financial liability maturity analysis can be seen in note 24.

Capital risk
The Group's capital reserves consist of all its equity reserves with the exclusion of the minority interest put option reserve. Capital reserves safeguard the Group's going concern, as well as providing adequate return to its shareholders. The capital reserves total £69,995k (2015: £54,616k). The Group minimises the amount of debt it uses to finance its activities, to reduce the risk to the shareholders. Excess working capital is used to reduce debt. Excess cash is used to invest or is returned to shareholders by way of dividend or through buying shares into treasury. Our key process for managing capital is regular Board reviews of our capital structure and needs.

Key estimates
Management's estimates of the future profitability of the Group can be significantly affected by single account wins or losses, and to a lesser extent by the estimated phase of a project, exchange rates and underlying economic growth rates. We have therefore based our estimates on the budgets for the coming year and estimated growth rates and margins thereafter.

Changes in these underlying assumptions could give rise to material adjustments as set out in the following notes:
Note 17 – Intangible assets – goodwill estimation of value in use;
Note 27 – Minority shareholder put options liabilities; and
Note 30 – Share based payments – initial measurement of Conditional share awards.

Sensitivities to accounting estimates
Our results and financial position are sensitive to assumptions made in determining accounting estimates, as set out below. Management are satisfied with the exception of companies acquired in the year and Bang Pty Ltd (Australia) which was impaired last year. No possible changes in key assumptions, apart from a significant loss of clients by a CGU, would cause the recoverable amount of any of our CGUs to be below their carrying amount. Management have tested the key assumptions of pre-tax discount rates and management forecasts and projections by adjusting them individually 5% and 20% respectively as well as comparing management forecasts to historic results. None of these sensitivity tests lead to further impairments.

Bang Pty Ltd (Australia) was impaired in 2015, and continues to trade around the forecast used to justify the impairment. Shepardson Stern & Kaminsky LLP and M&C Saatchi Middle East Fz LLC were acquired in the year, thus its carrying value is close to its recoverable amount. In testing our key assumptions on Bang Pty Ltd, Shepardson Stern & Kaminsky LLP and M&C Saatchi Middle East Fz LLC, increasing pre-tax discount rates by 5% results in a £3.1m potential impairment and reducing management forecast by 20% creates a £0.5m potential impairment.

Key judgements
Management has made the following key judgements, which have a significant effect: deciding which of its shareholder contracts are share options and which are put options (whether created through acquisitions or organic); deciding to what extent tax losses are recognised as an asset in the balance sheet; useful lives of assets – tangible and intangible; recoverability of amounts receivable; and to use a discount to value an associate when it is created from selling a controlling stake in a subsidiary.

Projections
Projections take account of management's view of the local operations future profitability given expected market growth, inflation, exchange rates and rapidly growing/shrinking markets. They are based on our budgets for 2017.

They are used in calculating the fair value of minority put options, management's assessment of value in use calculations, to identify goodwill impairment indicators and in calculating the value of conditional share awards.

IFRS13 disclosures with respect of fair value have been detailed in note 34 and relevant notes.

7. Operating costs

Year ended 31 December	Note	2016 £000	Total 2015 £000
Total staff costs	8	**157,481**	118,089
Other costs		**61,257**	46,132
Operating costs		**218,738**	164,221
Other costs include:			
Profit on exchange		**859**	1,134
Amortisation of intangibles			
– Acquired intangibles	17	**2,324**	1,940
– Capitalised software	17	**354**	98
Goodwill impairment	17	**–**	889
Associate impairment		**3,738**	–
Fair value revaluation of associate on acquisition		**859**	–
Provision against investments		**651**	–
Depreciation of plant and equipment	21	**2,668**	2,128
Loss on disposal of fixed assets		**542**	36

Year ended 31 December	2016 £000	2015 £000
Operating lease rentals		
Plant	**514**	650
Property	**7,556**	6,777
	8,070	7,427
Property sublease receipts	**(180)**	(506)
	7,890	6,921

Year ended 31 December	2016 £000	2015 £000
Total commitments		
Plant and equipment		
Commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
– Within one year	**913**	552
– Between two and five years	**1,134**	594
	2,047	1,146
Property		
Commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
– Within one year	**9,059**	7,077
– Between one and five years	**31,993**	24,970
– Greater than five years	**11,033**	13,354
	52,085	45,401
Sublease receipts		
Commitments for future minimum lease receipts under non-cancellable operating leases, which fall due as follows:		
– Within one year	**(432)**	(544)
– Between one and five years	**(1,554)**	(946)
– Greater than five years	**(384)**	–
	(2,370)	(1,490)

For further details of finance leases, see in note 25

NOTES
Continued

8. Staff costs
Staff costs (including Directors) comprise:

Year ended 31 December	2016 £000	2015 £000
Wages and salaries	**127,233**	99,898
Social security costs	**15,085**	11,019
Defined contribution pension scheme costs	**1,697**	3,108
Other staff benefits	**4,650**	2,779
	148,665	116,804
Acquisition related remuneration		
Allocations and dividends paid to conditional share award holders	**540**	–
Contingent acquisition cost with leaver provision (note 18)	**279**	134
	819	134
Share based incentive plans		
Cash settled	**–**	26
Equity settled	**7,997**	1,125
	7,997	1,151
Total staff costs	**157,481**	118,089
Staff cost to revenue ratio	**70%**	66%

Staff numbers		
UK	**743**	789
Europe	**326**	298
Middle East and Africa	**277**	227
Asia and Australia	**611**	532
America	**361**	240
	2,318	2,086

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

Payments of £1,697k (2015: £3,108k) were made in the year and charged to the income statement in the period they relate to. At the year end there were unpaid amounts included within accruals totalling £156k (2015: £133k).

Key management remuneration

	2016 £000	2015 £000
Short term employee benefit	**3,062**	4,140
Post-employment benefit	**17**	34
Share based payments	**1,366**	779
Total	**4,445**	4,953

9. Auditors' remuneration

Services provided by the Group's Auditors and network firms.

Year ended 31 December	2016 £000	2015 £000
Audit services		
Audit of the Company and its consolidated accounts	**239**	227
Audit of the Company's subsidiaries pursuant to legislation	**201**	173
	440	400
Other services provided by the Auditors		
Taxation compliance services	**20**	31
Other advice	**1**	1
	21	32
Total	**461**	432

10. Share of associates and joint ventures

Year ended 31 December	2016 £000	2015 £000
Share of associates' profit before taxation	**1,981**	2,386
Share of associates' taxation	**(451)**	(369)
	1,530	2,017

For further details of associates, see note 20.

11. Finance income

Year ended 31 December	2016 £000	2015 £000
Bank interest receivable	**338**	181
Other interest receivable	**102**	118
Total finance income	**440**	299

12. Finance costs

Year ended 31 December	2016 £000	2015 £000
Bank interest payable	**(1,227)**	(766)
Interest payable on finance leases	**(4)**	(5)
Total interest payable	**(1,231)**	(771)
Fair value adjustments to minority shareholder put option liabilities (note 27)	**(597)**	(3,706)
Total finance costs	**(1,828)**	(4,477)

NOTES
Continued

13. Interest rate risk

The Group is exposed to interest rate risk on both interest-bearing assets and liabilities. The majority of interest paying and earning assets are exposed to UK interbank rates (non-sterling denominated loans are at local interbank rates). An analysis of net interest by our segmented geographic regions is provided in note 2.

At the year end, the Group had a £38.0m bank facility, which expires in April 2020. The facility can borrow in sterling, US dollars or euros. At 31 December 2016, £28.3m (2015: £23.8m) of this loan was drawn down.

The Group regularly reviews its treasury structures to minimise commercial interest rate margins.

For further details of Group borrowings, see note 25.

14. Taxation

Year ended 31 December	2016 £000	2015 £000
Current taxation		
Taxation in the year		
– UK	**891**	817
– Overseas	**3,700**	3,919
Withholding taxes payable	**(49)**	5
Adjustment for over provision in prior periods	**(104)**	(526)
Total	**4,438**	4,215
Deferred taxation		
Origination and reversal of temporary differences	**106**	(46)
Recognition of previously unrecognised tax losses*	**(1,093)**	(788)
Effect of changes in tax rates	**–**	5
Total	**(987)**	(829)
Total taxation	**3,451**	3,386

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

14. Taxation continued

The differences between the actual tax and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

Year ended 31 December	2016 £000	2015 £000
Profit before taxation	**6,791**	12,546
Taxation at UK corporation tax rate of 20.00% (2015: 20.25%)	**(1,358)**	(2,541)
Tax effect of associates	**306**	409
Non-controlling interest share of partnership income	**467**	191
Expenses not deductible for tax	**(484)**	(378)
Option charges not deductible for tax	**(1,698)**	(256)
Different tax rates applicable in overseas jurisdictions	**(826)**	(1,099)
Effect of changes in tax rates on deferred tax	**–**	(5)
Withholding taxes payable	**49**	(5)
Utilisation of previously unrecognised tax losses	**–**	–
Recognition of previously unrecognised tax losses	**1,093**	788
Adjustment for current tax over provision in prior periods	**104**	526
Adjustment for deferred tax over provision in prior periods	**–**	–
Tax losses for which no deferred tax asset was recognised	**(107)**	(86)
Fair value adjustments on minority shareholder put options	**(119)**	(750)
Impairment of goodwill and investment in associates	**(878)**	(180)
Total taxation	**(3,451)**	(3,386)
Statutory tax rate	**50.8%**	27.0%

Year ended 31 December	2016 £000	2015 £000
Headline profit before taxation (note 1)	**23,776**	20,123
Taxation at UK corporation tax rate of 20.00% (2015: 20.25%)	**(4,755)**	(4,075)
Tax effect of associates	**306**	409
Non-controlling interest share of partnership income	**467**	191
Expenses not deductible for tax	**(484)**	(378)
Option charges not deductible for tax	**–**	–
Different tax rates applicable in overseas jurisdictions	**(1,055)**	(1,194)
Effect of changes in tax rates on deferred tax	**–**	(5)
Withholding taxes payable	**49**	(5)
Utilisation of previously unrecognised tax losses	**–**	–
Recognition of previously unrecognised tax losses	**1,193**	788
Adjustment for current tax under provision in prior periods	**104**	526
Adjustment for deferred tax over provision in prior periods	**–**	–
Tax losses for which no deferred tax asset was recognised	**65**	(113)
Headline taxation (note 3)	**(4,110)**	(3,856)
Headline effective tax rate	**17.3%**	19.2%

As can be seen above, the largest driver of tax charge is our local entities profitability, local tax rates, recognition of previously unrecognised tax losses and our disallowable share based payment charges.

15. Deferred taxation

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 liabilities on a net basis.

At 31 December	2016 £000	2015 £000
Deferred tax assets	**3,112**	1,476
Deferred tax liabilities	**(380)**	(30)
Net deferred tax	**2,732**	1,446

The movement on the net deferred tax asset is as follows:

	2016 £000	2015 £000
At 1 January	**1,446**	1,093
Exchange differences	**303**	(184)
Income statement credit	**987**	829
Acquisitions	**(4)**	(292)
At 31 December	**2,732**	1,446

The following is the deferred tax asset (liability) recognised by the Group and movements in 2016 and 2015:

	Capital allowances and amortisation £000	Tax losses £000	Options and bonus accruals £000	Working capital differences £000	Total £000
At 1 January 2015	(264)	528	124	705	1,093
Exchange differences	2	(40)	–	(146)	(184)
Income statement credit/(charge)	284	44	(124)	625	829
Acquisitions	(292)	–	–	–	(292)
At 31 December 2015	(270)	532	–	1,184	1,446
Exchange differences	**(56)**	**173**	**–**	**186**	**303**
Income statement credit/(charge)	**683**	**222**	**–**	**82**	**987**
Acquisitions	**(4)**				**(4)**
At 31 December 2016	**353**	**927**	–	**1,452**	**2,732**

Within capital allowances and amortisations, £309k (2015: £534k) relates to intangibles created as part of acquisition accounting.

15. Deferred taxation continued

Unrecognised deferred tax asset in respect of carried forward tax losses:

	Loss £000	Deferred tax impact £000
At 1 January 2016	9,734	3,327
Exchange differences	1,905	660
Change in potential tax rates	–	(334)
Disposal	(665)	(233)
Losses utilised in year	(5,692)	(1,852)
Losses in year	13	5
At 31 December 2016	**5,295**	**1,573**

Expiry date of losses:

	2016 £000	2015 £000
One to five years	26	23
Five to ten years	1,211	1,791
Ten years or more	336	1,513
Total	1,573	3,327

A deferred tax asset in respect of certain losses in overseas territories has not been recognised as there is insufficient certainty of future taxable profits against which these would reverse.

16. Dividends

Year ended 31 December	2016 £000	2015 £000
2015 final dividend paid 5.60p on 8 July 2016 (2014: 4.87p)*	4,084	3,504
2016 interim dividend paid 1.85p on 11 November 2016 (2015: 1.61p)	1,374	1,158
	5,458	4,662

* 2015 dividend has been restated to reflect the number of shares in issue when the dividend was paid, as opposed to the number of shares in existence at 31 December 2015.

The 2016 proposed final dividend of 6.44p, totalling £4,876k. The dividends relate to the profit of the following years:

Year ended 31 December	2016 £000	2015 £000
Interim dividend paid 1.85p on 11 November 2016 (2015: 1.61p)	1,374	1,158
Final dividends payable 6.44p on 7 July 2017 (2015: 5.60p)	4,876	4,033
	6,250	5,191
Headline dividend cover	2.5	2.6

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

17. Intangible assets

	Goodwill £000	Brand name £000	Customer relationships £000	Software £000	Total £000
Cost					
At 1 January 2015	33,788	3,405	6,063	1,023	44,279
Exchange differences	(305)	(24)	(74)	(60)	(463)
Acquired	–	53	285	793	1,131
Acquired through business combination	288	729	282	–	1,299
Disposal	–	–	–	(71)	(71)
At 31 December 2015	33,771	4,163	6,556	1,685	46,175
Exchange differences	804	264	328	131	1,527
Acquired	–	–	–	38	38
Acquired through business combination	17,392	2,284	4,757	–	24,433
Disposal	–	–	–	(134)	(134)
Disposal of subsidiary	–	(65)	–	–	(65)
At 31 December 2016	**51,967**	**6,646**	**11,641**	**1,720**	**71,974**
Accumulated amortisation and impairment					
At 1 January 2015	7,151	1,557	5,564	865	15,137
Exchange differences	–	(5)	(60)	(50)	(115)
Amortisation charge*	–	1,486	370	98	1,954
Impairment	889	–	84	–	973
Disposal	–	–	–	(60)	(60)
At 31 December 2015	8,040	3,038	5,958	853	17,889
Exchange differences	1	200	278	113	592
Amortisation charge*	–	1,237	1,087	354	2,678
Disposal	–	–	–	(124)	(124)
Disposal of subsidiary	–	(65)	–	–	(65)
At 31 December 2016	**8,041**	**4,410**	**7,323**	**1,196**	**20,970**
Net book value					
At 1 January 2015	26,637	1,848	499	158	29,142
At 31 December 2015	25,731	1,125	598	832	28,286
At 31 December 2016	**43,926**	**2,236**	**4,318**	**524**	**51,004**

* Charged to income statement.

Goodwill's accumulated amortisation and impairment all relate to impairments, all other columns relate to amortisations.

Goodwill is allocated to the Group's cash generating units (CGU). Goodwill is made up of:

Cash generating units (CGUs)	Goodwill 31 December 2016 £000	Goodwill 31 December 2015 £000	Segment
M&C Saatchi UK Group	**5,977**	5,977	UK
LIDA Ltd	**1,462**	1,462	UK
M&C Saatchi Sport & Entertainment Ltd	**690**	690	UK
M&C Saatchi Export Ltd	**600**	600	UK
M&C Saatchi Mobile Ltd	**1,814**	1,814	UK
M&C Saatchi Merlin Ltd	**539**	539	UK
Clear Ideas Ltd	**9,508**	9,508	UK
M&C Saatchi Berlin GmbH	**1,326**	1,143	Europe
M&C Saatchi Middle East Fz LLC (Dubai)*	**749**	–	Middle East and Africa
Creative Spark Interactive (PTY) LTD (South Africa)	**248**	181	Middle East and Africa
M&C Saatchi Agency Pty Ltd (Australia)	**2,759**	2,379	Asia and Australia
Bang Pty Ltd (Australia)	**621**	521	Asia and Australia
Shepardson Stern & Kaminsky LLP*	**10,951**	–	Americas
LIDA NY LLP*	**5,692**	–	Americas
Total of the four CGUs with goodwill less than £0.5m	**990**	917	Various
Total	**43,926**	25,731	

* Apart from these CGUs, whose movements are described in this note, all other movements are due to exchange (note 18)

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. All recoverable amounts are from future trading and not from the sale of unrecognised assets or other intangibles i.e. the value in use. The 2016 review was undertaken in the last quarter of the year in conjunction with our annual business planning process; no goodwill and other intangible asset impairments were identified (2015: £973k).

Management have approved the forecasts for 2017 and have prepared additional projections based on the 2017 numbers for the next four years. These were used as the basis for determining the recoverable amount of each CGU. In making the forecasts management has reflected on past performance and the present business and economic prospect. Details of uncertainties in our forecasts are described in note 6.

In conducting the review, we used a residual growth rate of 3% from year five onwards and a market beta of 1.0 for UK, 1.0 for Europe, and 1.2 for rest of world.

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

Management are satisfied, with the exception of some of the companies acquired in the year and Bang Pty Ltd (Australia) which was impaired last year, no possible changes in key assumptions, apart from a significant loss of clients by a CGU, would cause the recoverable amount of any of our CGUs to be below their carrying amount. Management have tested the key assumptions of pre-tax discount rates and management forecasts and projections by adjusting them individually 5% and 20% respectively as well as comparing management forecasts to historic results. None of these sensitivity tests lead to further impairments.

Bang Pty Ltd (Australia) was impaired in 2015, and continues to trade around the forecast used to justify the impairment. Shepardson Stern & Kaminsky LLP and M&C Saatchi Middle East Fz LLC were acquired in the year, thus its carrying value is close to its recoverable amount. In testing our key assumptions on Bang Pty Ltd, Shepardson Stern & Kaminsky LLP and M&C Saatchi Middle East Fz LLC, increasing pre-tax discount rates by 5% results in a £3.1m potential impairment and reducing management forecast by 20% creates a £0.5m potential impairment.

NOTES
Continued

17. Intangible assets continued

Key assumptions	Residual growth rates 2015 and 2016 %	Pre-tax discount rates 2016 %	Pre-tax discount rates 2015 %
UK	3	**11–13**	11-13
Asia and Australia	3	**12–17**	12-16
Middle East and Africa	3	**10–14**	14-16
Europe	3	**12–16**	11-15
Americas	3	**13–14**	n/a

We do not expect the residual growth rates to exceed the long term growth rates for these types of business in each location.

Brand name
This is made up of the brands that we acquired with acquisitions.

Brand name	CGU	Year acquired	Cost 2016 £000	Cost 2015 £000	Amortisation period
Clear	Clear Ideas Ltd	2007	**2,640**	2,640	3 years
Inside Mobile	M&C Saatchi Mobile Ltd	2010	**103**	103	Immediately
Direct One	M&C Saatchi GAD SAS	2010	**89**	79	Infinity
Bang	Bang Pty Ltd (Australia)	2012	**280**	245	3 years
ST&P	Samuelson Talbot & Partners Pty Ltd (Australia)	2013	**50**	44	Immediately
Merlin Elite	M&C Saatchi Merlin Ltd	2013	**186**	186	Immediately
Lean Mean Fighting Machine	M&C Saatchi (UK) Ltd	2014	**82**	82	Immediately
Mademoiselle Scarlett	M&C Saatchi GAD SAS*	2015	**–**	56	Immediately
Heavenspot	M&C Saatchi LA Inc	2015	**64**	53	Immediately
Ben Natan Golan	M&C Saatchi Tel Aviv	2015	**590**	483	Immediately
Creative Spark	Creative Spark Interactive (PTY) LTD	2015	**278**	192	1 year
Expression	M&C Saatchi Middle East Fz LLC	2016	**25**	–	Immediately
SS+K	Shepardson Stern & Kaminsky LLP	2016	**1,670**	–	5 years
MCD	LIDA NY LLP	2016	**589**	–	5 years
			6,646	**4,163**	

* Disposed of during the year.

There is no foreseeable limit to the duration of ‘Direct One’ brands as we continue to use them for existing and future clients; hence the brand has been treated as having an indefinite life.

18. Acquisitions

During the year, the Group made acquisitions in US (Shepardson Stern & Kaminsky LLP and LIDA NY LLP), and UAE (M&C Saatchi Middle East Fz LLC) to enhance its service and offering. The Acquisition of 18% of Shepardson Stern & Kaminsky LLP converted from an associate (note 20) to a subsidiary.

Income statement effects of 2016 acquisitions

The results of these three acquisitions included in the consolidation and their full year results are as follows:

2016	Note	Shepardson Stern & Kaminsky LLP	LIDA NY LLP	M&C Saatchi Middle East Fz LLC	Total £000
Date of acquisition		**1 March**	**1 March**	**1 March**	
Revenue in consolidation		**10,977**	**8,015**	**901**	19,893
Profit before tax in consolidation		**1,691**	**678**	(94)	2,275
Full year revenue		**12,599**	**9,751**	**974**	23,324
Full year profit before tax		**1,545**	**770**	(103)	2,212

Goodwill on 2016 acquisition

2016	Note	Shepardson Stern & Kaminsky LLP*	LIDA NY LLP*	M&C Saatchi Middle East Fz LLC	Total £000
Consideration, satisfied by:					
Cash		4,568	7,818	1,021	**13,407**
Fair value of associate		7,700	–	–	**7,700**
Exchange rate adjustment		1,192	760	143	**2,095**
Total consideration		13,460	8,578	1,164	**23,202**
Less					
– Fair value of net assets made up of:					
Brand name intangible		1,670	589	25	**2,284**
Customer relationship intangible		2,176	2,298	284	**4,758**
Plant and equipment		970	222	7	**1,199**
Deferred tax asset		15	–	–	**15**
Other non-current assets		146	–	–	**146**
Cash		1,610	1,254	31	**2,895**
Other current (liabilities)/assets		(2,159)	(1,477)	68	**(3,568)**
Non-controlling interests share		(1,919)	–	–	**(1,919)**
– Total fair value of net assets		2,509	2,886	415	**5,810**
Goodwill arising	17	10,951	5,692	749	**17,392**

* An external independent valuation was carried out on Shepardson Stern & Kaminsky LLP and LIDA NY LLP Intangibles.

Goodwill relates to value of the business's staff. There is local tax deduction for goodwill (with the exception of UAE where there is no tax).

As part of the Shepardson Stern & Kaminsky LLP acquisition, put options were negotiated over remaining capital rights (note 27).

LIDA NY LLP shareholders have put options that have been defined as a share based payment (note 30) as payments are redistributed amongst remaining employees on termination of employment (collective or individual) and therefore have been accounted for within staff costs (note 8) in accordance with IFRS3. As a consequence, the non-controlling interest charge is taken as a staff cost In statutory accounts (for headline numbers, to allow comparability to rest of the Group, the non-controlling interest charge Is included in non-controlling interest).

NOTES
Continued

18. Acquisitions continued

During 2015 the Group made minor acquisitions in South Africa (Creative Spark Interactive (PTY) LTD), Israel (Ben Natan Golan Ltd) and France (Mademoiselle Scarlett SAS) to enhance its service and offering.

Income statement effects of 2015 acquisitions
The results of these three small acquisitions included in the consolidation are a revenue of £711k and profit before tax and intangible amortisation of £10k. Had the results been consolidated for the full year the revenue would have been £1,395k and profit before tax and intangible amortisation £180k, the majority of these profit values relate to Creative Spark Interactive (PTY) LTD.

Goodwill on 2015 acquisition

2015	Note	Total £000
Consideration, satisfied by:		
Cash		**191**
Deferred consideration		**392**
Total consideration		**583**
Less		
– Fair value of net assets made up of:		
Intangibles*		**1,011**
Plant and equipment		**47**
Other non-current assets		**14**
Cash		**267**
Other current liabilities		**(609)**
Deferred tax liability		**(274)**
Non-controlling interests share		**(161)**
– Total fair value of net assets		**295**
Goodwill arising	17	**288**

* No post yearend adjustments have been made to these aggregated values.

Of the £191k cash paid, £148k relates to our acquisition in Israel, and £43k relates to a small acquisition in France (which was subsequently disposed on in 2016). The £392k deferred consideration relates to Creative Spark (South Africa).

Goodwill relates to value of the business's staff. There is no local tax deduction for goodwill.

As part of the acquisition, put options were negotiated over remaining capital rights (note 27). In addition, the shareholder (management) of Creative Spark (South Africa) are entitled to further payments depending on the future performance of the company. These payments are forfeited upon termination of employment (collective or individual) and therefore have been accounted for within staff costs (note 8) in accordance with IFRS3.

19. Cash consumed by acquisitions

	2016 £000	2015 £000
Cash consideration		
– Shepardson Stern & Kaminsky LLP	**(4,568)**	–
– LIDA NY LLP	**(7,818)**	–
– M&C Saatchi Middle East Fz LLC	**(1,021)**	–
– One/Three small purchases of non-controlling interest's equity	**(344)**	(155)
– Deferred and contingent consideration paid (note 26)	**(1,966)**	–
– Two small acquisitions	**–**	(191)
	(15,717)	(346)
Less cash and cash equivalents acquired	**2,895**	267
	(12,822)	(79)
Purchase of associates	**–**	(3,765)
	(12,822)	(3,844)

20. Associates and joint venture

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

The following associates and joint ventures are included in the consolidated financial statements:

Name	Nature of business	Country of incorporation or registration	Investment in associate 2016 £000	Investment in associate 2015 £000	Proportion of voting rights and ordinary share capital held at 2016	Proportion of voting rights and ordinary share capital held at 2015
Walker Media Limited	Media buying	UK	**10,897**	9,572	**25%**	25%
M&C Saatchi Russia Limited	Advertising	UK	–	38	**50%**	50%
M&C Saatchi S.A. and subsidiaries	Advertising	Spain	–	–	**25%**	25%
M&C Saatchi Istanbul	Advertising	Turkey	**460**	387	**25%**	25%
M&C Saatchi SAL**	Advertising	Lebanon	–	–	**10%**	10%
M&C Saatchi (Hong Kong) Limited****	Advertising	China	**7,529**	3,346	**40%**	20%
February Communications Private Limited	Advertising	India	**277**	214	**20%**	20%
M&C Saatchi Ltd*x	Advertising	Japan	–	–	**10%**	60%
M&C Saatchi World Services Pakistan (PVT) Ltd (joint venture)	Development communications	Pakistan	–	–	**50%**	50%
Love Frankie Ltd	Advertising	Thailand	**114**	86	**25%**	25%
Santa Clara Participacoes Ltda*	Advertising	Brazil	–	3,383	**25%**	25%
Shepardson Stern + Kaminsky LLP***	Advertising	USA	–	7,785	**51%**	33%
Total			**19,277**	24,811		

* £3,738k impaired In 2016, difference due to exchange movement.

** Influence exerted through our board membership and contractual relationship, this entity services other countries in the region.

*** In March 2016 a controlling stake was acquired. The revaluation of associate at time of acquisition created a £859k charge to income statement (note 18).

**** 20% acquired In 2016 by way of issuing Group shares to value of £3,605k. This entity trades as M&C Saatchi aeiou.

*x 50% was sold to management for nominal value of this loss making entity during August 2016.

All shares in associates are held by subsidiary companies, and have no special rights. Where the associate has a right to use our brand name we have a right to withdraw the brand name to stop it being lost, or protect it from damage. In the case of joint ventures, all key decisions have to be jointly agreed. The risk the Group is exposed to from its associates and joint ventures is our investment, our brand name and undistributed dividend flows.

20. Associates and joint venture continued

	2016 £000	2015 £000
At 1 January	**24,811**	18,731
Exchange movements	**2,521**	(146)
Acquisition of associates	**3,605**	3,765
Transferred to subsidiary following acquisition	**(9,275)**	–
Contingent consideration	–	1,400
Impairment of associate	**(3,738)**	–
Dividends	**(177)**	(1,173)
Share of profit after taxation	**1,530**	2,017
Profit on disposal	–	217
At 31 December	**19,277**	24,811

Summarised financial information

	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	2016 £000	2015 £000
Income statement							
Revenue	22,591	3,142	3,590	5,502	4,758	**39,583**	42,457
Operating profit	6,727	196	(1,323)	1,343	(502)	**6,441**	7,621
Profit before taxation	6,727	185	(1,538)	1,177	(555)	**5,996**	7,514
Profit after taxation	5,314	150	(1,538)	913	(605)	**4,234**	5,507
The Group's share of the results of associates	1,323	(3)	–	290	(80)	**1,530**	2,017
Dividends received from associates in the year	–	19	–	158	–	**177**	1,173

	UK £000	Europe £000	Middle East and Africa £000	Asia and Australia £000	Americas £000	2016 £000	2015 £000
Balance sheet							
Total assets	71,090	3,602	2,748	6,928	2,484	86,852	80,759
Total liabilities	(58,538)	(4,201)	(8,984)	(2,910)	(3,450)	(78,083)	(69,768)
Net current assets/(liabilities)	12,552	(599)	(6,236)	4,018	(966)	8,769	10,991
Our share	3,126	(139)	(624)	1,495	(41)	3,817	3,261
Losses not recognised	–	221	624	–	41	886	689
Goodwill	7,775	377	–	6,422	–	14,574	20,861
Investment in associates	10,901	459	–	7,917	–	19,277	24,811

The UK is represented by Blue 449 (Walker Media Limited), which contributed all the profit during the period. Similarly, the US is represented by Shepardson Stern + Kaminsky LLP, which accounts for £(63)k of the £(80)k loss. As such, the summary financial information has not been disaggregated further.

21. Plant and equipment

	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2015	6,646	6,691	5,011	126	18,474
Exchange differences	(113)	(152)	(108)	(15)	(388)
Additions	819	384	762	71	2,036
Acquisition of subsidiaries	11	14	22	–	47
Disposals	(75)	(111)	(194)	(42)	(422)
Disposal of subsidiaries	–	–	–	–	–
At 31 December 2015	7,288	6,826	5,493	140	19,747
Exchange differences	487	436	448	32	1,403
Additions	2,088	1,606	266	20	3,980
Acquisition of subsidiaries	751	259	191	0	1,201
Disposals	(670)	(483)	(483)	(36)	(1,672)
Disposal of subsidiary	–	(69)	(44)	–	(113)
At 31 December 2016	**9,944**	**8,575**	**5,871**	**156**	**24,546**
Depreciation					
At 1 January 2015	2,719	3,599	3,675	72	10,065
Exchange differences	(94)	(77)	(84)	(8)	(263)
Depreciation charge	774	685	647	22	2,128
Disposals	(76)	(138)	(133)	(33)	(380)
Disposal of subsidiaries	–	–	–	–	–
At 31 December 2015	3,323	4,069	4,105	53	11,550
Exchange differences	301	273	333	16	923
Depreciation charge	967	410	1,265	26	2,668
Disposals	(333)	(295)	(471)	(31)	(1,130)
Disposal of subsidiary	–	(46)	(38)	–	(84)
At 31 December 2016	**4,258**	**4,411**	**5,194**	**64**	**13,927**
Net book value					
At 1 January 2015	3,927	3,092	1,336	54	8,409
At 31 December 2015	3,965	2,757	1,388	87	8,197
At 31 December 2016	**5,686**	**4,164**	**677**	**92**	**10,619**

Net book value of assets, included in the above balances which have been purchased through finance lease arrangements are:

	Leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
At 1 January 2015	–	–	169	61	230
At 31 December 2015	–	12	119	78	209
At 31 December 2016	–	**5**	**89**	**95**	**189**

22. Other non-current assets

	2016 £000	2015 £000
Investments*	**3,758**	3,353
Rent deposits	**1,815**	1,110
Loans to associates**	**–**	2,336
Loans to employees***	**1,828**	1,496
Call option provision	**54**	54
Total other non current assets	**7,455**	8,349

* The Group engages in corporate venturing by investing in start-up companies that have technologies that relate to or could enhance the services the Group provides, or could become users of the Group's services when matured. Under IFRS13, these items are valued as level 3 financial instruments and have been recorded at cost, which was deemed fair value on the date of acquisition. Given the start-up nature of these investments, these are not remeasured to fair value at each reporting date, as fair value cannot be reliably measured. However, the values of these investments are regularly reviewed and considered for impairment, which would be recorded in the income statement immediately. Three entities had indications of impairment, being scaled down operations, and no alternative value to their assets. The Group intends to realise its investments over a three to ten-year period either through sale of the equity or receipt of dividends.

** In 2016 we acquired a controlling Interest in Shepardson Stern + Kaminsky LLP, the USD3.5m working capital loan, has been reclassified as an intercompany balance. The terms of this loan reflect an arm's-length transaction.

*** This related to the AUD3.1m (balance at 31 December 2015, AUD3.0m) 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 Australian Group, or are no longer employed. The loan is unsecured and charged interest at 0.1% above the five-year Australian interbank rate at the date the loan was advanced. The carrying value of the loan approximated to fair value.

The movement in investments during the year is as follows:

	2016 £000	2015 £000
At 1 January	**3,353**	1,987
Acquisition of investments	**1,056**	1,366
Provision against investments*	**(651)**	–
At 31 December	**3,758**	3,353

23. Trade and other receivables

	2016 £000	2015 £000
Trade receivables	**80,943**	59,651
Provision for bad debts	**(2,107)**	(232)
Net trade receivables	**78,836**	59,419
Prepayments and accrued income	**23,401**	20,061
Amounts due from associates	**920**	654
VAT and sales tax recoverable	**1,554**	1,140
Other debtors	**5,113**	6,418
Total trade and other receivables	**109,824**	87,692

The carrying amount of trade and other receivables approximates to their fair value.

Movement in the bad debt provision

	2016 £000	2015 £000
As at 1 January	**(232)**	(184)
Exchange movements	**(43)**	7
Charged to the income statement*	**(2,070)**	(132)
Acquired	**(69)**	–
Released to income statement	**9**	–
Utilisation of provision	**298**	77
As at 31 December	**(2,107)**	(232)

* £1,890k of this provision relates to the billing to one client, where the work was completed in 1st quarter of 2016. At that point we recognised the remaining revenue on the job as local management believed, at the time, that the entire amount would be paid into our sterling UK bank account. Local management still believe that the debt will be paid and the client has the cash, however due to local currency controls the client is unable to remit payment out of the country. There is no indication when the currency controls will be lifted. Given this situation we believe it prudent to fully provide for the amount while continue to work for the repatriation of the cash.

23. Trade and other receivables continued

As at 31 December, the following trade receivables were past their due date (of zero to three months) but not impaired.
It is management's belief that these debts will be fully repaid.

	2016 £000	2016 %	2015 £000	2015 %
Three to six months	**3,245**	**4%**	1,250	2%
Over six months	**758**	**1%**	612	1%
Total net trade receivables	**78,836**	**100%**	59,419	100%

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	2016 £000	2016 %	2015 £000	2015 %
Sterling	**35,715**	**33%**	38,004	43%
US dollars	**34,488**	**31%**	21,434	25%
Australian dollars	**13,022**	**12%**	7,052	8%
Malaysian ringgit	**3,682**	**3%**	1,956	2%
Euros	**13,784**	**13%**	9,878	11%
South African rand	**1,965**	**2%**	2,179	3%
Brazilian real	**1,234**	**1%**	1,713	2%
Other	**5,934**	**5%**	5,476	6%
	109,824	**100%**	87,692	100%

Credit risk

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 level of accruals and deferred income is reported regularly. Age profiling is monitored both at local customer level and at consolidated entity level. Bad debt provisions are determined locally. There is only local exposure to debt from our significant global clients. Whilst the Group has some exposure to foreign currency risk, this is limited by the proportion of debt denominated in sterling. 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.

There are no significant concentrations of credit risk in the Group.

24. Trade and other payables

Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	**(45,700)**	(37,970)
Sales taxation and social security payables	**(7,258)**	(7,946)
Employment benefit accruals	**(1,130)**	(1,195)
Amounts due to associates	**(2,155)**	–
Accruals and deferred income	**(51,314)**	(43,349)
Other payables	**(8,329)**	(4,073)
	(115,886)	(94,533)

The carrying amount of trade and other payables approximates to their fair value.

Settlement of trade and other payables is in accordance with our terms of trade established with our local suppliers.

The carrying amount of the Group's trade and other payables are denominated in the following currencies:

Amounts falling due within one year

	2016 £000	2016 %	2015 £000	2015 %
Sterling	**(34,357)**	**29%**	(36,284)	38%
US dollars	**(39,391)**	**34%**	(27,090)	29%
Australian dollars	**(13,936)**	**12%**	(9,413)	10%
Malaysian ringgit	**(4,258)**	**4%**	(2,530)	3%
Euros	**(14,084)**	**12%**	(10,814)	11%
South African rand	**(1,136)**	**2%**	(1,598)	2%
Brazilian real	**(2,271)**	**2%**	(1,667)	2%
Other	**(6,453)**	**5%**	(5,137)	5%
	(115,886)	**100%**	(94,533)	100%

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), and therefore will not reconcile with amounts disclosed on the consolidated balance sheet:

	2016 £000	2015 £000
Non-derivatives		
Up to six months	**(87,669)**	(77,310)
Six to twelve months	**(13)**	(12)
Later than one year and not later than five years	**(30,445)**	(24,576)
	(118,127)	(101,898)
Put options		
Up to six months	**(20,216)**	(16,739)
Later than one year and not later than five years	**(12,952)**	(7,974)
	(33,514)	(24,713)
Total derivatives and non-derivatives	**(151,295)**	(126,611)

The value of put options represents the minority shareholder put option liability excluding any discount for time. The majority of these financial instruments will be fulfilled by the issue of equity (note 27).

The above table is an indicator of our liquidity risk. The risk is mitigated by the receipt of cash from trade and other receivables, and in the case of put options, the majority of the liability will be fulfilled by the issue of equity (note 29).

NOTES
Continued

25. Other financial liabilities

Amounts falling due within one year

	2016 £000	2015 £000
Obligations under finance leases	**(25)**	(25)
Invoice discounting	**(3,645)**	(3,130)
	(3,670)	(3,155)

Invoice discounting relates to borrowings secured against trade receivables in the UK. The amounts borrowed represent 60% of the receivable balance pledged. As at the balance sheet date, £1.9m was not drawn under this facility. Interest is accrued at 1.75% per annum on amounts drawn

Amounts falling due after one year

	2016 £000	2015 £000
Obligations under finance leases	**(18)**	(39)
Secured bank loans	**(28,259)**	(23,555)
	(28,277)	(23,594)

The carrying value of bank loans approximates to their fair value.

Secured bank loans

At the year end, the Group had a banking facility of up to £38.0m (2015: £30.0m) plus a one year £0.3m (2015: £0.3m) overdraft facility. The banking facility reduces by £2.0m annually. The facilities have floating rates of interest set at 1.75% above LIBOR and the overdraft has floating rates of interest set at 1.75% above the Bank of England base rate.

The banking facility matures on 30 April 2020.

Our operations in India have overdrafts and local short term bank loans that are guaranteed by the Group. The balances outstanding at the year end was nil (2015: £98k).

	2016 £000	2015 £000
Gross secured bank loans	**(28,582)**	(23,800)
Capitalised finance costs	**323**	245
Net secured bank loans	**(28,259)**	(23,555)
Future interest payable on secured bank loans at balance sheet date	**(2,406)**	(894)
Total secured bank loans and future interest	**(30,665)**	(24,449)

Total secured bank loans and future interest are due as follows:

	2016 £000	2015 £000
In one year or less, or on demand	**(722)**	(671)
In more than one year but not more than five years	**(29,943)**	(23,778)
	(30,665)	(24,449)

Obligations under finance leases and hire purchase contracts are due as follows:

	2016 £000	2015 £000
In one year or less, or on demand	**(25)**	(25)
In more than one year but not more than two years	**(18)**	(39)
	(43)	(64)

26. Deferred and contingent consideration

	2016 £000	2015 £000
Amounts falling within one year		
– Deferred (note 18)	**–**	(392)
– Contingent (note 20)	**–**	(1,400)
	–	(1,792)

	2016 £000	2015 £000
At 1 January	**(1,792)**	–
Exchange difference	**(131)**	–
Associate increase in contingency*	**(43)**	(1,400)
Acquisition	**–**	(392)
Consideration paid (note 19)	**1,966**	–
At 31 December	**–**	(1,792)

* This all relates to payments to Shepardson Stern + Kaminsky LLP, before we gained a controlling interest.

27. Minority shareholder put option liabilities

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

	2016 £000	2015 £000
Amounts falling due within one year		
– Cash	**(1,300)**	(1,136)
– Equity	**(18,916)**	(15,602)
	(20,216)	(16,738)
Amounts falling due after one year		
– Cash	**(1,999)**	(1,805)
– Equity	**(10,951)**	(5,821)
	(12,950)	(7,626)
	(33,166)	(24,364)

	2016 £000	2015 £000
At 1 January	**(24,364)**	(24,543)
Exchange difference	**(82)**	(138)
Additions	**(10,249)**	(2,190)
Exercises	**2,126**	4,555
Reclassification**	**–**	1,658
Income statement charge due to		
– Change in estimates	**2,978**	(3,907)
– Change in share price	**(3,279)**	194
– Time	**(296)**	7
Total income statement charge	**(597)**	(3,706)
At 31 December	**(33,166)**	(24,364)

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

Cash based	2016 £000	2015 £000
At 1 January	**(2,941)**	(1,209)
Exchange difference	**(82)**	(138)
Reclassified to/(from) share based	**(319)**	385
Additions*	**–**	(2,190)
Exercises	**–**	–
Income statement charge due to		
– Change in estimates	**280**	201
– Change in share price	**(235)**	10
– Time	**(2)**	–
At 31 December	**(3,299)**	(2,941)

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

Equity based	2016 equity*	2016 £000	2015 £000
At 1 January	**(6,562)**	**(21,423)**	(23,334)
Additions	**(2,697)**	**(10,249)**	–
Exercises	**546**	**2,126**	4,555
Reclassified (from)/to cash based	**84**	**319**	(385)
Reclassification**	**–**	**–**	1,658
Income statement charge due to			
– Change in estimates	**710**	**2,698**	(4,108)
– Change in share price	**137**	**(3,044)**	184
– Time	**(78)**	**(294)**	7
At 31 December	**(7,860)**	**(29,867)**	(21,423)

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

** The reclassification relate to M&C Saatchi LA Inc and M&C Saatchi (S) Pte Ltd where, due to changes in shareholder agreements, the put options are now accounted for as conditional share awards under IFRS2 (note 30).

27. Minority shareholder put option liabilities continued

Put options are exercisable from:

Subsidiary	Year	% of subsidiaries' shares exchangeable
M&C Saatchi Marketing Arts Ltd	2017	50.0
M&C Saatchi (M) SDN BHD	2017	20.0
M&C Saatchi Sports & Entertainment Ltd	2017	2.8
Influence Communications Ltd	2017	5.0
M&C Saatchi Europe Holdings Ltd	2017	4.0
M&C Saatchi German Holdings Ltd	2017	4.0
M&C Saatchi Communications Pty Ltd	2017	13.0
M&C Saatchi Berlin GmbH	2017	10.0
FCINQ SAS	2017	15.0
Clear Ideas Consulting LLP	2017	12.5
M&C Saatchi Sport & Entertainment LLP (US)	2017	27.5
Clear Ideas Consulting LLP	2017	12.5
M&C Saatchi Sport & Entertainment Pty Ltd	2017	49.0
Talk PR Ltd	2017	49.0
M&C Saatchi UK PR LLP	2017	27.5
M&C Saatchi Corporate SAS	2017	29.8
M&C Saatchi (Switzerland) SA	2017	20.0
M&C Saatchi Merlin Ltd	2017	22.5
The Source (London) Ltd	2017	24.0
Shepardson Stern & Kaminsky LLP*	2017	16.7
M&C Saatchi Brazil Comunicação LTDA	2017	40.0
Samuelson Talbot & Partners Pty Ltd	2018	8.8
M&C Saatchi Merlin Ltd	2018	22.5
Shepardson Stern & Kaminsky LLP*	2018	33.3
Creative Spark Interactive (PTY) LTD	2020	10.0
M&C Saatchi Agency Pty LTD	2020	20.0

* New put options in 2016.

At each period end, the fair value of the put option liability is calculated in accordance with the shareholders' agreement, and any movement is charged to the income statement. Where the agreement gives a right to convert to a variable number of shares (rather than a value), the number of shares is converted to a value by using the period end share price (2016: 380.0p, 2015: 326.5).

The liability will vary with our share price and with the results of the subsidiary companies. Current liabilities are determined by our year end share price and the 2016 results of the companies who can exercise in 2017. Non-current liabilities are determined by our year end share price and the projected results of the companies who can exercise after 2016. The projected results show management's best estimate of the growth rates and margin of the companies who can exercise after 2016. Given that these companies are small, single account wins/losses can have a significant effect on their results. Such account wins are far more significant than changes to exchange rates and underlying economic growth rates.

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

Share price risk

Changes in our year end share price will impact the fair value adjustment to minority shareholder put options. The year end share price was 380.0p (2015: 326.5p). The 2016 charges would have changed as follows, had the share price been:

Share price	Movement %	Increase/ (decrease) in profit before and after tax £000
460.0p	+21%	£(2,181)
420.0p	+11%	£(1,470)
380.0p	–	–
340.0p	(11)%	£1,727
300.0p	(21)%	£3,463

Forecast accuracy

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

Result	Increase/ (decrease) in profit before and after tax £000
+10%	£(1,103)
(10)%	£1,287

28. Other non-current liabilities

	2016 £000	2015 £000
Employment benefit provisions*	**(446)**	(226)
Other	**(2,162)**	(982)
	(2,608)	(1,208)

* This relates to long term service leave in some locations.

29. Issued share capital

Allotted, called up and fully paid

	Number of shares	1p Ordinary shares £000
At 1 January 2015	68,378,629	683
Fulfilment of options	3,057,012	31
Acquisition of 10% M&C Saatchi Mobile Ltd	1,019,267	10
Acquisition of 4.9% M&C Saatchi Mobile LLP (USA)	192,289	2
Acquisition small percentages of three UK subsidiaries	67,822	1
At 31 December 2015	72,715,019	727
Acquisition 10% M&C Saatchi Berlin GmbH	155,812	1
Acquisition 20% M&C Saatchi (Hong Kong) Limited	1,269,458	13
Acquisition of 20% M&C Saatchi Mobile SpA (Italy)	419,970	4
Acquisition small percentages of a UK and a US subsidiary	389,937	4
At 31 December 2016	**74,950,196**	**749**

The Group holds 700,000 of the above M&C Saatchi plc shares in treasury.

Capital management

The Group aims to use cash generated from our operations to fund growth. Debt is used to fund short term investment and working capital cycles.

Long term and major investment obligations are fulfilled by issuing equity (e.g. put options (note 27)). In this way, we reduce the financial risk of debt markets being closed or rationed. The Group will minimise the amount of equity issues when long term and major investment obligations vest by using any available cash instead of equity.

Our long term targets are to be debt free and to minimise the dilution to our shareholders and maximise our organic growth.

30. Share based payments

Some of our subsidiaries' local entrepreneurs ("minorities") have the right to a put option. The put options give the minorities a right to exchange their minority holdings in the subsidiary into shares in M&C Saatchi plc, in the event that they are no longer employed by the Group either the Group buys back the local equity at a price reflecting the value on their departure or other local entrepreneurs receive the local equity (as per the agreement). Due to the changing right of the local equity, the local minority has been accounted as a share based payment under IFRS2.

Share based payments include vested share options and conditional share awards.

Expense recognised in year:

	2016 £000	2015 £000
Equity settled	**7,997**	1,125
Cash settled	–	26
Total	**7,997**	1,151

Vested share options

	Conditional share awards	LTIP	New LTIP	2012 LTIP	UK growth shares	Total number
At 1 January 2015	–	55,379	2,771,736	229,897	–	3,057,012
Exercised paid in equity*	–	(55,379)	(2,771,736)	(229,897)	–	(3,057,012)
At 31 December 2015	–	–	–	–	–	–
Vested	2,107,224	–	–	–	–	2,107,224
At 31 December 2016	**2,107,224**	**–**	**–**	**–**	**–**	**2,107,224**

* The average price when these options were exercised was n/a (2015: 317.3p).

The LTIP was conditional that the employee remains employed by the Group on the day of exercise; the vested options do not have this condition. Further details of these old share options can be found in the 2014 Annual Report.

Conditional share awards

Minority interest put options with leaver provisions

In addition to the put option liabilities described in note 27, the following entities have issued put options which are forfeited on termination of employment of the minorities. As such, these arrangements are treated as share based payment and accounted for under IFRS2, as opposed to IAS39.

The fair value of these options is determined on the date of grant based on the value of the underlying subsidiary and the number of shares in M&C Saatchi plc expected to be issued on exercise. The fair value of the subsidiary shares is established by means of a Monte Carlo model and the number of shares to be issued are determined in line with the formula prescribed in the respective shareholder agreements. Typically, these are with reference to the profitability of the subsidiary over the vesting period in the context of overall Group profits such that profit growth in the underlying business would result in a larger number of shares to be issued.

The fair value is charged to the income statement over the vesting period on a straight-line basis.

	Grant date	Share price at grant date	Vesting period years	Dividend yield	Volatility	Risk free rate	Fair value of option (per M&C Saatchi plc share issued)*	Company dividend rights	PE Cap	Vesting date***
M&C Saatchi Network Ltd	05/05/15	£3.23	2	1.94%	28%	0.70%	£3.10	No	No	15/04/17
M&C Saatchi Network Ltd	05/05/15	£3.23	4	1.94%	43%	1.20%	£2.93	No	No	15/04/19
M&C Saatchi LA Inc**	16/12/04	£1.30	15	1.78%	45%	1.64%	£1.00	Yes	No	15/04/20
M&C Saatchi LA Inc	15/01/15	£3.15	5	1.99%	54%	1.04%	£2.85	Yes	No	15/04/20
M&C Saatchi Shop Ltd	03/12/15	£3.32	4	0.70%	27%	1.17%	£3.21	Yes	No	15/04/20
M&C Saatchi Shop Ltd	03/12/15	£3.32	5	1.89%	42%	1.35%	£3.19	Yes	No	15/04/21
M&C Saatchi Shop Ltd	03/12/15	£3.32	6	1.87%	54%	1.48%	£3.06	Yes	No	15/04/22
M&C Saatchi Accelerator Ltd	26/11/15	£3.27	4	1.91%	26%	1.16%	£3.00	Yes	No	15/04/20
M&C Saatchi Accelerator Ltd	26/11/15	£3.27	5	1.91%	42%	1.32%	£2.94	Yes	No	15/04/21
M&C Saatchi Accelerator Ltd	26/11/15	£3.27	6	1.91%	54%	1.47%	£2.84	Yes	No	15/04/22
M&C Saatchi Mobile Singapore	24/06/15	£3.16	4	1.98%	43%	1.54%	£1.53	Yes	12	15/04/20
M&C Saatchi (S) Pte Ltd**	01/09/13	£2.68	6	1.85%	63%	1.84%	£0.96	Yes	12	15/04/19
M&C Saatchi Tel Aviv Ltd	21/04/15	£3.28	5	1.91%	44%	1.20%	£3.26	Yes	No	15/04/20
LIDA NY LLP	15/03/16	£3.14	1	2.30%	25%	0.57%	£3.09	Yes	8	30/11/16
LIDA NY LLP	15/03/16	£3.14	3	2.30%	25%	0.57%	£2.95	Yes	8	30/11/18
M&C Saatchi SpA	09/12/15	£3.33	3	1.88%	28%	1.23%	£3.11	Yes	No	15/04/19
Paris GAD Holding SAS	24/02/16	£2.98	4	2.42%	27%	1.23%	£2.72	Yes	No	01/05/20
M&C Saatchi Share Inc	12/06/15	£3.30	5	2.19%	41%	0.81%	£2.78	Yes	No	15/04/20
M&C Saatchi AB	11/02/14	£3.03	4	1.80%	48%	1.22%	£2.61	Yes	No	01/12/17
M&C Saatchi Middle East Holdco Ltd	23/03/16	£3.23	3	2.23%	27%	0.57%	£3.02	Yes	No	15/04/19
M&C Saatchi Worldwide Ltd	01/06/16	£3.38	3	2.13%	28%	0.81%	£0.77	No	No	01/01/19
M&C Saatchi Worldwide Ltd	18/07/16	£2.95	2	2.44%	29%	0.81%	£0.45	No	No	01/01/19
M&C Saatchi Mobile Ltd	23/08/16	£3.67	1	2.03%	33%	0.11%	£3.60	No	No	27/08/17
M&C Saatchi Mobile Ltd	23/08/16	£3.67	2	2.03%	31%	0.11%	£3.51	No	No	14/10/18
M&C Saatchi Mobile Ltd	23/08/16	£3.67	4	2.03%	31%	0.12%	£3.38	No	No	15/04/20
M&C Saatchi Mobile USA	28/10/16	£3.29	1	2.27%	41%	0.11%	£3.23	No	No	27/08/17
M&C Saatchi Mobile USA	28/10/16	£3.29	2	2.27%	33%	0.11%	£3.15	No	No	14/10/18
M&C Saatchi Mobile USA	28/10/16	£3.29	3	2.27%	30%	0.12%	£3.04	No	No	15/04/20
M&C Saatchi Berlin GMBH	14/12/16	£3.29	4	2.26%	31%	0.56%	£2.98	No	No	15/04/21

* The valuation was made using a Monte Carlo model.

** Reclassified from minority interest put option In 2015, due to new shareholder agreement being issued (note 27).

*** The vesting date is set in the agreements on the date that the Group's Annual Report is published. These dates are estimates based on our historic timetable.

The actual number of M&C Saatchi plc shares that these minority interests will convert into is based on the entities' proportion of Group profits. Based on our future forecasts, that have not been discounted for risk, the following number of shares are likely to vest, giving rise to the following accounting charges.

NOTES
Continued

30. Share based payments continued

	% shareholding in entity	Vesting date	Fair value of option (Per M&C Saatchi plc share issued)	Estimated number of shares at vesting 000	Total accounting charge at vesting £000	Accounting charge 2016 £000	Accounting charge 2015 £000
M&C Saatchi Network Ltd	0.0%	15/04/17	£3.10	300	£931	£479	£311
M&C Saatchi Network Ltd	5.0%	15/04/19	£2.93	881	£2,581	£656	£430
M&C Saatchi LA Inc**	6.0%	15/04/20	£1.00	184	£184	£12	£131
M&C Saatchi LA Inc	4.0%	15/04/20	£2.85	123	£350	£67	£64
M&C Saatchi Shop Ltd	*9.2%	15/04/20	£3.21	26	£83	£19	£2
M&C Saatchi Shop Ltd	*9.2%	15/04/21	£3.19	25	£79	£14	£1
M&C Saatchi Shop Ltd	*9.2%	15/04/22	£3.06	23	£72	£11	£1
M&C Saatchi Accelerator Ltd	6.7%	15/04/20	£3.00	47	£141	£32	£3
M&C Saatchi Accelerator Ltd	6.7%	15/04/21	£2.94	54	£158	£29	£3
M&C Saatchi Accelerator Ltd	6.7%	15/04/22	£2.84	51	£145	£23	£2
M&C Saatchi Mobile Singapore	5.0%	15/04/20	£1.53	66	£101	£21	£11
M&C Saatchi (S) Pte Ltd	20.0%	15/04/19	£0.96	360	£347	£62	£144
M&C Saatchi Tel Aviv Ltd	*20.0%	15/04/20	£3.26	32	£104	£14	£22
LIDA NY LLP	24.5%	30/11/16	£3.09	631	£1,950	£1,950	–
LIDA NY LLP	24.5%	30/11/18	£2.95	648	£1,911	£562	–
M&C Saatchi SpA	20%	15/04/19	£3.11	428	£1,332	£422	–
Paris GAD Holding SAS	40%	01/05/20	£2.72	0	£0	£0	–
M&C Saatchi Share Inc	20%	15/04/20	£2.78	0	£0	£0	–
M&C Saatchi AB	40%	01/12/17	£2.61	301	£787	£597	–
M&C Saatchi Middle East Holdco Ltd	20%	15/04/19	£3.02	7	£22	£6	–
M&C Saatchi Worldwide Ltd	0%	01/01/19	£0.77	1,271	£977	£220	–
M&C Saatchi Worldwide Ltd	0%	01/01/19	£0.45	127	£57	£11	–
M&C Saatchi Mobile Ltd	10%	27/08/17	£3.60	1,112	£4,000	£1,409	–
M&C Saatchi Mobile Ltd	10%	14/10/18	£3.51	1,139	£4,000	£665	–
M&C Saatchi Mobile Ltd	10%	15/04/20	£3.38	622	£2,106	£206	–
M&C Saatchi Mobile USA	0%	27/08/17	£3.23	476	£1,537	£325	–
M&C Saatchi Mobile USA	0%	14/10/18	£3.15	488	£1,537	£137	–
M&C Saatchi Mobile USA	0%	15/04/20	£3.04	265	£806	£41	–
M&C Saatchi Berlin GMBH	13%	15/04/21	£2.98	250	£746	£7	–
				9,937	£27,044	£7,997	£1,125

* Shareholder left Group In the year and the shares were bought back by the Group.

In creating the accounting charge, we have assumed that all shareholders will be employed at time of vesting.

31. Post balance sheet events

During February 2017, the Group made the following small acquisitions:

- £0.4m paid to company to acquire a controlling interest in our Spanish associate;
- £2.6m paid in M&C Saatchi plc equity to increase our holding in Shepardson Stern & Kaminsky LLP from 50.1% to 66.7% by issuing Group equity; and
- Acquired Bohemia, an Australian media planning and buying operation.

32. Commitments

Capital commitments
There are no other significant capital commitments contracted for but not provided.

Operating leases
Commitments under operating leases are reported within note 7.

33. Related party transactions

Key management remuneration
Key management remuneration is disclosed in note 8.

Unaudited detail on Directors' remuneration is disclosed in the Remuneration Report on pages 24 and 25.

Other related parties
During the year, the Group entered into the following transactions with related parties:

Tom Dery is a director of Australian Cancer. During the year the Group passed on no third party costs to Australian Cancer (2015: £30k), and charged them £9k (2015: £4k) in fees, of which nil (2015: nil) was outstanding at the year end.

Lara Hussein has an equity interest in Brand Energy. During the year, the Group was charged, on an arm's-length basis, by Brand Energy £713k (2015: £465k), of which £512k (2015: nil) was unpaid at the year end.

An Australian employee's wife owns Rapid Films Pty Ltd; purchase was made at an arm's-length basis. £77k was owed at year end (2015: £167k).

To assist the local directors to acquire 20% of M&C Saatchi Agency Pty Ltd in 2015, loans of AUD3.6m were issued. At the year end, the balance of the loan was AUD3.1m (see note 22 for further details).

Maurice Saatchi is a trustee of Josephine Hart Foundation. During the year the Group charged, on an arm's-length basis, Josephine Hart Foundation £92k (2015: £44k), of which nil (2015: £2k) was outstanding at the year end.

In 2015 the Group lent Antoine Barthuel, an arm's-length interest-bearing Euro 150k loan, the balance of the loan was Euro 150k at the year end.

During the year, M&C Saatchi Italy's directors sold 20% of the company's equity in exchange for 419,970 PLC shares.

To assist the local directors Saatchi LA Inc in 2016, loans of USD400k were issued. At the year end, the balance of the loan was USD400k.

During the year, the Group made purchases of £3,138k (2015: £37k) from its associates. At 31 December 2016, there was £2,801k due to associates in respect of these transactions (2015: £799k). During the year, £150k (2015: £374k) of fees were charged by Group companies to associates. At 31 December 2016, associates owed Group companies £409k (2015: £3,251k).

During the year, the Company recharged its subsidiaries and indirect subsidiaries with £818k (2015: £821k) of its costs, £559k (2015: £223k) of interest. The balance outstanding can be seen in notes 37, 38 and 39.

34. Accounting policies

Critical accounting policies are set out in note 4.

Additional accounting policies followed by the Group are:

Cost convention
The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

Basis of consolidation
The M&C Saatchi plc consolidated financial statements incorporate the financial statements of M&C Saatchi plc and entities (including special purpose entities) controlled by M&C Saatchi plc (and its subsidiaries). Control is achieved where M&C Saatchi plc has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where subsidiaries are acquired in the year, their results and cash flows are included from the date that we gain control up to the balance sheet date.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra Group transactions, balances, income and expenses are eliminated on consolidation.

Where a consolidated company is less than 100% owned by the Group, the non-controlling interest share of the results and net assets is recognised at each reporting date.

Disposals of subsidiaries' equity that do not affect control
The difference between the consideration received and the credit to the non-controlling interest reserve is credited directly to retained earnings. In the event that equity had previously been acquired under this revised standard then such a disposal will result in a release from non-controlling interest acquired reserve to retained earnings.

Acquisitions of subsidiaries' equity that do not affect control
From 1 January 2012, acquisitions of subsidiaries' equity that do not affect control have been accounted for using non-controlling interest acquired reserve. How the non-controlling interest acquired reserve is used is described in note 5.

Corporate venturing investments
Investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Associates and joint ventures
Associates and joint ventures are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 10% and 50% of the voting rights, minority or equal board representation and, in case of shareholdings of between 10% and 20%, the Group treats the entity as an associate where there are significant minority and contractual protections that allow us to influence dividend and investment flows. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' and joint ventures' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Discontinued operations
Discontinued operations are a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale. Classification as discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

Intangible assets
Separately acquired intangible assets are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition if they arise from contractual or other legal rights, and sufficient information exists to measure the fair value of the asset. Intangible assets that relate to associates are included within the carrying value of the investment in associates. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Intangible assets are stated at historical cost less accumulated amortisation and impairment.

Amortisation is provided to write off the cost of all intangible assets, less estimated residual values, evenly over their expected useful lives.

The charge in the income statement is included in operating costs. Intangible assets are amortised to residual values over the useful economic life of the asset as follows:

Software	– three years
Customer relationships	– one to five years
Brand name	– zero to infinity

The need for any intangible asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of value in use and fair value less cost to sell.

Plant and equipment
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	– over the period of the lease
Furniture and fittings	– 10% in equal instalments
Computer equipment	– 33% in equal instalments
Other equipment	– 25% in equal instalments
Motor vehicles	– 25% in equal instalments

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of fair value less cost to sell and the value in use.

Cash and cash equivalents
Cash and cash equivalents include, for the purposes of the balance sheet and cash flow statement, cash at bank and in hand and deposits with an original maturity of three months or less, net of legally offsettable overdraft, which are managed as part of cash balances.

Leased assets
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease agreements are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Where operating lease agreements include a fixed uplift for rental payments, the expense is straight-lined, except in cases where another systematic basis better represents the benefit to us. Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to profit or loss on a straight-line basis over the lease term.

Segmental reporting
Segmental reporting reflects how management controls the business. Sales between business units are on an arm's-length basis. The assets and liabilities of the segments reflect the assets and liabilities of the underlying companies involved.

Our business is run on an operating unit basis. In accordance with IFRS8 paragraph 12, we have aggregated our operating units into regional segments.

Employee benefits – pensions
Contributions to personal pension plans are charged to the income statement in the period in which they are due.

Employee benefits – cash share based compensation
For cash settled share based payments, a liability is recognised for the amount payable at the balance sheet date with a corresponding charge being made to the profit and loss account. Where payments depend on future events, an assessment is made of the likelihood of these conditions being met in determining the amounts to be recorded. Where cash settled share options are only part of the way through their vesting period, the liability and profit and loss account charge are adjusted to reflect the proportion of the vesting period that has been covered up to the balance sheet date.

NOTES
Continued

34. Accounting policies continued

Taxation
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.

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. However, deferred tax is not provided for temporary differences that arise: from 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 profits or loss; and on 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 that 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 liabilities on a net basis.

Dividends
Interim dividends are recorded when they are paid and the final dividends are recorded when they become legally payable.

Earnings per share
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. This dilution is reflected in the computation of diluted earnings per share.

Foreign currency
Foreign currency transactions arising from normal trading activities are recorded in functional currency at the rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the year end exchange rate. Where they form part of the net investment in foreign operations, the gain or loss is charged directly to the foreign exchange reserve.

Foreign currency gains and losses are credited or charged to the income statement as they arise.

For overseas operations, results are translated at the average rate of exchange and balance sheets are translated at the closing rate of exchange. The average rate of exchange approximates to the rate on the date that the transactions occurred. Exchange differences arising from the translation of foreign subsidiary results are taken to a separate component of equity. Such translation differences will be recognised as income or expense in the period of disposal.

Financial instruments
Financial assets and financial liabilities principally include the following:

Trade receivables
Trade receivables do not carry any interest and are stated at amortised cost. Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable.

Trade and other liabilities
Trade and other liabilities are not interest-bearing and are stated at their amortised cost.

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in accordance with IAS39 financial instruments:

Loans and receivable

Measured at amortised cost, separately disclosed as cash and cash equivalents; current tax assets; trade and other receivables (with the exclusion of prepayments); and loans to employees within other non-current assets.

Financial liabilities at fair value through profit or loss

Separately disclosed as minority shareholder put option liabilities.

Financial liabilities measured at amortised cost

Separately disclosed as trade and other payables; current tax liabilities; other financial liabilities; deferred and contingent consideration; and other non-current liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded as the proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares

When the Group reacquires its own equity instruments, those instruments (treasury shares) are debited to treasury reserve. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's treasury shares. Such treasury shares may be acquired and held by other members of the Group. Consideration paid or received is recognised directly in equity.

IFRS13 hierarchy – Capital structure and finance cost

Level 1

Fair values measured using quoted (unadjusted) prices in active markets for assets and liabilities (e.g. cash, debtors and creditors).

Level 2

Fair values using inputs, other than quoted prices including within Level 1, that are observable for assets or liability either directly or indirectly. The Group does not hold such items at year end, though may hold such items during the year. These items include forward foreign exchange contracts.

Level 3

Fair values measured using inputs for assets or liabilities that are not based on observable market data. Such items include the Group's put option liability, contingent consideration, investments, and some inputs to profit based share options.

Standards effective for the first time this year

There are no significant new and amended standards that became effective for periods beginning on or after 1 January 2015. The Directors consider the impact of the minor changes in the year on the Group and conclude that none are material to the Group's results and financial position.

Standards not yet effective

New standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting periods beginning after 1 January 2016 and which the Group has decided not to adopt early. None of these standards have a material effect on our accounts. Those that are relevant to the Group are:

IFRS15 Revenue from Contracts with customers, replaces IAS18 Revenue and all other revenue related standards. Effective for accounting periods beginning on or after 1 January 2018. We will be transitioning in 2018 restating 2017 opening balances. Our initial review is that on a portfolio basis It will have an immaterial effect, however there is a large risk that different auditors will interpret the standards differently, we await the interpretation as practices develop.

IFRS9 Financial Instruments will eventually replace IAS39 in its entirety. (Effective for accounting periods beginning on or after 1 January 2018.)*

IFRS16 Leases will replace IAS17. (Effective for accounting periods beginning on or after 1 January 2019. We will be transitioning in 2018 restating 2017 opening balances.)

* These standards have not yet been endorsed by the EU.

COMPANY BALANCE SHEET

At 31 December	Note	2016 £000	2015 £000
Non-current assets			
Investments	36	**91,225**	83,459
Intangible assets		**40**	66
Deferred tax assets		**–**	–
Other non-current assets	37	**2,250**	13,496
		93,515	97,021
Current assets			
Trade and other receivables	38	**55,800**	47,842
Cash at bank		**258**	1,407
		56,058	49,249
Current liabilities			
Trade and other payables	39	**(29,069)**	(35,153)
Deferred consideration		**–**	(392)
		(29,069)	(35,545)
Net current assets		**26,989**	13,704
Total assets less current liabilities		**120,504**	110,725
Noncurrent Liabilities			
Other financial liabilities	40	**(17,577)**	(23,555)
Total net assets		**102,927**	87,170
Capital and reserves			
Share capital		**749**	727
Share premium		**24,099**	17,338
Merger reserve		**63,197**	63,197
Treasury reserve		**(792)**	(792)
Share based payment reserve		**8,891**	1,125
Profit and loss account		**6,783**	5,575
Shareholders' funds		**102,927**	87,170

These financial statements were approved and authorised for issue by the Board on 15 March 2017 and signed on its behalf by:

Jamie Hewitt
Finance Director
M&C Saatchi plc
Company Number 05114893

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 2016 is a profit after tax of £6,435k (2015: loss £1,138k).

The notes on pages 84 to 85 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Share based payment reserve £000	Profit and loss account £000	Total £000
At 1 January 2015	683	16,807	59,294	(792)	–	11,713	87,705
Options exercised	31	307	–	–	–	(338)	–
Share option charge	–	–	–	–	1,125	–	1,125
Put options exercised	13	224	3,903	–	–	–	4,140
Dividends paid	–	–	–	–	–	(4,662)	(4,662)
Profit for the year	–	–	–	–	–	(1,138)	(1,138)
AT 31 DECEMBER 2015	727	17,338	63,197	(792)	1,125	5,575	87,170
Share option charge	**–**	**–**	**–**	**–**	**7,766**	**231**	**7,997**
Put options exercised	**22**	**6,761**	**–**	**–**	**–**	**–**	**6,783**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(5,458)**	**(5,458)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**6,435**	**6,435**
AT 31 DECEMBER 2016	**749**	**24,099**	**63,197**	**(792)**	**8,891**	**6,783**	**102,927**

The notes on pages 84 to 85 form part of these financial statements.

35. Accounting policies

The financial statements have been prepared under the historical cost convention in accordance with the reduced disclosure framework of FRS 101. The amendments to FRS 101 (2014/15 cycle) issued July 2015 and effective immediately have been applied.

In adopting the reduced disclosure framework of FRS101, the Company has made the following exemptions from disclosure:

- the cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- an additional balance sheet for the transition to FRS101.

Accounting policies applied
The following principal accounting policies have been applied:

(a) Valuation of investments
Investments held as fixed assets 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) See Group policy (note 34 and note 4)
See Group policy for current tax, deferred tax, share based payments and borrowings.

(d) Share based payments in Company
The cost of awards to employees of subsidiary undertakings classified as conditional shares awards is accounted for as an additional investment in the employing subsidiary.

(e) Dividends
Interim dividends are recorded when they are paid and the final dividends are recorded when they become legally payable.

(f) 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.

36. Investments in subsidiary undertakings

	2016 £000	2015 £000
At 1 January	**83,459**	81,942
Acquisition of a subsidiary*	**–**	392
Conditional share awards **	**7,766**	1,125
At 31 December	**91,225**	83,459

The direct and indirect subsidiary undertakings are listed in note 3 to the consolidated financial statements.

* Acquisition of 50.1% of Creative Spark Interactive (Pty) Ltd (note 18).
** Conditional share awards (Minority interest put options with leaver provisions) (note 30).

37. Other non-current assets

	2016 £000	2015 £000
Amounts from subsidiary undertakings	–	12,000
Loan to assist equity purchase**	**435**	–
Loans to subsidiary employees*	**1,815**	1,496
Total	**2,250**	13,496

* This related to the AUD3.6m (current balance AUD3.0m) 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 Australian Group, or are no longer employed. The loan is unsecured and charged interest at 0.1% above the five-year Australian interbank rate at date loan 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 subsidiary in accordance with local laws.

38. Trade and other receivables

Amounts due less than one year	2016 £000	2015 £000
Amounts from subsidiary undertakings*	**54,334**	46,816
Prepayments and accrued income	**85**	33
Corporation tax debtor	**1,049**	993
Other debtors	**332**	–
Total trade debtors and other receivables	**55,800**	47,842

* Repayable on demand. Amounts receivable from subsidiary undertakings include receivables relating to exercised put options. As detailed in notes 4 and 27, the Group has a number of put option arrangements in place. On exercise of these put options, the Company is required to issue shares in exchange for the shares of the minority interests. Where the Company's shareholding of the acquired subsidiary becomes equal to or higher than 90% as a result, amounts are credited to the Merger Reserve on exercise.

The acquired shares are then immediately sold to subsidiaries of the Company, thereby creating an intercompany receivable and eliminating the Company's increase in investments.

During the year, put option liabilities of £2.8m were exercised in relation to The Source (London) Ltd, M&C Saatchi PR UK LLP and three smaller international subsidiaries (note 27). These liabilities are not recorded in the books of the Company as these are treated as derivative instruments with a negligible fair value.

39. Creditors falling due within one year

	2016 £000	2015 £000
Trade creditors	**(174)**	(243)
Amounts due to subsidiaries*	**(28,490)**	(34,560)
Accruals and deferred income	**(405)**	(350)
	(29,069)	(35,153)

* Repayable on demand.

40. Creditors falling due after more than one year

	2016 £000	2015 £000
Bank loans	**(17,577)**	(23,555)

See note 25 for more details.

41. Directors' remuneration

	2016 £000	2015 £000
Total for nine Directors:		
Directors' salaries and benefits	**2,058**	2,075
Bonuses*	**200**	–
Contribution to money purchase pension schemes	**16**	17
Total remuneration before accounting charges	**2,274**	2,092
Share option charges	**231**	31
	2,505	2,123

	2016 £000	2015 £000
Highest paid Director:		
Directors' salaries and benefits	**422**	429
Bonus*	**50**	–
Contribution to money purchase pension schemes	**1**	–
Total remuneration before accounting charges	**473**	429
Share option charges	**55**	–
	528	429

* The bonus relates to equity in a subsidiary company issued at under value. The Director paid personally the tax on this bonus. Unaudited detail on Directors' remuneration is disclosed in the Remuneration Report on pages 24 and 25. These numbers include accounting charges for the LTIP schemes which the Remuneration Report excludes.

During the year, no (2015: 2,827,115) M&C Saatchi plc shares were issued to Executive Directors, in return for Directors' interest in M&C Saatchi Worldwide Ltd B ordinary shares.

The number of Directors with a money purchase pension scheme was 5 (2015: 5).

The Directors are the key management personnel of the Company.

42. Related parties

During the year, the Company charged a management recharge to subsidiaries totalling £818k (2015: £821k). £372k (2015: £45k) was due in relation to this management recharge from subsidiaries as at the balance sheet date. Including these amounts the Company also provides short term working capital loans to and borrows funds from certain subsidiaries, disclosed in notes 37, 38 and 39. The amounts due from subsidiary undertakings payable in cash of £54,334k (2015: £58,816k) is net of £5,881k (2015: £5,874k) provisions for doubtful accounts.

Further details of related parties of the Company are provided in note 33.

43. List of registered addresses

Country	Entity	Registered Address
Australia	M&C Saatchi Sport & Entertainment Pty Ltd Park Avenue PR Pty Ltd Saatchi Ventures Pty Ltd Tricky Jigsaw Pty Ltd	99 Macquarie Street Sydney NSW 2000
	Bellwether Global Pty Ltd Brands in Space Pty Ltd Lida Australia Pty Ltd	Level 12, 131 Macquarie Street Sydney NSW 2000
	Bright Red Oranges Pty Ltd Go Studios Pty Ltd M&C Saatchi Direct Pty Ltd	Level 6 131 Macquarie Street Sydney NSW 2000
	M&C Saatchi Agency Pty Ltd Re Team Pty Ltd EMCSaatchi Pty Ltd	Unit 6 223-227 O'Sullivan Road, Bellevue Hill NSW 2023
	M&C Saatchi Asia Pac Holdings Pty Ltd	Level 12, 131 Lucouarel Street Sydney NSW 2000
	Bang Pty Ltd Clear Australia Pty Ltd	Unit 19, 285A Crown Street Surry Hills NSW 2010
	M&C Saatchi Melbourne Pty Ltd	Level 1, 437 St Kilda Road Melbourne VIC 3004
Bahrain	M&C Saatchi Bahrain WLL	51,122,1605,316 Manama Center
Brazil	Lily Participacoes Ltda	Avenida Brigadeiro Faria Lima, 1355 Jardim Paulistano 16 Andar, Sal Sao Paulo 01452-919
	M&C Saatchi Brasil Comunicação Ltda M&C Saatchi Brasil Participacoes Ltda M+C Saatchi/Insight Pesquisa & Planejamento Ltda	Rua Girassol, 925/927 1st Floor, Vila Madalena, 05433-002
	Santa Clara Participacoes Ltda	Rua Wisard, 305, Vila Madalena 3 Andar-Con, Sao Paolo
China	M&C Saatchi Advertising (Shanghai) Ltd	Room 227, Guichang Road Pudong, Shanghai
France	FCINQ SAS M&C Saatchi Gad SAS M&C Saatchi Little Stories SAS M&C Saatchi One SARL Paris Gad Holding SAS	32 Rue Notre Dame des Victoires 75002 Paris

NOTES
Continued

43. List of registered addresses continued

Country	Entity	Registered Address
Germany	M&C Saatchi Berlin GmbH M&C Saatchi Sports & Entertainment GmbH M&C Saatchi Sun GmbH	Munzstrasse 21-23 10178, Berlin
Hong Kong	Clear Asia Ltd M&C Saatchi (HK) Ltd	29/F Cambridge House, Taikoo Place 979 King's Road, Quarry Bay
	M&C Saatchi Asia Ltd	6/F Alexandra House 18 Chater Road, Central
India	M&C Saatchi Communications Pvt Ltd	2 Palam Mang, Vasant Vihar New Delhi, 110057
	February Communications Pvt Ltd	141B Shahpur Jat New Delhi
Italy	M&C Saatchi SpA M&C Saatchi PR srl	Viale Monte Nero, 27 20135, Milan
Israel	M&C Saatchi Tel Aviv Ltd	1 Abba Even, Boulevard Herzlia 4672519
Japan	M&C Saatchi Ltd	26-1 Ebisy-Nishi 1-Chome Shibuya- Ku, Tokyo
Lebanon	M&C Saatchi SAL	Quantum Tower, Charles Malek Avenue St Nicolas, Beirut
Malaysia	M&C Saatchi (M) Sdn Bhd Design Factory Sdn Bhd Intelligence Factory Sdn Bhd	Unit 10-2, 10th Floor, Bangunan Malaysia RE 17 Jalan Dungun, Damansara Heights 50490 Kuala Lumpur
Netherlands	M&C Saatchi International Holdings BV	36 Golden Square London W1F 9EE, UK
	Clear Netherlands BV	Keizersgracht 203 Amsterdam
Pakistan	M&C Saatchi World Services Pakistan (Pvt) Ltd	48M, Block 6 P.EC.H.S, Karachi
Singapore	Clear Ideas (Singapore) Pte Ltd M&C Saatchi Mobile Asia Pacific Pte Ltd M&C Saatchi (S) Pte Ltd	21 Media Circle #05-09/10 Infinte Studios, 138562
South Africa	Creative Spark Interactive (Pty) Ltd M&C Saatchi Sports & Entertainment South Africa Pty Ltd	152 Ann Crescent, Sandton Johannesburg, 2196
	Dalmation Communications (Pty) Ltd M&C Saatchi Abel (Pty) Ltd M&C Saatchi Africa (Pty) Ltd M&C Saatchi Connect (Pty) Ltd	Media Quarter, 5th Floor, Corner Somerset and De Smit Street, Ded Waterkant, Cape Town

Country	Entity	Registered Address
Spain	M&C Saatchi Madrid SRL M&C Saatchi Digital SL Media By Design Spain SA	Calle Gran Via, 27 28013, Madrid
Sweden	M&C Saatchi AB	Skeppsbron 16 11130, Stockholm
Switzerland	M&C Saatchi (Switzerland) SA	Boulevard Carl-Vogt 83 1205, Geneve
Thailand	Love Frankie Ltd	571 RSU Tower, 10th Floor Soi Sukhumvit 31, Sukhumvit Road Wattana District, Bangkok
Turkey	M&C Saatchi Istanbul	Acarkent Mah. 1 Cadde No 132B Beykoz, Istanbul
United Arab Emirates	M&C Saatchi Middle East Fz LLC	Al Thuraya Tower 1, Floor 14, Office 1404 Dubai Media City, Dubai, 62614
	M&C Saatchi Fz LLC	PO Box: 77932 Abu Dhabi
United Kingdom	All UK entities except for the following:	36 Golden Square London W1F 9EE
	Clear Ideas Ltd Clear Ideas Consultancy LLP	2 Golden Square London, W1F 9HR
	Talk Content Ltd Talk PR Ltd Talk Store PR Ltd Talk Tech PR Ltd	3-5 Rathbone Place London, W1T 1HJ
	Walker Media Ltd	Pembroke Building, Kensington Village, Avonmore Road, London, W14 8DG
USA	Clear USA LLC Clear NY LLP M&C Saatchi PR LLP M&C Saatchi Sports & Entertainment NY LLP Shepardson Stern & Kaminsky LLP M&C Saatchi Agency Inc. M&C Saatchi NY LLP	88 Pine Street, 30th Floor New York NY 10005
	LIDA NY LLP	138 W 25th Street New York NY 10001
	M&C Saatchi LA Inc. M&C Saatchi Share Inc. World Services US Inc.	2032 Broadway, Santa Monica, CA 90404
	M&C Saatchi Mobile LLP	625 Broadway, 6th Floor New York, NY 10012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M&C SAATCHI PLC

We have audited the financial statements of M&C Saatchi plc for the year ended 31 December 2016 set out on pages 26 to 89. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

This report is made solely to the 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 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 company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

John Bennett
(Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom
15 March 2017

ADDITIONAL INFORMATION

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Nominated advisor and broker
Numis Securities Ltd
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
www.numiscorp.com

Solicitors
Olswang
90 High Holborn
London WC1V 6XX
www.olswang.com

Auditor
KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
www.kpmg.co.uk

Bankers
National Westminster Bank Plc
1 Princes Street
London EC2R 8BP
www.natwest.com

Registrars
Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol BS13 8AE
www.computershare.com

Secretary and registered office

Andy Blackstone
M&C Saatchi plc
36 Golden Square
London W1F 9EE
www.mcsaatchiplc.com

Country of registration
England and Wales

Company number
05114893

Investor relations website
www.mcsaatchiplc.com

Corporate events

AGM
7 June 2017

Final 2016 dividend paid
7 July 2017

To those on the register on
9 June 2017

Interim 2017 statement
25 September 2017

Interim 2017 dividend paid
10 November 2017

To those on the register on
27 October 2017

Preliminary announcement of 2017 result
Late March 2018

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