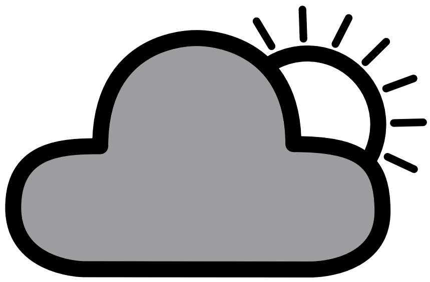
M&CSAATCHI



CHAIRMAN'S STATEMENT
JEREMY SINCLAIR

2008 was our 14th year and appropriately enough, we hit £14m headline PBT for the first time.

Congratulations and thanks to all our people who worked hard in difficult times. Particular praise is due to the M&C Saatchi offices in Paris and Kuala Lumpur who out-performed their peers and their own forecasts.

As the world knows, this coming year won't be so easy. All the industry forecasts are down, but more worryingly, it is getting harder and harder to peer beyond the immediate future.

As was said last year, our safety is in our size. We are still nimble enough to dodge some of the worst blows and still energetic enough to plan for the future. We have recently opened M&C Saatchi Advertising offices in Brazil, Switzerland and Japan.

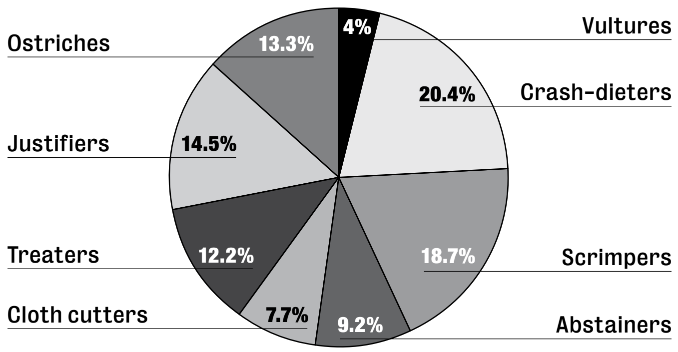
Again, as stated last year, but even more importantly this year, the key is new business and well controlled costs.

Investors may like to know about one of the tools we used to push our revenues up 19% in 2008.

This instrument was designed to help clients survive and ideally thrive through a recession. It starts from the premise that there isn't just one recession, there are many. Everyone behaves differently. One recession doesn't fit all.

Our research revealed there are eight basic and different ways consumers react to a downturn.

'REACTION TO RECESSION'



Together with BMRB's TGI Survey, this allows us to analyse and profile every clients' user base. The 'ostriches' and 'vultures' are self explanatory, but whether your customers are 'treaters' or 'scrimpers' can have a profound effect on the right approach to take.

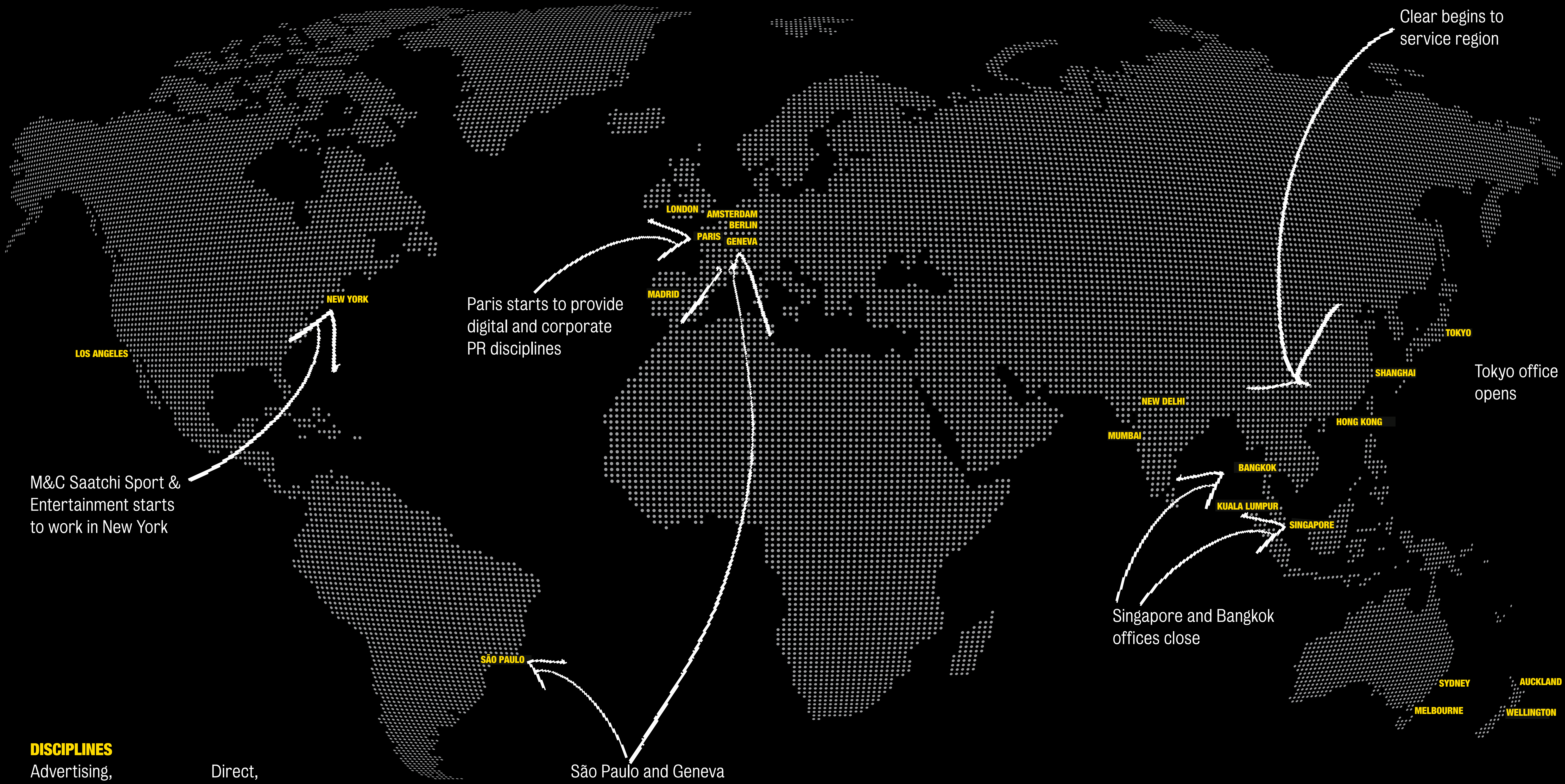
Interest in this program has been encouraging and we are making the method available worldwide through the Network. If you'd like to know more, contact our Chief Strategy Officer Richard Storey (richards@mcsaatchi.com).

During the year, two of our Executive Committee were promoted. Moray MacLennan is now Chief Executive of our Global Advertising Network and Tom Dery is the Chairman. We wish them well and hope that under their direction, the momentum can be maintained. Tim Duffy became the CEO of our UK agency, a well deserved promotion for a man in whom we have great confidence.

In June, Walker Media promoted Simon Davis to Managing Director, another well earned move for one of the company's rising stars.

Last year we bemoaned that, despite record profits and investor returns, our share price languished below the issue price. Today that price seems positively giddy. We soldier on.

WORLDWIDE NEWS



DISCIPLINES

Advertising,
Digital,
Direct,
Brand Consulting,
Media,
Digital,

Direct,
Design,
Promotion,
Consumer PR,
Sport & Entertainment,
Luxury Brands

CHIEF EXECUTIVE
DAVID KERSHAW

2008 was a good year for the Group. We reported Group revenues in excess of £100m for the first time and we maintained our 14 year run of growth. There was good new business momentum and we continued to build on our relationships with existing clients. After a strong start to the year the deteriorating economic climate made the second half challenging, and margins and earnings began to come under pressure. Despite the uncertainty the Group delivered record results for 2008 and heads into 2009 focused on the fundamentals of managing our current business and building a platform for future growth.

The Groups' primary strategy is expanding the network and developing new business streams largely through organic start ups. In 2009 we opened offices in Switzerland, Brazil and in Japan. We will also close offices that are underperforming. In 2008 we closed the offices in Singapore and Thailand. These steps, and a new management structure, are supporting our drive to win valuable new international accounts.

UK

We saw another very good year. Reported revenue grew by 14% and by 8% on a like-for-like excluding the annualised impact of the Clear Acquisition.

There were good new business wins, notably the Department of Health's 'Change4Life' anti-obesity campaign, Hyundai and East Midland Trains.

While the majority of our remuneration agreements are resource based fees agreed on an annual basis we saw increasing pressure on revenue and margins in the final quarter but no significant reductions. Clients were however prepared to sacrifice longer term projects and new product development to reduce costs. This trend had a significant impact on consultancy and strategy assignments. The headline operating margins were maintained at 16.5% by making costs reductions.

Europe

The European businesses performed very well. Revenue increased by 70% and the reported operating margin increased to 13.2%.

France produced excellent results. Revenue rose 68%, the business showed resilience towards the year end, buoyed by its successful new service offerings in digital and corporate public relations. Germany also performed well from its small base increasing revenue by 25%. The business is also seeking to expand its product range to existing clients.

Spain had a very difficult year as the economy declined sharply. We remain committed to this market, but agreed not to exercise the option to extend equity ownership in Zapping beyond the current 25%. We may review the decision in the future.

Asia and Australia

The region delivered an improved result. Reported revenue rose by 20% and like-for-like revenue was up by 14%. Headline operating profit increased to £2.1m (2007: £0.5m) and the margin improved to 7.0% (2007: 2.2%).

Australia, our largest business in the region, had an excellent year. Revenue grew by 28% largely by extending our relationships with existing clients. The office re-pitched, won and extended its relationship with Optus, one of Australia's largest telecommunications operators.

Malaysia, also had another successful year, increasing reported revenue by 31%.

India and China continue to show promising new business momentum. While small, these markets are important for future growth.

As part of our regional strategic review made in early 2008, we closed the loss-making agencies in Singapore and Thailand.

Americas

Although helped by prior year rationalisation, our US business based in Los Angeles had a second difficult year as the economic downturn persisted. Reported revenue declined marginally to £4.0m (2007: £4.1m) and the operating margin declined to 7.3% (2007: 14.0%). Most clients remained loyal to the agency with reduced budgets and we also saw a few clients taking work in-house.

The US remains an important market and we continue to look for strategic ways to develop our presence there.

In March 2009 we opened our Brazilian office in São Paolo. Brazil is the ninth biggest advertising market worldwide and is the natural hub for Latin American markets. It offers growth, good margins and high creative standards.

New markets

We will continue to look for opportunities to expand into new markets mostly through organic start-ups. This will create an efficient and effective international network and provide comprehensive coverage in key regions for our clients who need a global focus. With new offices in Geneva, São Paulo and Tokyo we believe the main elements are now in place; but we will continue to look for other opportunities. While our model of organically building new businesses is slower to develop than acquisitions, it can be financed out of operating cash flows and allows us to keep Group overheads low. We believe that in the current environment it also offers a better return for investors at significantly less risk. This organic approach requires investment and will negatively impact earnings in the short term. But we expect these operations to be trading profitability in their second year.

Outlook

In the current environment forecasting is difficult. Economic conditions are tough throughout our markets. However the business is in good shape and as we head into 2009 we are focused on the fundamentals of managing the business, servicing our current clients and winning new business whilst keeping our cost base under tight control.

We have great confidence in our people and believe that in the current climate our philosophy of Brutal Simplicity is even more relevant to clients.

The year has started well with some good new business wins. Overall trading for the first four months of 2009 is in line with management expectations.

FINANCE DIRECTOR
JERRY WALES

The Group has good cause to be satisfied with its financial performance in 2008. We delivered strong reported and revenue growth and the headline operating margins improved. We experienced strong operational cash flows and ended the year with positive net cash and with the balance sheet in good health. We head into 2009 in good shape.

Group reported revenue grew by 19% to £104.4m (2007: £87.6m). The like-for-like revenue growth which excludes the impact of exchange rate differences, acquisitions made in 2007 or 2008 and discontinued operations was 11%. As already reported, 2008 was our 14th year of operation and our 14th successive year of continued organic revenue growth.

The headline operating profit increased by 34% to £13.7m (2007: £10.2m). After taking account of the charge for the amortisation and impairment of acquired intangibles and goodwill of £3.0m (see note 2 and 13) the reported operating profit grew by 12% to £10.8m.

We also took an impairment charge of £2.4m to reduce the value of the acquired goodwill created following our investment in our Spanish associate. The Group's share of the associate's loss after tax was £81,000.

The Group enjoyed a positive finance income of £2.2m. This includes a reduction to the fair value of the minority put option liabilities of £1.9m and a notional interest charge of £0.2m on the amounts of deferred consideration brought forward from 2007.

The reported profit before tax grew 32% to £10.5m (2007: £8.0m).

The impact of the amortisation and impairment of the acquired intangibles and goodwill, the revaluation to the minority put option liability and the notional interest charge had a material impact on the underlying operating performance of the Group and on the year-on-year comparatives. For the purpose of measuring the underlying operating performance of the Group the Board reviews the financial results after excluding these non headline items. Having excluded the above items the headline profit before tax was £14.1m (2007: £11.9m), an increase of 18%.

The Group's headline tax rate (excluding associates) was 31.8%, marginally lower than last year's rate of 32.0%.

The profits attributable to the Group's minorities were £0.6m. The comparable figure in 2007 was £1.2m. The reduction is principally due to the acquisition of the remaining minority interest in Walker Media, the Group's media planning and buying business (acquired 19.5% in July 2007 and the remaining 5.5% in April 2008).

The profits attributable to the equity holders of the Group were £6.0m an increase of 85%. Excluding the non headline items the profits attributable to the equity holders of the Group was £9.0m an increase of 28%.

The weighted average number of shares increased by 3.8m shares to 60.0m as a result of the shares issued to satisfy the acquisition of the minority interest in Walker Media and the acquisition of Clear Ideas last year.

As a result, the basic EPS increased from 5.80p in 2007 to 10.04p. Excluding the non headline items the basic EPS grew from 12.55p in 2007 to 15.05p, an increase of 20%.

The Board is recommending a final dividend of 2.75p per share, which, together with the interim dividend of 0.87p per share, takes the total for the year to 3.62p per share (2007: 3.62p). The recommended dividend is 4.1 times covered by headline earnings. The 2008 final dividend will be paid on 10 July 2009 to shareholders on the register at 12 June 2009.

As at 31 December 2008 the Group's net cash position was £2.6m (2007: £8.4m). Cash balances across the Group stood at £9.3m (2007: £16.9m) and we were utilising £6.7m (2007: £8.5m) of the three-year facility provided by RBS, which continues until March 2011.

The Group generated an inflow of cash from normal trading activities (before the payment of dividends, acquisitions and the repayment of debt) of £10.2m, which represents 106% of profit after tax for 2008.

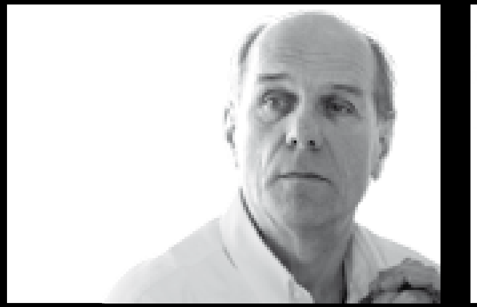
During the year the Group acquired the remaining 5.5% minority interest in Walker Media for £3.8m in cash and 0.9m shares. Cash of £10.3m was utilised and 0.5m shares issued in completing the acquisitions made in 2007 of Walker Media, Zapping and Clear Ideas.

The amount of deferred consideration payable at 31 December 2008 was £0.1m (2007: £18.1m). The reduction follows the liabilities being settled during 2008 and from lower valuations where liabilities still remain.

A reconciliation from reported profit to headline profit is included in note 2.

Finally, I would like to thank the Finance Directors and their staff for their continued hard work and support during the year. They have good cause to be satisfied with the result of their endeavours.

BOARD












EXECUTIVE DIRECTORS

Jeremy Sinclair
Chairman

Maurice Saatchi
Executive Director

Bill Muirhead
Executive Director

David Kershaw
Chief Executive

Jerry Wales
Finance Director

NON-EXECUTIVE DIRECTORS

Lloyd Dorfman
Non-Executive Director

The senior independent non-executive director at M&C Saatchi. He is founder and chairman of Travelex.

Adrian Martin
Non-Executive Director

An independent non-executive director at M&C Saatchi. He is a consultant to Reynolds Porter Chamberlain LLP where he was previously Chief Executive and a non-executive director of three other organisations. Until 2000 he was managing partner of BDO Stoy Hayward, where he was also chairman of BDO's International Policy Board.

EXECUTIVE COMMITTEE*

Tom Dery
Chairman, Advertising Network

Moray MacLennan
Chief Executive, Advertising Network

Phil Georgiadis
Chairman, Walker Media

Melvin Jay
Chairman, Clear

Chris Jacques
Chairman, Asia

* The executive committee is made up of the five executive directors and the five divisional chairmen.


IF THIS MAGAZINE IS GETTING
TOO HOT FOR YOU TO HANDLE
REACH FOR A COLD ONE.
Tiger Translate Events
It's Tiger time.
Tiger
EST 1932
World Acclaimed

change 4 life

Eat well Move more Live longer

Cars for sale

RENAULT, 2.5 V6 (A) 5 units 2003 all 1 owner, tip-top cond. new tyres, low mileage, tinted & acc free.

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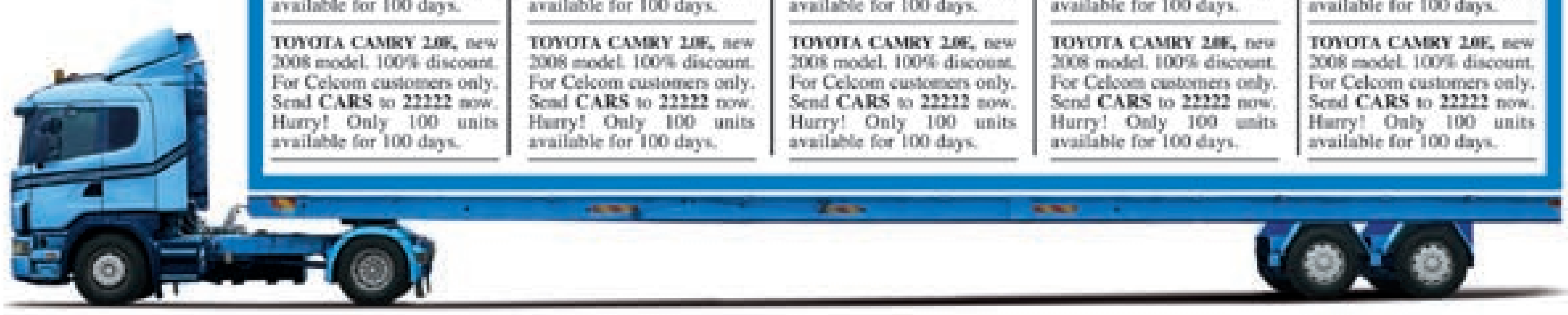
100 DAYS 100 CARS

2 JUNE - 9 SEPTEMBER '08



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Maria Sibylla Merian, Branch of a Guava Tree with Leaf-cutter Ants, Army Ants, Pink-toed Tarantulas, Huntsman Spiders, and a Ruby-topaz Hummingbird from The Insects of Suriname, 1719. Hand-colored transfer print. Research Library, The Getty Research Institute.

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the Group and Company for the year ended 31 December 2008.

Results and dividends

The consolidated income statement on page 26 shows the result for the year.

The directors paid an interim ordinary dividend of £529,000 (2007: £513,000) and recommend a final dividend of 2.75 pence totalling £1,672,000 (2007: 2.75 pence totalling £1,658,000).

Principal activity, trading review and future developments

The principal activity of the Group during the year was advertising and marketing services. The review of trading, future developments and key performance indicators (being revenue growth, headline operating margin, headline profit before tax, headline tax rate, headline EPS, and cash generation) are on pages 4 to 7.

Principal risks and uncertainties

Client losses hurt, although some turnover over time is normal and 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 attract new clients on the basis of our creative excellence, the commitment of our people and our unique portfolio of services.

There is also the risk, as a result of an economic slow down that budgets and fees are reduced or clients stop trading or run out of funding after work has been commissioned (as reflected by our increased provision for bad debts). The recession has also reduced visibility of future income; however, in some cases it has changed our clients marketing mix and this has led to cross selling opportunities.

The other risks the Group faces are financial (details of which can be seen in note 32 to the financial statements), the risk that key staff leave, and the risk that regulatory and legal changes affect our trading or ownership structures.

Financial instruments

Details of the use of financial instruments by the Group are contained in notes 18 to 20 of the financial statements.

Charitable and political contributions

During the year the Group made charitable donations of £63,267 (2007: £57,572) and made no political donations (2007: £4,000 for a film production).

Directors

The names and biographical details of the directors are given on page 8.

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 22 April 2008 the Company had been notified by shareholders representing 3% or more of issued share capital of the following interests:

	Number of shares	%
David Kershaw	3,799,369	6.3%
Bill Muirhead	3,799,369	6.3%
Maurice Saatchi	3,799,369	6.3%
Jeremy Sinclair	3,799,369	6.3%
Fidelity Investments	5,910,119	9.7%
Hermes Specialist UK Focus Fund Limited	5,426,968	8.9%
Aberdeen Asset Management	3,383,000	5.5%
Herald Investment Trust plc	3,150,000	5.2%
Black Rock, Inc.	2,670,721	4.4%
Matthew Freud	2,035,000	3.4%
Christine Walker	1,844,207	3.0%

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 year

In March 2009 the Group continued its organic growth model by opening offices in Geneva, São Paulo and Tokyo.

The Group has agreed with the shareholders of its Spanish associate to delay any further acquisitions of its remaining equity, and is now in the process of agreeing mutually to terminate these acquisition agreements.

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.

Employees

We endeavour to reward individuals by way of discretionary bonuses and long term incentives plans.

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 work place.

Payment of creditors

The Group has no formal code of conduct dealing specifically with the payment of suppliers. However, we try to adhere to agreed payment terms, provided the required goods or services have been delivered. The average number of days of purchases of the Company represented by trade creditors at 31 December 2008 was 13 days (2007: 51 days).

Treasury shares

At the Annual General Meeting (AGM) in 2008 the directors were given the authority to purchase up to 6,516,000 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 2008 the directors were given the authority to issue up to 20,172,000 of its ordinary shares of which 3,025,800 were approved to be issued for cash.

During the year the Company issued 1,858,587 shares to fulfil options and to acquire equity (see note 24). The Company did not issue any shares for cash.

Agreements that vest on change of control

The shareholders of our Spanish associate have the right, in the event of a change of control, to put their remaining shares for a multiple of their post tax profits of the last three years. The Group and the shareholders of our Spanish associate are in the process of agreeing to annul these rights.

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice (GAAP).

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent Company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. The work of the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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.

BDO Stoy Hayward LLP are willing to continue in office. A resolution to reappoint them will be proposed at the AGM.

By order of the Board

Andy Blackstone
Company Secretary
23 April 2009

REWARDS

Remuneration report

Lloyd Dorfman and Adrian Martin are the Remuneration Committee.

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 Company contributes to the directors' money purchase pension schemes.

Directors' contracts

All executive directors 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.

With the exception of the open market rent paid to 36 Golden Square LLP (see note 31), no director of the Company has received or become entitled to receive a benefit (other than a fixed salary as a full-time employee of the Company or of a related corporation, 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
23 April 2009

2008	Basic salary £000	Bonus £000	LTIP[1] £000	Benefits in kind[2] £000	Pension £000	Total £000
Directors						
David Kershaw	**250**	**35**	**–**	**47**	**38**	**370**
Bill Muirhead	**250**	**35**	**–**	**57**	**38**	**380**
Maurice Saatchi	**288**	**35**	**–**	**52**	**3**	**378**
Jeremy Sinclair	**288**	**35**	**–**	**48**	**–**	**371**
Jerry Wales	**170**	**35**	**55**	**25**	**60**	**345**
Total	**1,246**	**175**	**55**	**229**	**139**	**1,844**
Non-executive directors						
Lloyd Dorfman	**35**	**–**	**–**	**–**	**–**	**35**
Adrian Martin	**35**	**–**	**–**	**–**	**–**	**35**
Total	**70**	**–**	**–**	**–**	**–**	**70**
TOTAL REWARDS	**1,316**	**175**	**55**	**229**	**139**	**1,914**

2007	Basic salary £000	Bonus £000	LTIP[1] £000	Benefits in kind[2] £000	Pension £000	Total £000
Directors						
David Kershaw	250	100	–	53	39	442
Bill Muirhead	250	100	–	51	38	439
Maurice Saatchi	288	100	–	49	3	440
Jeremy Sinclair	288	100	–	48	–	436
Jerry Wales	170	100	153	25	60	508
Total	**1,246**	**500**	**153**	**226**	**140**	**2,265**
Non-executive directors						
Lloyd Dorfman	35	–	–	–	–	35
Adrian Martin	35	–	–	–	–	35
Total	**70**	**–**	**–**	**–**	**–**	**70**
TOTAL REWARDS	**1,316**	**500**	**153**	**226**	**140**	**2,335**

1 LTIP is the directors' share of the year's accounting charge. The charge is based on the expectations of future amounts that will vest. Had this charge been calculated at the present share price of 50p, rather than the year end share price of 78.5p then the charge would have been £12k.

2 Benefits in kind include car allowances and permanent health insurance benefits.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2008 £000	2007 £000
Billings		**436,506**	412,746
Revenue	3	**104,383**	87,620
Operating costs	4	**(93,617)**	(78,006)
Operating profit	3	**10,766**	9,614
Share of results of associates	7	**(81)**	281
Impairment of associate	7	**(2,400)**	–
Finance income	8	**3,350**	1,809
Finance costs	9	**(1,142)**	(3,748)
Profit before taxation	3	**10,493**	7,956
Taxation	11	**(3,904)**	(3,530)
Profit after taxation	25	**6,589**	4,426
Attributable to:			
Equity shareholders of the Group	2	**6,021**	3,258
Minority interests	25	**568**	1,168
Profit for the year	25	**6,589**	4,426
Earnings per share			
Basic (pence)	2	**10.04p**	5.80p
Diluted (pence)	2	**9.75p**	5.59p
Headline results			
Headline operating profit	2	**13,739**	10,222
Headline profit before tax	2	**14,095**	11,926
Headline profit after tax attributable to equity shareholders	2	**9,024**	7,046

The notes on pages 31 to 61 form part of these financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 December	Note	2008 £000	2007 £000
Profit for the year		**6,589**	4,426
Currency translation differences	25	**2,403**	834
Tax on items taken directly to equity	25	**(311)**	(145)
Total recognised income and expenses for the year		**8,681**	5,115
Attributable to:			
Equity shareholders of the Group		**7,952**	3,947
Minority interests		**729**	1,168
		8,681	5,115

The notes on pages 31 to 61 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December	Note	2008 £000	2007 £000
Non current assets			
Intangible assets	13	**58,114**	61,409
Investments in associates	15	**1,711**	4,086
Plant and equipment	16	**4,239**	3,954
Deferred tax assets	17	**1,924**	2,034
Other non current assets		**707**	565
		66,695	72,048
Current assets			
Trade and other receivables	18	**60,784**	74,872
Current tax assets		**649**	519
Cash and cash equivalents		**9,271**	16,895
		70,704	92,286
Current liabilities			
Trade and other payables	19	**(73,583)**	(86,850)
Current tax liabilities		**(3,030)**	(1,610)
Other financial liabilities	20	**(37)**	(18)
Deferred and contingent consideration	21	**(116)**	(9,811)
Minority shareholder put option liabilities	22	**(1,881)**	(6,854)
		(78,647)	(105,143)
Net current liabilities		**(7,943)**	(12,857)
Total assets less current liabilities		**58,752**	59,191
Non current liabilities			
Deferred tax liabilities	17	**(928)**	(1,604)
Other financial liabilities	20	**(6,702)**	(8,531)
Deferred and contingent consideration	21	**–**	(8,325)
Minority shareholder put option liabilities	22	**(1,816)**	(3,691)
Other non current liabilities	23	**(483)**	(1,142)
		(9,929)	(23,293)
Total net assets	25	**48,823**	35,898

The notes on pages 31 to 61 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December	Note	2008 £000	2007 £000
Equity			
Equity attributable to shareholders of the Group			
Share capital	24, 25	**615**	597
Share premium	25	**12,758**	12,758
Merger reserve	25	**21,777**	20,285
Treasury reserve	25	**(792)**	(792)
Minority interest put option reserve	25	**(4,463)**	(6,876)
Foreign exchange reserve	25	**2,249**	318
Retained earnings	25	**15,869**	9,053
		48,013	35,343
Minority interests	25	**810**	555
Total equity		**48,823**	35,898

These financial statements were approved and authorised for issue by the Board on 23 April 2009 and signed on its behalf by:

Jerry Wales
Finance Director

The notes on pages 31 to 61 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Note	2008 £000	2007 £000
Cash generated from operations	27	**15,050**	8,991
Tax paid		**(3,592)**	(4,092)
Net cash flow from operating activities		**11,458**	4,899
Cash consumed by investing activities			
Acquisitions	28	**(14,156)**	(24,602)
Proceeds from sale of plant and equipment		**5**	23
Purchase of plant and equipment		**(1,605)**	(1,401)
Purchase of capitalised software		**(100)**	(107)
Dividends from associate		**125**	–
Interest earned by trading entities		**1,401**	1,553
Interest received on centrally held cash		**10**	256
Net cash consumed by investing activities		**(14,320)**	(24,278)
Cash generated from financing activities			
Dividends paid to equity holders of the Company	12, 25	**(2,187)**	(1,813)
Dividends paid to minority interests	25	**(648)**	(1,404)
Subsidiaries' purchase of own shares from minorities		**(19)**	–
Repayment of finance leases		**(12)**	(39)
Inception of bank loans		**12,620**	13,000
Repayment of bank loans		**(14,703)**	(4,514)
Interest paid		**(974)**	(437)
Interest on finance leases		**(1)**	(2)
Net cash (consumed)/generated by financing activities		**(5,924)**	4,791
Net decrease in cash and cash equivalents		**(8,786)**	(14,588)
Cash and cash equivalents at the beginning of the year		**16,895**	31,284
Effect of exchange rate changes		**1,162**	199
Cash and cash equivalents at the end of the year		**9,271**	16,895

The notes on pages 31 to 61 form part of these financial statements.

NOTES

1. Accounting policies

Basis of preparation

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

Headline results

The directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance trends of the business to stakeholders. In addition, the headline result is used for internal performance management, the calculation of rewards in the Group's Long Term Incentive Plan (LTIP) scheme and minority shareholder put option liabilities. The term headline is not a defined term in IFRS.

The items that are excluded from headline results are the fair value gains and losses on liabilities caused by our put option agreements, amortisation or impairment of intangible assets (including goodwill) acquired in business combinations, amortisation or impairment of intangible assets (including goodwill) acquired in associates and notional interest on deferred consideration.

Cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies are set out below.

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 of acquisition 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 minority interest share of the results and net assets is recognised at each reporting date. Where such a company has net liabilities, the minority interest share of the loss is not attributed to the minority interests unless the minority shareholder has an obligation to make good its share of the net liabilities.

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, together with any costs that are directly attributable to the business combination. The identifiable assets and liabilities (including contingent liabilities) acquired that meet the conditions for recognition under IFRS 3 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.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity is recognised as an asset, being the excess of the cost of the business combination over the interest in the net 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 plus any direct costs of acquisition.

Where the Group increases its stake in a subsidiary, goodwill equals the difference between the consideration paid and the fair value of the minority interest acquired.

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.

1. Accounting policies continued

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate 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.

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 are separately identifiable from the acquired entity. 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.

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

Intangible assets are amortised to residual values over the useful economic life of the asset as follows:

Software	– 3 years
Customer related intangibles	– 1 to 5 years
Brands	– 7 years or indefinite

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 net realisable value and value in use.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and deposits with an original maturity of three months or less, net of overdrafts.

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.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to profit or loss account over the lease term.

Segmental reporting

The financial statements prepared under IAS14 Segmental reporting. Segmental reporting reflects how management controls the business. This is primarily by geography and then by the services being supplied. 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.

Revenue recognition

Billings represents the gross amounts billed to clients in respect of revenue earned and other client recharges, net of discounts and sales taxes.

Revenue comprises commission and fees earned in respect of billings.

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.
(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.

EMPLOYEE BENEFITS

Pensions

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

Share-based compensation

Certain employees receive remuneration in the form of share based payments, including shares or rights over shares. The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). The non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the entity revises its estimates of the number of the options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining 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 the retained earnings.

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 income statement. 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 income statement charge are adjusted to reflect the proportion of the vesting period that has been covered up to the balance sheet date.

Share based payments include options issued to employees, phantom bonuses and other long term equity linked bonuses. Payments may be in the form of cash or equity. When options are exercised, the cash received for the issued shares is taken to share capital and share premium.

Taxation

Current tax, including UK and foreign tax, is provided at amounts expected to be paid (or recovered) 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.

1. Accounting policies continued

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 are recognised as income or expense in the period which the operation is disposed of.

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.

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 deducted from equity. 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.

Minority shareholder put option liabilities

Liabilities in respect of put option agreements that allow the Group's equity partners to require the Group to purchase the minority interest are treated as derivatives over own equity instruments and are recorded in the balance sheet at fair value. The fair value of such put options is remeasured at each period end. The movement in the fair value is recognised in the income statement. The Group recognises its best estimate of the amount it is likely to pay, should these put options be exercised by the minority interests, as a liability in the balance sheet.

When the initial fair value of the liability in respect of the put options is created the corresponding debit is included in the minority put option reserve.

On exercise the liability is extinguished against the minority put option reserve and profit and loss reserve.

STANDARDS, NOT YET EFFECTIVE

New standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has decided not to adopt early. These are:

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009).

Amendments to IFRS 2, Share-based payments; vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009).

Revised IFRS 3, Business Combinations and Complementary Amendments to IAS 27, 'Consolidated and Separate Financial Statements' (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments to it are still to be endorsed by the EU.

Amendments to IAS 32, Financial Instruments: Presentation, and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009).

Revised IAS 1, Presentation of Financial Statements – A Revised Approach (effective for accounting periods beginning on or after 1 January 2009).

Revised IAS 23, Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009), which is still to be endorsed by the EU. This is relevant to the Group but it is expected there will be no material impact on the financial statements.

Amendments to IAS 2, Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009). This amendment is still to be endorsed by the EU.

Amendments to IFRS 1 and IAS 27, Cost of an Investment in a subsidiary, jointly-controlled entity or associate (effective for accounting periods beginning on or after 1 January 2009).

Amendments to IFRS 7, Improving Disclosures about Financial Instruments (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU.

The Group is currently assessing the impact of the above amendments to the financial statements.

STANDARDS, NOT YET EFFECTIVE, WHICH ARE NOT EXPECTED TO BE RELEVANT TO THE GROUP

Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009). This amendment is still to be endorsed by the EU.

Amendments to IFRIC 9 and IAS 39: Embedded Derivatives (effective for accounting periods ending on or after 30 June 2009). This amendment is still to be endorsed by the EU.

IFRIC 13 Customer loyalty programmes (effective for accounting periods beginning on or after 1 July 2008).

IFRIC 15, Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009). This is still to be endorsed by the EU.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008). This is still to be endorsed by the EU.

IFRIC 17, Distributions of Non cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009). This is still to be endorsed by the EU.

IFRIC 18, Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009). This is still to be endorsed by the EU.

In addition, the IASB 2008 annual improvements project includes minor amendments to various accounting standards which will be effective for accounting periods beginning on or after 1 January 2009 and is not expected to affect the Group.

2. Headline results and earnings per share

The analysis below provides a reconciliation between the Group's reported results and the headline results with the associated earnings per share calculations. Basic and diluted earnings per share is calculated by dividing profit attributable to equity holders of the Group by the average number of shares in issue during the year.

Year ended 31 December 2008	Note	Reported results £000	Amortisation of acquired intangibles £000	Impairment of acquired intangibles and goodwill £000	Fair value adjustments to minority put option liabilities £000	Notional interest on deferred consideration £000	Headline results £000
Revenue	3	**104,383**	**–**	**–**	**–**	**–**	**104,383**
Operating profit	3	**10,766**	**575**	**2,398**	**–**	**–**	**13,739**
Impairment of associate	7	(2,400)	–	2,400	–	–	–
Share of results of associates	7	(81)	–	–	–	–	(81)
Net interest	8, 9	2,208	–	–	(1,940)	169	437
Profit before taxation	3	**10,493**	**575**	**4,798**	**(1,940)**	**169**	**14,095**
Taxation	11, 3	(3,904)	(164)	(435)	–	–	(4,503)
Profit after taxation		**6,589**	**411**	**4,363**	**(1,940)**	**169**	**9,592**
Minority interests		568	–	–	–	–	568
Profit attributable to equity holders of the Group		**6,021**	**411**	**4,363**	**(1,940)**	**169**	**9,024**
Basic earnings per share							
Weighted average number of shares (thousands)		59,972	–	–	–	–	59,972
Basic EPS		**10.04p**	**–**	**–**	**–**	**–**	**15.05p**
Diluted earnings per share							
Weighted average number of shares (thousands) as above		59,972	–	–	–	–	59,972
Add							
– Sharesave options		–	–	–	–	–	–
– Options		411	–	–	–	–	411
– LTIP options		1,151	–	–	–	–	1,151
– Contingent consideration		205	–	–	–	–	205
Total		**61,739**	**–**	**–**	**–**	**–**	**61,739**
Diluted earnings per share		**9.75p**					**14.62p**

Year ended 31 December 2007	Note	Reported results £000	Amortisation of acquired intangibles £000	Impairment of acquired intangibles £000	Fair value adjustments to minority put option liabilities £000	Notional interest on deferred consideration £000	Headline results £000
Revenue	3	**87,620**	**–**	**–**	**–**	**–**	**87,620**
Operating profit	3	**9,614**	**608**	**–**	**–**	**–**	**10,222**
Impairment of associate	7	–	–	–	–	–	–
Share of results of associates	7	281	53	–	–	–	334
Net interest	8, 9	(1,939)	–	–	3,052	257	1,370
Profit before taxation	3	**7,956**	**661**	**–**	**3,052**	**257**	**11,926**
Taxation	11, 3	(3,530)	(182)	–	–	–	(3,712)
Profit after taxation		**4,426**	**479**	**–**	**3,052**	**257**	**8,214**
Minority interests		1,168	–	–	–	–	1,168
Profit attributable to equity holders of the Group		**3,258**	**479**	**–**	**3,052**	**257**	**7,046**
Basic earnings per share							
Weighted average number of shares (thousands)		56,163	–	–	–	–	56,163
Basic EPS		**5.80p**	**–**	**–**	**–**	**–**	**12.55p**
Diluted earnings per share							
Weighted average number of shares (thousands) as above		56,163	–	–	–	–	56,163
Add							
– Sharesave options		159	–	–	–	–	159
– Options		411	–	–	–	–	411
– LTIP options		975	–	–	–	–	975
– Contingent consideration		595	–	–	–	–	595
Total		**58,303**	**–**	–	**–**	**–**	**58,303**
Diluted earnings per share		**5.59p**					**12.09p**

The directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance trends of the business to stakeholders. In addition the headline result is used for internal performance management and the calculation of rewards in the Group's Long Term Incentive Plan (LTIP) scheme. The term headline is not a defined term in IFRS.

The items that are excluded from headline results are the fair value gains and losses on liabilities caused by our put option agreements, amortisation and impairment of intangible assets (including goodwill) acquired in business combinations, amortisation and impairment of intangible assets (including goodwill) acquired in associates and notional interest from deferred consideration.

3. Segmental information

The Group's primary reporting format for reporting segments is by geographical market, the secondary is by business segment.

SEGMENTAL INCOME STATEMENT

Year ended 31 December 2008	Note	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
Revenue		**60,349**	**29,677**	**4,028**	**10,329**	**104,383**
Operating profit		**7,851**	**1,258**	**295**	**1,362**	**10,766**
Add						
– Amortisation of intangibles		575	–	–	–	575
– Impairment of intangibles		1,552	846	–	–	2,398
Headline operating profit		**9,978**	**2,104**	**295**	**1,362**	**13,739**
Share of results of associates		–	–	–	(81)	(81)
Net interest	8,9	528	118	2	(211)	437
Headline profit before taxation		**10,506**	**2,222**	**297**	**1,070**	**14,095**
Less						
– Impairment and amortisation of intangibles		(2,127)	(846)	–	–	(2,973)
– Impairment of associate		–	–	–	(2,400)	(2,400)
– Fair value adjustments to minority put option liabilities		1,940	–	–	–	1,940
– Notional interest from deferred consideration		(169)	–	–	–	(169)
Total of statutory adjustments		(356)	(846)	–	(2,400)	(3,602)
Profit before taxation		**10,150**	**1,376**	**297**	**(1,330)**	**10,493**
Taxation		(2,692)	(872)	(104)	(236)	(3,904)
Profit for the year		**7,458**	**504**	**193**	**(1,566)**	**6,589**
Minority interests		241	112	32	183	568
Profit attributable to equity shareholders of the Group		**7,217**	**392**	**161**	**(1,749)**	**6,021**
Add						
– Statutory adjustments above		356	846	–	2,400	3,602
– Deferred tax on Impairment and amortisation of acquired intangibles		(599)	–	–	–	(599)
Headline profit attributable to equity shareholders of the Group		**6,974**	**1,238**	**161**	**651**	**9,024**
Headline basic EPS						**15.05p**

Revenues from external customers by geographical location are the same as the geographical location of assets.

SEGMENTAL INCOME STATEMENT

Year ended 31 December 2007	Note	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
Revenue		**52,765**	**24,663**	**4,132**	**6,060**	**87,620**
Operating profit		**7,761**	**550**	**581**	**722**	**9,614**
Add						
– Amortisation of intangibles		608	–	–	–	608
– Impairment of intangibles		–	–	–	–	–
Headline operating profit		**8,369**	**550**	**581**	**722**	**10,222**
Share of results of associates		25	–	–	309	334
Net interest	8, 9	1,448	10	2	(90)	1,370
Headline profit before taxation		**9,842**	**560**	**583**	**941**	**11,926**
Less						
– Amortisation of intangibles		(608)	–	–	(53)	(661)
– Impairment of associate		–	–	–	–	–
– Fair value adjustments to minority put option liabilities		(3,052)	–	–	–	(3,052)
– Notional interest from deferred consideration		(257)	–	–	–	(257)
Total of statutory adjustments		(3,917)	–	–	(53)	(3,970)
Profit before taxation		**5,925**	**560**	**583**	**888**	**7,956**
Taxation		(2,833)	(368)	(207)	(122)	(3,530)
Profit for the year		**3,092**	**192**	**376**	**766**	**4,426**
Minority interests		997	59	67	45	1,168
Profit attributable to equity shareholders of the Group		**2,095**	**133**	**309**	**721**	**3,258**
Add						
– Statutory adjustments above		3,917	–	–	53	3,970
– Deferred tax on amortisation of acquired intangibles		(182)	–	–	–	(182)
Headline profit attributable to equity shareholders of the Group		**5,830**	**133**	**309**	**774**	**7,046**
Headline basic EPS						**12.55p**

3. Segmental information continued

SEGMENTAL BALANCE SHEET

Year ended 31 December 2008	Note	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
Assets		107,012	16,554	1,492	12,341	137,399
Liabilities		(57,549)	(14,051)	(4,510)	(12,466)	(88,576)
Net assets		49,463	2,503	(3,018)	(125)	48,823
Capital expenditure	16	1,124	351	13	229	1,717
Depreciation	16	(727)	(804)	(37)	(175)	(1,743)

SEGMENTAL BALANCE SHEET

Year ended 31 December 2007	Note	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
Assets		135,867	17,431	2,643	8,393	164,334
Liabilities		(98,897)	(14,511)	(5,676)	(9,352)	(128,436)
Net assets		36,970	2,920	(3,033)	(959)	35,898
Intangibles acquired	13	5,833	–	–	–	5,833
Investment in associates	15	–	–	–	4,086	4,086
Capital expenditure	16	633	545	18	239	1,435
Depreciation	16	(660)	(725)	(44)	(72)	(1,501)

SECONDARY SEGMENTAL INFORMATION

Year ended 31 December 2008	Advertising and Media buying £000	PR £000	Consulting £000	Total £000
Revenue	86,998	6,915	10,470	104,383
Total assets	127,618	3,011	6,770	137,399
Capital expenditure	1,541	22	154	1,717

SECONDARY SEGMENTAL INFORMATION

Year ended 31 December 2007	Advertising and Media buying £000	PR £000	Consulting £000	Total £000
Revenue	76,037	6,129	5,454	87,620
Total assets	148,569	2,662	13,103	164,334
Capital expenditure	1,325	6	104	1,435

CURRENCY EXPOSURE

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

2008 profits would have changed as follows, had the average exchange rate been changed by:

Changes in exchange	Increase/ (decrease) in operating profit £000	Increase/ (decrease) in profit after tax £000
+10%	(409)	(265)
-10%	500	324

Had our 2008 results been translated at 2007 exchange rate then our results would have been:

SEGMENTAL INCOME STATEMENT TRANSLATED AT 2007 EXCHANGE RATES

Year ended 31 December 2008	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
Revenue	**60,350**	**27,186**	**3,730**	**8,894**	**100,160**
Operating profit	7,853	1,025	272	1,135	10,285
– Amortisation of intangibles	575	–	–	–	575
– Impairment of intangibles	1,552	846	–	–	2,398
Headline operating profit	**9,980**	**1,871**	**272**	**1,135**	**13,258**
Share of results of associates				(70)	(70)
Net interest	564	109	2	(213)	462
Headline profit before taxation	**10,544**	**1,980**	**274**	**852**	**13,650**
Less					
– Impairment and amortisation of intangibles	(2,127)	(846)	–	–	(2,973)
– Impairment of associate	–	–	–	(2,400)	(2,400)
– Fair value adjustments to minority put option liabilities	1,940	–	–	–	1,940
– Notional interest from deferred consideration	(169)	–	–	–	(169)
Total of statutory adjustments	(356)	(846)	–	(2,400)	(3,602)
Profit before taxation	**10,188**	**1,134**	**274**	**(1,548)**	**10,048**
Taxation	(2,834)	(786)	(96)	(184)	(3,900)
Profit for the year	**7,354**	**348**	**178**	**(1,732)**	**6,148**
Reported profit for the year	**7,458**	**504**	**193**	**(1,566)**	**6,589**
Increase in 2008 results caused by translation differences	104	156	15	166	441

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

	2008	2007
US dollar	**1.854**	2.002
Australian dollar	**2.185**	2.391
Euro	**1.259**	1.462

3. Segmental information continued

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	2008 %	2007 %
Top 10	**32.9**	35.4
Top 15	**40.9**	43.3
Top 30	**57.5**	49.2

OTHER SEGMENTAL ITEMS INCLUDED IN THE INCOME STATEMENT

Year ended 31 December	2008 £000	2007 £000
Depreciation		
– UK	**732**	644
– Asia and Australasia	**772**	693
– America	**35**	45
– Europe	**167**	81
	1,706	1,463

4. Operating costs

Year ended 31 December	Note	2008 £000	2007 £000
Total staff costs	5	**61,913**	53,763
Other costs include:			
Goodwill impairment		**846**	–
Acquired intangibles impairment		**1,552**	–
Amortisation of intangibles			
– Acquired intangibles		**575**	608
– Capitalised software		**75**	106
Depreciation of plant and equipment		**1,631**	1,463
Losses on disposal of fixed assets		**15**	36

Year ended 31 December	2008 £000	2007 £000
Operating lease rentals		
Plant	**246**	245
Property	**3,668**	3,860
	3,914	4,105
Sublease receipts	**(12)**	(20)
	3,902	4,085

Year ended 31 December	2008 £000	2007 £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	**249**	228
– Within two to five years	**483**	532
	732	760
Property		
Commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
– Within one year	**4,476**	4,108
– Within two to five years	**14,298**	10,275
– Greater than five years	**32,085**	25,883
	50,859	40,266

5. Staff costs

Staff costs (including directors) comprise:

Year ended 31 December	2008 £000	2007 £000
Wages and salaries	**52,126**	45,065
Social security costs	**6,305**	4,781
Defined contribution pension scheme costs	**1,775**	1,696
Other staff benefits	**1,480**	1,322
	61,686	52,864
Incentive plans		
Cash based incentive plans	**73**	523
Share based incentive plans	**155**	376
	228	899
Total staff costs	**61,913**	53,763
Staff cost to revenue ratio	**59%**	61%
Staff numbers		
UK	**564**	532
Asia & Australia	**433**	414
America	**30**	35
Europe	**74**	58
	1,101	1,039
Advertising and Media	**796**	752
PR	**49**	55
Brand consultancy	**123**	99
Other	**133**	133
	1,101	1,039

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 £1,775k (2007: £1,696k) were made in the year and charged to the income statement in the period they fall due. At the year end there were unpaid amounts included within accruals totalling £17k (2007: £75k).

KEY MANAGEMENT REMUNERATION

The Group has defined the key management of the Group as the members of the Executive Committee (the Plc Board and the Executive Board – see pages 8 and 9).

	2008 £000	2007 £000
Short term employee benefit	3,766	3,368
Post employment benefit	266	350
Share based payments	111	318
Total	4,143	4,036

6. Auditors' remuneration

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

Year ended 31 December	2008 £000	2007 £000
Audit services		
Audit of the Company and its consolidated accounts	**121**	159
Audit of the Company's subsidiaries pursuant to legislation	**221**	245
	342	404
Other services provided by the auditors		
Due diligence of acquisitions including capitalised costs	**35**	167
Taxation	**105**	99
Other advice	**17**	12
	157	278
Total	**499**	682

7. Share of associates

Year ended 31 December	2008 £000	2007 £000
Share of associate's (loss)/profit before taxation	**(20)**	491
Share of associate's taxation	**(61)**	(157)
Amortisation of intangibles	**–**	(53)
	(81)	281

During the year £2,400k of our investment in the associate was impaired (2007: Nil).

8. Finance income

Year ended 31 December	2008 £000	2007 £000
Bank interest receivable	**1,247**	1,771
Other interest receivable	**163**	38
Total interest receivable	**1,410**	1,809
Fair value adjustments to minority shareholder put option liabilities	**1,940**	–
Total finance income	**3,350**	1,809

9. Finance expense

Year ended 31 December	2008 £000	2007 £000
Bank interest payable	**(925)**	(403)
Interest payable on finance leases	**(1)**	(2)
Other interest payable	**(47)**	(34)
Total interest payable	**(973)**	(439)
Notional interest on contingent consideration	**(169)**	(257)
Fair value adjustments to minority shareholder put option liabilities	**–**	(3,052)
Total finance expense	**(1,142)**	(3,748)

10. 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 inter bank rates. An analysis of net interest by our segmented geographic regions is provided in note 3.

If our debt and cash position remain the same as the year end a 1% reduction in interest rates would reduce our profits by £24k. The Group expects to continue to pay off its Group debt, reducing the interest charge. However, the Group is expected to earn less interest from its working capital held, due to lower interest rates.

In April 2008 the Group revised its banking arrangements and now has a £21m bank facility. The facility can borrow in sterling or euros. At 31 December 2008 £6.9m of this loan was drawn down. We would expect to repay a proportion of the loan in 2009.

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

11. Taxation

Year ended 31 December	2008 £000	2007 £000
Current taxation		
Taxation in the year		
– UK	**2,990**	3,223
– Overseas	**1,768**	1,119
Withholding taxes payable	**12**	7
Utilisation of previously unrecognised tax losses	**(182)**	(128)
Adjustment for over provision in prior periods	**(144)**	(138)
Total	**4,444**	4,083
Deferred taxation		
Origination and reversal of temporary differences	**(596)**	(606)
Effect of changes in tax rates	**56**	53
Total	**(540)**	(553)
Total taxation	**3,904**	3,530

The difference 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	2008 £000	2007 £000
Profit before taxation	**10,493**	7,956
Taxation at UK corporation tax rate of 28.5% (2007: 30%)	**(2,991)**	(2,387)
Tax effect of associates	**(23)**	93
Expenses not deductible for tax	**(250)**	(212)
Different tax rates applicable in overseas jurisdictions	**(89)**	(93)
Effect of changes in tax rates on deferred tax	**(56)**	(53)
Withholding taxes	**(12)**	(7)
Utilisation of previously unrecognised tax losses	**182**	128
Adjustment for over provision in prior periods	**144**	138
Tax losses for which no deferred tax asset was recognised	**(222)**	(145)
Share based incentive charge greater than value of shares	**(167)**	–
Fair value adjustments on minority shareholder put options	**553**	(915)
Notional interest on deferred consideration	**(48)**	(77)
Impairment of goodwill	**(925)**	–
	(3,904)	(3,530)

12. Dividends

Year ended 31 December	2008 £000	2007 £000
2007 final dividend 2.75p (2006 2.43p)	**1,658**	1,300
2008 interim dividend 0.87p (2007 0.87p)	**529**	513
	2,187	1,813

Proposed 2008 final dividend of 2.75p totalling £1,672k.

Dividends relate to the profit of the following years:

Year ended 31 December	2008 £000	2007 £000
Interim dividends	**529**	513
Final dividends	**1,672**	1,658
	2,201	2,171
Headline dividend cover	**4.1**	3.2

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.

13. Intangible assets

	Note	Goodwill £000	Brand names £000	Customer relationships £000	Software £000	Total £000
Cost						
At 1 January 2007		15,270	–	20	201	15,491
Exchange differences		445	–	–	10	455
Additions		–	–	–	111	111
Acquired	14	40,380	2,640	3,193	–	46,213
Disposals		–	–	–	(2)	(2)
At 31 December 2007		56,095	2,640	3,213	320	62,268
Exchange differences		1,790	–	–	57	1,847
Additions		–	–	–	100	100
Reclassification		–	–	–	182	182
Acquired	14	5,878	–	–	–	5,878
Reduction in contingent consideration		(8,055)	–	–	–	(8,055)
At 31 December 2008		**55,708**	**2,640**	**3,213**	**659**	**62,220**
Accumulated amortisation and impairment						
At 1 January 2007		–	–	20	114	134
Exchange differences		–	–	–	7	7
Amortisation charge		–	–	608	110	718
At 31 December 2007		–	–	628	231	859
Exchange differences		–	–	–	35	35
Amortisation charge		–	–	575	75	650
Reclassification		–	–	–	176	176
Disposals		–	–	–	(12)	(12)
Impairment charge		846	–	1,552	–	2,398
At 31 December 2008		**846**	**–**	**2,755**	**505**	**4,106**
Net book value						
At 1 January 2007		15,270	–	–	87	15,357
At 31 December 2007		56,095	2,640	2,585	89	61,409
At 31 December 2008		**54,862**	**2,640**	**458**	**154**	**58,114**

Goodwill is allocated to the Group's cash-generating units. A segment-level summary of the goodwill allocation is presented below.

At 31 December 2008	Advertising and Media buying £000	PR £000	Consulting £000	Total £000
UK	**33,356**	**178**	**14,530**	**48,064**
Asia and Australia	**4,954**	**–**	**–**	**4,954**
Europe	**1,844**	**–**	**–**	**1,844**
	40,154	**178**	**14,530**	**54,862**

At 31 December 2007	Advertising and Media buying £000	PR £000	Consulting £000	Total £000
UK	27,694	178	22,586	50,458
Asia and Australia	4,401	–	–	4,401
Europe	1,236	–	–	1,236
	33,331	178	22,586	56,095

13. Intangible assets continued

Goodwill and other intangibles are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The 2008 review was undertaken in the last quarter of the year in conjunction with our annual business planning process and £846k and £2,400k of goodwill impairments were identified, and £1,552k of customer relationships were impaired (2007: no impairment).

In conducting the review we reduced the residual growth rates from 5% to 3%, and used a market beta of 1, despite our Group's published beta of 0.38 to 0.66 (2007: 0.84). The 3% long-term growth rate reflects long term inflation plus a very conservative view of growth. Our pre-tax discount rates have reduced compared with 2007 due to lower tax and interest rates. The pre-tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country in which the Cash Generating Unit (CGU) operates.

Management have approved the forecasts for 2009 but due to the increasing uncertainty of the economic environment, we have prepared additional projections based on the 2009 numbers for the next four years. This was used as the basis for determining the recoverable amount of each CGU. The projections showed that two CGUs Spain and New Zealand, required impairment of £2,400k and £300k respectively. Two CGUs Singapore and Thailand, had stopped trading in the year and resulted in a £300k and £246k impairment respectively.

	Residual growth rates %	Pre-tax discount rates %
UK Advertising and Media buying	3	14
UK PR	3	14
Consulting	3	14
Asia and Australia Advertising	3	11–16
Europe Advertising and Media buying	3	14–16

We do not expect the residual growth rates to exceed the long term growth rates in each location.

SUBSIDIARIES

The Group's significant subsidiary undertakings are:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at 2008	2007	Nature of business
M&C Saatchi (UK) Ltd	UK	**100%**	100%	Advertising
LIDA Ltd	UK	**100%**	100%	Direct marketing
Walker Media Ltd	UK	**100%**	94.5%	Media buying
Clear Ideas Ltd	UK	**100%**	100%	Brand consulting
M&C Saatchi Agency Pty Ltd	Australia	**100%**	100%	Advertising
M&C Saatchi LA Inc	USA	**84%**	84%	Advertising
M&C Saatchi GAD SAS	France	**72%**	75%	Advertising
M&C Saatchi Berlin GmbH	Germany	**80%**	80%	Advertising

The following subsidiaries were either established or acquired during the year:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at 2008	2007	Nature of business
Brands In Space Pty Limited	Australia	**100%**	–	Shop design
Talk PR Audience Ltd*	UK	**83%**	–	PR agency
Play London Ltd	UK	**80%**	50%	Digital marketing
FCINQ SAS (F5)*	France	**82%**	–	Digital marketing

*The Group's effective holding in Talk PR Audience Ltd is 70% and in FCINQ SAS is 59%.

14. Acquisitions

SMALL ACQUISITIONS

During the year the Group acquired a controlling interest in Play London Ltd (May 2008) and bought the trade and assets of F5 in Paris (February 2008). The total consideration paid for these two acquisitions was £0.2m.

EXERCISE OF PUT OPTIONS

In April 2008 the Group acquired 5.5% of the share capital of Walker Media Holdings Ltd from its minority shareholders satisfied by a payment of £3.8m cash and an issue of 854,978 shares.

In October 2008 the Group acquired 11.2% of the share capital of The Immediate Sales Company Ltd from the company's minority shareholders with an issue of 536,742 shares.

CLEAR IDEAS LTD (2007 ACQUISITION)

On 12 July 2007 the Group acquired 100% of the share capital of Clear Ideas Ltd (Clear). The acquisition was satisfied with an initial cash payment of £13.2m and an issue of 3,444,791 shares. Deferred contingent consideration is paid over the period 2008 to 2011 subject to the performance of the business. In June 2008 the Group paid £2.4m and an issue of 466,867 shares as part payment of the contingent consideration. In 2008 our estimate of the remaining contingent consideration was reduced by £9.0m, so that as at 31 December 2008 the balance is £nil (2007: £11.9m (excluding the notional interest charge of £1.4m)).

EXERCISE OF PUT OPTIONS (2007 ACQUISITION)

In July 2007 the Group acquired 19.5% of the share capital of Walker Media Holdings Ltd from its minority shareholders satisfied by an initial payment of £8.8m cash and an issue of 1,888,236 shares. A final payment of £5.5m was paid in April 2008.

In May 2007 the Group acquired 6.3% of the share capital of Talk PR Ltd from the company's minority shareholders with an issue of 105,956 shares.

ZAPPING/M&C SAATCHI (2007 ACQUISITION)

On 8 March 2007 the Group acquired 25% of the Zapping Publicidad SA group of companies (Spanish associate), with a commitment at the time to acquire a further 26% on 1 July 2008 and 24% on 1 July 2009. During 2008, the Group agreed with the shareholders of the Spanish associate to delay any further acquisitions of its equity, and is currently in the process of agreeing mutually to terminate these acquisition agreements.

ACCOUNTING METHODS

IFRS 3 requires the acquiree's identifiable assets and liabilities to be recognised at fair value at the acquisition date. The acquisition of Clear Ideas Ltd in 2007 falls within the scope of IFRS 3.

The acquisition of additional shares in Walker Media Holdings Ltd, Talk PR Ltd and The Immediate Sales Company Ltd due to the exercise of put options does not change the nature of our control. The transactions fall outside the scope of IFRS 3 business combinations. Goodwill arose on the exercise of these put options, being the excess of the fair value of the consideration over the Group's interest in the fair value of the identifiable net assets acquired. The acquisition of 25% of Zapping/M&C Saatchi is accounted for as an associate.

14. Acquisitions continued

GOODWILL ON ACQUISITIONS

2008	Note	Walker Media £000	Immediate Sales £000	Play London £000	F5 £000	Total £000
Consideration, satisfied by:						
Cash		9,223	–	43	55	9,321
Fair value of deferred consideration		(5,127)	–	–	116	(5,011)
Shares issued		945	531	–	–	1,476
		5,041	531	43	171	5,786
Direct costs of acquisition		35	12	–	35	82
		5,076	543	43	206	5,868
Less						
– Fair value of net assets/(liabilities)		–	–	(29)	–	(29)
– Book value of minority interest		(37)	56	–	–	19
Goodwill acquired	13	5,113	487	72	206	5,878

In 2008, our estimate of the contingent consideration in respect of Clear Ideas was reduced to £nil following the reversal of £9.0m and a component being settled via cash and shares in June 2008. This resulted in a net reduction to goodwill of £8,055k (note 13).

2007	Note	Walker Media £000	Clear £000	Talk PR £000	M&C Saatchi Berlin £000	Total £000
Consideration, satisfied by:						
Cash		8,799	13,948	–	383	23,130
Fair value of deferred consideration		5,127	–	–	–	5,127
Fair value of contingent consideration		–	10,535	–	–	10,535
Shares issued		2,964	5,563	175	–	8,702
		16,890	30,046	175	383	47,494
Direct costs of acquisition		123	559	3	12	697
		17,013	30,605	178	395	48,191
Less						
– Fair value of net assets		–	8,019	–	–	8,019
– Book value of minority interest		(275)	–	–	–	(275)
– Estimate of contingent consideration made in previous year		–	–	–	67	67
Goodwill acquired	13	17,288	22,586	178	328	40,380

15. Associates

The following entities meet the definition of an associate and are included in the consolidated financial statements:

Name	Nature of business	Country of incorporation registration	Proportion of voting rights and ordinary share capital held at 2008	2007
Play London Ltd*	Digital marketing	UK	80%	50%
Zapping/M&C Saatchi, S.A. and subsidiaries	Advertising	Spain	25%	25%

	2008 £000	2007 £000
At 1 January	4,086	–
Exchange movements	230	27
Acquisition of associate	–	3,803
Amortisation of intangibles	–	(53)
Impairment of goodwill	(2,400)	–
Dividends paid	(125)	–
Share of loss/(profit) after taxation		
– Zapping/M&C Saatchi	(80)	309
– Play London Ltd*	–	–
At 31 December	1,711	4,086

Investment in associates includes goodwill of £1,513k (2007: £3,577k).

SUMMARISED FINANCIAL INFORMATION

	2008 Zapping £000	2008 Play* £000	2008 Total £000	2007 Total £000
Income statement				
Revenue	4,139	539	4,678	6,010
Operating (loss)/profit	(106)	–	(106)	1,895
(Loss)/profit before taxation	(80)	–	(80)	1,891
(Loss)/profit after taxation	(325)	–	(325)	1,287
Our share	(81)	–	(81)	334

SUMMARISED FINANCIAL INFORMATION

	2008 Zapping £000	2008 Play* £000	2008 Total £000	2007 Total £000
Balance sheet				
Total assets	5,206	–	5,206	8,442
Total liabilities	(3,966)	–	(3,966)	(6,870)

* Play London Ltd's results were consolidated as an associate up to 1 May 2008 at which point it became a subsidiary:
– As at 31 December 2007, Play London Ltd had cumulative losses that are funded by a Group loan.
– On the 1 May 2008 an additional 30% of Play London Ltd was acquired, from that date on the company became a subsidiary.
– On the 1 May 2008 Play London Ltd had £10k of fixed assets, £623k of debtors and £731k of liabilities of which £244k was owed to Group companies.

16. Plant and equipment

	Leasehold improvements £000	Furniture fittings & other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2007	2,677	3,677	4,250	5	10,609
Exchange differences	81	103	164	–	348
Additions	364	415	627	29	1,435
Acquired	–	255	335	27	617
Disposals	(40)	(421)	(1,178)	–	(1,639)
At 31 December 2007	3,082	4,029	4,198	61	11,370
Exchange differences	235	297	433	11	976
Additions	644	473	599	1	1,717
Acquired	–	5	20	–	25
Reclassification	–	–	(182)	–	(182)
Disposals	(1,424)	(605)	(1,534)	(3)	(3,566)
At 31 December 2008	**2,537**	**4,199**	**3,534**	**70**	**10,340**
Depreciation					
At 1 January 2007	1,815	2,006	3,255	2	7,078
Exchange differences	33	62	129	–	224
Depreciation charge	312	461	721	7	1,501
Acquired	–	70	114	9	193
Disposals	(32)	(409)	(1,139)	–	(1,580)
At 31 December 2007	2,128	2,190	3,080	18	7,416
Exchange differences	141	173	318	2	634
Depreciation charge	403	563	759	18	1,743
Acquired		1	12	–	13
Reclassification	–	–	(176)	–	(176)
Disposals	(1,414)	(597)	(1,515)	(3)	(3,529)
At 31 December 2008	**1,258**	**2,330**	**2,478**	**35**	**6,101**
Net book value					
At 1 January 2007	862	1,671	995	3	3,531
At 31 December 2007	954	1,839	1,118	43	3,954
At 31 December 2008	**1,279**	**1,869**	**1,056**	**35**	**4,239**

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

	Leasehold improvements £000	Furniture fittings & other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
At 1 January 2007	31	–	31	–	62
At 31 December 2007	–	13	23	16	52
At 31 December 2008	**–**	**–**	**51**	**–**	**51**

17. 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 2008	Gross £000	Offset £000	Reported £000
Deferred tax assets	1,936	(11)	1,924
Deferred tax liabilities	(940)	11	(928)
Net deferred tax	**996**	**–**	**996**

At 31 December 2007	Gross £000	Offset £000	Reported £000
Deferred tax assets	2,041	(7)	2,034
Deferred tax liabilities	(1,611)	7	(1,604)
Net deferred tax	430	–	430

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

	2008 £000	2007 £000
At 1 January	**430**	1,535
Exchange difference	**55**	21
Acquisition of subsidiary	**–**	(1,679)
Income statement credit	**540**	553
Equity charge in relation to employee costs	**(29)**	–
At 31 December	**996**	430

The following is the deferred tax recognised by the Group and movements in 2007 and 2008.

	Capital allowances & amortisation £000	Tax losses £000	Options & bonus accruals £000	Working capital differences £000	Total £000
At 1 January 2007	(25)	58	403	1,099	1,535
Exchange differences	–	3	2	16	21
Acquisition of subsidiary	(1,679)	–	–	–	(1,679)
Income statement credit	189	15	216	133	553
At 31 December 2007	**(1,515)**	**76**	**621**	**1,248**	**430**
Exchange differences	(11)	26	9	31	55
Income statement (charge)/credit	649	(102)	(241)	234	540
Equity charge in relation to employee costs	(29)	–	–	–	(29)
At 31 December 2008	**(906)**	**–**	**389**	**1,513**	**996**

The Group has £120k (2007: £85k) of unprovided deferred taxation in respect of carried forward tax losses.

18. Trade and other receivables

	2008 £000	2007 £000
Trade receivables	**52,298**	64,598
Provision for bad debts	**(706)**	(75)
Net trade receivables	**51,592**	64,523
Prepayments and accrued income	**7,275**	9,467
Amounts due from associates	**–**	60
Amounts due from other related parties	**–**	31
VAT and sales tax recoverable	**941**	424
Other debtors	**976**	367
Total trade and other receivables	**60,784**	74,872

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

MOVEMENT IN THE BAD DEBT PROVISION

	2008 £000	2007 £000
As at 1 January	**(75)**	(85)
Exchange movements	**(18)**	1
Charged to the income statement	**(648)**	(4)
Released to income statement	**19**	–
Utilisation of provision	**16**	13
As at 31 December	**(706)**	(75)

As at 31 December the following trade receivables were past their due date but not impaired. It is local management's belief that these debts will be fully repaid.

	2008 £000	2008 %	2007 £000	2007 %
3 to 6 months	**1,940**	**4%**	1,441	2%
Over 6 months	**526**	**1%**	272	–
Total net trade receivables	**51,592**	**100%**	64,523	100%

For the year ended 31 December 2008, our top 15 clients contributed 40.9% of total client revenue. The clients comprising our top 15 are blue chip entities and have the following aged receivables profile at the end of the year:

	2008 £000	2008 %	2007 £000	2007 %
Current, less than 30 days	**29,996**	**85%**	43,950	89%
30 to 60 days	**3,661**	**10%**	–	–
60 to 90 days	**922**	**3%**	5,279	11%
Over 90 days	**812**	**2%**	–	–
Total	**35,391**	**100%**	49,229	100%

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

	2008 £000	2008 %	2007 £000	2007 %
Sterling	**44,849**	**74%**	61,444	82%
US dollars	**1,105**	**2%**	1,272	2%
Australian dollars	**6,594**	**11%**	5,405	7%
Euros	**5,010**	**8%**	2,925	4%
Other	**3,226**	**5%**	3,826	5%
	60,784	**100%**	74,872	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 is reported regularly. Age profiling is monitored both at local customer level and a consolidated entity level. 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. Bad debt provisions are determined locally. The Group does not have exposure to debt from its significant global clients.

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

FINANCIAL ASSETS

The Group's financial assets by each financial instrument category are as follows:

	2008 £000	2007 £000
Loans and receivables		
Trade receivables	**51,592**	64,523
Accrued income	**5,437**	6,545
Other receivables	**1,681**	1,024
Cash and cash equivalents	**9,271**	16,895
Total	**67,981**	88,987

19. Trade and other payables

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £000	2007 £000
Trade creditors	**(33,479)**	(40,982)
Sales taxation and social security payables	**(4,938)**	(6,557)
Employment benefit accruals	**(1,728)**	(707)
Accruals and deferred income	**(30,863)**	(33,888)
Other payables	**(2,575)**	(4,716)
	(73,583)	(86,850)

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.

19. Trade and other payables continued

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

AMOUNTS FALLING WITHIN ONE YEAR

	2008 £000	2008 %	2007 £000	2007 %
Sterling	**(55,515)**	**75%**	(70,854)	82%
US dollars	**(845)**	**1%**	(578)	1%
Australian dollars	**(5,822)**	**8%**	(5,683)	6%
Euros	**(5,119)**	**7%**	(3,575)	4%
Other	**(6,282)**	**9%**	(6,160)	7%
	(73,583)	**100%**	(86,850)	100%

FINANCIAL LIABILITIES

The Group's financial liabilities by each financial instrument category are as follows:

	2008 £000	2007 £000
Amortised cost		
Trade creditors	**(33,479)**	(40,982)
Employment benefit accruals	**(1,941)**	(1,405)
Accruals	**(17,331)**	(19,088)
Other payables	**(2,842)**	(5,160)
Finance leases	**(51)**	(27)
Loans and borrowings	**(6,688)**	(8,521)
Deferred and contingent consideration	**(116)**	(18,136)
	(62,448)	(93,319)
Fair value		
Minority shareholder put option liabilities	**(3,697)**	(10,545)
	(66,145)	(103,864)

Gross maturity analysis of the financial liabilities is as follows:

	2008 £000	2007 £000
Up to 3 months	**(55,171)**	(74,194)
3–6 months	**(61)**	(9,970)
6–12 months	**(2,119)**	(7,172)
Later than 1 year not later than 5 years	**(8,947)**	(17,987)
Greater than 5 years	**(388)**	(3,531)
	(66,686)	(112,854)

20. Other financial liabilities

AMOUNTS FALLING WITHIN ONE YEAR

	2008 £000	2007 £000
Obligations under finance leases	**(25)**	(5)
Other bank loans	**(12)**	(13)
	(37)	(18)

AMOUNTS FALLING AFTER ONE YEAR

	2008 £000	2007 £000
Obligations under finance leases	**(26)**	(23)
Secured bank loans	**(6,676)**	(8,498)
Other bank loans	**–**	(10)
	(6,702)	(8,531)

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

SECURED BANK LOANS

The secured bank loan is part of a three year £18m facility plus a one year £3m facility. The Group has an undrawn overdraft facility to borrow a further £3m. Both the secured bank loans and overdraft have floating rates of interest set at 1.25% above LIBOR (2007: 1.1% above LIBOR). The loans mature in 2011 (2007: 2010).

	2008 £000	2007 £000
Gross secured bank loans	**(6,862)**	(8,600)
Capitalised finance costs	**186**	102
Net secured bank loans	**(6,676)**	(8,498)
Future interest payable on secured bank loans at balance sheet date	**(556)**	(1,590)
Total secured bank loans and future interest	**(7,232)**	(10,088)

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

	2008 £000	2007 £000
In one year or less, or on demand	**(25)**	(5)
In more than one year but not more than two years	**(26)**	(23)
	(51)	(28)

21. Deferred and contingent consideration

	2008 £000	2007 £000
Amounts falling within one year		
– Deferred	**(116)**	(7,311)
– Contingent	**–**	(2,500)
	(116)	(9,811)
Amounts falling after one year		
– Contingent	**–**	(8,325)
	–	(18,136)

	2008 £000	2007 £000
At 1 January	**(18,136)**	(67)
Exchange difference	**(159)**	(6)
Acquisitions	**(116)**	(17,879)
Notional interest charge	**(169)**	(257)
Consideration paid	**10,651**	351
Adjustment to prior period estimate	**7,813**	(278)
At 31 December	**(116)**	(18,136)

Given the change in the economic environment, the estimate of Clear's contingent consideration has been reduced to £nil (2007: £10,792k). The remaining deferred consideration relates to F5, this amount is payable in 2009.

22. Minority shareholder put option liabilities

When the Group sets up new subsidiary businesses with partners, the minority partners acquire 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).

	2008 £000	2007 £000
Amounts falling within one year	**(1,881)**	(6,854)
Amounts falling after one year	**(1,816)**	(3,691)
	(3,697)	(10,545)

Put options are exercisable from:

Company	Year	% of Company shares exchangeable
Talk PR Ltd	2008	15.6
The Immediate Sales Company Ltd	2008	2.8
M&C Saatchi LA Inc	2008	16.0
M&C Saatchi Marketing Arts Ltd	2008	50.0
M&C Saatchi (M) SDN BHD	2008	20.0
M&C Saatchi Sports and Entertainment Ltd	2008	22.8
Provenance Communication Ltd	2009	30.0
Influence Communications Limited	2009	5.0
M&C Saatchi Europe Holdings Ltd	2010	4.0
M&C Saatchi German Holdings Ltd	2010	4.0
M&C Saatchi GAD SAS	2011	28.0
M&C Saatchi Communications Pty Ltd	2011	23.0
M&C Saatchi Berlin GmbH	2011	20.0
Talk PR Audience Ltd	2011	17.0
F5 SAS	2013	18.0
Zapping/M&C Saatchi SA	2013	10.0[1]
Zapping/M&C Saatchi SA	2015	15.0[1]

[1] Zapping/M&C Saatchi SA is a group of companies. Early vesting has been granted to two shareholders, whose proportionate ownership of the group varies with the results of the individual companies in the group. The Group and the shareholders of Zapping/M&C Saatchi SA are in the process of agreeing to annul these put options.

At each period end the fair value of the put options 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.

The liability will vary with our share price (see note 32), and with the results of companies. Current liabilities are determined by our year end share price and the 2008 results of the companies who can exercise in 2009. Non current liabilities are determined by our year end share price and the projected results of the companies who can exercise after 2009. The projected results show management's best estimate of the growth rates and margin of the companies who can exercise after 2009, 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.

23. Other non current liabilities

	2008 £000	2007 £000
Employment benefit provisions	**(213)**	(698)
Other	**(270)**	(444)
	(483)	(1,142)

24. Authorised and issued share capital

Authorised	2008 £000	2007 £000
200,000,000 ordinary shares of 1p each	**2,000**	2,000

ALLOTTED, CALLED UP AND FULLY PAID

	Number of shares	Ordinary shares £000
At 1 January 2007	54,206,799	542
Employee share options exercised	15,350	–
Acquisition of 19.5% of Walker Media Holdings Ltd	1,888,236	19
Acquisition of Clear Ideas Ltd	3,444,791	35
Acquisition of 6.3 % of Talk PR Ltd	105,956	1
At 31 December 2007	59,661,132	597
Acquisition of 5.5% of Walker Media Holdings Ltd	854,978	9
Deferred consideration for Clear Ideas Ltd	466,867	4
Acquisition of 11.2 % of The Immediate Sales Company Ltd	536,742	5
At 31 December 2008	**61,519,719**	**615**

25. Reserves

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Minority Interest put option reserve £000	Foreign exchange reserve £000	Retained earnings £000	Subtotal £000	Minority interests £000	Total £000
At 1 January 2007	542	9,618	14,756	(792)	(13,318)	(371)	(1,261)	**9,174**	**576**	**9,750**
Issue of shares for										
– acquisitions	55	3,118	5,529	–	–	–	–	**8,702**	**–**	**8,702**
– share save	–	22	–	–	–	–	–	**22**	**–**	**22**
Exchange rate movements	–	–	–	–	–	834	–	**834**	**(1)**	**833**
Tax on items taken directly to equity	–	–	–	–	–	(145)	–	**(145)**	**–**	**(145)**
Exercise of minority put options	–	–	–	–	8,741	–	8,353	**17,094**	**–**	**17,094**
New minority shareholder put options	–	–	–	–	(2,299)	–	–	**(2,299)**	**–**	**(2,299)**
Transfer to minority reserves	–	–	–	–	–	–	(191)	**(191)**	**191**	**–**
Other	–	–	–	–	–	–	275	**275**	**25**	**300**
Equity settled share based payments	–	–	–	–	–	–	432	**432**	**–**	**432**
Dividends	–	–	–	–	–	–	(1,813)	**(1,813)**	**(1,404)**	**(3,217)**
Profit for the year	–	–	–	–	–	–	3,258	**3,258**	**1,168**	**4,426**
At 31 December 2007	597	12,758	20,285	(792)	(6,876)	318	9,053	**35,343**	**555**	**35,898**
Issue of shares for acquisitions	18	–	1,925	–	–	–	–	**1,943**	**–**	**1,943**
Repayment of minority share capital	–	–	–	–	–	–	–	**–**	**(19)**	**(19)**
Exchange rate movements	–	–	–	–	–	2,242	–	**2,242**	**161**	**2,403**
Tax on items taken directly to equity	–	–	–	–	–	(311)	–	**(311)**	**–**	**(311)**
Exercise of minority put options	–	–	–	–	2,413	–	2,657	**5,070**	**(19)**	**5,051**
Transfer to minority reserves	–	–	–	–	–	–	(212)	**(212)**	**212**	**–**
Transfer of reserves	–	–	(433)	–	–	–	433	**–**	**–**	**–**
Equity settled share based payments	–	–	–	–	–	–	104	**104**	**–**	**104**
Dividends	–	–	–	–	–	–	(2,187)	**(2,187)**	**(648)**	**(2,835)**
Profit for the year	–	–	–	–	–	–	6,021	**6,021**	**568**	**6,589**
At 31 December 2008	**615**	**12,758**	**21,777**	**(792)**	**(4,463)**	**2,249**	**15,869**	**48,013**	**810**	**48,823**

The definitions of the reserves reported in the above note can be found in note 33.

26. Share based payments

The Group has recognised a total expense of £146k (2007: £899k) in respect of share based payments in the year. Share based payments include share options and conditional share awards.

Year of grant	Description	Exercise price (pence)	Exercise period	2008 Number	2007 Number
2004	Vested options	1	2008–2014	**411,050**	411,050
2005	Sharesave	126	2008	**–**	147,990
				411,050	559,040

	Vested options Number	Sharesave Number	Total Number
At 1 January 2007	411,050	258,682	669,732
Reductions due to staff leaving	–	(95,127)	(95,127)
Options exercised			
– Options	–	–	–
– Sharesave at 126p	–	(15,565)	(15,565)
At 31 December 2007	411,050	147,990	559,040
Lapsed	–	(147,990)	(147,990)
At 31 December 2008	411,050	–	**411,050**

CONDITIONAL SHARE AWARDS

LTIP		
Grant date	18 May 2006	18 May 2005
Share price at grant date	£1.12	£1.29
Exercise price	£0	£0
Maximum unvested shares under option	127,568	1,153,103
Vesting period (years)	4 to 5	3
Dividend yield	2.44%	1.9%
Risk free rate	4.72%	4.75%
Fair value per option	£1.04	£1.15

The Group's long term incentive plan (LTIP) for senior employees could result in the issue of up to 1,280,671 (2007: 1,296,175) ordinary shares between 2010 and 2015 and a maximum bonus of £901,588 (based on our 31 December 2008 share price of 78.5p). The number of shares under option will vary with the real increase in diluted earnings per share. The maximum award will vest if real diluted earnings per share grows at 10% or more. At a real diluted earning per share growth of 3%, 30% of the options will vest. Below 3% earnings per share growth no options will vest.

AVERAGE EXERCISE PRICE

The average exercise price equals the exercise price indicated in the option, sharesave and LTIP in the above tables.

27. Cash generated from operations

	2008 £000	2007 £000
Revenue	**104,383**	87,620
Operating expenses	**(93,617)**	(78,006)
Operating profit	**10,766**	9,614
Adjustments for:		
Depreciation of plant and equipment	**1,631**	1,463
Loss/(Profit) on sale of plant and equipment	**15**	(36)
Loss/(Profit) on sale of software intangibles	**5**	(2)
Impairment and amortisation of acquired intangible assets	**2,127**	608
Impairment of goodwill	**846**	–
Amortisation of capitalised software intangible assets	**75**	106
Non cash share based incentive plans	**133**	432
Operating cash flow before movements in working capital	**15,598**	12,185
Decrease/(increase) in debtors	**17,615**	(22,064)
(Decrease)/increase in creditors	**(18,163)**	18,870
Net cash flow from operating activities	**15,050**	8,991

28. Cash consumed by acquisitions

	2008 £000	2007 £000
Cash consideration including capitalised acquisition costs		
– Clear Ideas Ltd	**(2,405)**	(14,508)
– Walker Media Ltd	**(9,258)**	(8,922)
– Immediate Sales	**(3)**	–
– Play London Ltd	**(43)**	–
– F5	**(71)**	–
– Talk PR Ltd	**–**	(3)
– M&C Saatchi Berlin GmbH	**–**	(358)
	(11,780)	(23,791)
Less cash and cash equivalents acquired	**–**	776
	(11,780)	(23,015)
Purchase of associate (Zapping, Spain)	**(2,376)**	(1,587)
	(14,156)	(24,602)

29. Post balance sheet events

During 2009 the group continued its organic growth model by opening offices in Geneva, São Paulo and Tokyo.

The Group has agreed with the shareholders of its Spanish associate to delay any further acquisitions of its equity, and is in the process of agreeing mutually to terminate these acquisition agreements.

Apart from the above there are no other post balance sheet events.

30. Commitments

CAPITAL COMMITMENTS

The Group had a capital commitment to acquire a further 26% on 1 July 2008 and 24% on 1 July 2009 of its Spanish associate. The purchase price is based on the company's results. During 2008 the Group agreed with the shareholders of it Spanish associate to delay any further acquisitions of its equity, and is in the process of agreeing mutually to terminate these acquisition agreements.

Apart from the above there are no other significant capital commitments contracted for but not provided.

OPERATING LEASES

Commitments under operating leases are reported within note 4.

31. Related party transactions

KEY MANAGEMENT REMUNERATION

Key management remuneration is disclosed in note 5.

Unaudited detail on directors' remuneration is disclosed in the report on rewards on pages 24 and 25.

OTHER RELATED PARTIES

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

Jeremy Sinclair, Maurice Saatchi, Bill Muirhead and David Kershaw, who are directors of M&C Saatchi plc, are also directors of 36 Golden Square LLP (the landlord of one of the Group's London properties). These companies therefore had a controlling nucleus of directors in common. The Group paid rent to 36 Golden Square LLP totalling £1,300k during the year (2007: £809k). No amounts remained outstanding between any member of the Group and 36 Golden Square LLP at the year end.

Maurice Saatchi is a director of Centre for Policy Studies Ltd (an independent political think tank). During the year the Group donated £5k (2007: £5k). There were no amounts outstanding at the year end.

Lloyd Dorfman is chairman of Travelex Holdings Limited. During the year the Group charged subsidiaries of Travelex Holdings Limited, on an arm's-length basis, £128k (2007: £198k) for advertising and marketing services, of which £8k (2007: £13k) was outstanding at the year end. The Group used Travelex foreign currency payment systems to pay £668k (2007: £1,457k) of our bills.

Tom Dery is a director of Australian Cancer. During the year the Group passed on third party costs to Australian Cancer of £23k (2007: £nil) and charged them £1k in fees, of which £14k (2007: £nil) was outstanding at the year end.

During the year the Group made purchases of £308k (2007: £536k) from associated companies. At 31 December 2008, there was £nil due to associates in respect of these transactions (2007: £60k). During the year, £31k (2007: £252k) of overheads were charged by Group companies to associates. At 31 December 2008, associates owed Group companies £nil (2007: £60k).

32. Risk and risk management

M&C Saatchi Plc have 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 note 3, 18 and 19)

MARKET RISK

(see note 3)

INTEREST RATE RISK

(see note 10)

CREDIT RISK

(see note 18)

SHARE PRICE RISK

Changes in our year end share price will impact our annual cash and share based incentive plans income statement charge as well as the fair value adjustment to minority shareholders put options. The year end share price was 78.5p. The 2008 charges would have changed as follows, had the share price been:

Cash and share based incentive plans	Increase/ (decrease) in operating profit £000	Increase/ (decrease) in profit after tax £000
118.5p	(347)	(180)
98.5p	(186)	(98)
78.5p	–	–
42.6p	316	159
24.8p	505	258

If all LTIPs are exercised in May 2009 as expected, the 50% of the award's cash element will be paid. This will reduce the share price risk of these incentive plans to be only the employers tax on the remaining option element.

42.6p represents the price that it is anticipated there will be no charge in 2009. At the time of writing our lowest share price was 24.8p.

Fair value adjustment to minority shareholders put options	Increase/ (decrease) in profit before tax £000	Increase/ (decrease) in profit after tax £000
118.5p	(973)	(973)
98.5p	(462)	(462)
78.5p	–	–
42.6p	873	873
24.8p	1,307	1,307

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 free cash and its gearing ratio.

CAPITAL RISK

The Group's capital reserves consist of all its equity reserves with the exclusion of the minority interest put option reserve. The Group maintains its capital reserve to safeguard the Group's going concern, as well as providing adequate return to its shareholders. 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 invest or is returned to shareholders by way of dividend or buying shares into treasury.

33. Definition of terms and assumptions used

ORDINARY SHARE CAPITAL

Total issued share capital at nominal value.

SHARE PREMIUM

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

MERGER RESERVE

Premium paid for shares above the nominal value of share capital, caused by the acquisition of more than 90% of subsidiaries' shares, less any impairment or amortisation of the investment (which is released to retained earnings).

TREASURY RESERVE

Amount paid for own shares acquired.

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 goodwill.

FOREIGN EXCHANGE RESERVE

Gains and losses on translating net assets/liabilities of operations whose functional currency are not sterling. As well the gains and losses on translating the loans to fund net assets/liabilities of operations whose functional currency are not sterling.

RETAINED EARNINGS

Cumulative gains and losses recognised.

PROJECTIONS

In calculating the fair value of minority put options, projections are used. These projections take account of management's view of the future given expected market growth, the effects of past acquisitions, inflation, exchange rates and rapidly growing/shrinking markets. The model assumes that minorities with put options are unexercised. This assumption is only changed when M&C Saatchi Plc receive an exercise notice pre year end.

KEY MANAGEMENT

Key management of the Group is defined as the members of the Executive Committee.

COMPANY BALANCE SHEET

At 31 December	Note	2008 £000	2007 £000
Fixed assets			
Investments	36	**94,251**	101,084
Current assets			
Debtors			
– due within one year	37	**10,635**	11,945
– due after one year	37	**45**	121
Cash at bank and in hand		**–**	65
		10,680	12,131
Creditors falling due with in one year	38	**(13,100)**	(10,233)
Net current (liabilities)/assets		**(2,420)**	**1,898**
Total assets less current liabilities		**91,831**	**102,982**
Creditors falling due after more than one year	39	**(5,284)**	(17,980)
Provisions for liabilities	41	**–**	(264)
Total net assets		**86,547**	**84,738**
Capital and reserves			
Share capital	42	**615**	597
Share premium	42	**12,758**	12,758
Merger reserve	42	**63,336**	62,291
Treasury reserve	42	**(792)**	(792)
Profit and loss account	42	**10,630**	9,884
Shareholders' funds		**86,547**	**84,738**

These financial statements were approved and authorised for issue by the Board on 23 April 2009 and signed on its behalf by:

Jerry Wales
Finance Director

As provided by Section 230, Companies Act 1985, the profit and loss account for the Company has not been presented. Included within the consolidated income statement for the year ended 31 December 2008 is a profit after tax of £1,920k (2007: £6,017k).

The notes on pages 63 to 65 form part of these financial statements.

NOTES
CONTINUED

34. Accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable UK accounting standards.

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) DEFERRED TAXATION
Deferred tax balances are recognised for all timing differences that have originated but that have not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

(D) SHARE BASED PAYMENTS
Certain employees receive remuneration in the form of share based payments, including shares or rights over shares. The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). The non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the entity revises its estimates of the number of the options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining 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 the share option reserve.

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.

The charge for equity settled share based payments is recognised, together with a corresponding increase in equity, over the vesting period of the related share options. The cumulative expense recognised for equity-settled share based payments at each reporting date reflects the extent to which the directors consider, as at the balance sheet date, that the awards will ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Share based payments include options issued to employees, phantom bonuses and other long term equity linked bonuses. Payments may be in the form of cash or equity. When options are exercised, the cash received for the issued shares is taken to share capital and share premium and the related balance in the share option reserve is taken to the profit and loss reserve.

(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.

35. Staff costs

Year ended 31 December	2008 £000	2007 £000
Wages and salaries	**1,973**	2,273
Social security costs	**226**	300
Defined contribution pension scheme costs	**138**	140
Other staff benefits	**49**	37
	2,386	2,750
Incentive plans		
Cash based incentive plans	**2**	158
Share based incentive plans	**55**	122
	57	280
Total staff costs	**2,443**	**3,030**
Staff numbers	**11**	13

Share based payment details are provided in note 26.

36. Investments in subsidiary undertakings

	2008 £000	2007 £000
At 1 January	**101,084**	52,585
Adjustment to deferred consideration	**(9,076)**	–
Acquisitions	**5,610**	48,499
Provision for impairment	**(3,367)**	–
At 31 December	**94,251**	101,084

The significant subsidiary undertakings are listed in note 13 to the consolidated financial statements. The provision for impairment relates to the investment in Clear Ideas Ltd.

37. Current assets

Amounts due less than one year	2008 £000	2007 £000
Amounts from subsidiary undertakings	**9,681**	11,546
Prepayments and accrued income	**390**	7
Corporation tax debtor	**548**	392
Other debtors	**16**	–
Total trade debtors and other receivables	**10,635**	11,945
Amount due after more than one year		
Deferred tax asset	**45**	121

38. Creditors falling due within one year

	2008 £000	2007 £000
Trade creditors	**(55)**	(156)
Amounts due to subsidiaries	**(2,535)**	(1,455)
Accruals and deferred income	**(692)**	(994)
Contingent liabilities	**–**	(7,628)
Other payables	**(269)**	–
Overdrafts	**(9,549)**	–
	(13,100)	(10,233)

39. Creditors falling due after more than one year

	2008 £000	2007 £000
Bank loans	**(5,284)**	(8,498)
Contingent liabilities	**–**	(9,482)
	(5,284)	(17,980)

40. Directors' remuneration

	2008 £000	2007 £000
Total for seven directors:		
Directors' salaries and benefits	**1,720**	2,042
Contribution to money purchase pension schemes	**139**	140
	1,859	2,182

	2008 £000	2007 £000
Highest paid director:		
Directors' salaries and benefits	**342**	401
Contribution to money purchase pension schemes	**38**	38
	380	439

Unaudited detail on directors' remuneration is disclosed in the rewards report on pages 24 and 25. (The report includes accounting charges for the LTIP scheme which these numbers exclude.)

The number of directors with a money purchase pension scheme was 5 (2007: 5).

41. Provisions for liabilities

	Deferred Taxation £000	Share based payments £000	National Insurance £000	Total £000
At 1 January 2007	(1)	–	(17)	(18)
Charge to the profit and loss account	–	(219)	(27)	(246)
At 31 December 2007	(1)	(219)	(44)	(264)
Transfer to other creditors falling due within one year	–	219	44	263
Charge to the profit and loss account	1	–	–	1
At 31 December 2008	**–**	**–**	**–**	**–**

42. Capital and reserves

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Profit and loss account £000	Total £000
1 January 2007	542	9,618	56,763	(792)	5,247	71,378
Issue of shares	55	3,140	5,528	–	–	8,723
Equity settled share based payments	–	–	–	–	433	433
Dividends	–	–	–	–	(1,813)	(1,813)
Profit for the year	–	–	–	–	6,017	6,017
31 December 2007	597	12,758	62,291	(792)	9,884	84,738
Issue of shares	18	–	1,925	–	–	1,943
Equity settled share based payments	–	–	–	–	133	133
Transfer of reserves	–	–	(880)	–	880	–
Dividends	–	–	–	–	(2,187)	(2,187)
Profit for the year	–	–	–	–	1,920	1,920
31 December 2008	**615**	**12,758**	**63,336**	**(792)**	**10,630**	**86,547**

43. Related parties

Details of related parties of the Company are provided in note 31.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF M&C SAATCHI PLC

We have audited the Group and parent company financial statements (the 'financial statements') of M&C Saatchi Plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, the Chief Executive's report, the Finance Director's report, the directors' report and the report on rewards. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London
24 April 2009

ADDITIONAL INFORMATION

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Secretary and registered office
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www.mcsaatchi.com

Country of registration
England and Wales

Company number
05114893

Investor relations website
www.mcsaatchiplc.com

Corporate events

AGM
11 June 2009

Final 2008 dividend paid
10 July 2009

To those on the register on
12 June 2009

Interim 2009 statement
September 2009

Interim 2009 dividend paid
November 2009

To those on the register on
October 2009

Preliminary announcement of 2009 result
Late March 2010

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