

M&C SAATCHI PLC

**PRELIMINARY RESULTS
FOR THE TWELVE MONTHS ENDED
31 DECEMBER 2007**

GROUP HIGHLIGHTS

- Revenues up 15.5% to £87.7m (2006: £75.9m)
- Headline profit before tax up 53.2% to £11.9m (2006: £7.8m)
- Headline profit after tax up 66.6% to £8.2m (2006: £4.9m)
- Headline basic EPS up 78.3% to 12.55p (2006: 7.04p)
- Proposed full year dividend up 13.1% to 3.62p (2006: 3.20p)

The headline results referred to above are stated before taking into account items excluded from the statutory results. A summary reconciliation of the statutory to headline results is presented on page 2.

Commenting on the results, David Kershaw, Chief Executive, said:

“2007 was a very successful year for the Group in terms of revenue, profit and executing our strategy for growth. The core business has continued to thrive and we have made significant investments in higher growth, higher margin sectors. We have made a good start to the year and the outlook for the rest of the year remains in line with current expectations.”

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SUMMARY OF RESULTS

INTRODUCTION

The reported statutory results for 2007 reflect the impact of the accounting changes to which the Group has been subject as a result of adopting and reporting IFRS (International Financial Reporting Standards) for the first time. The board considers that these changes do not affect the underlying operating performance or the cash flows of the company. Therefore, and in common with our peers, we have excluded those accounting charges which have materially altered the results. Those accounting charges are:

- The amortisation of intangible assets under IAS 36.
- The revaluation of minority shareholder put options under IAS 32 & IAS 39.
- The fair value adjustment to deferred consideration (notional interest) under IFRS 3 & IAS 39

This commentary reports on the financial results for the Group excluding the impact of these accounting charges.

A reconciliation of the statutory to headline operating results is presented below:

| | 2007 £000s | 2006 £000s |
|---|---------------|----------------|
| Headline operating profit | 10,222 | 6,274 |
| Headline profit before taxation | 11,926 | 7,786 |
| Less items excluded from headline results | | |
| Amortisation of intangible assets – Group company | 608 | 20 |
| Amortisation of intangible assets – associate | 53 | - |
| Fair value adjustment of minority put options liabilities | 3,052 | 8,970 |
| Notional interest | 257 | - |
| Statutory profit before taxation | 7,956 | (1,204) |

SUMMARY OF RESULTS

CONTINUED

These results show a very strong performance for 2007. Revenues increased by 15.5% to £87.6m (2006: £75.9m). Headline operating profits increased by 62.9% to £10.2m (2006: £6.3m) and the headline profit before tax increased by 53.2% to £11.9m (2006: £7.8m). The headline basic EPS increased 78.3% to 12.55p (2006: 7.04p).

This encouraging level of growth reflects a combination of strong organic growth as well as the contributions from the acquisitions in the UK, Germany and Spain.

Our investment, expanding the business into continental Europe, which had a negative impact on earnings in 2005 and 2006 is now making an important contribution to profits. The contribution has come from a combination of the organic start up in Paris in 2005 (which is reporting its first full year profit), the acquisition made in Germany in July 2006, and from the initial 25% investment in our Spanish associate in March 2007.

Additionally, our previously loss making operations in the US have moved into profit.

In 2007 we made important steps in executing our strategy of moving the Group into higher margin disciplines, with the acquisition of Clear Ideas Ltd (Clear). We also acquired a further 19.5% of Walker Media. Both transactions took place in July.

FINANCIAL REVIEW

REVENUE

Revenue increased 15.5% in the year. Like-for-like revenue growth (excluding the impact of acquisitions and reported at constant exchange rates) was 7.4%.

| | 2007 £000 | 2006 £000 | Inc / Dec | |
|----------------------|---------------|---------------|-------------------|-------------------|
| | | | Reported rates | Constant rates |
| Organic | | | | |
| UK | 48,284 | 44,352 | 8.9% | 8.9% |
| Asia & Australia | 24,663 | 25,638 | (3.8)% | (4.6)% |
| America | 3,732 | 3,632 | 2.8% | 11.5% |
| Europe | 4,235 | 1,800 | 135.3% | 134.5% |
| Acquired | | | | |
| Clear | 5,454 | - | - | - |
| Germany | 1,252 | 471 | - | - |
| Total Revenue | 87,620 | 75,893 | 15.5% | 15.6% |

FINANCIAL REVIEW

CONTINUED

The organic revenue growth in the UK was driven by the continued growth of Walker Media and in particular its digital activities. The balance of the business had a solid year and is in good shape to deliver the growth expected in 2008.

Clear was acquired in July and contributed £5.5m of new revenues from its operations in the UK (£4.5m), Europe (£0.6m) and America (£0.5m).

The picture in the Asia Pacific region was mixed. The loss of the IAG account at the end of 2006 in Australia was a setback and the most significant factor affecting the revenue decline for the region. There were positive performances from the offices in India, New Zealand and particularly Malaysia. The offices in Singapore and Thailand did not perform well.

In May 2007 we reorganised our business in America. We shifted the focus of our advertising activities to LA and ceased work on accounts that needed servicing in New York. The LA office had an excellent year with revenue up 34.7% at constant rates on the back of account wins in 2006. The impact of resigning the New York business reduced the overall revenue growth 11.5% at constant rates.

2007 was a very good year for our European business. Our Paris office continues its excellent progress winning the Pages Jaunes account, together with the contribution from the Berlin office and our Spanish associate (accounted for under associates so no contribution to revenue) the contribution from our expansion into continental Europe has been significant.

FINANCIAL REVIEW

CONTINUED

OPERATING PROFIT

| | 2007 | 2006 | Inc/Dec | |
|--------------------|---------------|----------------|--------------|--------------|
| | £000 | £000 | £000 | % |
| UK | 8,369 | 6,323 | 2,046 | 32.4% |
| Asia Pacific | 550 | 1,496 | (946) | (63.3)% |
| USA | 581 | (261) | 842 | - |
| Europe | 722 | (1,284) | 2,006 | - |
| Group Total | 10,222 | 6,274 | 3,948 | 62.9% |

The headline operating profit increased 62.9% to £10.2m (2006: £6.3m). The headline operating margin increased to 11.7% (2006: 8.3%).

The key drivers of profit growth were the strong performance in the UK and the significant improvements from a loss in 2006 to a profit in 2007 by the USA and European businesses. Our Asia Pacific business had a disappointing first half following the loss of the IAG business in Australia at the end of 2006. Trading improved in the region in the second half, as Australia won significant business from Westfield and Abu Dhabi Tourism.

ASSOCIATES

The Group's share of headline profit after tax (excluding the amortisation of intangibles) from its associates increased to £ 334k (2006: £5k). In March 2007 we acquired an initial 25% of Spanish agency group Zapping/ M&C Saatchi. The contribution from Zapping for the 9 month period was £309k. The balance of £25k is from our UK based digital business Play London Ltd.

NET INTEREST

The headline net interest contribution (after excluding the notional interest of £0.3m on the estimated deferred consideration and the fair value adjustment to minority shareholder put option liabilities of £3.2m) declined to £1.4m (2006: £1.5m). The Group earned £1.8m (2006: £1.5m) on the positive operating cash flows and paid

FINANCIAL REVIEW

CONTINUED

£0.4m (2006: £Nil) on the Group's borrowings which stood at £8.6m at 31 December 2007.

HEADLINE TAX RATE

The Group's headline tax rate reduced to 31.1% (2006: 36.7%). The reduction is due to the significant reduction in the unutilised losses that was incurred in New York, Asia and France in 2006. We expect the tax rate to stabilise between 30% and 31% based on the current operating mix.

MINORITY INTERESTS

The profit after taxation attributable to the Group's minority shareholders increased marginally to £1.2m (2006: £1.1m). More significantly the proportion of the headline profit after taxation attributable to the minority shareholders decreased to 14.2% (2006: 23.3%). This was due to the acquisition of 19.5% of the remaining 25% minority in Walker Media in July and to the significant reduction in the operating losses incurred in the USA, Europe and parts of Asia Pacific, all of which are attributable to the Group's equity shareholders.

CASH FLOW AND GROUP DEBT

In 2007 the headline profit before tax before associates was £11.6m and the provision for depreciation and the share based incentive plans was £2.0m. The tax paid in the period was £4.1m and the amount spent on capital expenditure, excluding acquisitions, was £1.5m. There was a reduction in the positive contribution to working capital of £3.2m and the dividends paid to the Group's equity and minority shareholders was £3.2m. The net cash inflow was £1.5m.

The net cash consumed by the Group's acquisitions was £24.6m and this was funded from a combination of existing Group cash reserves and facilities provided by RBS. The maximum facility available from RBS is £13m of which £8.6m was being utilised at the 31 December 2007.

DIVIDEND

The board is proposing a final dividend of 2.75 pence per share (2006: 2.43 pence), giving a full year dividend of 3.62 pence (2006: 3.20 pence), and an increase of 13.1%. The dividend will be paid on the 7 July 2008 to shareholders on the register as at the 6 June 2008.

OPERATING REVIEW

STRATEGY

At the time of the float in July 2004 we set out our ambitions to grow M&C Saatchi into a global network, extending our marketing services into higher margin and higher growth disciplines and extending our geographic reach into continental Europe. This year has been a very important one in realising these goals.

We now have a strong network across the world. This year, our business in Continental Europe has exited from the investment phase and has made a profit contribution to the Group. Our US business is now stabilised, contributing a profit from a previously loss making position. Asia and Australia have had a tough first six months, but ended the year well following some important clients wins.

2007 was a very important year in consolidating the Group's move into attractive growth markets and higher margin categories. We purchased a further 19.5% of Walker Media which takes our ownership to 94.5% and further strengthens our position in this profitable marketplace. Additionally, we acquired Clear in the first half of the year, which takes us into the growing brand consultancy market in the UK, Europe and America.

REVIEW BY REGION

THE UK

It was a very encouraging year for our UK businesses with revenues up by 18.9% to £52.8m (2006: £44.4m), incorporating organic growth of 8.9%. The operating profit increased 32.4% to £8.4m (2006: £6.3m). The operating margin increased to 15.9% (2006: 14.3%). Clear made a contribution to revenue of £4.5m in the UK.

2007 was a second successive year of strong growth for Walker Media coming from both traditional media assignments and from the digital arm Walker-i. The balance of the business in the UK had a solid year. There were important wins from Vodafone and Findus by LIDA (our direct and digital business), new advertising assignments from Ladbrokes and GlaxoSmithKline (Macleans). A new and growing stream of business this year has been assignments from clients based in the Middle East but handled out of the UK.

In July we acquired brand consultancy group, Clear. Clear's offering includes brand strategy, growth mapping, innovation and training and engagement. The addition of the business to the Group is consistent with our strategy to move into higher margin and more profitable areas of the marketing services arena. Additionally, early

OPERATING REVIEW

CONTINUED

indications suggest that there will be numerous opportunities to refer clients to and from the Clear business within the network.

In July last year Christine Walker who founded Walker Media with Phil Georgiadis in 1997 chose to retire and step down as Chairman of the business. At this point the Group acquired her remaining minority shareholding in Walker Media. Phil Georgiadis also chose to sell half of the equity he owned. M&C Saatchi now holds 94.5% of the equity of Walker Media. Phil Georgiadis has advised the company that he will exercise his put option over his remaining shares, ahead of the changes to CGT rules on 5 April. The consideration will be approximately £4.8m of which 80% will be paid in cash and remaining 20% settled by the issue of new plc shares.

Phil Georgiadis has taken over as Chairman and the business remains in excellent shape.

EUROPE

After two years of significant investment our European businesses have made positive contributions to Group profits. The businesses delivered revenues of £6.1m (2006: £2.3m) and an operating profit of £0.7m (2006: £(1.3)m), with an operating margin of 11.9% (2006: (5.7)%).

Our French office which opened in 2006 continues its excellent progress with very significant new business wins from Pages Jaunes and Jameson (Pernod Richard). They have also extended their offering with a move into Corporate PR.

2007 is the first full year which includes a contribution from our German business, based in Berlin, with important client wins from Coca Cola (Apollinaris Water) and the Green Party of Germany.

In March we extended our European reach into Spain following the acquisition of an initial 25% of Madrid based agency, Zapping. We will acquire a further 26% in 2008 and a final 24% in 2009.

The acquisition of Clear gives the Group a presence in Amsterdam. The office was opened 2005 and contributed £0.6m of revenues in the second half.

ASIA AND AUSTRALIA

Performance in the Asia Pac region was mixed, the first half was disappointing followed by a more stable second half (and the retention and win of some important clients for the region). Revenue was down by 3.8% and operating profits were down to £0.6m (2006: £1.5m). The operating margin declined to 2.2% (2006: 5.8%).

OPERATING REVIEW

CONTINUED

Australia is the biggest market in the region with 63% of the revenue share. It has been one of our most dynamic markets over the last 13 years; the office has consistently won significant accounts and has award winning creative credentials. As previously reported the business lost a critical client, IAG at the end of 2006. Following this disappointment, the business won significant new business from Westfield and from Abu Dhabi Tourism, which provides encouragement for the current year. The office has been very successful at retaining and growing business from other important clients, particularly Optus and we believe they begin 2008 in good shape with a focus on new business and improving the operating margin.

The Asian businesses are now being managed by new regional CEO, Chris Jaques hired in December 2007 and as a result, our strategy has been under review. We are working to build on the good regional performers such as Hong Kong, India and Malaysia while developing new approaches in the other key markets.

AMERICA

In May 2007 we reorganised our business in America and now our advertising activities are now based in LA. Our other marketing service activities in the region are based in New York which includes Clear. We incurred reorganisation costs of £0.3m. The Clear office was

opened 2007 and is ahead of budget, revenue were £0.4m from July.

Our refocused business in LA had an excellent year with revenues up by 34% (at constant rates). The operating profit for the region increased by £0.9m to £0.6m (2006: £(0.3)m) and the operating margin increased to 14.1% (2006: (7.2)%). In the fourth quarter we observed trading conditions soften, and a tightening of fees with a resulting negative impact on revenues. While the year ended well, full year operating profits fell below our own expectations.

OUTLOOK

The prospects for our UK business are good, particularly in the higher margin areas such as Clear and Walker Media. Our UK based advertising and marketing services business is also performing well in a very competitive market having risen to third in the Campaign ranking for 2007. We expect our European businesses to progress, as they continue to move out of investment phase. Conditions look more challenging in America as the economic sentiment continues to weaken. The early signs in Australia are positive and we have plans underway to strengthen the Asian business.

Overall 2008 has started well and the outlook for the full year remains in line with current expectations.

UNAUDITED STATUTORY CONSOLIDATED INCOME STATEMENT

| Year ended 31 December | Note | 2007 £000 | 2006 £000 |
|--|------|-----------------|--------------|
| BILLINGS | | 412,746 | 368,645 |
| REVENUE | 3 | 87,620 | 75,893 |
| OPERATING COSTS | 4 | (78,006) | (69,639) |
| OPERATING PROFIT | 2,3 | 9,614 | 6,254 |
| Share of results of associates | 5 | 281 | 5 |
| Finance income | 6 | 1,809 | 1,540 |
| Finance costs | 7 | (3,748) | (9,003) |
| PROFIT / (LOSS) BEFORE TAXATION | 2,3 | 7,956 | (1,204) |
| Taxation on profit / (loss) | 8 | (3,530) | (2,857) |
| PROFIT / (LOSS) FOR THE YEAR | | 4,426 | (4,061) |
| Attributable to: | | | |
| Equity shareholders of the Group | 2 | 3,258 | (5,209) |
| Minority interests | | 1,168 | 1,148 |
| PROFIT / (LOSS) FOR THE YEAR | | 4,426 | (4,061) |

EARNINGS PER SHARE

| | | | |
|-----------------|---|-------|---------|
| Basic (pence) | 2 | 5.80p | (9.70)p |
| Diluted (pence) | 2 | 5.59p | (9.70)p |

HEADLINE RESULTS

| | | | |
|---|---|--------|-------|
| Headline operating profit | 2 | 10,222 | 6,274 |
| Headline profit before tax | 2 | 11,926 | 7,786 |
| Headline profit after tax attributable to equity shareholders | 2 | 7,046 | 3,781 |

UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

| Year ended 31 December | Note | 2007 £000 | 2006 £000 |
|--|------|---------------|--------------|
| PROFIT FOR THE YEAR | | 4,426 | (4,061) |
| Currency translation differences | | 828 | (410) |
| Tax effect on gains and losses recognised directly in equity | | (145) | – |
| Gains from exercising put options in minority interests | | 8,353 | – |
| TOTAL RECOGNISED INCOME AND EXPENSES FOR THE YEAR | | 13,462 | (4,471) |
| Attributable to: | | | |
| Equity shareholders of the Company | | 12,294 | (5,619) |
| Minority interests | | 1,168 | 1,148 |
| | | 13,462 | (4,471) |

UNAUDITED CONSOLIDATED CASHFLOW

| Year ended 31 December | Note | 2007 £000 | 2006 £000 |
|---|------|-----------------|--------------|
| CASH GENERATED FROM OPERATIONS | 13 | 8,991 | 18,716 |
| Tax paid | | (4,092) | (3,408) |
| NET CASHFLOW FROM OPERATING ACTIVITIES | | 4,899 | 15,308 |
| CASH GENERATED FROM INVESTING ACTIVITIES | | | |
| Acquisitions | 14 | (24,602) | (635) |
| Proceeds from sale of plant and equipment | | 23 | 16 |
| Purchase of plant and equipment | | (1,401) | (1,707) |
| Purchase of capitalised software | | (107) | – |
| NET CASH FROM INVESTING ACTIVITIES | | (26,087) | (2,326) |
| CASH GENERATED FROM FINANCING ACTIVITIES | | | |
| Dividends paid to equity holders of the company | | (1,813) | (1,377) |
| Dividends paid to minority interests | | (1,404) | (1,004) |
| Purchase of own shares | | – | (792) |
| Repayment of finance leases | | (39) | (108) |
| Inception of bank loans | | 13,000 | – |
| Repayment of bank loans | | (4,514) | – |
| Interest paid | | (437) | (20) |
| Interest earned by trading entities | | 1,553 | 1,085 |
| Interest received on centrally held cash | | 256 | 455 |
| Interest on finance leases | | (2) | (13) |
| NET CASH FROM FINANCING ACTIVITIES | | 6,600 | (1,774) |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | | (14,588) | 11,208 |
| Cash and cash equivalents at the beginning of the period | | 31,284 | 20,457 |
| Effect of exchange rate changes | | 199 | (381) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 16,895 | 31,284 |

UNAUDITED CONSOLIDATED BALANCE SHEET

| At 31 December | Note | 2007 £000 | 2006 £000 |
|--|------|------------------|-----------------|
| NON CURRENT ASSETS | | | |
| Intangible assets | | 61,409 | 15,357 |
| Investments in associates | 10 | 4,086 | – |
| Plant & equipment | | 3,954 | 3,531 |
| Deferred tax assets | | 2,034 | 1,676 |
| Other non current assets | | 565 | 460 |
| | | 72,048 | 21,024 |
| CURRENT ASSETS | | | |
| Trade and other receivables | | 74,872 | 48,321 |
| Current tax assets | | 519 | 88 |
| Cash and cash equivalents | | 16,895 | 31,284 |
| | | 92,286 | 79,693 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | (86,850) | (66,510) |
| Current tax liabilities | | (1,610) | (1,036) |
| Other financial liabilities | | (18) | (34) |
| Deferred and contingent consideration | 11 | (9,811) | (67) |
| Minority shareholder put option liabilities | | (6,854) | (11,077) |
| | | (105,143) | (78,724) |
| NET CURRENT (LIABILITIES) / ASSETS | | (12,857) | 969 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 59,191 | 21,993 |
| NON CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | (1,604) | (141) |
| Other financial liabilities | | (8,531) | (29) |
| Deferred and contingent consideration | | (8,325) | – |
| Minority shareholder put option liabilities | | (3,691) | (11,211) |
| Other non current liabilities | | (1,142) | (862) |
| | | (23,293) | (12,243) |
| TOTAL NET ASSETS | | 35,898 | 9,750 |

UNAUDITED CONSOLIDATED BALANCE SHEET CONTINUED

| At 31 December | Note | 2007 £000 | 2006 £000 |
|---|------|---------------|--------------|
| EQUITY | | | |
| Equity attributable to shareholders of the parent | | | |
| Share capital | 12 | 597 | 542 |
| Share premium | 12 | 12,758 | 9,618 |
| Merger reserve | 12 | 20,285 | 14,756 |
| Treasury reserve | 12 | (792) | (792) |
| Minority interest put option reserve | 12 | (6,876) | (13,318) |
| Foreign exchange reserve | 12 | 318 | (371) |
| Retained earnings / (loss) | | 9,053 | (1,261) |
| | | 35,343 | 9,174 |
| MINORITY INTERESTS | | | |
| | | 555 | 576 |
| TOTAL EQUITY | | 35,898 | 9,750 |

NOTES

1. BASIS OF PREPARATION

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 36 Golden Square, London W1F 9EE.

The Company has its primary listing on the AiM market of the London Stock Exchange.

The 2007 preliminary financial statements were approved for issue on 26 March 2008.

The financial information included in this report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985, and is unaudited. The comparative figures for the year ended 31 December 2006 do not constitute the Group's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP, have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report on those statutory accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The unaudited financial information presented in this document has been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

As this report is the Group's first IFRS report IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied. The financial statements should be read in conjunction with the Group's statement on the impact of IFRS on financial statements, which was published on 21 September 2007, along with note 16 which shows an explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group. This Statement includes reconciliations of equity and profit or loss for comparative periods reported under UK GAAP to those reported for those periods under IFRS.

The Group has adopted all of the standards and interpretations that were mandatory for accounting periods beginning on or after 1 January 2007 that are relevant to the operations of the Group.

HEADLINE RESULTS

The directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance trends of business to shareholders. 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 of intangible assets created in business combinations and charges as a result of goodwill impairment.

ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the statement on the impact of IFRS on financial statements issued on 21 September 2007.

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2. HEADLINE RESULTS AND EARNINGS PER SHARE

The analysis below provides a reconciliation between the Group's statutory 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 2007 | Note | Reported results £000s | Amortisation of Acquired Intangibles £000s | Fair value Adjustments to minority put option liabilities £000s | Notional interest on deferred consideration £000s | Headline results £000s |
|---|------|------------------------------|---|--|---|------------------------------|
| REVENUE | | 87,620 | – | – | – | 87,620 |
| OPERATING PROFIT | | 9,614 | 608 | – | – | 10,222 |
| Share of results of associates | | 281 | 53 | | | 334 |
| Net interest | 6, 7 | (1,939) | | 3,052 | 257 | 1,370 |
| PROFIT BEFORE TAXATION | | 7,956 | 661 | 3,052 | 257 | 11,926 |
| Taxation | | (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 |

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2. HEADLINE RESULTS AND EARNINGS PER SHARE (CONTINUED)

| 2006 | Note | Reported results £000s | Amortisation of Acquired Intangibles £000s | Fair value Adjustments to minority put option liabilities £000s | Headline results £000s |
|---|------|---------------------------|---|--|------------------------------|
| REVENUE | | 75,893 | – | – | 75,893 |
| OPERATING PROFIT | | 6,254 | 20 | – | 6,274 |
| Share of results of associates | | 5 | | | 5 |
| Net interest | 6, 7 | (7,463) | | 8,970 | 1,507 |
| PROFIT BEFORE TAXATION | | (1,204) | 20 | 8,970 | 7,786 |
| Taxation | | (2,857) | | | (2,857) |
| PROFIT AFTER TAXATION | | (4,061) | 20 | 8,970 | 4,929 |
| Minority interests | | 1,148 | | | 1,148 |
| PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP | | (5,209) | 20 | 8,970 | 3,781 |
| BASIC EARNINGS PER SHARE | | | | | |
| Weighted average number of shares (thousands) | | 53,677 | | | 53,677 |
| BASIC EPS | | (9.70)p | | | 7.04p |
| DILUTED EARNINGS PER SHARE | | | | | |
| Weighted average number of shares (thousands) as above | | 53,677 | | | 53,677 |
| Add | | | | | |
| – Sharesave options | | 259 | | | 259 |
| – Options | | 411 | | | 411 |
| Total | | 54,347 | | | 54,347 |
| DILUTED EARNINGS PER SHARE * | | (9.70)p | | | 6.96p |

* Due to losses the numerical calculation of diluted earnings per share results is a figure which is more than the basic earnings per share. As such the diluted figure has been reported as equal to the basic figure.

NOTES

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3. SEGMENTAL INFORMATION

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

SEGMENTAL INCOME STATEMENT

| 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 |
| LESS excluded items | | | | | | |
| – Amortisation of intangibles | | 608 | – | – | – | 608 |
| HEADLINE OPERATING PROFIT | | 8,369 | 550 | 581 | 722 | 10,222 |
| Share of results of associates | | 25 | – | – | 309 | 334 |
| Net interest | 6, 7 | 1,448 | 10 | 2 | (90) | 1,370 |
| HEADLINE PROFIT BEFORE TAXATION | | 9,842 | 560 | 583 | 941 | 11,926 |
| ADD BACK excluded items | | | | | | |
| – Amortisation of intangibles | | (608) | – | – | (53) | (661) |
| – Fair value adjustments to minority put option liabilities | | (3,052) | – | – | – | (3,052) |
| – Notional interest on deferred consideration | | (257) | – | – | – | (257) |
| Total of headline 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 |
| LESS excluded items | | | | | | |
| – Headline adjustments above | | 3,917 | – | – | 53 | 3,970 |
| – Deferred tax on amortisation of acquired intangibles | | (182) | – | – | – | (182) |
| HEADLINE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP | | 5,830 | 133 | 309 | 774 | 7,046 |
| | | | | | | 12.55p |

NOTES

CONTINUED

SEGMENTAL INCOME STATEMENT

| 2006 | Note | UK £000 | Asia and Australia £000 | America £000s | Europe £000 | Total £000 |
|--|------|----------------|-------------------------------|------------------|----------------|----------------|
| REVENUE | | 44,352 | 25,638 | 3,632 | 2,271 | 75,893 |
| OPERATING PROFIT | | 6,323 | 1,496 | (261) | (1,304) | 6,254 |
| LESS excluded items | | | | | | |
| – Amortisation of intangibles | | – | – | – | 20 | 20 |
| HEADLINE OPERATING PROFIT | | 6,323 | 1,496 | (261) | (1,284) | 6,274 |
| Share of results of associates | | 5 | – | – | – | 5 |
| Net interest | 6, 7 | 1,455 | 62 | 7 | (17) | 1,507 |
| HEADLINE PROFIT BEFORE TAXATION | | 7,783 | 1,558 | (254) | (1,301) | 7,786 |
| ADD BACK excluded items | | | | | | |
| – Amortisation of intangibles | | – | – | – | (20) | (20) |
| – Fair value adjustments to minority put option liabilities | | (8,970) | – | – | – | (8,970) |
| – Notional interest on deferred consideration | | – | – | – | – | – |
| Total of headline adjustments | | (8,970) | – | – | (20) | (8,990) |
| PROFIT BEFORE TAXATION | | (1,187) | 1,558 | (254) | (1,321) | (1,204) |
| Taxation | | (2,373) | (598) | (128) | 242 | (2,857) |
| PROFIT AFTER TAXATION | | (3,560) | 960 | (382) | (1,079) | (4,061) |
| Minority interests | | 1,042 | 31 | 67 | 8 | 1,148 |
| PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP | | (4,602) | 929 | (449) | (1,087) | (5,209) |
| LESS excluded items | | | | | | |
| – Headline adjustments above | | (8,970) | – | – | 20 | 8,990 |
| HEADLINE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP | | 4,368 | 929 | (449) | (1,067) | 3,781 |
| | | | | | | 7.04p |

NOTES

CONTINUED

4. OPERATING COSTS

| | 2007 | 2006 |
|-------------------------------------|---------------|---------------|
| Year ended 31 December | £000 | £000 |
| Total staff costs | 53,763 | 47,949 |
| Other costs | 24,243 | 21,690 |
| Total costs | 78,006 | 69,639 |
| Other costs include: | | |
| Amortisation of intangibles | | |
| – Acquired intangibles | 608 | 20 |
| – Capitalised software | 106 | 61 |
| Depreciation of plant and equipment | 1,463 | 1,151 |
| Losses on disposal of fixed assets | 36 | 5 |

5. SHARE OF ASSOCIATES

| | 2007 | 2006 |
|---|-------|------|
| Year ended 31 December | £000 | £000 |
| Share of associates' profit before taxation | 491 | 7 |
| Share of associates' taxation | (157) | (2) |
| Amortisation of intangibles | (53) | – |
| | 281 | 5 |

6. FINANCE INCOME

| | 2007 | 2006 |
|-----------------------------|--------------|--------------|
| Year ended 31 December | £000 | £000 |
| Bank interest receivable | 1,771 | 1,540 |
| Other interest receivable | 38 | – |
| Total finance income | 1,809 | 1,540 |

7. FINANCE EXPENSE

| | 2007 | 2006 |
|--|----------------|----------------|
| Year ended 31 December | £000 | £000 |
| Bank interest payable | (403) | (3) |
| Interest payable on finance leases | (2) | (13) |
| Other interest payable | (34) | (17) |
| Total interest payable | (439) | (33) |
| Notional interest on deferred consideration | (257) | – |
| Fair value adjustments to minority shareholder put options liabilities | (3,052) | (8,970) |
| Total finance expense | (3,748) | (9,003) |

NOTES

CONTINUED

8. TAXATION

| Year ended 31 December | 2007 £000 | 2006 £000 |
|--|----------------|----------------|
| Current taxation | | |
| Taxation in the year | | |
| – UK | (3,223) | (2,280) |
| – Overseas | (1,119) | (916) |
| Withholding taxes payable | (7) | – |
| Utilisation of previously unrecognised tax losses | 128 | – |
| Adjustment for over provision in prior periods | 138 | 68 |
| Total | (4,083) | (3,128) |
| Deferred taxation | | |
| Origination and reversal of temporary timing differences | 606 | 271 |
| Effect of changes in tax rates | (53) | – |
| Total | 553 | 271 |
| Total taxation | (3,530) | (2,857) |

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 | 2007 £000 | 2006 £000 |
|--|----------------|----------------|
| Profit / (loss) before taxation | 7,956 | (1,204) |
| Taxation at UK Corporation tax rate of 30% | (2,387) | 361 |
| Tax effect of associates | 93 | 1 |
| Expenses not deductible for tax | (212) | (249) |
| Different tax rates applicable in overseas jurisdictions | (93) | (56) |
| Effect of changes in tax rates on deferred tax | (53) | – |
| Withholding taxes | (7) | – |
| Utilisation of previously unrecognised tax losses | 128 | – |
| Adjustment for over provision in prior periods | 138 | 68 |
| Tax losses for which no deferred tax asset was recognised | (145) | (291) |
| Fair value adjustments on minority shareholder put options | (915) | (2,691) |
| Fair value of deferred consideration | (77) | – |
| | (3,530) | (2,857) |

9. DIVIDENDS

| Year ended 31 December | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| 2006 final dividend 2.43p (2005 1.78p) | 1,300 | 965 |
| 2007 interim dividend 0.87p (2006 0.77p) | 513 | 412 |
| | 1,813 | 1,377 |

Proposed 2007 final dividend of 2.75p £1,642k.

Dividends relate to the profit of the following years:

| Year ended 31 December | Notes | 2007 £000 | 2006 £000 |
|-------------------------|-------|--------------|--------------|
| Interim dividends | | 513 | 412 |
| Final dividends | | 1,642 | 1,300 |
| | | 2,155 | 1,712 |
| Headline dividend cover | | 3.2 | 2.2 |

NOTES

CONTINUED

10. ACQUISITIONS

CLEAR IDEAS LTD

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 will be paid over the period 2008 to 2011 subject to the performance of the business. As at 31 December 2007 the value of contingent consideration is £11.9m.

For the year ending 31 December 2007 Clear had revenues of £10.8m and an operating profit of £2.4m.

| | Book Value £000 | Fair value Adjustments £000 | Provisional Fair value £000 |
|-------------------------------|-----------------------|-----------------------------------|-----------------------------------|
| Non current assets | | | |
| Intangibles | 23 | – | 23 |
| Property, Plant and equipment | 423 | – | 423 |
| | 446 | – | 446 |
| Current assets | | | |
| Trade and other receivables | 4,034 | – | 4,034 |
| Other current assets | 864 | – | 864 |
| Cash and cash equivalents | 776 | – | 776 |
| | 5,674 | – | 5,674 |
| Current liabilities | (2,263) | – | (2,263) |
| Non current liabilities | – | – | – |
| Assets acquired | 3,857 | – | 3,857 |

M&C SAATCHI BERLIN (2006 ACQUISITION)

On 24 July 2006 the Group acquired 80% of O3 International Projects GmbH (renamed M&C Saatchi Berlin GmbH). In 2007 final consideration of £358k was paid (2006 contingent consideration £67k).

EXERCISE OF PUT OPTIONS

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.

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

On 8 March 2007 the Group acquired 25% of the Zapping Publicidad SA group of companies, with a commitment to acquire a further 26% on 1 July 2008 and 24% on 1 July 2009.

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 and M&C Saatchi Berlin GmbH in 2006 fall within the scope of IFRS3.

The acquisition of additional shares in Walker Media Holdings Ltd and Talk PR Ltd due to the exercise of put options does not change the nature of our control. The transactions fall outside the scope of IFRS3 business combinations. Goodwill arose on the exercise of these put options, being the excess of the fair value consideration over the Group's interest in the value of the identifiable net assets acquired.

The acquisition of 25% of Zapping / M&C Saatchi is accounted for as an associate.

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INVESTMENT IN SUBSIDIARIES

| | Clear £000 | Walker Media £000 | Talk PR £000 | Contingent consideration paid £000 | 2007 Total £000 | 2006 £000 |
|--|---------------|-------------------------|--------------------|---|-----------------------|--------------|
| Consideration, satisfied by: | | | | | | |
| Cash | 13,948 | 8,799 | – | 383 | 23,130 | 674 |
| Fair value of deferred and contingent consideration | 10,535 | 5,127 | – | (67) | 15,595 | 67 |
| Shares issued | 5,563 | 2,964 | 175 | – | 8,702 | – |
| | 30,046 | 16,890 | 175 | 316 | 47,427 | 741 |
| Direct costs of acquisition | 559 | 123 | 3 | 12 | 697 | 67 |
| | 30,605 | 17,013 | 178 | 328 | 48,124 | 808 |
| LESS | | | | | | |
| – Fair value of net assets / (liabilities) | 3,857 | (275) | – | – | 3,582 | 39 |
| – Intangible assets acquired | 5,833 | – | – | – | 5,833 | 20 |
| – Deferred tax acquired intangible | (1,648) | – | – | – | (1,648) | – |
| Goodwill created | 22,563 | 17,288 | 178 | 328 | 40,357 | 749 |
| Goodwill acquired | 23 | – | – | – | 23 | – |
| Goodwill additions | 22,586 | 17,288 | 178 | 328 | 40,380 | 749 |

Goodwill represents the value of our staff and our investments in potential future profits.

INVESTMENT IN ASSOCIATES

| | 2007 £000 |
|--------------------------------------|--------------|
| Zapping / M&C Saatchi | £000 |
| Consideration, satisfied by: | |
| Cash | 1,368 |
| Fair value of deferred consideration | 2,216 |
| | 3,584 |
| Direct costs of acquisition | 219 |
| | 3,803 |
| LESS | |
| – Fair value of net assets | 131 |
| – Intangible assets acquired | 95 |
| Goodwill created | 3,577 |

NOTES

CONTINUED

11. DEFERRED AND CONTINGENT CONSIDERATION

| | 2007 | 2006 |
|-------------------------------------|-----------------|-------------|
| | £000 | £000 |
| Amounts falling within one year | | |
| – Deferred | (7,311) | – |
| – Contingent | (2,500) | (67) |
| | (9,811) | (67) |
| Amounts falling after one year | | |
| – Contingent | (8,325) | – |
| | (18,136) | (67) |
| | | |
| | 2007 | 2006 |
| | £'000 | £'000 |
| At 1 January | (67) | – |
| Exchange difference | (6) | – |
| Acquisitions | (17,879) | (67) |
| Notional interest charge | (257) | – |
| Paid | 351 | – |
| Adjustment to prior period estimate | (278) | – |
| At 31 December | (18,136) | (67) |

Contingent consideration is estimated based on projections.

NOTES

CONTINUED

12. 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 |
|--|--------------------------|--------------------------|---------------------------|-----------------------------|--|--|------------------------------|------------------|-------------------------------|----------------|
| 1 January 2006 | 542 | 9,618 | 14,756 | – | (13,219) | – | 4,800 | 16,497 | 549 | 17,046 |
| Exchange differences | – | – | – | – | – | (371) | – | (371) | (39) | (410) |
| Capital additions | – | – | – | – | – | – | – | – | 90 | 90 |
| Deferred tax on options | – | – | – | – | – | – | 36 | 36 | – | 36 |
| Equity settled share based payments | – | – | – | – | – | – | 246 | 246 | – | 246 |
| New minority shareholder put options issued | – | – | – | – | (99) | – | – | (99) | – | (99) |
| Transfer between majority and minority reserves | – | – | – | – | – | – | 213 | 213 | (213) | – |
| Dividends | – | – | – | – | – | – | (1,377) | (1,377) | (959) | (2,336) |
| Purchase of own shares | – | – | – | (792) | – | – | – | (792) | – | (792) |
| Loss for the year | – | – | – | – | – | – | (5,179) | (5,179) | 1,148 | (4,031) |
| 31 December 2006 | 542 | 9,618 | 14,756 | (792) | (13,318) | (371) | (1,261) | 9,174 | 576 | 9,750 |
| Issue of shares for acquisitions | 55 | 3,140 | 5,529 | – | – | – | – | 8,724 | – | 8,724 |
| Exchange rate movements | – | – | – | – | – | 689 | – | 689 | (1) | 688 |
| Exercise of minority put options– New minority shareholder put options | – | – | – | – | 8,741 | – | 8,353 | 17,094 | – | 17,094 |
| Transfer between majority and minority reserves | – | – | – | – | (2,299) | – | – | (2,299) | – | (2,299) |
| Other | – | – | – | – | – | – | (350) | (350) | 350 | – |
| Equity settled share based payments | – | – | – | – | – | – | 432 | 432 | – | 432 |
| Profit for the year | – | – | – | – | – | – | 3,258 | 3,258 | 1,168 | 4,426 |
| Dividends | – | – | – | – | – | – | (1,813) | (1,813) | (1,404) | (3,217) |
| 31 December 2007 | 597 | 12,758 | 20,285 | (792) | (6,876) | 318 | 9,053 | 35,343 | 555 | 35,898 |

The definitions of the reserves reported in the above note can be found in Note 15.

NOTES

CONTINUED

13. CASH GENERATED FROM OPERATIONS

| | 2007 | 2006 |
|---|----------|----------|
| | £000 | £000 |
| Revenue | 87,620 | 75,877 |
| Operating expenses | (78,006) | (69,639) |
| Operating profit | 9,614 | 6,238 |
| Adjustments for: | | |
| Depreciation of plant and equipment | 1,463 | 1,212 |
| (Profit) / losses on sale of plant and equipment | (36) | 5 |
| (Profit) / losses on sale of software intangibles | (2) | – |
| Amortisation of acquired intangible assets | 608 | 20 |
| Amortisation of capitalised software intangible assets | 106 | – |
| Non cash share based incentive plans | 432 | 213 |
| Operating cash flow before movements in working capital | 12,185 | 7,688 |
| (Increase) /decrease in debtors | (22,064) | 4,146 |
| Increase in creditors | 18,870 | 6,882 |
| Net cash flow from operating activities | 8,991 | 18,716 |

14. CASH CONSUMED BY ACQUISITIONS

| | 2007 | 2006 |
|--|----------|-------|
| | £000 | £000 |
| Initial cash consideration including capitalised acquisition costs | | |
| – Clear Ideas Ltd | (14,508) | – |
| – Walker Media Ltd | (8,922) | – |
| – Talk PR | (3) | – |
| – M&C Saatchi Berlin GmbH | (358) | (748) |
| | (23,791) | (748) |
| Less cash and cash equivalents acquired | 776 | 113 |
| | (23,015) | (635) |
| Purchase of associate (Zapping, Spain) | (1,587) | – |
| | (24,602) | (635) |

15. DEFINITION OF TERMS & ASSUMPTIONS USED

ORDINARY SHARE CAPITAL

Total issued share capital at nominal value.

SHARE PREMIUM

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

MERGER RESERVE

Premium paid for shares above 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 related debit 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 of overseas operations.

RETAINED EARNINGS

Cumulative gains and losses recognised.

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16. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

This is the first year that the Group presents its financial statements in accordance with IFRS as adopted by the European Union. The following disclosure is required in the transition year, as the last Group financial statements were for the year ended 31 December 2006 and the date of transition is 1 January 2006.

The 2006 comparatives in the financial statements have been revised so that they are compliant with the IFRS based Group accounting policies in note 1. The following reconciliation show the impact of the transition from UK GAAP to IFRS.

FIRST TIME ADOPTION EXEMPTIONS TAKEN (IFRS 1)

- We have not restated any business combinations prior to 1 January 2006 (IFRS 3).
- Translation differences on all foreign operations as at 1 January 2006 are treated as nil (IAS 21).

RECONCILIATION FROM UK GAAP TO IFRS

The following reconciliations are presented below in order to explain the effect of the transition to IFRS and to show how the comparative results have been restated:

- Reconciliation of profit for the year ended 31 December 2006;
- Reconciliation in movements of 1 January 2006 balance sheet; and
- Reconciliation in movements of 31 December 2006 balance sheet.

The IFRS adjustments included within these reconciliations are explained below.

RECONCILIATION OF PROFIT FOR THE YEAR ENDED 31 DECEMBER 2006

| | UK GAAP (IFRS format) £000 | IFRS 3 Acquisitions £000 note a | IAS 32 & IAS 39 Put options £000 note b | IAS 39 Liability recognition £000 note c | Other £000 note d | IFRS £000 |
|--|----------------------------------|--|--|---|-------------------------|-----------------|
| Billings | 369,490 | – | – | – | (845) | 368,645 |
| Revenue | 75,877 | – | – | 16 | – | 75,893 |
| Operating costs | (71,354) | 1,735 | – | – | (20) | (69,639) |
| Operating profit | 4,523 | 1,735 | – | 16 | (20) | 6,254 |
| Share of results of associates | 15 | – | – | – | (10) | 5 |
| Finance income | 1,540 | – | – | – | – | 1,540 |
| Finance costs | (41) | – | (8,970) | – | 8 | (9,003) |
| Profit / (loss) before taxation | 6,037 | 1,735 | (8,970) | 16 | (22) | (1,204) |
| Taxation on profits | (2,886) | – | – | (5) | 34 | (2,857) |
| Profit / (loss) after taxation | 3,151 | 1,735 | (8,970) | 11 | 12 | (4,061) |

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RECONCILIATION IN MOVEMENTS IN 1 JANUARY 2006 BALANCE SHEET

| | UK GAAP (IFRS format) £000 | IAS 32 & IAS 39 Put options £000 note b | IAS 39 Liability recognition £000 note c | Other £000 note d | IFRS £000 |
|--|----------------------------------|--|---|-------------------------|---------------|
| Non current assets | | | | | |
| Plant, equipment | 3,194 | – | – | – | 3,194 |
| Intangible assets | 14,592 | – | – | – | 14,592 |
| Investments in associates | 81 | – | – | (81) | – |
| Deferred tax assets | 354 | – | 959 | (36) | 1,277 |
| Other non current assets | 243 | – | – | – | 243 |
| | 18,464 | | 959 | (117) | 19,306 |
| Current assets | | | | | |
| Work in progress | 3,277 | – | – | (3,277) | – |
| Trade and other receivables | 49,953 | – | – | 3,277 | 53,230 |
| Current tax assets | 599 | – | – | – | 599 |
| Cash and cash equivalents | 20,486 | – | – | – | 20,486 |
| | 74,315 | – | – | – | 74,315 |
| Current liabilities | | | | | |
| Trade and other payables | (56,088) | – | (3,196) | – | (59,284) |
| Current tax liabilities | (2,760) | – | – | – | (2,760) |
| Other financial liabilities | (121) | – | – | – | (121) |
| Minority shareholder put option liabilities | – | (5,540) | – | – | (5,540) |
| | (58,969) | (5,540) | (3,196) | – | (67,705) |
| Net current assets | 15,346 | (5,540) | (3,196) | – | 6,610 |
| Total assets less current liabilities | 33,810 | (5,540) | (2,237) | (117) | 25,916 |
| Non current liabilities | | | | | |
| Deferred tax liabilities | (21) | – | – | – | (21) |
| Other financial liabilities | (36) | – | – | – | (36) |
| Minority shareholder put option liabilities | – | (7,679) | – | – | (7,679) |
| Other non current liabilities | (1,215) | – | – | 81 | (1,134) |
| | (1,272) | (7,679) | – | 81 | (8,870) |
| Total net assets | 32,538 | (13,219) | (2,237) | (36) | 17,046 |
| Equity | | | | | |
| Share capital | 542 | – | – | – | 542 |
| Share premium | 9,618 | – | – | – | 9,618 |
| Merger reserve | 14,756 | – | – | – | 14,756 |
| Minority interest put option reserve | – | (13,219) | – | – | (13,219) |
| Retained earnings | 6,700 | – | (1,864) | (36) | 4,800 |
| | 31,616 | (13,219) | (1,864) | (36) | 16,497 |
| Minority interests | 922 | – | (373) | – | 549 |
| Total equity | 32,538 | (13,219) | (2,237) | (36) | 17,046 |

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RECONCILIATION IN MOVEMENTS OF 31 DECEMBER 2006 BALANCE SHEET

| | UK GAAP (IFRS format) £000 | IFRS 3 Acquisitions £000 note a | IAS 32 & IAS 39 Put options £000 note b | IAS 39 Liability recognition £000 note c | Other £000 note d | IFRS £000 |
|--|----------------------------------|--|--|---|-------------------------|---------------|
| Non current assets | | | | | | |
| Intangible assets | 13,555 | 1,735 | – | – | 67 | 15,357 |
| Investments in associates | 81 | – | – | – | (81) | – |
| Plant equipment | 3,618 | – | – | – | (87) | 3,531 |
| Deferred tax assets | 693 | – | – | 954 | 29 | 1,676 |
| Other non current assets | 460 | – | – | – | – | 460 |
| | 18,407 | 1,735 | – | 954 | (72) | 21,024 |
| Current assets | | | | | | |
| Work in progress | 2,416 | – | – | – | (2,416) | – |
| Trade and other receivables | 45,900 | – | – | – | 2,421 | 48,321 |
| Current tax assets | 88 | – | – | – | – | 88 |
| Cash and cash equivalents | 31,284 | – | – | – | – | 31,284 |
| | 79,688 | – | – | – | 5 | 79,693 |
| Current liabilities | | | | | | |
| Trade and other payables | (63,330) | – | – | (3,180) | – | (66,510) |
| Current tax liabilities | (1,036) | – | – | – | – | (1,036) |
| Other financial liabilities | (34) | – | – | – | – | (34) |
| Deferred consideration | (67) | – | – | – | – | (67) |
| Minority shareholder put option liabilities | – | – | (11,077) | – | – | (11,077) |
| | (64,467) | – | (11,077) | (3,180) | – | (78,724) |
| Net current assets | 15,221 | – | (11,077) | (3,180) | 5 | 969 |
| Total assets less current liabilities | 33,628 | 1,735 | (11,077) | (2,226) | (67) | 21,993 |
| Non current liabilities | | | | | | |
| Deferred tax liabilities | (141) | – | – | – | – | (141) |
| Other financial liabilities | (29) | – | – | – | – | (29) |
| Deferred consideration | – | – | – | – | – | – |
| Minority shareholder put option liabilities | – | – | (11,211) | – | – | (11,211) |
| Other non current liabilities | (938) | – | – | – | 76 | (862) |
| | (1,108) | – | (11,211) | – | 76 | (12,243) |
| Total net assets | 32,520 | 1,735 | (22,288) | (2,226) | 9 | 9,750 |
| Equity | | | | | | |
| Share capital | 542 | – | – | – | – | 542 |
| Share premium | 9,618 | – | – | – | – | 9,618 |
| Merger reserve | 13,553 | 1,203 | – | – | – | 14,756 |
| Treasury reserve | (792) | – | – | – | – | (792) |
| Other reserves | – | – | (13,318) | – | – | (13,318) |
| Foreign exchange reserve | – | – | – | – | (371) | (371) |
| Retained earnings / (loss) | 8,437 | 532 | (8,970) | (1,640) | 380 | (1,261) |
| | 31,358 | 1,735 | (22,288) | (1,640) | 9 | 9,174 |
| Minority interests | 1,162 | – | – | (586) | – | 576 |
| Total equity | 32,520 | 1,735 | (22,288) | (2,226) | 9 | 9,750 |

NOTES

CONTINUED

NOTES TO IFRS ADJUSTMENTS

a) IFRS 3 Business combinations

Under IFRS goodwill is not amortised, instead annual impairment reviews are conducted. As the Group has elected not to apply IFRS 3 (business combinations) retrospectively, the only adjustment is to reverse the 2006 amortisation charge.

b) IAS 32 & IAS 39 Minority shareholder put options

IAS 32 & IAS 39 requires a valuation of the liability Group companies have to minority shareholders that have the right to exchange their minority shareholdings in the subsidiary companies for shares in M&C Saatchi plc (a put option) at their creation (or at the Group's transition to IFRS) and then at each reporting date. The movement in the valuation of the liability is charged to the income statement (there is no revaluation of the reserve).

c) IAS 39 Liability recognition

IAS 39 requires a liability to be recognised based on the legal obligation to pay; UK GAAP recognises a liability where there is a reasonable expectation that the liability will be paid. Many of our contracts are formed verbally and this gives rise to uncertainty which is treated differently by UK and IFRS GAAP.

d) Other

Other adjustments have been made in respect of IAS 38 intangible assets, IAS 1 and IAS 39 presentation of financial statements (associates), IAS 12 deferred tax, IAS 21 creation of a foreign currency reserve and IAS 18 billings recognition.

