

M&C SAATCHI PLC

PRELIMINARY RESULTS

**YEAR ENDED
31 DECEMBER 2008**

26 MARCH 2009

GROUP HIGHLIGHTS

- Revenues up 19% to £104.4m (2007: £87.6m)
- Like-for-like revenue growth of 11%
- Headline operating profit up by 34% to £13.7m (2007: £10.2m)
- Headline operating margin increased to 13.2% (2007: 11.7%)
- Headline profit before tax up by 18% to £14.1m (2007: £11.9m)
- Headline basic EPS up 20% to 15.05p (2007: 12.55p)
- Proposed full year dividend held at 3.62p

The headline results referred to above are stated before accounting for the following items:

- Amortisation and impairment of acquired intangibles (including goodwill)
- Fair value adjustments to minority put option liabilities
- Notional interest on deferred consideration

The reconciliation of the difference between the headline results and the statutory results is shown in note 3. Like-for-like revenue is stated after excluding the impact of foreign exchange, acquisitions in 2007 or 2008 and discontinued operations.

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

“M&C Saatchi delivered a solid performance in 2008, in spite of the difficult economic environment. We enjoyed significant revenue growth in most regions with good new business momentum and the extension of assignments with existing clients. After a particularly strong first half, market conditions became increasingly challenging through the year. In overall terms, however, our global network remains strong and we continued to win new business.

“Looking ahead we are confident that the business is in good shape. The on-going economic uncertainty and limited visibility mean we remain cautious. Against that backdrop we will keep a tight focus on controlling costs. We continue to believe in the underlying business model and our balance sheet remains strong. We will, therefore, invest more in our organic growth strategy. We have announced openings in Switzerland and Brazil and we will look for further opportunities to expand our network and enhance our capability to service global accounts. This approach will ensure that we are well positioned to capitalise on opportunities for growth when markets pick up.

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

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SUMMARY OF RESULTS

Overview

The Board of M&C Saatchi plc announces the unaudited results for the year ended 31 December 2008. It was a good year for the Group. It is 14 years since M&C Saatchi was founded – and 2008 represented our fourteenth year of successive like-for-like revenue growth. We recorded significant revenue growth in all regions, with the exception of America. The growth came from good new business momentum and from additional assignments from current clients. Overall operating margins improved.

A deteriorating economic climate made the second half of the year increasingly challenging, especially in Spain, the USA and for our strategic consulting business Clear Ideas with revenue and margins coming under pressure.

Group reported revenue grew by 19% to £104.4m (2007: £87.6m), with like-for-like revenue up 11%. This significant growth was achieved in spite of the worsening economic environment in the second half of the year.

The headline operating profit grew by 34% to £13.7m (2007: £10.2m), with the headline operating margin increased to 13.2% (2007: 11.7%).

The contribution from the Group's associates reduced from a headline profit of £334,000 in 2007 to a loss of £81,000 in 2008. This reflects the difficult trading conditions being experienced by our partners in Spain. Net interest earned reduced to £0.4m (2007: £1.4m) as a result of higher average Group debt.

In spite of the loss from our associates and the reduced net interest, we are reporting headline profit before tax up 18% at £14.1m (2007: £11.9m).

The Group's tax rate was 31.8%, marginally lower than last year's rate of 32.0%.

The profits attributable to the Group's minorities reduced to £0.6m (2007: £1.2m), due primarily to the acquisition of the remaining 5.5% minority interest in Walker Media made in April 2008.

The weighted average number of shares increased to 60.0m (2007: 56.2m) as a result of the shares issued to satisfy the acquisition of the minority in Walker Media and the acquisition of Clear Ideas last year.

The net result of all of the above is that headline basic earnings per share increased by 20% to 15.05p (2007: 12.55p).

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 and represents a 10% yield on yesterday's share price of 35.0p. The 2008 final dividend will be paid to shareholders on 10 July 2009 who are on the register at 12 June 2009.

Cash Flow, Group Debt and Deferred consideration

As at 31 December 2008 the Group's net cash position was £2.5m (2007: £8.3m). 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 headline profit after tax for 2008.

During the year the Group acquired the remaining 5.5% minority in Walker Media for £3.9m in cash and 0.9m shares. Cash of £10.2m was utilised and 0.5m shares issued 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.

REVIEW OF OPERATIONS BY REGION

UK

Overall revenue grew by 14% to £60.3m (2007: £52.8m). Excluding the annualised impact of the Clear acquisition the like-for-like revenue growth was 8.4%. There were good new business successes, notably the Department of Health's *Change 4 Life* anti-obesity campaign along with important assignments from Hyundai and East Midland Trains. We have also been extending relationships with current clients.

While the majority of our remuneration agreements are resource-based fees agreed on an annual basis we saw increasing pressure on fees and margins in the final quarter but no significant reductions. Clients were however prepared to sacrifice longer term marketing investment projects and new product development work to reduce costs. This trend had a significant impact on consultancy and strategy assignments in the fourth quarter.

Overall, headline operating margins increased to 16.5% (2007: 15.9%), but were under pressure in the 4th quarter.

Europe

Overall our European businesses performed very well. Revenue increased by 70% to £10.3m (2007: £6.1m). The Paris office produced excellent results, the revenue increased by 68% supported by its successful new service offerings in digital and corporate PR. The Berlin office also had a good year from its smaller base, with revenue up 25%.

The reported operating margin increased to 13.2% (2007: 11.9%)

The office in Madrid, which is reported in the associate line, had a very difficult year as the economy declined sharply. We remain committed to this market, but we have agreed not to extend our ownership beyond the current 25%. We may revisit this position in the future.

We are continuing to seek opportunities to extend our European footprint and in February we announced our entry into the Swiss market.

Asia & Australia

The region delivered an improved set of results. Reported revenue increased by 20% to £29.7m (2007: £24.7m). Like-for-like revenue increased by 14.1%.

Headline operating profit increased to £2.1m (2007: £0.6m) and the margin increased to 7.1% (2007: 2.2%).

Australia, our largest office in the region, contributing 66% of revenue and 73% of profit, had an excellent year. Revenue increased by 28%, largely through the extension of relationships with existing clients. The office re-pitched, won and extended its relationship with Optus, one of Australia's largest telecommunications operators. This compensated for the loss of the Tourism Australia account.

Malaysia, our second biggest market in terms of contribution to earnings, had another successful year, increasing reported revenue by 31%.

Our offices in India and China, while less significant in terms of contribution, continued to show promising new business wins in spite of the difficult economic headwinds. We believe these markets, while relatively young, are very important for future growth.

As part of the regional strategic review which we undertook early in 2008, we closed the loss-making offices in Singapore and Thailand. The combined operating losses and closure costs totalled £0.3m in the year.

America

Our US business, based in LA, 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: 14.1%). We have experienced continued decline in client budgets and a trend for clients to take work in house.

In spite of the tough conditions, the US remains an important market and we will continue to look for strategic ways to develop our presence in the longer term.

New Markets

In spite of the difficult trading environment we have been pursuing opportunities to expand into new markets through organic start-ups. This is part of our strategy to create an efficient and effective international network that will provide comprehensive coverage in key regions for our clients who need a global focus on their accounts. With new offices opened in Geneva and Sao Paulo we believe the main planks are now in place; but we will continue to look at other opportunities. Our model of organically building new businesses is well proven. While slower to develop than acquisitions, this approach can be financed out of operating cash flows and allows us to keep Group overheads low, enabling us to remain competitive with our peers. We strongly believe that in the current environment it also offers a better return for investors at significantly lower risk. This organic approach requires investment and will negatively impact earnings in the short term. We expect these operations to be trading profitability in their second year.

We will report the performance of these offices separately from the current business.

Outlook

In the current environment forecasting is especially difficult. Economic conditions are tough throughout our markets. But in spite of the economic headwinds, we believe the business is in good shape as we head into 2009. We are focused on the fundamentals of managing the current business, servicing our current clients and winning new business whilst keeping our cost base under tight control. We have also been actively looking for opportunities that will provide future growth for the business. In the wake of the new offices opened in Switzerland and Brazil we will continue to seek further opportunities.

We have great confidence in our people and believe that in the current market 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 three months of 2009 is in line with management expectations.

M&C SAATCHI PLC
UNAUDITED CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2008 £'000	2007 £'000
BILLINGS		436,506	412,746
REVENUE	4	104,383	87,620
Operating costs	5	(93,617)	(78,006)
OPERATING PROFIT	4	10,766	9,614
Share of results of associates	6	(81)	281
Impairment of associate		(2,400)	–
Finance income	7	3,350	1,809
Finance costs	8	(1,142)	(3,748)
PROFIT BEFORE TAXATION	4	10,493	7,956
Taxation	9	(3,904)	(3,530)
PROFIT FOR THE FINANCIAL PERIOD		6,589	4,426
Attributable to:			
Equity shareholders of the Group	3	6,021	3,258
Minority interests		568	1,168
		6,589	4,426
EARNINGS PER SHARE	3		
Basic		10.04p	5.80p
Diluted		9.75p	5.59p
HEADLINE RESULTS	3		
Operating profit		13,739	10,222
Profit before tax		14,095	11,926
Headline profit attributable to equity shareholders		9,024	7,046

M&C SAATCHI PLC**UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

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

M&C SAATCHI PLC
UNAUDITED CONSOLIDATED BALANCE SHEET

At 31 December	2008 £'000	2007 £'000
NON CURRENT ASSETS		
Intangible assets	58,114	61,409
Investments in associates	1,711	4,086
Plant and equipment	4,239	3,954
Deferred tax assets	1,924	2,034
Other non current assets	707	565
	66,695	72,048
CURRENT ASSETS		
Trade and other receivables	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	(73,583)	(86,850)
Current tax liabilities	(3,030)	(1,610)
Other financial liabilities	(37)	(18)
Deferred and contingent consideration	(116)	(9,811)
Minority shareholder put options liabilities	(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	(928)	(1,604)
Other financial liabilities	(6,702)	(8,531)
Deferred and contingent consideration	-	(8,325)
Minority shareholder put options liabilities	(1,816)	(3,691)
Other non current liabilities	(483)	(1,142)
	(9,929)	(23,293)
TOTAL NET ASSETS	48,823	35,898

M&C SAATCHI PLC
 UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 December	Note	2008 £'000	2007 £'000
EQUITY	10		
Equity attributable to shareholders of the group			
Share capital		615	597
Share premium		12,758	12,758
Merger reserve		21,777	20,285
Treasury reserve		(792)	(792)
Minority interest put option reserve		(4,463)	(6,876)
Foreign exchange reserve		2,249	318
Retained earnings		15,869	9,053
TOTAL SHAREHOLDERS' EQUITY		48,013	35,343
MINORITY INTERESTS		810	555
TOTAL EQUITY	10	48,823	35,898

M&C SAATCHI PLC
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Note	2008 £'000	2007 £'000
CASH GENERATED FROM OPERATIONS	11	15,050	8,991
Tax paid		(3,592)	(4,092)
NET CASH FLOW FROM OPERATING ACTIVITIES		11,458	4,899
Acquisitions	12	(14,156)	(24,602)
Proceeds from sale of plant and equipment		5	23
Purchases of plant and equipment		(1,634)	(1,401)
Purchases of capitalised software		(100)	(107)
Dividends from associate		125	–
Interest earned from cash held by trading entities		1,401	1,553
Interest received on centrally held cash		10	256
NET CASH CONSUMED BY INVESTING ACTIVITIES		(14,349)	(24,278)
Dividends paid to equity holders of the Company		(2,187)	(1,813)
Dividends paid to minority interests		(648)	(1,404)
Subsidiaries purchase of own shares from minorities		(19)	–
Inception of finance leases		29	–
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		(5,895)	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

M&C SAATCHI PLC
NOTES TO THE PRELIMINARY STATEMENTS
YEAR ENDED 31 DECEMBER 2008

1. GENERAL INFORMATION

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 2008 unaudited preliminary financial statements were approved for issue on 25 March 2009.

The financial information for the years ended 31 December 2008 and 2007 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 2007 do not constitute the Group's statutory accounts for that financial year. The 31 December 2007 statutory accounts, 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.

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. 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.

2. ACCOUNTING POLICIES

The unaudited preliminary consolidated financial statements comply with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union, and are consistent with the accounting policies of the Group which were set out in the 2007 Annual Report and Accounts.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Group's 2008 Annual Report and Accounts will be prepared in compliance with IFRS.

The Group has adopted all of the standards and interpretations that were mandatory for accounting periods beginning on or after 1 January 2008 that are relevant to the operations of the Group.

M&C SAATCHI PLC
NOTES TO THE PRELIMINARY STATEMENTS
YEAR ENDED 31 DECEMBER 2008

3. HEADLINE RESULTS AND EARNINGS PER SHARE

YEAR ENDED	Reported results	Amortisation of acquired intangibles	Impairment of acquired intangibles including goodwill	Fair value adjustments to minority put option liabilities	Notional interest on deferred consideration	Headline results
31 DECEMBER 2008	£000	£000	£000	£000	£000	£000
REVENUE	104,383	-	-	-	-	104,383
OPERATING PROFIT	10,766	575	2,398	-	-	13,739
Impairment of associate	(2,400)	-	2,400	-	-	-
Share of results of associates	(81)	-	-	-	-	(81)
Net interest	2,208	-	-	(1,940)	169	437
PROFIT BEFORE TAXATION	10,493	575	4,798	(1,940)	169	14,095
Taxation	(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						
- Float 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

M&C SAATCHI PLC
NOTES TO THE PRELIMINARY STATEMENTS
YEAR ENDED 31 DECEMBER 2008

YEAR ENDED	Reported	Amortisation	Fair value	Notional	Headline
31 DECEMBER 2007	results	of acquired	adjustments	interest on	results
		intangibles	to minority	deferred	
			put option	consideration	
			liabilities		
	£000	£000	£000	£000	£000
REVENUE	87,620	-	-	-	87,620
OPERATING PROFIT	9,614	608	-	-	10,222
Share of results of associates	281	53	-	-	334
Net interest	(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
- Float options	411				411
- LTIP options	975				975
- Contingent consideration	595				595
Total	58,303				58,303
DILUTED EARNINGS PER SHARE	5.59p				12.09p

M&C SAATCHI PLC
NOTES TO THE PRELIMINARY STATEMENTS
YEAR ENDED 31 DECEMBER 2008

4. SEGMENTAL INFORMATION

Segmental analysis is provided by reference to the geographical origin of business.

YEAR ENDED 31 DECEMBER 2008	UK	Asia & Australia	America	Europe	Total
	£000	£000	£000	£000	£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 result of associates	-	-	-	(81)	(81)
Net interest	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 on 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 HOLDERS 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 HOLDERS OF THE GROUP	6,974	1,238	161	651	9,024
HEADLINE BASIC EPS					15.05p

M&C SAATCHI PLC
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YEAR ENDED 31 DECEMBER 2007	UK	Asia & Australia	America	Europe	Total
	£000	£000	£000	£000	£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
HEADLINE OPERATING PROFIT	8,369	550	581	722	10,222
Share of result of associates	25	-	-	309	334
Net interest	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)
- Fair value adjustments to minority put option liabilities	(3,052)	-	-	-	(3,052)
- Notional interest on 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 HOLDERS 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 HOLDERS OF THE GROUP	5,830	133	309	774	7,046
HEADLINE BASIC EPS					12.55p

M&C SAATCHI PLC
NOTES TO THE PRELIMINARY STATEMENTS
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5. OPERATING COSTS

Year ended 31 December	2008 £'000	2007 £'000
Total staff costs	61,913	53,763
Other costs	31,704	24,243
Total operating costs	93,617	78,006

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

6. SHARE OF ASSOCIATES

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

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

M&C SAATCHI PLC
 NOTES TO THE PRELIMINARY STATEMENTS
 YEAR ENDED 31 DECEMBER 2008

7. 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	3,350	1,809

8. FINANCE EXPENSE

Year ended 31 December	2008 £'000	2007 £'000
Bank interest chargeable	(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	(1,142)	(3,748)

M&C SAATCHI PLC
NOTES TO THE PRELIMINARY STATEMENTS
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9. TAXATION

Year ended 31 December	2008	2007
	£'000	£'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 provisions 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	2007
	£'000	£'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 provisions 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 of deferred consideration	(48)	(77)
Impairment of goodwill	(925)	–
Total taxation	3,904	3,530

M&C SAATCHI PLC
NOTES TO THE PRELIMINARY STATEMENTS
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9. 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

The directors propose a final dividend of 2.75 pence per share (2007: 2.75 pence per share) payable on 10 July 2009 to shareholders who are on the register at 12 June 2009. This final dividend, amounting to £1,672k (2007: £1,658k) has not been recognised as a liability in these preliminary statements.

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
Total dividend that relates to the year	2,201	2,171

The headline dividend cover is:

Headline profit after tax attributable to equity shareholders	9,024	7,046
Total dividend that relates to the year	2,201	2,171
Headline dividend cover	4.1	3.2

M&C SAATCHI PLC
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10. RESERVES

	Share capital	Share premium	Merger reserve	Treasury reserve	Minority interest put option reserve	Foreign exchange reserve	Retained earnings	Subtotal	Minority interests	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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
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	-	-	-	-	-	-	-	-	(38)	(38)
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	-	5,070
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
31 December 2008	615	12,758	21,777	(792)	(4,463)	2,249	15,869	48,013	810	48,823

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11. CASH GENERATED FROM OPERATIONS

Year ended	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 intangible assets	5	(2)
Impairment and amortisation on 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 and provisions	15,598	12,185
Decrease / (increase) in trade and other receivables	17,615	(22,064)
(Decrease) / increase in trade and other payables	(18,163)	18,870
Net cash inflow from operating activities	15,050	8,991

M&C SAATCHI PLC
NOTES TO THE PRELIMINARY STATEMENTS
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12. CASH CONSUMED BY ACQUISITIONS

Year ended	2008 £'000	2007 £'000
<hr/>		
Cash consideration including capitalised acquisition costs		
2007 Acquisitions:		
- M&C Saatchi Berlin GmbH	-	(358)
- Talk PR Ltd	-	(3)
- Clear Ideas Ltd	(2,405)	(14,508)
- Walker Media Holdings Ltd (acquisition of 19.5%)	(5,369)	(8,922)
2008 Acquisitions:		
- Walker Media Holdings Ltd (acquisition of 5.5%)	(3,889)	-
- The Immediate Sales Company Ltd	(3)	-
- Play London Ltd	(43)	-
- F5	(71)	-
	<hr/>	<hr/>
	(11,780)	(23,791)
Less cash and cash equivalents acquired	-	776
	<hr/>	<hr/>
	(11,780)	(23,015)
Purchase of associate (Zapping, Spain, 2007 acquisition)	(2,376)	(1,587)
Total payments made in the year relating to acquisitions	<hr/> (14,156)	<hr/> (24,602)