M&C SAATCHI

2010

CHAIRMAN'S STATEMENT
JEREMY SINCLAIR

It is forty years since the start of Saatchi & Saatchi and fifteen since the formation of M&C Saatchi. We were delighted that so many shareholders, staff, former staff, clients, former clients and friends could come to the Saatchi Gallery in September to help us celebrate. You are all part of the Saatchistory.

What has changed in that time? What is the same?

The biggest change is time itself. What used to take days, now takes moments.

Information is instant. Communication is similarly quick. And because it can be, everything is urgent.

The most important constant is the power of words and pictures to move hearts and minds.

Great ideas are still rare.

Great talent is still hard to come by.

The joy of finding a perfect solution to a problem that defies resolution is as exciting and explosive as ever.

And the great power of Simplicity still reigns over us all.

You may know that one of our favourite clients, the Conservative Party, returned to us during the year. One fact might be of interest: In constituencies where we advertised, there was a 6.14% swing from Labour to the Conservatives, compared to 4.6% in those constituencies where there was no advertising. That's 33.5% higher.

Financially, last year was the year of recovery.

Headline PBT went from £10.3m in 2009 to £13.3m in 2010. Revenue grew at 21% – the fastest rate since we first went public. And if we strip out the effect of lower interest earnings, the Group returned to the profit levels of 2008. The financial crisis cost us a year of growth.

The effect is that headline EPS is up 24% and the headline operating profit margin is up from 10.0% to 10.6%.

The stars of 2010 who should be mentioned are: M&C Saatchi Italy, which is our first ever start-up to break even in its first year. Clear had a great year with good recovery in the UK and healthy growth in Asia and the US. The Asia Pacific region overall did well with a 59% increase in profit.

Creatively the advertising network had its best year for years, with the work for Dixons becoming the most awarded press campaign in the world according to the Gunn Report.

2011 has started well and we are confident that the improvements of 2010 will be built on.

There have been some important changes in the Group's management:

James Osmond and Steven Melford are now CEO and Chairman respectively at Clear.

Simon Davis has moved up to be CEO of Walker Media, Sean Healy takes Simon's place as MD.

Lisa Thomas has become CEO of our London operations in Golden Square. Dave Whittle becomes managing director of M&C Saatchi in Australia.

All are well deserved promotions which give the Board great confidence for the next 40 years.

DISCIPLINES

Advertising
Brand Consulting
Brand Licensing
Consumer PR
Corporate PR
Design
Digital
Direct
Events
Luxury Brands
Media
Mobile*
Promotion
Retail Communications
Search Engine Optimisation
Sport & Entertainment

LOCATIONS

Amsterdam
Auckland
Bahrain
Beijing
Beirut*
Berlin
Cape Town*
Geneva
Guangzhou
Hong Kong
Johannesburg*
Kuala Lumpur
London
Los Angeles
Madrid
Melbourne
Milan*
Mumbai
New Delhi
New York
Paris
São Paulo
Shanghai
Sydney
Tokyo
Wellington

*New in 2010

CHIEF EXECUTIVE
DAVID KERSHAW

2010 was a year of healthy progress for M&C Saatchi. We ended the year with significant momentum having delivered good growth in both revenue and profits. The overall figures were excellent: revenue was up 21%, with like-for-like (excluding exchange movements page 39) revenues increasing by 16%, the headline operating margin was up from 10.0% to 10.6%, while the headline profit before tax advanced 29% to £13.3m and headline net earnings rose 25%.

Cash flow continued to be strong and our balance sheet remains in good shape. We have been closely managing our working capital so debt has been reduced and cash materially increased.

UK

We enjoyed a strong year in the UK, delivering the best annual new business performance since we listed in 2004. UK revenues advanced 9% year-on-year. This performance came in spite of the continued highly competitive nature of the market. Key new clients included iShares, BlackRock, the Mail on Sunday, the Olympic Delivery Authority, Bathstore, IKEA, Netjets, Memega and the Government's Cancer Awareness campaign for the COI. Importantly, several of the larger wins were integrated mandates, with a number of Group companies benefiting.

We retain a close focus on margin and cost control but continue to experience pressure on media buying remuneration. This resulted in the headline operating margin (excluding group costs) dipping from 21.3% to 20.5% . The UK headline operating profit (excluding group costs) improved 5% on 2009.

Europe

We made good progress in our offices in Continental Europe, with our offices growing well in a market that proved to be no easier. Like-for-like revenues rose 18%, the headline operating margin (excluding group costs) increased from 11.5% to 15.1% and operating profits (excluding group costs) were up 49% year-on-year. Germany delivered a particularly impressively, while in France we benefited from our expansion into direct marketing, digital and PR as the core advertising market remains tough.

Asia and Australasia

There was improvement from our operations in Asia and Australasia. Like-for-like revenue increased 14%, headline operating margin (excluding group costs) was up from 6.8% to 8.2% and operating profits (excluding group costs) rose a notable 59% to £3.6m.

New accounts in Australia included Brand Australia, David Jones, ING, Woolworths hardware and Georg Jensen. Malaysia also turned in a strong new business performance, winning Volkswagen, Bursa Malaysia and MAB.

Elsewhere in the region, Japan and New Zealand are growing and making good progress. China and India's clients remain project based and relatively small, both markets are currently working to secure larger retained clients.

Americas

We continued to make progress in the US, albeit with our operations that remain modest. We have explored alliances in New York and are currently establishing a hub for our growing non-advertising businesses.

Los Angeles was successful on the new business front in the second half, winning Trafalgar Travel, Proximo Spirits (Three Olives Vodka) and Ugg boots.

Brazil has found it hard to compete through lack of scale, leading to a portfolio reliant on project-based work. To rectify this we are acquiring 60% of a larger agency, Fabra & Quinteiro, and merging this into our São Paulo operation.

New offices

In 2010, we opened three new offices; in South Africa (Cape Town in February and Johannesburg in October) and Italy (Milan in June) in line with our strategy of organically developing offerings in key markets.

In 2010, the new offices contributed £1.2m of new revenues and £0.8m of operating losses. We generally expect our new offices to incur two years of operating losses and were delighted that Milan managed to break even in its first year.

Since the year end, we have announced plans to open in Russia – a move which completes our global network – via the formation of a 50/50 joint venture with EMCG, one of Russia's leading independent agencies.

They will now work under the M&C Saatchi name, giving us access to another key growth market.

Clear

Clear maintained a strong first half performance, with good growth in the US and Asia. Like-for-like revenue was up 29% on 2009, the headline operating margin advanced from 15.2% to 17.9% and headline operating profits increased by 53%.

New clients in the UK were BSkyB, Coors and Skandia, while the Netherlands added Philips and TomTom, the USA Pizza Hut and Celgene and Asia Pepsi, Celcom and Colgate.

There was a healthy referral of clients across the Clear network and all offices now handle assignments from Unilever.

We opened a new Clear office in Australia at the start of 2010 and are just adding a further office in Singapore to attract regionally based multinationals.

Outlook

2011 has started well. Despite caution regarding the macro environment, we are currently enjoying revenue momentum. We believe the Network is now in place with offices in all the key regions. Winning global new business is a key focus. In this respect, already in 2011 we have won Visit Britain, FTI Consulting, Kaspersky, BAE Systems and Garmin.

We are also exporting our newer businesses; we have been rolling out Clear, Sport & Entertainment, PR and Mobile across international markets.

Lastly, we continue to invest for future growth. In the UK, we are taking a 25% minority in both a start up data business and Human Digital, a new social media insight business.

The Board is confident that we will continue to make progress in 2011 and beyond.

Headline and non-headline items

Headline and non-headline are key to the way the Group explains its results. Details of what is excluded from headline is found in note 1 page 26.

Operating profit and margin

At a Group level we focus on revenue growth and margin improvement leaving our local CEOs to manage their cost base to their revenues. This local focus on cost has helped increase operating margin to 10.1% (2009: 9.8%) and headline operating margin to 10.6% (2009: 10.0%), while revenues have increased by 21.0% to £125.1m (2009: £103.4m). This has resulted in operating profit increasing 24.5% to £12.7m (2009: £10.2m) and headline operating profit up 28.3% to £13.3m (2009: £10.4m).

Excluding currency movement, the main influence being the positive effect of weaker sterling against the Australian dollar, the like-for-like revenue increase was 15.6%, and an operating profit increase of 25.8%

Amortisation and impairment of acquired intangibles

We are comfortable that having reviewed the carrying values for intangible assets at the end of 2010 there is no impairment need. As can be seen in note 15, the carrying values are significantly below the recoverable amounts in all cash generating units except New Zealand where the recoverable amount is equal to the carrying amount.

During the year we acquired interests in a mobile marketing operation in the UK (Inside Mobile Limited) and a direct marketing company in France (Direct One SAS). Both companies were acquired for the skills of their staff and the usefulness of their service offering to our clients.

Financial income and expense

The Group's headline net interest cost was consistent with 2009 at £0.1m. There was no significant change in the interest expense incurred on the Group debt for although average Group debt reduced to £3.3m (2009: £5.1m), interest rates remained low.

Minority put option revaluations are excluded from the headline results as the charge can vary significantly each year and affect the view of the underlying performance. Accounting for put options can result in counter intuitive effects on our financials. Increases in our share price and increases in the actual or expected performance of our subsidiaries with put options creates a charge to the income statement and hence reduces our profits. The opposite is equally true, as can be seen from the minority put option credits in our 2008 and 2009 accounts.

This counter intuitive effect has been exacerbated in 2010 by the issue of new put options which created an additional £7.3m liability that is revalued annually. Put options were issued to the Australian management for 20% of their business that they acquired from us and to Talk PR Limited whose management acquired 49% of their fashion PR business from us. In addition, new options arose on the acquisition of 60% of Inside Mobile Limited and on our 70% acquisition of Direct One SAS.

Through exercise of minority interest put options, we acquired 13% of our Australian Digital agency Mark Agency Pty Limited for £0.9m cash and 5% of Talk PR Limited for £0.1m cash.

Taking account of these changes to the underlying liability and this year's 59% increase in share price, of which 42% occurred in the second half of the year, after all the new minority put options had been agreed, caused a £4.9m charge to the income statement. Further details can be seen in note 25.

Tax

The tax rate on headline profit before tax was 36.9% (2009: 36.0%). The increase in the tax rate was caused by the additional non deductible client entertaining arising from the Saatchistory party that celebrated 15 years of M&C Saatchi and 40 years of the Saatchi brand, as well as the legal costs of our acquisitions and disposals in the year.

Our continued investment in new offices £0.8m (2009: £1.4m) and in existing offices £1.4m (2009: £0.6m) has kept our tax rate 5.3pts higher than we would expect. The Group does not recognise a deferred tax asset on these losses until the future profits of those businesses are certain (note 19). When these offices become profitable we will see the positive effect on the tax rate, this positive effect will be enhanced by our new hub in New York that is enabling us to access the historic losses that we incurred there.

Non controlling interest

The proportion of profits attributable to non controlling shareholders increased to 7.3% (2009: 5.6%) of headline profit after tax, being £0.6m (2009: £0.4m). Due to the change in IAS27, 2010 was the first year that we allocated losses to non controlling interest to subsidiaries with net liabilities. Had 2010 been accounted for on the same basis as 2009 the profit attributable to non controlling interest would have been £1.2m or 14.1%. This increase is due principally to the increased management shareholdings in 2010 in Australia together with the equity that we left with management when we acquired Inside Mobile Limited and Direct One SAS.

Dividend

As part of a progressive dividend policy, the Board is proposing to pay a final dividend of 3.03p per share (2009: 2.75p), giving a total dividend of 3.90p compared to 3.62p in 2009, this is an increase of 7.7%. The final dividend will be paid subject to shareholder approval on 8 July 2011 to shareholders on the register at 10 June 2011.

Cash flow and banking arrangements

Net cash at 31 December 2010 was £29.1m compared to £10.7m at 31 December 2009. The Group continued to generate cash which it has used to pay down bank loans and make small strategic acquisitions. At the year end we received exceptionally high advance payments from clients which we expect to spend on their behalf on suppliers in the early part of 2011.

The Group continues to operate within its banking covenants and has agreed new bank facilities comprising a revolving credit facility and a committed overdraft totalling £10.3m to 30 June 2014.

Capital expenditure

Total capital expenditure for 2010 increased to £2.6m (2009: £1.9m). This increase was due to the delayed refurbishment of one of our London business units and our 13% increase in staff.

Associates

On 10 May 2010, in return for the use of our name we received a 10% shareholding in M&C Saatchi SAL. This Lebanese company operates in the Middle East North Africa (MENA) region and our share of their 2010 profits was £13k.

The economy in Spain remains tough; while many of our competitors have gone out of business in the last two years, our associate remains. Our share of the Spanish associate’s profit for the year was £48k (2009: £64k).

BOARD

EXECUTIVE DIRECTORS

Jeremy Sinclair
Chairman

Bill Muirhead
Executive Director

NON EXECUTIVE DIRECTORS

Lloyd Dorfman
Non Executive Director

Adrian Martin
Non Executive Director

Maurice Saatchi
Executive Director

David Kershaw
Chief Executive

Jamie Hewitt
Finance Director

Jonathan Goldstein
Non Executive Director

The directors submit their report together with the audited financial statements of the Group and Company for the year ended 31 December 2010.

Results and dividends

The consolidated income statement on page 20 shows the result for the year.

The directors paid an interim dividend of £537,000 (2009: £536,000), a second interim dividend of £Nil (2009: £1,692,000) and recommend a final dividend of 3.03 pence totalling £1,873,000 (2009: Nil).

Principal activity, trading review and future developments

The principal activity of the Group during the year was the provision of advertising and marketing services. The review of trading, future developments and key performance indicators (being revenue growth, headline operating margin, headline profit before tax, headline tax rate, and cash generation) are on pages 2 to 11.

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. 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 2 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 21 to 23 of the financial statements.

Charitable and political contributions

During the year the Group made charitable donations of £61,619 (2009: £40,704) and made no political donations (2009: nil).

Directors

The names of the directors are given on pages 12 and 13. The following directors were appointed and resigned in the year.

		Date
Jamie Hewitt	Appointed	23 March 2010
Jonathan Goldstein	Appointed	4 May 2010
Jerry Wales	Resigned	23 March 2010

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 18 March 2011 the Company had been notified by shareholders representing 3% or more of issued share capital of the following interests:

	Number of shares	%
Aviva plc & its subsidiaries	7,129,600	11.5%
Hermes Specialist UK Focus Fund Ltd	5,526,968	8.9%
Herald Investment Trust plc	5,400,000	8.7%
Bill Muirhead	3,799,369	6.1%
Maurice Saatchi	3,799,369	6.1%
Jeremy Sinclair	3,799,369	6.1%
David Kershaw	3,799,369	6.1%
JP Morgan Asset Management	3,111,389	5.0%
Fidelity Investments	2,186,655	3.5%

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

Events since the end of the financial year

Since the start of 2011, the Group has entered into new banking arrangements (note 23) and has agreed to purchase the Brazilian revenues of Fabraquinteiro Communições Ltda and employ extra staff to service those revenues (note 33).

The Group is entering into other arrangements that are not expected to be material in the short term. These arrangements include, the formation of a 50/50 joint venture with EMCG, one of Russia's leading independent agencies; taking a 25% equity share in both a start up data business and Human Digital, a new social media analytics company; and the continued organic expansion of our Clear network.

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 workplace.

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 2010 was 17 days (2009: 12 days).

Treasury shares

At the Annual General Meeting (AGM) in 2010 the directors were given the authority to purchase up to 6,232,300 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 2010 the directors were given the authority to issue up to 41,549,000 of its ordinary shares of which 6,232,300 were approved to be issued for cash.

During the year the Company issued 308,503 shares to fulfil options and to acquire equity (note 27). The Company did not issue any shares for cash.

Agreements that vest on change of control

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

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company'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 Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 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 March 2011

Remuneration report
The members of the Remuneration Committee are Lloyd Dorfman, Jonathan Goldstein and Adrian Martin.

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, listed in the remuneration report, have service contracts with 12 month notice periods. All non executive directors have contracts with a nil to 30 day notice period dependent on the circumstances.

Directors' options

	Scheme[1]	Maximum M&C Saatchi Plc shares awardable
Jamie Hewitt	LTIP	110,759

Directors interest in subsidiary

	Scheme[1]	Shares in M&C Saatchi Worldwide ltd
David Kershaw	New LTIP	28 A and 55,675 B shares
Bill Muirhead	New LTIP	28 A and 55,675 B shares
Maurice Saatchi	New LTIP	28 A and 55,675 B shares
Jeremy Sinclair	New LTIP	28 A and 55,675 B shares

1 See note 29

New LTIP
On 14 October 2010 we issued a new award to four members of the Board of M&C Saatchi plc. Each of the four participants invested a non refundable £97,250 for the award. The participants will get a return on their investment if the Company's TSR being at least equal to the median total return of a comparator group of companies as well as the Company's average ninety day closing mid-market share price as at 31 December 2012 must be greater than or equal to 164.4p, and or 198.9p at 31 December 2014 (see note 2 and 29). The award causes an accounting charge of £140,000 in 2010, which represents the expense for the period from 14 October 2010 to year end, this charge is reflected in the table opposite.

With the exception of the open market rent paid to 36 Golden Square LLP (see note 35) 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, the options indicated in this report, or a benefit included in the aggregate amount of remuneration shown in the financial statements) by reason of a contract made by the Company or a related corporation of which he is a member or with a Company in which he has a substantial financial interest.

By order of the Board

Andy Blackstone
Company Secretary
23 March 2011

2010	Basic salary £000	Bonus £000	LTIP1 £000	Benefits in kind2 £000	Pension £000	Total £000
DIRECTORS						
David Kershaw	**325**	**–**	**35**	**48**	**50**	**458**
Bill Muirhead	**325**	**–**	**35**	**51**	**49**	**460**
Maurice Saatchi	**374**	**–**	**35**	**50**	**2**	**461**
Jeremy Sinclair	**374**	**–**	**35**	**44**	**–**	**453**
Jamie Hewitt	**128**	**–**	**23**	**2**	**8**	**161**
Jerry Wales	**43**	**–**	**–**	**8**	**15**	**66**
TOTAL	**1,569**	**–**	**163**	**203**	**124**	**2,059**
NON EXECUTIVE DIRECTORS						
Lloyd Dorfman	**35**	**–**	**–**	**–**	**–**	**35**
Adrian Martin	**35**	**–**	**–**	**–**	**–**	**35**
Jonathan Goldstein	**23**	**–**	**–**	**–**	**–**	**23**
TOTAL	**93**	**–**	**–**	**–**	**–**	**93**
TOTAL REWARDS	**1,662**	**–**	**163**	**203**	**124**	**2,152**

2009	Basic salary £000	Bonus £000	LTIP[1] £000	Benefits in kind[2] £000	Pension £000	Total £000
DIRECTORS						
David Kershaw	288	–	–	49	44	381
Bill Muirhead	288	–	–	56	43	387
Maurice Saatchi	331	–	–	56	3	390
Jeremy Sinclair	331	–	–	48	–	379
Jerry Wales	170	–	(59)	25	60	196
TOTAL	1,408	–	(59)	234	150	1,733
NON EXECUTIVE DIRECTORS						
Lloyd Dorfman	35	–	–	–	–	35
Adrian Martin	35	–	–	–	–	35
TOTAL	70	–	–	–	–	70
TOTAL REWARDS	1,478	–	(59)	234	150	1,803

1 LTIP is the directors' share of the year's accounting charge. Some of Jerry Wales's LTIP options lapsed as he left our employment on 31 March 2010.
2 Benefits in kind include car allowances and permanent health insurance benefits.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2010 £000	2009 £000
BILLINGS		**463,979**	370,764
REVENUE	4	**125,144**	103,435
OPERATING COSTS	6	**(112,469)**	(93,257)
OPERATING PROFIT	4	**12,675**	10,178
Share of results of associates	9	**61**	64
Finance income	10	**227**	386
Finance costs	11	**(5,151)**	(369)
PROFIT BEFORE TAXATION	4	**7,812**	10,259
Taxation	13	**(4,739)**	(3,666)
PROFIT AFTER TAXATION		**3,073**	6,593
Attributable to:			
Equity shareholders of the Group	4	**2,560**	6,223
Non controlling interests	4	**513**	370
PROFIT FOR THE YEAR	4	**3,073**	6,593
EARNINGS PER SHARE			
Basic (pence)	4	**4.15p**	10.17p
Diluted (pence)	4	**4.04p**	9.69p
HEADLINE RESULTS			
Headline operating profit	4	**13,292**	10,360
Headline profit before tax	4	**13,281**	10,288
Headline profit after tax attributable to equity shareholders	4	**7,766**	6,215

The notes on pages 26 to 60 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December	Note	2010 £000	2009 £000
PROFIT FOR THE YEAR		**3,073**	6,593
Other comprehensive income:			
Exchange differences on translating foreign operations before tax		**509**	(193)
Tax benefit/(expense)		**5**	92
Other comprehensive income for the year net of tax		**514**	(101)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,587**	6,492
Total comprehensive income attributable to:			
Equity shareholders of the Group		**3,074**	6,122
Non controlling interests		**513**	370
		3,587	6,492

The notes on pages 26 to 60 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER	Note	2010 £000	2009 £000
NON CURRENT ASSETS			
Intangible assets	15	**61,125**	58,394
Investments in associates	17	**1,579**	1,730
Plant and equipment	18	**5,487**	4,353
Deferred tax assets	19	**825**	1,900
Other non current assets	20	**4,752**	1,787
		73,768	68,164
CURRENT ASSETS			
Trade and other receivables	21	**80,245**	53,844
Current tax assets		**125**	89
Cash and cash equivalents		**31,388**	15,111
		111,758	69,044
CURRENT LIABILITIES			
Trade and other payables	22	**(113,480)**	(72,278)
Current tax liabilities		**(1,275)**	(2,000)
Other financial liabilities	23	**(2,538)**	(26)
Deferred and contingent consideration	24	**(331)**	(229)
Minority shareholder put option liabilities	25	**(3,873)**	(1,089)
		(121,497)	(75,622)
NET CURRENT LIABILITIES		**(9,739)**	(6,578)
TOTAL ASSETS LESS CURRENT LIABILITIES		**64,029**	61,586
NON CURRENT LIABILITIES			
Deferred tax liabilities	19	**(942)**	(871)
Other financial liabilities	23	**(143)**	(4,447)
Contingent consideration	24	**(343)**	–
Minority shareholder put option liabilities	25	**(11,162)**	(2,834)
Other non current liabilities	26	**(368)**	(318)
		(12,958)	(8,470)
TOTAL NET ASSETS		**51,071**	53,116

The notes on pages 26 to 60 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER	Note	**2010 £000**	2009 £000
EQUITY			
Equity attributable to shareholders of the Group			
Share capital	27	**625**	622
Share premium		**12,822**	12,758
Merger reserve		**21,922**	22,258
Treasury reserve		**(792)**	(792)
Minority interest put option reserve	28	**(10,466)**	(3,480)
Non controlling interest acquired	28	**(130)**	–
Foreign exchange reserve	28	**2,662**	2,148
Retained earnings		**23,053**	18,832
		49,696	52,346
NON CONTROLLING INTEREST		**1,375**	770
TOTAL EQUITY		**51,071**	53,116

These financial statements were approved and authorised for issue by the Board on 23 March 2011 and signed on its behalf by:

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

The notes on pages 26 to 60 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Other reserves £000	Retained earnings £000	Subtotal £000	Non controlling interest in equity £000	Total £000
AT 1 JANUARY 2009	615	12,758	21,777	(792)	(2,214)	15,869	48,013	810	48,823
Issue of shares for acquisitions	7	–	481	–	–	–	488	(58)	430
Issue of shares to minority	–	–	–	–	–	–	–	104	104
Exchange rate movements	–	–	–	–	(10)	–	(10)	(46)	(56)
Exercise of minority put options	–	–	–	–	401	537	938	–	938
Issue of minority put options	–	–	–	–	(1,737)	–	(1,737)	–	(1,737)
Cancellation of minority put options	–	–	–	–	2,329	(1,829)	500	–	500
Equity settled share based payments	–	–	–	–	–	251	251	–	251
Dividends	–	–	–	–	–	(2,219)	(2,219)	(410)	(2,629)
Total comprehensive income for the year	–	–	–	–	(101)	6,223	6,122	370	6,492
AT 1 JANUARY 2010	622	12,758	22,258	(792)	(1,332)	18,832	52,346	770	53,116
Acquired non controlling interest	1	64	–	–	(45)	(64)	(44)	–	(44)
Acquisitions	–	–	–	–	–	–	–	218	218
Issues of shares to minorities	–	–	–	–	–	–	–	474	474
Exchange rate movements	–	–	–	–	(13)	–	(13)	(23)	(36)
Sale to non controlling interests	–	–	(336)	–	84	3,550	3,298	–	3,298
Issue of minority put options	–	–	–	–	(7,345)	–	(7,345)	–	(7,345)
Cancellation of minority put options	–	–	–	–	203	15	218	–	218
Option exercise	2	–	–	–	–	(2)	–	–	–
Reclassification of share to cash based option	–	–	–	–	–	(284)	(284)	–	(284)
Reclassification of cash to share based option	–	–	–	–	–	158	158	–	158
Share option charge	–	–	–	–	–	517	517	–	517
Dividends	–	–	–	–	–	(2,229)	(2,229)	(577)	(2,806)
Total comprehensive income for the year	–	–	–	–	514	2,560	3,074	513	3,587
AT 31 DECEMBER 2010	625	12,822	21,922	(792)	(7,934)	23,053	49,696	1,375	51,071

Details of Other reserves can be found in note 28.
The definitions of the reserves reported in the above can be found in note 3.
The reclassification of share to cash based options is due to the Group paying cash equal to the employment tax payable and issuing a reduced number of shares on exercise of its employee share options.
The reclassification of cash to share based options is due to a reclassification of share based options which had previously been held as a liability.
The notes on pages 26 to 60 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Note	2010 £000	2009 £000
CASH GENERATED FROM OPERATIONS	30	**28,291**	16,971
Tax paid		**(4,636)**	(4,024)
NET CASH FLOW FROM OPERATING ACTIVITIES		**23,655**	12,947
INVESTING ACTIVITIES			
Acquisitions and disposals	31	**(1,280)**	(536)
Proceeds from sale of plant and equipment		**30**	10
Purchase of plant and equipment		**(2,354)**	(1,715)
Purchase of capitalised software		**(207)**	(82)
Dividends from associate		**200**	38
Interest earned		**227**	215
NET CASH CONSUMED BY INVESTING ACTIVITIES		**(3,384)**	(2,070)
FINANCING ACTIVITIES			
Dividends paid to equity holders of the Company	14	**(2,229)**	(2,219)
Dividends paid to non controlling interest		**(577)**	(410)
Subsidiaries sale of own shares to non controlling interest		**397**	118
Repayment of finance leases		**(32)**	(29)
Inception of bank loans		**3,703**	1
Repayment of bank loans		**(5,583)**	(2,154)
Interest paid		**(299)**	(350)
Interest on finance leases		**–**	(1)
NET CASH CONSUMED BY FINANCING ACTIVITIES		**(4,620)**	(5,044)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15,651**	5,833
Cash and cash equivalents at the beginning of the year		**15,111**	9,271
Effect of exchange rate changes		**626**	7
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**31,388**	15,111

The notes on pages 26 to 60 form part of these financial statements.

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 of the business. In addition, the headline result are 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.

Our segmental reporting reflects our headline results in accordance with IFRS 8.

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

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 that we gain control up to the balance sheet date.

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

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

Subsidiary acquisitions

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

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

Goodwill

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

In 2009 and before where the Group increased its stake in a subsidiary, goodwill equals the difference between the consideration paid and the fair value of the minority interest acquired. In 2010 and beyond such balances are taken to reserves in accordance with IAS 27. The amendment to the standard does not require retrospective restatement.

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

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

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

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

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

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

Acquisitions of subsidiaries' equity that do not affect control
If a minority interest put option exists then the amount paid extinguishes the minority shareholder put option liability, and the related minority interest put option reserve is taken to non controlling interest acquired reserve.

If no minority interest put option exists then the consideration paid is debited to non controlling interest acquired reserve (see definition note 3).

In both cases the share of net assets in non controlling interest reserve is transferred to the non controlling interest acquired reserve.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 10% and 50% of the voting rights and minority board representation. 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 and impairment.

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 relationships	– 1 to 5 years
Brand name	– 0 to 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, for the purposes of the balance sheet and cash flow statement, cash at bank and in hand and deposits with an original maturity of three months or less, net of legally offsettable overdraft which are managed as part of cash balances.

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

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

1. Accounting policies continued

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

Segmental reporting

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

Our business is run on an operating unit basis. In accordance with IFRS 8 paragraph 12 we have aggregated our operating units into regional segments, plus new offices. It is intended that a new office remains in the new office segment in its first year (previously first two years) of operation and then will be transferred into its regional segment (with the related comparative also restated). Clear has a different nature of service, and it is reported to the Board on a consolidated basis rather than on an office basis, as with other operating units, we therefore have allocated Clear as a separate segment.

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.

Employee benefits – 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.

UK growth shares

Some of our UK subsidiaries have shares that do not pay a dividend but instead have a right attached to the share allowing them to be exchanged into shares of M&C Saatchi plc via a put/call option. The value of the option, which can be exchanged into M&C Saatchi plc shares, is based on the Group's headline profit after tax multiple and excludes loss making companies. The valuation uses the growth of normalised post tax profits of the subsidiary company above that company's 2007 profits plus a compounded growth factor. The Group has a nominal value call option in the event that the shareholders are no longer employed. This transaction has been treated as a equity settled transaction under IFRS 2.

The cost of equity settled transactions with these shareholders is measured and accounted for in accordance with the Group's stated policy for equity settled share based compensation.

M&C Saatchi Worldwide Ltd A and B shares

Some of the Company's directors have purchased M&C Saatchi Worldwide Ltd A and B shares. These shares have rights to be converted into shares of the Company (see note 29). This transaction has been treated as a equity settled transaction under IFRS 2.

Taxation

Current tax, including UK and foreign tax, is provided for, using the tax rates and laws that have been substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not provided for temporary differences that arise: from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or loss; and on the initial recognition of goodwill.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Earnings per share
The dilutive effect of unvested outstanding options is calculated based on the number that would vest had the balance sheet date been the vesting date. This dilution is reflected in the computation of diluted earnings per share.

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

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

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

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

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

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

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

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.

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 non controlling 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 option liabilities 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 non controlling 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, and its related minority interest put option reserve is moved to the non controlling interest acquired reserve.

Call option assets
Assets in respect of call option agreements that allow the Group to require the equity partners to sell their non controlling interest are treated as derivatives over own equity instruments and are recorded in the balance sheet at fair value. The fair value of such call option assets is remeasured at each period end. When the asset is created and subsequently remeasured the corresponding entry is taken to the income statement.

1. Accounting policies continued

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.

STANDARD EFFECTIVE FOR THE FIRST TIME THIS YEAR
A number of new and amended standards become effective for periods beginning on or after 1 January 2010. The principal changes that are relevant to the Group are:

IFRS 3 Business Combinations (Revised); apart from no longer capitalising acquisition expenses, there has been no effect on the reported results or previous financial position of the Group.

IAS 27 Consolidated and separate financial statements (as amended) has had no effect on the previous financial position of the Group. Acquisition and disposals without a change in control do not have an effect on the income statement. It has affected the reported results of the Group in the following ways:

a) Non controlling interests. Where we have a loss making subsidiary with net liabilities, whose losses are funded by the Group, previously and as stated in 2009 results, 100% of those losses would be attributable to Equity holders of the Group. In 2010 the losses are shared between the Group and the non controlling interest, in proportion to the interests in the subsidiary. This change has resulted in the 2010 profits attributable to equity shareholders of the Group being £570k higher that they would have been under the old standard.

b) Disposals of subsidiaries' equity that do not affect control no longer affect the value of goodwill or create a profit or loss on disposal in the income statement. Proceeds less transfer to non controlling interests are credited directly to retained earnings. In the event that equity had previously been acquired under this revised standard then such a disposal will result in a release from non controlling interest acquired reserve to retained earnings. This change has resulted in the 2010 profits attributable to equity shareholders of the Group being £2,540k lower, and goodwill £757k higher that they would have been under the old standard.

c) Acquisitions of subsidiaries' equity that do not affect control no longer change the value of goodwill. If a minority interest put option exists then the amount paid is provided by the minority shareholder put option liability, and its related minority interest put option reserve is taken to non controlling interest acquired reserve. If no minority interest put option exists then the amount paid is taken to non controlling interest acquired reserve. In both cases the share of net assets in non controlling interest reserve, is transferred to the non controlling interest acquired reserve. This change has no impact on the income statement, and has resulted in goodwill being £64k lower than it would have been under the old standard.

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 2011 or later periods and which the Group has decided not to adopt early. These are:

Revised IAS 24 Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011) clarifies and simplifies the definition of a related party.

IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2013) will eventually replace IAS 39 in its entirety. The new standard addresses the classification and measurement of financial assets. Classification of financial assets is on the basis of an entity's business model for managing them and the contractual cash flows characteristic of the asset. The standard outlines the conditions to measure a financial asset at amortised cost and subsequent measurement at amortised cost or fair value, as well as subsequent reclassification between categories. The held to maturity and available for sale classifications have been eliminated.*

STANDARDS, NOT YET EFFECTIVE, WHICH ARE NOT EXPECTED TO BE RELEVANT TO THE GROUP
Amendments to IAS 32 Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 February 2010).

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010).

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 July 2010).

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011).

Amendments to IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 July 2011).*

Amendments to IAS 12 Income Taxes (effective for accounting periods beginning on or after 1 January 2012).*

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

2. 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 below, and note 21 and 22)

MARKET RISK
(note 5)

INTEREST RATE RISK
(note 12)

CREDIT RISK
(note 21)

INCOME STATEMENT CURRENCY EXPOSURE

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

2010 profits would have changed as follows, had average exchange rates been changed by:

Exchange rate	Increase/ (decrease) in profit before tax £000	Increase/ (decrease) in profit after tax £000
+10%	(458)	(261)
-10%	561	320

See note 5 for the income statement translated at prior year exchange rates.

SHARE PRICE RISK

Minority interest put options

Changes in our year end share price will impact the fair value adjustment to minority shareholders put options (note 25). The year end share price was 129.0p (2009: 81.0p). The 2010 charges would have changed as follows, had the share price been:

Share price	% Movement	Increase/ (decrease) in profit before tax £000	Increase/ (decrease) in profit after tax £000
177.0p	+37.2%	(5,357)	(5,357)
164.4p	+27.4%	(3,951)	(3,951)
141.9p	+10.0%	(1,440)	(1,440)
129.0p	–	–	–
116.1p	-10.0%	1,440	1,440
81.0p	-37.2%	5,357	5,357

New LTIP

On 14 October 2010 the Group issued a New LTIP plan for some of the Company's directors (note 29). The key criteria of the New LTIP is our share price in determining the number of the Company's shares to issue. Increased shares issued under this scheme will reduce the Groups EPS. The numbers of shares that will be issued:

Share price	% Movement	Number of shares to issue	Percentage of current share capital
200.0p	+55.0%	3,676	6.0%
177.0p	+37.2%	3,351	5.4%
164.4p	+27.4%	3,134	5.1%
141.9p	+10.0%	–	–
129.0p	–	–	–

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 minimises its gearing ratio, and where working capital is utilised to fund the business, management makes sure that the Group has sufficient bank facilities to cope with an unwinding of positive working capital flows.

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 reserves to safeguard the Group's going concern, as well as providing adequate return to its shareholders. The capital reserves total £60,162k (2009: £55,826k). The Group minimises the amount of debt it uses to finance its activities, to reduce the risk to the shareholders. Excess working capital is used to reduce debt. Excess cash is used to invest or is returned to shareholders by way of dividend or through buying shares into treasury. Our key process for managing capital is regular Board reviews of our capital structure and needs.

KEY ESTIMATES

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

Changes in these underlying assumptions could give rise to material adjustments as set out in the following notes:

Note 15 – Intangible assets – Goodwill estimation of value in use;
Note 25 – Minority shareholder put options liabilities;
Note 29 – Share based payments – Conditional share awards; and
Note 24 – Contingent consideration on Direct One SAS.

2. Risk and risk management continued

KEY JUDGEMENTS

Management has made the following key judgements, which have a significant effect:

- to consolidate the Group's special purpose entity (that is contractually controlled by the Group);
- deciding which of its leases are operating and which are finance leases;
- deciding to what extent tax losses are recognised as an asset in the balance sheet;
- useful lives of assets – tangible and intangible; and
- recoverability of amounts receivable.

PROJECTIONS

Projections take account of management's view of the local operations future given expected market growth, inflation, exchange rates and rapidly growing/shrinking markets. They are based on our budgets for 2011.

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

3. Definition of terms

FREE CASH

Reflects the amount of cash we have in the Group once short term assets have been turned into cash and short term liabilities paid. Free cash is adjusted for any debt that is being refinanced and is only defined as short term as the refinancing has not been completed before the period end (see note 32).

FOREIGN EXCHANGE RESERVE

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

GEARING RATIO

Is equal to net debt divided by market capitalisation.

KEY MANAGEMENT

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

NET DEBT

Free cash less external borrowings (Note 32).

MERGER RESERVE

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

MINORITY INTEREST PUT OPTION RESERVE

Corresponds to the initial fair value of the liability in respect of the put options at creation. When the put option is exercised the related amount in this reserve is taken to non controlling interest acquired reserve.

NON CONTROLLING INTEREST

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

NON CONTROLLING INTEREST ACQUIRED RESERVE

From 1 January 2010 a non controlling interest acquired reserve is used when the Group acquires an increased stake in a subsidiary. The non controlling interest acquired reserve is equal to the consideration paid less fair value of the minority interest acquired. If the equity stake in the subsidiary is subsequently sold then balances from this reserve will be taken to retained earnings.

RETAINED EARNINGS

Cumulative gains and losses recognised.

SHARE PREMIUM

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

TREASURY RESERVE

Amount paid for own shares acquired.

4. 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 weighted average number of shares in issue during the year.

Year ended 31 December 2010	Note	Reported results £000	Amortisation of acquired intangibles £000	Fair value adjustments to minority put option liabilities £000	Headline & segmental results £000
REVENUE	**5**	**125,144**	**–**	**–**	**125,144**
OPERATING PROFIT	**6**	**12,675**	**617**	**–**	**13,292**
Share of results of associates	9	61	–	–	61
Finance income	10	227	–	–	227
Finance cost	11	(5,151)	–	4,852	(299)
PROFIT BEFORE TAXATION	**5**	**7,812**	**617**	**4,852**	**13,281**
Taxation	13,5	(4,739)	(168)	–	(4,907)
PROFIT AFTER TAXATION		**3,073**	**449**	**4,852**	**8,374**
Non controlling interests		(513)	–	(95)	(608)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		**2,560**	**449**	**4,757**	**7,766**
BASIC EARNINGS PER SHARE					
Weighted average number of shares (thousands)		61,667	–	–	61,667
BASIC EPS		**4.15p**	–	–	**12.59p**
DILUTED EARNINGS PER SHARE					
Weighted average number of shares (thousands) as above		61,667	–	–	61,667
Add					
– UK growth shares		890	–	–	890
– Options		128	–	–	128
– LTIP options 2010		202	–	–	202
– LTIP options 2011		465	–	–	465
Total		**63,352**	–	–	**63,352**
DILUTED EARNINGS PER SHARE		**4.04p**	–	–	**12.26p**

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

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

Year ended 31 December 2009	Note	Reported results £000	Amortisation of acquired intangibles £000	Loss on disposal of acquired intangibles* £000	Fair value adjustments to minority put option liabilities £000	Revaluation of call option £000	Headline & segmental results £000
REVENUE	5	103,435	–	–	–	–	103,435
OPERATING PROFIT	6	10,178	159	23	–	–	10,360
Share of results of associates	9	64	–	–	–	–	64
Finance income	10	386	–	–	(157)	–	229
Finance cost	11	(369)	–	–	–	4	(365)
PROFIT BEFORE TAXATION	5	10,259	159	23	(157)	4	10,288
Taxation	13, 5	(3,666)	(37)	–	–	–	(3,703)
PROFIT AFTER TAXATION		6,593	122	23	(157)	4	6,585
Non controlling interests		(370)	–	–	–	–	(370)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		6,223	122	23	(157)	4	6,215
BASIC EARNINGS PER SHARE							
Weighted average number of shares (thousands)		61,218	–	–	–	–	61,218
BASIC EPS		10.17p	–	–	–	–	10.15p
DILUTED EARNINGS PER SHARE							
Weighted average number of shares (thousands) as above		61,218	–	–	–	–	61,218
Add							
– UK growth shares		1,583	–	–	–	–	1,583
– Options		411	–	–	–	–	411
– LTIP options 2010		569	–	–	–	–	569
– LTIP options 2011		465	–	–	–	–	465
Total		64,246	–	–	–	–	64,246
DILUTED EARNINGS PER SHARE		9.69p	–	–	–	–	9.67p

* The loss on disposal of acquired intangibles is due to the carrying amount of goodwill being greater than the consideration we received for 5% of our German subsidiary. The consideration we received for the 5% was nominal value plus a call option that allows us to buy the share back in future at the higher of nominal value or its future shareholders' formula value less its present shareholders formula value.

5. Segmental information

SEGMENTAL AND HEADLINE INCOME STATEMENT

Year ended 31 December 2010	UK £000	Europe £000	Asia and Australasia £000	Americas £000	New Offices £000	Clear £000	Total £000
REVENUE	**53,700**	**10,963**	**44,115**	**4,107**	**1,221**	**11,038**	**125,144**
OPERATING PROFIT EXCLUDING GROUP COSTS	**10,997**	**1,661**	**3,630**	**(249)**	**(778)**	**1,976**	**17,237**
GROUP COSTS	**3,498**	**73**	**364**	**10**	**–**	**–**	**3,945**
OPERATING PROFIT	**7,499**	**1,588**	**3,266**	**(259)**	**(778)**	**1,976**	**13,292**
Share of results of associates	–	61	–	–	–	–	61
Financial income	84	3	131	2	4	3	227
Financial cost	(176)	(62)	(34)	(27)	–	–	(299)
PROFIT BEFORE TAXATION	**7,407**	**1,590**	**3,363**	**(284)**	**(774)**	**1,979**	**13,281**
TAXATION	(2,443)	(561)	(1,171)	(123)	(10)	(599)	(4,907)
PROFIT FOR THE YEAR	**4,964**	**1,029**	**2,192**	**(407)**	**(784)**	**1,380**	**8,374**
Non controlling interests	(179)	(329)	(494)	70	382	(58)	(608)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP	**4,785**	**700**	**1,698**	**(337)**	**(402)**	**1,322**	**7,766**
HEADLINE BASIC EPS							**12.59p**
COSTS INCLUDED IN OPERATING PROFIT:							
DEPRECIATION	**(576)**	**(145)**	**(537)**	**(28)**	**(44)**	**(130)**	**(1,460)**
Amortisation of software	**–**	**(43)**	**(53)**	**(10)**	**(6)**	**–**	**(112)**
SHARE OPTION CHARGES	**(452)**	**(10)**	**(53)**	**(2)**	**–**	**–**	**(517)**
OFFICE LOCATION	London	Paris Berlin Madrid Geneva Beirut	Sydney Melbourne Auckland Wellington New Delhi Mumbai Kuala Lumpur Hong Kong Beijing Shanghai Tokyo	Los Angeles São Paulo New York	Milan Cape Town Johannesburg	London Hong Kong New York Amsterdam Sydney	

Segmental results are reconciled to the income statement in note 4. Our segmental and headline results are one and the same. The above segments reflect the fact that our business is run on an operating unit basis. In accordance with IFRS 8 paragraph 12 we have aggregated our operating units into regional segments, plus new offices. A new office remains in the new office segment in its first year of operation and then will be transferred into its regional segment (with the related comparative also restated). Clear has a different nature of service, and it is reported to the Board on a consolidated basis rather than on an office basis, as with other operating units, we have allocated Clear as a separate segment.

SEGMENTAL AND HEADLINE INCOME STATEMENT

Year ended 31 December 2009	UK £000	Europe £000	Asia and Australasia £000	Americas £000	New Offices £000	Clear £000	Total £000
REVENUE	49,079	9,639	33,583	2,635	–	8,499	103,435
OPERATING PROFIT EXCLUDING GROUP COSTS	10,453	1,112	2,278	(1,038)	–	1,289	14,094
GROUP COSTS	3,252	71	369	42	–	–	3,734
OPERATING PROFIT	7,201	1,041	1,909	(1,080)	–	1,289	10,360
Share of results of associates	–	64	–	–	–	–	64
Financial income	93	10	119	2	–	5	229
Financial cost	(274)	(66)	(20)	(5)	–	–	(365)
PROFIT BEFORE TAXATION	7,020	1,049	2,008	(1,083)	–	1,294	10,288
TAXATION	(2,075)	(413)	(906)	88		(397)	(3,703)
PROFIT FOR THE YEAR	4,945	636	1,102	(995)	–	897	6,585
Non controlling interests	(80)	(202)	(111)	23	–	–	(370)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP	4,865	434	991	(972)	–	897	6,215
HEADLINE BASIC EPS							10.15p
COSTS INCLUDED IN OPERATING PROFIT:							
DEPRECIATION	(581)	(141)	(788)	(28)	–	(153)	(1,691)
Amortisation of software	(8)	(31)	(55)	(6)	–	–	(100)
SHARE OPTION CHARGES	(216)	–	(31)	(4)	–	–	(251)
OFFICE LOCATION	London	Paris Berlin Madrid Geneva	Sydney Melbourne Auckland Wellington Kuala Lumpur New Delhi Mumbai Hong Kong Singapore Beijing Shanghai Tokyo	Los Angeles São Paulo	–	London Hong Kong New York Amsterdam	

5. Segmental information continued

SEGMENTAL BALANCE SHEET

Year ended 31 December 2010	Note	UK £000	Europe £000	Asia and Australasia £000	Americas £000	New Offices £000	Clear £000	Total £000
Total assets		131,660	12,931	28,505	1,486	1,387	8,607	184,576
Total liabilities		(71,199)	(11,155)	(22,596)	(2,521)	(1,148)	(5,903)	(114,522)
TOTAL ASSETS INCLUDES ASSOCIATES		–	1,579	–	–	–	–	1,579
Non headline amortisation	15	(245)	(184)	–	(57)	–	(131)	(617)
Capital expenditure	18	1,150	431	601	63	212	103	2,560
Depreciation	18	(576)	(145)	(537)	(28)	(44)	(130)	(1,460)

Year ended 31 December 2009	Note	UK £000	Europe £000	Asia and Australasia £000	Americas £000	New Offices £000	Clear £000	Total £000
Total assets		97,985	10,315	20,111	1,283	–	5,525	135,219
Total liabilities		(42,421)	(9,081)	(15,938)	(1,876)	–	(3,509)	(72,825)
TOTAL ASSETS INCLUDES ASSOCIATES		–	1,730	–	–	–	–	1,730
Non headline amortisation	15	–	–	–	28	–	131	159
Capital expenditure	18	348	171	1,244	50	–	44	1,857
Depreciation	18	(581)	(141)	(788)	(28)	–	(153)	(1,691)

Reportable segment assets are reconciled to total assets as follows:

	2010 £000	2009 £000
Segment assets	**184,576**	135,219
Current tax	**125**	89
Deferred tax	**825**	1,900
Total assets per balance sheet	**185,526**	137,208

Reportable segment liabilities are reconciled to total liabilities as follows:

	2010 £000	2009 £000
Segment liabilities	**(114,522)**	(72,825)
Deferred tax	**(942)**	(871)
Current tax	**(1,275)**	(2,000)
Current borrowings	**(2,538)**	(26)
Non current borrowings	**(143)**	(4,447)
Financial assets at fair value through income statement	**(15,035)**	(3,923)
Total liabilities per balance sheet	**(134,455)**	(84,092)

ADDITIONAL REGIONAL SPLITS REQUIRED FOR IFRS 8

Year ended 31 December 2010	UK £000	Europe Middle East Africa £000	Asia and Australasia £000	Americas £000	Total £000
REVENUE	**60,427**	**13,459**	**45,795**	**5,463**	**125,144**
NON CURRENT ASSETS	**61,326**	**7,898**	**4,219**	**325**	**73,768**

Year ended 31 December 2009	UK £000	Europe Middle East Africa £000	Asia and Australasia £000	Americas £000	Total £000
Revenue	55,311	10,971	33,977	3,176	103,435
Non current assets	51,499	6,875	7,718	172	66,264

SEGMENTAL INCOME STATEMENT TRANSLATED AT 2009 EXCHANGE RATES

It is normal practice in our industry to provide like-for-like results. In the year we had not acquired any significant new businesses therefore the only difference in our like for like results is the impact from movements in exchange rates. Had our 2010 results been translated at 2009 exchange rate then our results would have been:

Year ended 31 December 2010	UK £000	Europe £000	Asia and Australasia £000	Americas £000	New Offices £000	Clear £000	Total £000
REVENUE	**53,700**	**11,347**	**38,416**	**3,959**	**1,175**	**10,948**	**119,545**
OPERATING PROFIT EXCLUDING GROUP COSTS	**10,997**	**1,731**	**3,078**	**(187)**	**(671)**	**1,977**	**16,925**
GROUP COSTS	**3,498**	**75**	**312**	**10**	–	–	**3,895**
OPERATING PROFIT	**7,499**	**1,656**	**2,766**	**(197)**	**(671)**	**1,977**	**13,030**
Share of results of associates	–	63	–	–	–	–	63
Financial income	84	3	114	2	3	3	209
Financial cost	(176)	(61)	(31)	(24)	–	–	(292)
PROFIT BEFORE TAXATION	**7,407**	**1,661**	**2,849**	**(219)**	**(668)**	**1,980**	**13,010**
TAXATION	(2,443)	(583)	(1,007)	(118)	(11)	(598)	(4,760)
PROFIT FOR THE YEAR	**4,964**	**1,078**	**1,842**	**(337)**	**(679)**	**1,382**	**8,250**
Increase / (decrease) in 2010 results caused by translation differences	–	(49)	350	(70)	(105)	(2)	124

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

	2010	2009
US dollar	**1.546**	1.565
Malaysian ringgit	**4.976**	5.510
Australian dollar	**1.683**	1.992
Euro	**1.166**	1.123

5. 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	2010 %	2009 %
Top Client	**6.0**	5.8
Top 10	**33.4**	36.8
Top 15	**40.5**	46.1
Top 30	**53.3**	60.2

Year ended 31 December	2010 £000	2009 £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	**650**	362
– Within two to five years	**1,508**	471
	2,158	833
PROPERTY		
Commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:		
– Within one year	**5,729**	4,922
– Within two to five years	**20,683**	15,032
– Greater than five years	**29,188**	30,561
	55,600	50,515

6. Operating costs

Year ended 31 December	Note	2010 £000	2009 £000
Total staff costs	7	**80,261**	66,350
Other costs include:			
Profit on exchange		**(597)**	(13)
Amortisation of intangibles			
– Acquired intangibles		**617**	159
– Capitalised software		**112**	100
Depreciation of plant and equipment		**1,460**	1,691
Losses on disposal of fixed assets		**141**	2
Loss on disposal of intangible asset		**–**	23

Year ended 31 December	2010 £000	2009 £000
OPERATING LEASE RENTALS		
Plant	**614**	63
Property	**4,137**	4,514
	4,751	4,577
Sublease receipts	**–**	(7)
	4,751	4,570

7. Staff costs

Staff costs (including directors) comprise:

Year ended 31 December	2010 £000	2009 £000
Wages and salaries	**67,845**	56,307
Social security costs	**7,382**	6,208
Defined contribution pension scheme costs	**2,529**	1,992
Other staff benefits	**1,891**	1,435
	79,647	65,942
SHARE BASED INCENTIVE PLANS		
Cash settled	**97**	157
Equity settled	**517**	251
	614	408
TOTAL STAFF COSTS	**80,261**	66,350
STAFF COST TO REVENUE RATIO	**64%**	64%
STAFF NUMBERS		
UK	**478**	478
Europe	**86**	68
Asia & Australia	**536**	457
America	**43**	30
New Offices	**25**	–
Clear	**83**	77
	1,251	1,110

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 £2,529k (2009: £1,992k) 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 £85k (2009: £19k).

KEY MANAGEMENT REMUNERATION

The Group has defined the key management as the M&C Saatchi plc directors and the Executive Board.

	2010 £000	2009 £000
Short term employee benefit	**4,570**	3,930
Post employment benefit	**280**	317
Share based payments	**206**	47
TOTAL	**5,056**	4,294

8. Auditors' remuneration

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

Year ended 31 December	**2010 £000**	2009 £000
AUDIT SERVICES		
Audit of the Company and its consolidated accounts	**128**	127
Audit of the Company's subsidiaries pursuant to legislation	**225**	195
	353	322
OTHER SERVICES PROVIDED BY THE AUDITORS		
Taxation	**107**	130
Other advice	**34**	39
	141	169
TOTAL	**494**	491

9. Share of associates

Year ended 31 December	**2010 £000**	2009 £000
Share of associates' profit before taxation	**62**	112
Share of associates' taxation	**(1)**	(48)
	61	64

10. Finance income

Year ended 31 December	**2010 £000**	2009 £000
Bank interest receivable	**226**	203
Other interest receivable	**1**	26
TOTAL INTEREST RECEIVABLE	**227**	229
Fair value adjustments to minority shareholder put option liabilities	**–**	157
TOTAL FINANCE INCOME	**227**	386

11. Finance costs

Year ended 31 December	**2010 £000**	2009 £000
Bank interest payable	**(299)**	(350)
Other interest payable	**–**	(15)
TOTAL INTEREST PAYABLE	**(299)**	(365)
Fair value adjustments to minority shareholder put option liabilities	**(4,852)**	–
Fair value adjustments to call options	**–**	(4)
TOTAL FINANCE COSTS	**(5,151)**	(369)

12. 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 5.

If our debt and cash position remain the same as the year end a 0.5% reduction in interest rates would reduce our profits by £145k (2009: £53k).

At the year end the Group had a £18m bank facility, the facility runs out in March 2011. The facility can borrow in sterling or euros. At 31 December 2010, £2.3m of this loan was drawn down.

On 22 March 2011 the Group revised its banking arrangements reducing the facility to £10m, the facility running out June 2014. The facility can borrow in sterling or euros.

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

13. Taxation

Year ended 31 December	2010 £000	2009 £000
CURRENT TAXATION		
Taxation in the year		
– UK	**1,695**	2,176
– Overseas	**2,148**	1,466
Utilisation of previously unrecognised tax losses	**(91)**	–
Adjustment for over provision in prior periods	**30**	(20)
TOTAL	**3,782**	3,622
DEFERRED TAXATION		
Origination and reversal of temporary differences	**950**	27
Effect of changes in tax rates	**7**	17
TOTAL	**957**	44
TOTAL TAXATION	**4,739**	3,666

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	2010 £000	2009 £000
Profit before taxation	**7,812**	10,259
TAXATION AT UK CORPORATION TAX RATE OF 28.0%	**(2,187)**	(2,873)
Tax effect of associates	**17**	18
Expenses not deductible for tax	**(489)**	(237)
Option charges not deductible for tax	**(99)**	(35)
Different tax rates applicable in overseas jurisdictions	**(90)**	(30)
Effect of changes in tax rates on deferred tax	**(7)**	(17)
Utilisation of previously unrecognised tax losses	**91**	–
Adjustment for over provision in prior periods	**(30)**	20
Tax losses for which no deferred tax asset was recognised	**(624)**	(580)
Share based incentive charge greater than value of shares	**37**	30
Fair value adjustments on minority shareholder put options	**(1,358)**	44
Loss on disposal of intangible asset	**–**	(6)
	(4,739)	(3,666)

14. Dividends

Year ended 31 December	2010 £000	2009 £000
2009 final dividend Nil (2008 2.75)	**–**	1,683
2009 Additional interim dividend 2.75p (2008 Nil)	**1,692**	–
2010 interim dividend 0.87p (2009 0.87p)	**537**	536
	2,229	2,219

Proposed final dividend of 3.03p totalling £1,873k.

Dividends relate to the profit of the following years:

Year ended 31 December	2010 £000	2009 £000
First interim dividend	**537**	536
Second interim dividend	**–**	1,692
Final dividends	**1,873**	–
	2,410	2,228
Headline dividend cover	**3.2**	2.8

Headline dividend cover is calculated by taking headline profit after tax attributable to equity shareholders and dividing it by the total dividends that relate to that year's profits. The Group seeks to maintain a long term headline dividend cover of between 3 and 4.

15. Intangible assets

	Goodwill £000	Brand name £000	Customer relationships £000	Software £000	Total £000
COST					
At 1 January 2009	55,708	2,640	3,213	659	62,220
Exchange differences	(539)	–	6	6	(527)
Acquired from business combinations	997	–	82	–	1,079
Acquired	–	–	–	86	86
Disposal	(81)	–	–	(122)	(203)
AT 31 DECEMBER 2009	56,085	2,640	3,301	629	62,655
Exchange differences	(215)	–	6	26	(183)
Acquired from business combinations	2,430	197	812	–	3,439
Acquired	–	–	–	215	215
Disposal	–	–	–	(2)	(2)
AT 31 DECEMBER 2010	**58,300**	**2,837**	**4,119**	**868**	**66,124**
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2009	846	–	2,755	505	4,106
Exchange differences	–	–	7	11	18
Amortisation charge	–	–	159	100	259
Disposal	–	–	–	(122)	(122)
AT 31 DECEMBER 2009	846	–	2,921	494	4,261
Exchange differences	–	–	2	9	11
Amortisation charge	–	105	512	112	729
Disposals	–	–	–	(2)	(2)
AT 31 DECEMBER 2010	**846**	**105**	**3,435**	**613**	**4,999**
NET BOOK VALUE					
At 1 January 2009	54,862	2,640	458	154	58,114
At 31 December 2009	55,239	2,640	380	135	58,394
AT 31 DECEMBER 2010	**57,454**	**2,732**	**684**	**255**	**61,125**

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

Cash generating units (CGU)	**Goodwill 31 December 2010 £000**	Goodwill 31 December 2009 £000	**Segment**
Walker Media Ltd	**26,155**	26,155	UK
M&C Saatchi (UK) Ltd	**5,067**	5,067	UK
LIDA Ltd	**1,462**	1,462	UK
M&C Saatchi Sport & Entertainment Ltd	**690**	690	UK
M&C Saatchi Export Ltd	**600**	600	UK
M&C Saatchi Mobile Ltd*	**1,814**	–	UK
M&C Saatchi Berlin GmbH	**1,332**	1,382	Europe
M&C Saatchi GAD SAS and associates including Direct One SAS*	**912**	307	Europe
M&C Saatchi Agency Pty Ltd (Australia)	**2,652**	2,751	Asia and Australasia
M&C Saatchi (Hong Kong) Ltd (China)	**891**	924	Asia and Australasia
M&C Saatchi Ltd (New Zealand)	**643**	666	Asia and Australasia
Clear Ideas Ltd	**14,531**	14,531	Clear
Total of the five CGUs with goodwill less than £0.5m*	**705**	704	Various
TOTAL	**57,454**	55,239	

* Apart from these CGU whose movements are described in note 16, all other movements are due to exchange.

15. Intangible assets continued

Goodwill and other intangibles are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. The 2010 review was undertaken in the last quarter of the year in conjunction with our annual business planning process and no goodwill and other intangible asset impairments were identified (2009: £nil).

Management have approved the forecasts for 2011 and have prepared additional projections based on the 2011 numbers for the next four years. This was used as the basis for determining the recoverable amount of each CGU. Details of uncertainties in our forecasts are described in note 2.

In conducting the review we used a residual growth rate of 3% from year five onwards and a market beta of 1. Our pre tax discount rates have increased compared with 2009 due to an increased bank margin expected to be paid on our borrowings. The pre tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country and market in which the CGU operates.

Management are satisfied that there are no reasonably possible changes in key assumptions, which would cause the recoverable amount of any of our CGUs, except for New Zealand, to be below their carrying amount. Management have tested the key assumptions on pre tax discount rates and management forecasts and projections by adjusting them 15% and 20% respectively, which would not lead to impairment.

New Zealand's recoverable amount is equal to its carrying amount (2009: equal), we are now seeing an improvement in New Zealand; however, it is too early to say that this CGU is not at a risk of future impairment. Any negative change in assumptions will lead to an impairment of the carrying value of this CGU.

Key assumptions	Residual growth rates %	Pre tax discount rates %
UK Advertising and Media buying	3	17
UK PR	3	17
Consulting	3	17
Asia and Australasia Advertising	3	14-19
Europe Advertising and Media buying	3	17-20

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

BRAND NAME

During the year we acquired the brand names Direct One (France) £92k which we continue to use and Inside Mobile (UK) £105k which we have amortised as it has limited use. These brand names are in addition to the 'Clear' brand £2,640k which was acquired with the Clear acquisition in 2007. There is no foreseeable limit to the duration of 'Clear' brand, because we will be able to expand the use of the brand name of this CGU (Clear Ideas Ltd and subsidiaries) in the UK and overseas, hence the brand has been treated as having an indefinite life. If the Clear CGU's revenue declines more than 29% (2009: 8%) the recoverable amount will be less than the carrying amount. There is no foreseeable limit to the duration of the 'Direct One' brand as we continue to use it, for existing and future clients, hence the brand has been treated as having an indefinite life.

SUBSIDIARIES

The Group's significant subsidiary undertakings are:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at 2010	2009	Nature of business
M&C Saatchi (UK) Ltd	UK	**100%**	100%	Advertising
LIDA Ltd	UK	**100%**	100%	Direct marketing
Talk PR Ltd	UK	**51%****	95%	PR
M&C Saatchi Sport & Entertainment Ltd	UK	**97%**	97%	Sport & Entertainment
Walker Media Ltd	UK	**100%**	100%	Media buying
Clear Ideas Ltd	UK	**100%**	100%	Brand consulting
M&C Saatchi Agency Pty Ltd	Australia	**80%***	100%	Advertising
M&C Saatchi (M) SDN.BHD	Malaysia	**49%**	49%	Advertising
M&C Saatchi GAD SAS	France	**52%**	52%	Advertising
M&C Saatchi Berlin GmbH	Germany	**85%**	85%	Advertising

* On 31 March 2010 the Group sold 20% in M&C Saatchi Agency Pty Ltd to local management for AUD5.1m, of which AUD1.0m was paid in cash, with the balance (AUD4.1m) satisfied by a loan from the Group to the Purchasers.
** On 1 July 2010 the Group acquired the remaining 5% in Talk PR Ltd; reorganised moving some of the assets to form M&C Saatchi PR Ltd and then sold 49% to management.

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 2010	2009	Nature of business
M&C Saatchi Mobile Ltd*	UK	**60%**	0%	Mobile Advertising
M&C Saatchi.One SAS*	France	**70%**	0%	Direct Marketing
The Source (London) Ltd	UK	**70%**	0%	Consumer insight
M&C Saatchi Abel (PTY) Ltd	South Africa	**51%**	0%	Advertising
M&C Saatchi SPA	Italy	**60%****	0%	Advertising

* Acquired in year. M&C Saatchi Mobile Ltd was formerly called Inside Mobile Ltd and M&C Saatchi.One SAS was formerly called Direct One SAS.
** The Group holds nominal value call rights equal to 20% of company's equity if certain targets are not met.

16. Acquisitions & disposals

EXERCISE OF PUT OPTIONS (2010 ACQUISITION)

Under IAS27 (revised) purchases of equity that do not change control are taken directly to non controlling interest acquired reserve and do not constitute an acquisition.

ACQUISITION OF INSIDE MOBILE LTD

On 16 June 2010 the Group acquired 60% of Inside Mobile Ltd and renamed it M&C Saatchi Mobile Ltd. Included in the Group's income statement is £30k on the direct costs of this acquisition. The principal activity of the company is creation of mobile phone applications, media planning and marketing on mobile devices. The company was acquired for its knowledge and expertise in this area and to enable it to expand internationally. Goodwill in the company relates to its employees' knowledge, expertise and reputation.

	Book value £000	Adjustments £000	Fair Value £000
Plant & equipment	15	–	15
Brand name	–	105	105
Contractual customer relationships	–	177	177
Uncontractual customer relationships	–	229	229
Debtors fully recoverable	462	–	462
Prepayments	67	–	67
Cash at bank	665	–	665
Creditors	(715)	–	(715)
Deferred tax creditor	–	(140)	(140)
TOTAL NET ASSETS	494	371	865
Less book value of non controlling interest	(198)	–	(198)
TOTAL NET ASSETS ACQUIRED	**296**	**371**	**667**

16. Acquisitions & disposals continued

ACQUISITION OF DIRECT ONE SAS

On the 8 April 2010 we took effective control of Direct One SAS. Included in the Group's income statement is £22k on the direct costs of this acquisition. We acquired 70% of Direct One, a direct marketing company, to enable us to offer its expertise to our French clients. Goodwill in the company relates to the skills that its employees bring to the Group.

	Book value £000	Adjustments £000	Fair Value £000
Plant & equipment	3	–	3
Brand name	–	92	92
Contractual customer relationships	–	120	120
Uncontractual customer relationships	–	285	285
Debtors fully recoverable	347	–	347
Cash at bank	432	–	432
Creditors	(723)	–	(723)
Deferred tax creditor	–	(138)	(138)
TOTAL NET ASSETS	59	359	418
Less book value of non controlling interest	(17)	–	(17)
TOTAL NET ASSETS ACQUIRED	**42**	**359**	**401**

INCOME STATEMENT EFFECTS OF ACQUISITIONS

Using the Group's accounting policies, and adjusting the results of the acquired subsidiary to reflect the additional amortisation that would have been charged had the acquisitions occurred on 1 January 2010, the results of the acquired subsidiaries would have been as follows:

	Mobile Pre acquisition £000	Mobile Post acquisition £000	Direct one Pre acquisition £000	Direct one Post acquisition £000	Group Consolidated including acquisitions for whole year £000
Revenue	387	816	167	661	125,698
Profit before tax	0	92	10	202	7,822

DISPOSAL

The Group made no disposals in the year that resulted in a loss of control.

ACCOUNTING METHODS (2010)

IFRS 3 requires the acquiree's identifiable assets and liabilities to be recognised at fair value at the acquisition date. In 2010 only the acquisition of M&C Saatchi Mobile Ltd and Direct One SAS fell within the scope of IFRS 3.

All other acquisition and disposals in 2010 and beyond that do not change the Group's control are taken directly to equity and no longer form part of this note.

EXERCISE OF PUT OPTIONS (2009 ACQUISITIONS)

In June 2009 the Group acquired 10.42% of the share capital of Talk PR Ltd from the company's minority shareholders with an issue of 170,104 shares, £58k in cash and £58k in deferred consideration.

In June 2009 the Group acquired 20% of the share capital of M&C Saatchi Sport & Entertainment Ltd from the company's minority shareholders with an issue of 530,075 shares, and £171k in cash and £171k in deferred consideration.

SMALL ACQUISITIONS (2009 ACQUISITIONS)
In March 2009, the Group acquired 10% of the share capital of M&C Saatchi Berlin GmbH from the company's minority shareholders for £109k in cash.

In September 2009 the Group acquired 60% of M&C Saatchi/Insight Pesquisa & Planejamento Ltda for £82k. The key value in the company was its non contractual client relationships and an intangible asset has been recognised in respect of this (note 15).

SMALL DISPOSAL (2009 DISPOSAL)
In November 2009 the Group disposed of 5% of the share capital of M&C Saatchi Berlin GmbH to the company's minority shareholders for £1k in cash and a call option that allows us to buy back the shares at undervalue. The resulting loss on disposal was £23k.

ACCOUNTING METHODS (2009)
IFRS 3 requires the acquiree's identifiable assets and liabilities to be recognised at fair value at the acquisition date. In 2009 only the acquisition of M&C Saatchi/Insight Pesquisa & Planejamento Ltda (Insight) fell within the scope of IFRS 3 (indicated by a * in table below).

The acquisition of additional shares in Talk PR Ltd and M&C Saatchi Sport & Entertainment Ltd, due to the exercise of put options, does not change the nature of our control. The acquisition of additional shares in M&C Saatchi Berlin GmbH after a negotiation did not change the nature of our control. Consequently these 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 book value of minority interest acquired.

GOODWILL ON ACQUISITIONS

2010	Note	**Direct One SAS £000**	**Inside Mobile Ltd £000**	**Total £000**
Consideration, satisfied by:				
Cash		343	2,481	2,824
Fair value of contingent consideration (note 24)		674	–	674
		1,017	2,481	3,498
Less				
– Fair value of net (assets)		(401)	(667)	(1,068)
Goodwill arising	15	**616**	**1,814**	**2,430**

2009	Note	Insight* £000	Sport & Entertainment £000	Talk PR £000	Berlin £000	Total £000
Consideration, satisfied by:						
Cash		82	171	58	109	420
Fair value of deferred consideration (note 24)		–	171	58	–	229
Shares issued		–	369	119	–	488
		82	711	235	109	1,137
Less						
– Fair value of net (assets)		(82)	–	–	–	(82)
– Book value of minority interest		–	(21)	(14)	(23)	(58)
Goodwill arising	15	–	690	221	86	997

* Insight at acquisition had no liabilities and its only asset was its customer relationships.

17. Associates

The following entity meets the definition of an associate and is included in the consolidated financial statements:

Name	Nature of business	Country of incorporation registration	Proportion of voting rights and ordinary share capital held at 2010	2009
Zapping/M&C Saatchi, S.A. and subsidiaries	Advertising	Spain	**25%**	25%
M&C Saatchi SAL	Advertising	Lebanon	**10%**	–

	2010 £000	2009 £000
At 1 January	**1,730**	1,711
Exchange movements	**(12)**	(16)
Subscription for a direct share in associate's subsidiary	**–**	9
Dividends paid	**(200)**	(38)
Share of profit after taxation	**61**	64
At 31 December	**1,579**	1,730

M&C SAATCHI SAL (LEBANON)

On 10 May 2010 in return for the use of our name we received 10% of M&C Saatchi SAL.

SUBSCRIPTION FOR A DIRECT SHARE IN ASSOCIATES SUBSIDIARY (2009)

On 25 September 2009 a shareholder in a profitable subsidiary of Zapping/M&C Saatchi, S.A increased his holding by subscribing to more shares, so to maintain our 25% interest throughout the Zapping/M&C Saatchi, S.A group, we also subscribed for more shares.

SUMMARISED FINANCIAL INFORMATION

	Spain £000	Lebanon £000	2010 Total £000	2009 Total £000
Income statement				
Revenue	4,245	4,360	**8,605**	4,453
Operating profit	225	174	**399**	472
Profit before taxation	196	135	**331**	448
Profit after taxation	190	135	**325**	255
Our share	48	13	**61**	64

SUMMARISED FINANCIAL INFORMATION

	Spain £000	Lebanon £000	2010 Total £000	2009 Total £000
Balance sheet				
Total assets	7,418	4,674	**12,092**	10,596
TOTAL LIABILITIES	(7,014)	(6,511)	**(13,525)**	(9,291)

18. Plant and equipment

	Leasehold improvements £000	Furniture fittings & other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
COST					
At 1 January 2009	2,537	4,198	3,522	70	10,327
Exchange differences	106	89	66	(4)	257
Additions	781	526	495	55	1,857
Disposals	(719)	(788)	(813)	(32)	(2,352)
At 31 DECEMBER 2009	2,705	4,025	3,270	89	10,089
Exchange differences	183	144	162	2	491
Additions	621	900	1,028	11	2,560
Acquired	–	18	–	–	18
Disposals	(271)	(102)	(358)	–	(731)
AT 31 DECEMBER 2010	**3,238**	**4,985**	**4,102**	**102**	**12,427**
Depreciation					
At 1 January 2009	1,258	2,329	2,466	35	6,088
Exchange differences	106	111	81	(1)	297
Depreciation charge	408	589	678	16	1,691
Disposals	(719)	(786)	(810)	(25)	(2,340)
At 31 DECEMBER 2009	1,053	2,243	2,415	25	5,736
Exchange differences	93	82	126	–	301
Depreciation charge	318	470	657	15	1,460
Disposals	(163)	(62)	(332)	–	(557)
AT 31 DECEMBER 2010	**1,301**	**2,733**	**2,866**	**40**	**6,940**
NET BOOK VALUE					
At 1 January 2009	1,279	1,869	1,056	35	4,239
At 31 December 2009	1,652	1,782	855	64	4,353
AT 31 DECEMBER 2010	**1,937**	**2,252**	**1,236**	**62**	**5,487**

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 2009	–	–	51	–	51
At 31 December 2009	–	–	47	–	47
AT 31 DECEMBER 2010	–	4	**159**	**5**	**168**

19. 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 2010	Gross £000	Offset £000	Reported £000
Deferred tax assets	825	–	825
Deferred tax liabilities	(942)	–	(942)
NET DEFERRED TAX	**(117)**	**–**	**(117)**

At 31 December 2009	Gross £000	Offset £000	Reported £000
Deferred tax assets	1,900	–	1,900
Deferred tax liabilities	(871)	–	(871)
NET DEFERRED TAX	1,029	–	1,029

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

	2010 £000	2009 £000
At 1 January	**1,029**	996
Exchange differences	**86**	77
Income statement (charge)/credit	**(957)**	(44)
Acquisitions	**(275)**	–
AT 31 DECEMBER	**(117)**	1,029

The following is the deferred tax recognised by the Group and movements in 2009 and 2010.

	Capital allowances & amortisation £000	**Tax losses** £000	**Options & bonus accruals** £000	**Working capital differences** £000	**Total** £000
At 1 January 2009	(906)	–	389	1,513	996
Exchange differences	5	–	8	64	77
Income statement (charge)/credit	36	–	(106)	26	(44)
AT 31 DECEMBER 2009	**(865)**	–	**291**	**1,603**	**1,029**
Exchange differences	(3)	–	–	89	86
Income statement (charge)/credit	216	–	(74)	(1,099)	(957)
Acquisitions	(275)	–	–	–	(275)
AT 31 DECEMBER 2010	**(927)**	**–**	**217**	**593**	**(117)**

UNPROVIDED DEFERRED TAXATION IN RESPECT OF CARRIED FORWARD TAX LOSSES

	Loss £000	Unprovided deferred tax £000
At 1 January 2010	2,662	656
Exchange differences	299	72
Change in potential tax rates	–	21
New business ventures enabling potential access historic losses	5,578	2,236
Losses utilised in year	(334)	(98)
Losses in year	2,243	633
AT 31 DECEMBER 2010	**10,448**	**3,520**

EXPIRY DATE OF LOSSES

	2010 £000	2009 £000
1 to 5 years	**42**	5
5 to 10 years	**1,254**	214
10 years or more	**2,224**	437
Total	**3,520**	656

A deferred tax asset in respect of losses has not been recognised as there is no certainty, at the balance sheet date, of future profits to utilise them.

20. Other non current assets

	2010 £000	2009 £000
Rent deposits	**2,104**	1,733
Loans to employees*	**2,594**	–
Call option provision	**54**	54
Net trade receivables	**4,752**	1,787

* This relates to the £1.2m and the AUD2.0m loans that the Group lent local management of M&C Saatchi Agency Pty Ltd to enable them to acquire 20% of that business. The loan is repayable if the Purchasers no longer have a beneficial interest in the shares of the Australian Group. The loan is unsecured and charges interest at the Bank of England's base rate of interest; interest on the loan compounds annually and is payable on repayment.

21. Trade and other receivables

	2010 £000	2009 £000
Trade receivables	**69,412**	43,844
Provision for bad debts	**(322)**	(786)
Net trade receivables	**69,090**	43,058
Prepayments and accrued income	**8,434**	8,917
Amounts due from associates	**40**	–
VAT and sales tax recoverable	**972**	601
Other debtors	**1,709**	1,268
Total trade and other receivables	**80,245**	53,844

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

21. Trade and other receivables continued

MOVEMENT IN THE BAD DEBT PROVISION

	2010 £000	2009 £000
As at 1 January	**(786)**	(706)
Exchange movements	**(33)**	(24)
Charged to the income statement	**(11)**	(634)
Released to income statement	**230**	40
Utilisation of provision	**278**	538
As at 31 December	**(322)**	(786)

As at 31 December the following trade receivables were past their due date (of 0 to 3 months) but not impaired. It is local management's belief that these debts will be fully repaid.

	2010 £000	2010 %	2009 £000	2009 %
3 to 6 months	**1,485**	**2%**	1,068	2%
Over 6 months	**142**	**0%**	450	1%
Total net trade receivables	**69,090**	**100%**	43,058	100%

For the year ended 31 December 2010, our top 15 clients contributed 40.5% (2009: 46.3%) of total client revenue. The clients comprising our top 15 have the following aged receivables profile at the end of the year:

	2010 £000	2010 %	2009 £000	2009 %
Current, less than 30 days	**18,499**	**75%**	13,748	73%
30 to 60 days	**4,910**	**20%**	4,057	21%
60 to 90 days	**816**	**3%**	866	5%
Over 90 days	**436**	**2%**	126	1%
Total	**24,661**	**100%**	18,797	100%

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

	2010 £000	2010 %	2009 £000	2009 %
Sterling	**50,810**	**64%**	37,559	70%
US dollars	**2,009**	**3%**	1,253	2%
Australian dollars	**12,433**	**15%**	6,999	13%
Malaysian ringgit	**3,574**	**4%**	1,855	3%
Euros	**5,424**	**7%**	4,002	7%
Other	**5,995**	**7%**	2,176	5%
	80,245	**100%**	53,844	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. Bad debt provisions are determined locally. The Group does not have exposure to debt from its significant global clients. Whilst the Group has some exposure to foreign currency risk this is limited by the proportion of debt denominated in sterling. The Group continues to review its debt exposure to foreign currency movements and will review efficient strategies to mitigate risk as the Group's overseas debt increases.

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

FINANCIAL ASSETS

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

	2010 £000	2009 £000
LOANS AND RECEIVABLES		
Trade receivables	**69,090**	43,058
Accrued income	**5,928**	6,634
Other receivables	**6,500**	3,058
Cash and cash equivalents	**31,388**	15,111
Total	**112,906**	67,861

22. Trade and other payables

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £000	2009 £000
Trade creditors	**(47,401)**	(33,580)
Sales taxation and social security payables	**(9,895)**	(4,504)
Employment benefit accruals	**(1,345)**	(998)
Accruals and deferred income	**(52,441)**	(28,321)
Other payables	**(2,398)**	(4,875)
	(113,480)	(72,278)

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

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

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

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £000	2010 %	2009 £000	2009 %
Sterling	**(84,674)**	**75%**	(53,191)	74%
US dollars	**(1,275)**	**1%**	(1,221)	2%
Australian dollars	**(11,088)**	**10%**	(8,240)	11%
Malaysian ringgit	**(5,484)**	**5%**	(3,136)	4%
Euros	**(6,242)**	**5%**	(3,647)	5%
Other	**(4,717)**	**4%**	(2,843)	4%
	(113,480)	**100%**	(72,278)	100%

22. Trade and other payables continued

FINANCIAL LIABILITIES

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

	2010 £000	2009 £000
AMORTISED COST		
Trade creditors	**(47,401)**	(33,580)
Employment benefit accruals	**(678)**	(1,097)
Accruals	**(37,706)**	(15,158)
Other payables	**(2,441)**	(5,075)
Finance leases	**(168)**	(51)
Loans and borrowings	**(2,513)**	(4,421)
Deferred and contingent consideration	**(674)**	(229)
	(91,581)	(59,611)
FAIR VALUE		
Minority shareholder put option liabilities*	**(15,035)**	(3,923)
	(106,616)	(63,534)

*This fair value measurement is an IFRS 7 level 3 measurement whose additional details are in note 25.

Gross maturity analysis of the financial liabilities is as follows:

	2010 £000	2009 £000
NON DERIVATIVES		
Up to 3 months	**(84,120)**	(58,689)
3–6 months	**(6,831)**	(5,111)
6–12 months	**(13)**	(14)
Later than 1 year not later than 5 years	**(617)**	(4,764)
	(91,581)	(68,578)
DERIVATIVES		
3–6 months	**(3,873)**	(1,089)
Later than 1 year not later than 5 years	**(6,934)**	(2,423)
Greater than 5 years	**(5,228)**	(411)
	(16,035)	(3,923)
Total derivative and non derivative	**(107,616)**	(72,501)

This is an indicator of our liquidity risk. The risk is mitigated by the receipt of cash from trade and other receivables.

23. Other financial liabilities

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £000	2009 £000
Obligations under finance leases	**(25)**	(25)
Secured bank loans	**(2,265)**	–
Other bank loans	**(248)**	(1)
	(2,538)	(26)

AMOUNTS FALLING DUE AFTER ONE YEAR

	2010 £000	2009 £000
Obligations under finance leases	**(143)**	(26)
Secured bank loans	**–**	(4,421)
	(143)	(4,447)

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. The Group also has an undrawn overdraft facility to borrow a further £0.3m (2009 £3.0m). The secured bank loans have floating rates of interest set at 1.15% above LIBOR and the overdraft has floating rates of interest set at 1.20% above Bank of England base rate (2009: 1.10% above LIBOR and 1.20% above Bank of England base rate respectively). The loans mature on 31 March 2011.

On 22 March 2011 the Group revised its banking arrangements reducing the facility to £10m plus a one year £0.3m overdraft facility. The new facility has floating rates of interest set at 1.75% above LIBOR and the overdraft has floating rates of interest set at 1.75% above Bank of England base rate. The new facility matures on 30 June 2014.

	2010 £000	2009 £000
Gross secured bank loans	**(2,286)**	(4,525)
Capitalised finance costs	21	104
Net secured bank loans	**(2,265)**	(4,421)
Future interest payable on secured bank loans at balance sheet date	**(10)**	(91)
Total secured bank loans and future interest	**(2,275)**	(4,512)

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

	2010 £000	2009 £000
In one year or less, or on demand	**(25)**	(25)
In more than one year but not more than two years	**(143)**	(26)
	(168)	(51)

24. Deferred and contingent consideration

	2010 £000	2009 £000
Amounts falling within one year		
– Deferred	**–**	(229)
– Contingent	**(331)**	–
Amounts falling greater than one year		
– Contingent	**(343)**	–
	(674)	(229)

The above contingent payment relates to the acquisition of Direct One SAS, the payment is a formula based on profitability of the company in 2010 and 2011. There is no maximum to the payment, however the deal is structured so that our French operations can fund the payments out of its own cash flows.

	2010 £000	2009 £000
At 1 January	**(229)**	(116)
Exchange difference	**–**	9
Acquisitions	**(674)**	(229)
Consideration paid	**229**	107
AT 31 DECEMBER	**(674)**	(229)

25. Minority shareholder put option liabilities

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

	2010 £000	2009 £000
Amounts falling within one year		
– Cash	**(216)**	(419)
– Equity	**(3,657)**	(670)
	(3,873)	(1,089)
Amounts falling after one year		
– Cash	**–**	(379)
– Equity	**(11,162)**	(2,455)
	(11,162)	(2,834)
	(15,035)	(3,923)

	2010 £000	2009 £000
At 1 January	**(3,923)**	(3,697)
Exchange difference	**(93)**	(84)
Additions	**(7,345)**	(1,736)
Exercises	**974**	939
Termination	**204**	498
Income statement charge due to		
– Change in estimates	**796**	244
– Change in share price	**(5,273)**	(59)
– Time	**(375)**	(28)
AT 31 DECEMBER	**(15,035)**	(3,923)

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

CASH BASED	2010 £000
At 1 January	(792)
Exchange difference	(102)
Exercises	882
Termination	189
Income statement charge due to	
– Change in estimates	(293)
– Change in share price	(80)
– Time	(20)
AT 31 DECEMBER	**(216)**

EQUITY BASED	2010 Equity	2010 £000
At 1 January	(3,865)	(3,131)
Exchange difference	–	9
Additions	(8,624)	(7,345)
Exercises	72	92
Terminations	10	15
Income statement charge due to		
– Change in estimates	861	1,089
– Change in share price	322	(5,193)
– Time	(264)	(355)
AT 31 DECEMBER	**(11,488)**	**(14,819)**

Put options are exercisable from:

Company	Year	% of Company shares exchangeable
M&C Saatchi Export Ltd	2010	2.8
M&C Saatchi LA Inc	2010	16.0
M&C Saatchi Marketing Arts Ltd	2010	50.0
M&C Saatchi (M) SDN BHD	2010	20.0
M&C Saatchi Sports and Entertainment Ltd	2010	2.8
Provenance Communication Ltd	2010	30.0
Influence Communications Ltd	2010	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	48.0
M&C Saatchi Corporate SAS	2011	12.5
M&C Saatchi Communications Pty Ltd	2011	38.0
M&C Saatchi Berlin GmbH	2011	15.0
Talk PR Audience Ltd	2011	17.0
FCINQ SAS	2013	18.0
M&C Saatchi/Insight Pesquisa & Planejamento Ltda	2013	20.0
M&C Saatchi Sport & Entertainment LLP	2014	35.0
Direct One SAS*	2014	10.0
Direct One SAS*	2015	10.0
M&C Saatchi Brazil Participações LTDA*	2015	10.0
M&C Saatchi Brazil Cominicação LTDA*	2015	7.0
M&C Saatchi Agency Pty Ltd*	2015	20.0
M&C Saatchi Sport & Entertainment PTY LTD*	2015	49.0
Talk PR Ltd*	2015	49.0
M&C Saatchi (Switzerland) SA	2016	40.0
M&C Saatchi Mobile Ltd*	2016	40.0
Direct One SAS*	2016	10.0

*New options in 2010.

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 (2010: 129.0p, 2009: 81.0p).

The liability will vary with our share price (note 2), and with the results of the subsidiary companies. Current liabilities are determined by our year end share price and the 2010 results of the companies who can exercise in 2011. Non current liabilities are determined by our year end share price and the projected results of the companies who can exercise after 2011. The projected results show management's best estimate of the growth rates and margin of the companies who can exercise after 2011, 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.

26. Other non current liabilities

	2010 £000	2009 £000
Employment benefit provisions	(235)	(100)
Other	(133)	(218)
	(368)	(318)

27. Issued share capital

ALLOTTED, CALLED UP AND FULLY PAID

	Number of shares	Ordinary shares £000
At 1 January 2009	61,519,719	615
Acquisition of 20% of M&C Saatchi Sport & Entertainment Ltd	530,075	5
Acquisition of 10.4% of Talk PR Ltd	170,105	2
At 31 December 2009	62,219,899	622
Fulfilment of options	236,991	2
Acquisition of 5.2% of Talk PR Ltd	71,512	1
AT 31 DECEMBER 2010	**62,528,402**	**625**

28. Other Reserves

	MI Put Option Reserve £000	Non Controlling Interest Acquired £000	Foreign exchange reserve £000	Total £000
AT 1 JANUARY 2009	(4,463)	–	2,249	(2,214)
Exchange rate movements	(10)	–	–	(10)
Exercise of minority put options	401	–	–	401
Issue of minority put options	(1,737)	–	–	(1,737)
Cancellation of minority put options	2,329	–	–	2,329
Total comprehensive income for the year	–	–	(101)	(101)
AT 1 JANUARY 2010	**(3,480)**	**–**	**2,148**	**(1,332)**
Acquired non controlling interest	**169**	**(214)**	**–**	**(45)**
Exchange rate movements	**(13)**	**–**	**–**	**(13)**
Sale to non controlling interests	**–**	**84**	**–**	**84**
Issue of minority put options	**(7,345)**	**–**	**–**	**(7,345)**
Cancellation of minority put options	**203**	**–**	**–**	**203**
Total comprehensive income for the year	**–**	**–**	**514**	**514**
AT 31 DECEMBER 2010	**(10,466)**	**(130)**	**2,662**	**(7,934)**

29. Share based payments

The Group has recognised a total expense of £517k (2009: £251k) in respect of share based payments in the year. Share based payments include vested share options and conditional share awards.

VESTED SHARE OPTIONS

Year of grant	**Vesting**	**Description**	**Exercise price (pence)**	**Exercise period**	**2010 Number**	2009 Number
2004		Vested options	1	2009–2014	**128,495**	411,050
2005/2006	2009	LTIP options 2010	0*	2010–2015	**201,368**	568,980
2005/2006	2009	LTIP options 2011	0*	2011–2015	**465,139**	465,139
					795,002	1,445,169

*The exercise price is £1 per exercise regardless of the number of share options exercised. The weighted average exercise price of the options is less than one pence.

	Vested options Number	**LTIP 2010**	**LTIP 2011**	**Total Number**
At 1 January 2009	411,050	–	–	411,050
Conditional shares transferred***	–	578,672	578,672	1,157,344
Reductions due to staff leaving	–	(9,692)	(113,533)	(123,225)
AT 31 DECEMBER 2009	411,050	568,980	465,139	1,445,169
Exercised paid in equity	–	(236,991)	–	(236,991)
Exercised paid in cash**	(282,555)	(130,621)	–	(413,176)
AT 31 DECEMBER 2010	**128,495**	**201,368**	**465,139**	**795,002**

** To enable the options to be exercised, and to reduce dilution from the options, the Group has given its 2010 LTIP holders the option to receive shares net of the employee tax owed (the employee tax is paid to HMRC in cash).
*** When conditional share awards vest they are transferred to the above table.

Both the LTIP 2010 and 2011 are conditional that the employee remains employed by the Group on the day of exercise; the vested options do not have this condition.

CONDITIONAL SHARE AWARDS

UK growth shares

Some of our UK subsidiaries have non dividend paying shares whose shareholders have a right to exchange them into M&C Saatchi plc shares. The value of the shares is based on the Group's headline after tax multiple that excludes loss making companies. The valuation is based on the normalised post tax profits of a company above the company's 2007 profits plus a compounded growth factor. Half the shares can be exchanged, at the option of the shareholder or the Group, based on the accounts of the year ended 2010 and half can be exchanged a year later. If not exchanged in 2010 the shareholder or the Group have a right to exchange annually when accounts are agreed. The Group has a nominal value call option in the event that the shareholders are no longer employed. During the year, Talk PR Ltd and Play London Ltd were reorganised and the shareholders gave up their awards. The subsidiaries still involved in these awards are:

M&C Saatchi (UK) Ltd and subsidiaries
M&C Saatchi Sport & Entertainment Ltd
LIDA Ltd

Management estimate that this equity will exchange into 995,577 shares of M&C Saatchi plc (2009: 756,623). However, based on 2010 results of the companies and the Group, this equity would have been exchanged into 890,125 shares of M&C Saatchi plc (2009: 1,582,649) (see note 4).

The options were valued based on the following:

Vesting at end	**2010**	2011
Share price at grant date	**£0.50**	£0.50
Vesting period	**2 years**	3 years
Dividend yield	**7.24%**	7.24%
Risk free rate	**1.47%**	1.47%
Fair value of option	**£0.43**	£0.40

CONDITIONAL SHARE AWARDS
LTIP

On 14 October 2010 the Group issued new options under its long term incentive plan (LTIP) for senior employees. This could result in the issue of up to 110,759 (2009: Nil) ordinary shares between 2014 and 2020 and a maximum bonus of £142,880 (based on our 31 December 2010 share price of 129.0p). 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.

Grant date	**14 October 2010**
Share price at grant date	**£1.16**
Exercise price	**£0**
Maximum unvested shares under option	**110,759**
Vesting Period (years)	**4 to 5**
Dividend yield	**3.12%**
Risk Free Rate	**1.06%**
Fair value of option	**£1.02**

NEW LTIP

On 14 October 2010 we issued a new award to four members of the Board of M&C Saatchi plc. Each of the four Participants paid £97,250 for the award. This is not refundable if the vesting conditions are not met. Vesting of the awards will take place at 31 December 2012 and 31 December 2014 subject to the achievement of certain share price hurdles and a total shareholder return condition.

The condition for vesting at 31 December 2012 is that the Company's average ninety day closing mid-market share price as at 31 December 2012 must be greater than or equal to 164.4p. If this condition is fulfilled then the Participants are entitled to receive an award worth, in aggregate, ten per cent. of the Company's increase in market capitalisation above the market capitalisation of the Company at the Starting Share Price.

If the Company's average ninety day closing mid market share price as at 31 December 2014 is greater than or equal to 198.9p, then the Participants are entitled to receive an award worth, in aggregate, ten per cent. of the increase in market capitalisation above the market capitalisation of the Company at the Starting Share Price, less any amount paid under the 2012 Award.

In addition to the achievement of the above share price hurdles, vesting of the awards is subject to the Company's TSR being at least equal to the median total return of a comparator group of companies.

The starting share price of 81p, is the closing share price as at 31 December 2009 (the 'Starting Share Price').

Grant date	**14 October 2010**
Share price at grant date	**£1.16**
Vesting Period (years)	**2 to 4**
Dividend yield	**3.12%**
Risk Free Rate	**1.06%**
Volatility	**30.77%**
Total fair value of options	**£1,756,000**

LIABILITY ARISING FROM SHARE BASED PAYMENT

The following balances relate to cash based equity payments and employers tax on share and cash based payments.

	2010 **£000**	2009 £000
Share based payment liabilities	**102**	184

EXPENSE ARISING FROM SHARE BASED PAYMENT

The following expense relate to cash based equity payments and employers tax on share and cash based payments.

	2010 **£000**	2009 £000
Share based payment	**97**	157

30. Cash generated from operations

	2010 £000	2009 £000
Revenue	**125,144**	103,435
Operating expenses	**(112,469)**	(93,257)
Operating profit	**12,675**	10,178
Adjustments for:		
Depreciation of plant and equipment	**1,460**	1,691
Loss on sale of plant and equipment	**141**	2
Amortisation of acquired intangible assets	**617**	159
Loss on disposal of intangible	**–**	23
Amortisation of capitalised software intangible assets	**112**	100
Non cash share based incentive plans	**517**	251
Operating cash flow before movements in working capital	**15,522**	12,404
(Increase) / decrease in debtors	**(27,760)**	7,291
Increases / (decrease) in creditors	**40,529**	(2,724)
Net cash flow from operating activities	**28,291**	16,971

31. Cash consumed by acquisitions and disposals

	2010 £000	2009 £000
Cash consideration		
– M&C Saatchi Mobile Ltd	**(2,481)**	–
– Talk PR Ltd	**(104)**	–
– Direct One SAS	**(343)**	–
– Play London Ltd	**(45)**	–
– M&C Saatchi Agency PTY Ltd	**595**	–
– FCINQ SAS	**–**	(107)
– Talk PR Ltd	**–**	(58)
– M&C Saatchi Sport & Entertainment Ltd	**–**	(171)
– M&C Saatchi/Insight Ltda	**–**	(82)
– M&C Saatchi Berlin GmbH	**–**	(109)
	(2,378)	(527)
Less cash and cash equivalents acquired	**1,098**	–
	(1,280)	(527)
Purchase of associate (Zapping, Spain)	**–**	(9)
	(1,280)	(536)

32. Net Debt

FREE CASH

A significant amount of our cash balances relate to clients cash paid in advance for third party costs such as production and media. To fund ourselves we utilise £5,712k (2009: £7,364k) of these balances to reduce our debt. We maintain sufficient bank facilities to allow us to repay these amounts when they become due. To estimate the Group's free cash, non cash items or items that are unlikely to be paid (i.e. other deferred income) are removed from net current assets.

	2010 £000	2009 £000
Net current liabilities	**(9,739)**	(6,578)
Equity payable minority shareholder put option liabilities	**3,657**	670
Short term debt being refinanced	**2,265**	–
Other deferred income	**4,805**	4,215
Free cash	**988**	(1,693)

NET DEBT

Net debt is the net of our external liabilities and our free cash.

	2010 £000	2009 £000
Free cash	**988**	(1,693)
Bank loans and borrowings	**(2,408)**	(4,447)
Net debt	**(1,420)**	(6,140)
Total equity (at 129.0p; 81.0p)	**79,759**	49,831
Total capital	**81,179**	55,971
GEARING RATIO	**2%**	11%

33. Post balance sheet events

On the 22 March 2011 the Group entered into new banking arrangement further details can be seen in note 23.

On the 15 March 2011, the Group has agreed to purchase the Brazilian client list of Fabraquinteiro Communições Ltda and employ extra staff to service those revenues. The Group has made a down payment of £0.9million. The final payment, in a year's time, will be based on the amount of revenue generated from the clients and the margin of our Brazilian entity.

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

34. Commitments

CAPITAL COMMITMENTS

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

OPERATING LEASES

Commitments under operating leases are reported within note 6.

35. Related party transactions

KEY MANAGEMENT REMUNERATION

Key management remuneration is disclosed in note 7.

Unaudited detail on directors' remuneration is disclosed in the remuneration report on pages 18 and 19.

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 £1,891k during the year (2009: £1,891k). No amounts remained outstanding between any member of the Group and 36 Golden Square LLP at the year end.

Lloyd Dorfman is chairman of Travelex Holdings Ltd. During the year the Group charged subsidiaries of Travelex Holdings Ltd, on an arm's length basis, £152k (2009: £64k) for advertising and marketing services, of which £11k (2009: £nil) was outstanding at the year end.

Tom Dery is a director of Australian Cancer. During the year the Group passed on third party costs to Australian Cancer of £5k (2009: £50k), and charged them £1k (2009: £nil) in fees, of which £0k (2009: £nil) was outstanding at the year end.

Kamal Oberoi, a director of our Indian subsidiary, is also a director of VLCC Healthcare Ltd. During the year the Group passed on third party costs to VLCC Healthcare Ltd of £23k (2009: £nil), and charged them £12k (2009: £nil) in fees, of which £22k (2009: £nil) was outstanding at the year end.

On 31 March 2010 the Group sold 20% in M&C Saatchi Agency Pty Ltd to Tom Dery and Tom McFarlane (local management) for AUD5.1m, of which AUD1.0m was paid in cash, with the balance (AUD4.1m) satisfied by a loan from the Group to the Purchasers.

During the year the Group made purchases of £792k (2009: £51k) from its associate. At 31 December 2010, there was £23k due to associates in respect of these transactions (2009: £27k). During the year, £84k (2009: £nil) of fees were charged by Group companies to associates. At 31 December 2010, associates owed Group companies £40k (2009: £nil).

COMPANY BALANCE SHEET

At 31 December	Note	2010 £000	2009 £000
FIXED ASSETS			
Investments	38	**81,537**	79,251
CURRENT ASSETS			
Debtors			
– due within one year	39	**6,477**	14,383
– due after one year	39	**2,624**	42
		9,101	14,425
Creditors falling due within one year	40	**(17,979)**	(15,382)
NET CURRENT LIABILITIES		**(8,878)**	**(957)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**72,659**	**78,294**
Creditors falling due after more than one year	41	**–**	(3,497)
TOTAL ASSETS		**72,659**	**74,797**
Capital and reserves			
Share capital	43	**625**	622
Share premium	43	**12,822**	12,758
Merger reserve	43	**48,817**	48,817
Treasury reserve	43	**(792)**	(792)
Profit and loss account	43	**11,187**	13,392
SHAREHOLDERS' FUNDS		**72,659**	**74,797**

These financial statements were approved and authorised for issue by the Board on 23 March 2011 and signed on its behalf by:

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

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. Included within the consolidated income statement for the year ended 31 December 2010 is a loss after tax of £183k (2009: loss after tax £10,277k).

The notes on pages 62 to 64 form part of these financial statements.

36. 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.

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.

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.

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.

Where equity settled share options are issued to employees of subsidiary companies, the Company charges the employer with its employees' share of cumulative expense, this is paid within 30 days.

(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.

37. Staff costs

Year ended 31 December	**2010 £000**	2009 £000
Wages and salaries	**2,605**	2,405
Social security costs	**320**	261
Defined contribution pension scheme costs	**140**	171
Other staff benefits	**72**	72
	3,137	2,909
INCENTIVE PLANS		
Cash based incentive plans	–	20
Share based incentive plans	**208**	(30)
	208	(10)
TOTAL STAFF COSTS	**3,345**	2,899
Staff numbers	**11**	11

Share based payment details are provided in note 29.

38. Investments in subsidiary undertakings

	2010 £000	2009 £000
At 1 January	**79,251**	94,251
Disposal of subsidiaries	**(40,954)**	–
Increased investment in subsidiary	**43,240**	–
Provision for impairment	**–**	(15,000)
At 31 December	**81,537**	79,251

The significant subsidiary undertakings are listed in note 15 to the consolidated financial statements.

During the year the Company sold its direct interest in Walker Media Holdings Ltd and Clear Ideas Ltd to its direct subsidiary M&C Saatchi Worldwide Ltd in return for debt. Subsequent to this the Company acquired additional equity in M&C Saatchi Worldwide Ltd extinguishing its debt with that company.

39. Current assets

Amounts due less than one year	2010 £000	2009 £000
Amounts from subsidiary undertakings	**5,926**	13,751
Prepayments and accrued income	**13**	34
Corporation tax debtor	**538**	472
Other debtors	**–**	126
Total trade debtors and other receivables	**6,477**	14,383
Amount due after more than one year		
Deferred tax asset	**30**	42
Loans to employees*	**2,594**	–
Total debtors due after more than one year	**2,624**	42

* This relates to the £1.2m and the AUD2.0m loans that the Company lent local management of M&C Saatchi Agency Pty Ltd to enable them to acquire 20% of that business. The loan is repayable if the Purchasers no longer have a beneficial interest in the shares of the Australian Group. The loan is unsecured and is at the Bank of England's base rate of interest; interest on the loan compounds annually and is payable on repayment.

40. Creditors falling due within one year

	2010 £000	2009 £000
Overdrafts	**(11,517)**	(9,057)
Trade creditors	**(122)**	(49)
Amounts due to subsidiaries	**(3,443)**	(1,664)
Accruals and deferred income	**(1,309)**	(735)
Other payables	**(9)**	(3,877)
Bank loan	**(1,579)**	–
	(17,979)	(15,382)

41. Creditors falling due after more than one year

	2010 £000	2009 £000
Bank loans	**–**	(3,497)

42. Directors' remuneration

	2010 £000	2009 £000
Total for seven directors:		
Directors' salaries and benefits	**1,865**	1,712
Contribution to money purchase pension schemes	**124**	150
	1,989	1,862

	2010 £000	2009 £000
Highest paid director:		
Directors' salaries and benefits	**424**	387
Contribution to money purchase pension schemes	**2**	3
	426	390

Unaudited detail on directors' remuneration is disclosed in the remuneration report on pages 18 and 19. (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 (2009: 5).

43. Capital and reserves

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Profit and loss account £000	Total £000
At 1 January 2009	615	12,758	63,336	(792)	10,630	86,547
Issue of shares	7	–	481	–	–	488
Equity settled share based payments	–	–	–	–	258	258
Transfer of reserves	–	–	(15,000)	–	15,000	–
Dividends	–	–	–	–	(2,219)	(2,219)
Loss for the year	–	–	–	–	(10,277)	(10,277)
AT 31 DECEMBER 2009	622	12,758	48,817	(792)	13,392	74,797
Issue of shares	**1**	**64**	**–**	**–**	**–**	**65**
Options exercised	**2**	**–**	**–**	**–**	**(2)**	**–**
Reclassification of share to cash based options	**–**	**–**	**–**	**–**	**(283)**	**(283)**
Equity settled share based payments	**–**	**–**	**–**	**–**	**492**	**492**
Dividends	**–**	**–**	**–**	**–**	**(2,229)**	**(2,229)**
Loss for the year	**–**	**–**	**–**	**–**	**(183)**	**(183)**
At 31 DECEMBER 2010	**625**	**12,822**	**48,817**	**(792)**	**11,187**	**72,659**

44. Related parties

Details of related parties of the Company are provided in note 35. The Company is taking FRS 8 exemption from disclosing transactions with subsidiaries.

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

We have audited the financial statements of M&C Saatchi plc for the year ended 31 December 2010 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company balance sheets, the Group statement of changes in equity, the Group cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Scott McNaughton
(senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
23 March 2011

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

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Country of registration
England and Wales

Company number
05114893

Investor relations website
www.mcsaatchiplc.com

Corporate events

AGM
29 June 2011

Final 2010 dividend paid
8 July 2011

To those on the register on
10 June 2011

Interim 2011 statement
September 2011

Interim 2011 dividend paid
November 2011

To those on the register on
October 2011

Preliminary announcement of 2011 result
Late March 2012

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