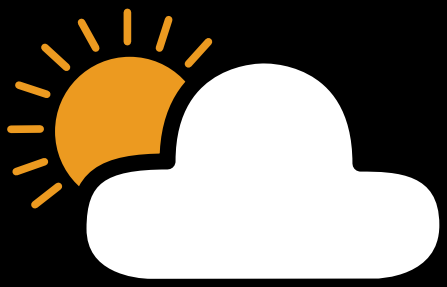
M&CSAATCH



2009

WORDS

Revenue held up well despite downturn

New offices opened in Switzerland, Brazil and Japan

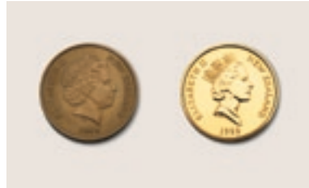
Continue to open offices in 2010, in South Africa and China. Will open further offices if opportunity arises

Planned acquisition of a UK mobile communication specialist

Australian equity sale to stimulate local profits

Page 2

PICTURES



Page 16

NUMBERS

Revenues stable at £103m (2008: £104m); down 5% using constant currencies

Headline operating profit £10m (2008: £13m)

£1.4m loss from three new offices started in year

Cash and cash equivalents £15m (2008: £9m)

Group debt £4m (2008: £7m)

Dividend held at 3.62p

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CHAIRMAN'S STATEMENT
JEREMY SINCLAIR

Revenue held up well despite downturn

Focus on entrepreneurial talent

In what could have been the worst ever downturn, the Group did well to keep its revenues to a 1% decline. Our clients should be congratulated on their refusal to be pushed into knee jerk budget cuts. Our staff too deserve congratulations for their hard work in these hard times.

Our three new offices – Switzerland, Brazil and Japan– have inevitably reduced profits, but we believe in the long run the investments will prove to be well worthwhile. This year they made an operating loss of £1.4m and contributed £0.8m to revenues.

Excluding new offices, the Group's operating profit was £11.6m – not a spectacular figure, but much better than we feared in the dark days of early 2009.

Since the close of 2009 we have opened new offices in South Africa which we expect to do rather well, given the quality of the team joining us. We have also expanded our presence in Greater China with a fourth office, in Guangzhou.

Other major news is that we have sold a 20% stake in the Australian agency to local management. The idea behind the move is that the more our people are masters and mistresses of their business, the better we all do. If successful, we intend to repeat this exercise elsewhere.

Our view is that time and technology will increasingly make the concept of armies of wage slaves seem an out moded anachronism. It will be seen as outrageous, just as we now see slavery itself.

Certainly we aim to enshrine the entrepreneurial spirit in the future managers of the business. We pick our new graduates from those who most want to lead, to be 'masters of their own destiny' and then we train them to make the most of their talent.

Finally, it is with great regret that we see our Founding Finance Director, Jerry Wales, move onto pastures new. His contribution to our style and substance has been outstanding. We wish him well and equally wish our new Finance Director, Jamie Hewitt, the very best of luck.

DISCIPLINES

Advertising
Brand Consulting
Brand Licensing
Consumer PR
Corporate PR
Design
Digital
Direct
Events
Luxury Brands
Media
Promotion
Retail communications
Search engine optimisation
Sport & Entertainment

LOCATIONS

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

*New office in 2010

CHIEF EXECUTIVE
DAVID KERSHAW

Excellent individual office performance despite sector having a rough time

New offices opened

Planned acquisition of a majority stake in a UK based mobile communication specialist and minority stake in a Lebanese advertising agency in 2010

The 2009 results reflect both the difficult trading conditions and the £1.4m invested in start up costs in new markets. Despite the year on year decline in the financial results the underlying financial health of the Group has not suffered. The cash flows and balance sheet remain strong, working capital is being closely managed, debt has been reduced and net cash increased. The Board believes that the business is in good shape and we are confident that the Group has significant opportunity for growth.

We have also continued to build for the future. We opened three new offices in 2009 – in Switzerland, Brazil and Japan – and extended existing brands into new markets. This process has continued into 2010. This year we have announced a partnership in South Africa with Mike Abel, the former CEO of our successful Australian business. The Group has opened an office in Guangzhou, the fourth office in the high growth region of Greater China. We have acquired a minority stake in Quantum, a Lebanon based marketing and communications business operating in the Middle East and North Africa region. They will now work under the M&C Saatchi name. We are already managing an increasing volume of business in this region and believe this acquisition will allow us to build on that presence. We will evaluate openings in other new markets if the right opportunity arises.

Local ownership and highly incentivised management teams have always been at the heart of our corporate philosophy. With this in mind, in March 2010 we sold a 20% stake in the Australian business to Tom Dery and Tom McFarlane, who form the core of the management team in Australia.

We are buying a majority stake in Inside Mobile, the mobile communication specialists. Inside Mobile is a small but expanding company that operates in the fast growing area of mobile marketing. We believe there is significant potential in offering this expertise across our client base and geographies.

UK
UK revenue declined 6% to £49.1m (2008: £52.4m). This was matched with cost reductions. Headline operating margin was 14.7% (2008: 15.6%).

Supporting our existing clients through a difficult year was our priority and client retention was good, but we also had a contribution from new clients. The most significant was the Department of Health's 'Change 4 Life' healthy living campaign, as well as assignments from Boots (Boots Advantage card), The Carphone Warehouse, Castrol (sports sponsorship) The Republic of Georgia, the Evening Standard, Fiat and Harper Collins. The last three were media only wins.

Clear
Clear's project based business was particularly hard hit by the economic downturn. Trading improved in the first half of 2009, compared with the fourth quarter of 2008. There was a further period of weakening during the third quarter, but the final months of 2009 and the early months of 2010 have been positive.

Across the year revenue was down by 18% to £8.5m (2008: £10.4m). Clear works on a time related consultancy basis and the ability to drive revenue is directly related to the quality and quantity of its people. We have taken a measured approach to managing the cost base to preserve the growth potential of the business. Overall costs have been reduced by 15% and headline operating margin reduced to 15.2% (2008: 18.3%).

Europe
In our two offices located in Paris and Berlin revenue increased by 8% to £9.4m (2008: £8.7m). Excluding the impact of the 12% decline in the value of sterling, like for like revenue declined by 3%. Headline operating margin was 14% (2008: 15%).

There were some important wins including Comte (cheese), Prodmarques (poster sites), an additional assignment from Jameson for Terres de Whisky in France and an assignment from Munich Re in Germany.

Asia and Australasia

There was a mixed but significantly improved result from our operations in Asia and Australasia. Like for like revenue (using constant currencies and eliminating the impact of the offices closed in 2008) increased by 4%. Headline operating margin remained at 8%. Reported revenue, benefiting from sterling weakness, increased by 12% to £33.2m (2008: £29.7m).

On a like for like basis, Australia and Malaysia both produced revenue growth of 8%. Our operations in Greater China are also starting to show some momentum with like for like revenue growth of 4% and an important improvement in operating margin.

Our offices in New Zealand and India both suffered significant revenue declines.

Across the region there was good new business momentum. New accounts included Freedom furniture, ETrade and KR Castlemaine in Australia. The office in Hong Kong has won assignments from National Geographic, Disneyland, ANZ (Asia) and AIA. Shanghai has won assignments from Shin Ho (soy sauce) and Cerebos (health supplements).

America

Our office in LA was the first to suffer from the economic downturn and trading has remained difficult. Clients were quick to reduce activity and fees and Ketel One was lost following the sale of the brand to Diageo. The year finished positively with a win from the State of California to promote swine flu awareness and there is an encouraging level of new business activity as we head into 2010.

New offices

In 2009 we opened three new offices in Switzerland (Geneva – February), Brazil (São Paulo – March) and Japan (Tokyo – August) in line with our established strategy of organically developing in important locations around the world in partnership with local management.

We expect to incur two years of operating losses in each new office, with profitability achieved in the second half of year two. In 2009 the new offices contributed £0.8m of new revenue and £1.4m of operating losses. This was broadly in line with our expectations.

In Japan important projects were won from Mitsubishi, Sony Play Station and Callaway Golf. Switzerland started well with accounts from Japan Tobacco and the State of Geneva. The momentum in Brazil has been slower, but assignments have been won from Shopping Vila Olympia (shopping centre), Hines (property) and from GlaxoSmithKline.

Outlook

2010 has started well both operationally and financially and the Group is well positioned to meet any pick up in demand. Visibility remains an issue, but we remain confident in our business model. The entry into new markets is still in the investment phase but is expected to move into profitability towards the end of the year. We expect returns on these investments in 2011.

The Board looks forward to the year ahead with confidence.

FINANCE DIRECTOR
JAMIE HEWITT

Cash flow and balance sheet remain strong

Headline diluted EPS decreases to 9.67p (2008: 14.62p)

I'm pleased to present my first report as Finance Director of M&C Saatchi.

Revenue and trading environment

Revenue declined by 1% to £103.4m (2008: £104.4m). Excluding the positive effect of weaker sterling primarily against the Australian dollar and the euro, the like for like revenue decline was 5%.

Impact of investment into new markets

In 2009 the results were impacted by the first year losses incurred by the three new offices.

Headline and non headline items

To explain these financial statements we have commented on the impact of non headline items individually and the headline performance excluding these items. Non headline items are the amortisation or impairment of intangible assets (including goodwill) acquired in business combinations; impairment of investment in associates; fair value gains and losses on liabilities caused by our put and call option agreements; and notional interest on deferred consideration.

Operating profit and margin

Operating profit fell by 5% to £10.2m (2008: £10.8m) and the operating margin declined to 9.8% (2008: 10.3%).

Headline operating profit fell 25% to £10.4m (2008: £13.7m). The headline operating margin was 10.0% (2008: 13.2%). In 2009 there was £1.4m (2008: nil) in start up losses in the three new offices. Excluding the impact of the start up losses, headline operating profit fell 14%, with a headline operating margin of 11.5% (2008: 13.2 %).

Operating costs

Costs have been managed on an office by office basis, taking account of the trading circumstances of the individual operations. Across the Group, revenue declined by £0.9m or 1% and the headline operating costs (excluding the impact of the non headline items) increased £2.4m, or 3%, to £93.1m (2008: £90.6m). The headline operating margin was 10.0% (2008: 13.2%).

The headline results show that costs increased by £3.9m across our offices in Europe and the Asia and Australia region, but were more than offset by the £4.3m increase in revenue. This increase in both revenue and costs is largely attributable to the impact of exchange. Significant cost reductions were achieved across our UK businesses (including Clear) of £3.6m which represents an average cost saving rate of 72% of the revenue decline.

Amortisation and impairment of acquired intangibles

In 2008 we took an impairment charge of £1.5m to reduce the carrying value of the customer relationships of Clear. The value of goodwill was reduced £0.5m following the closure of our offices in Singapore and Thailand. We impaired the carrying value of the goodwill relating to our office in New Zealand by £0.3m. In total our intangible assets were impaired in 2008 by £2.4m.

During 2009 the carrying value of customer relationships were increased by £0.1m following the acquisition of a small research business in Brazil. The amount will be amortised over the 12 months ending August 2010.

Having impaired the carrying value for the customer relationship for Clear in 2008 the amount to be amortised over the remaining useful life has been significantly reduced. 2009 charge £0.2m (2008: £0.6m).

We are comfortable that having reviewed the carrying values for intangible assets at the end of 2009 there is no need for further impairment. With the exception of the carrying values relating to the acquisition of the minority interests in New Zealand and the acquisition of Clear the carrying values are significantly above the recoverable amounts for each of the other cash generating units (CGU).

Further details of the carrying amounts by CGU and the assumptions that we have used to assess them is set out in note 15.

Financial income and expense, tax and minority interests
The Group's headline net interest cost increased to £0.1m from a net income of £0.4m in 2008. There was a significant reduction in the interest expense incurred on the Group debt as a result of lower interest rates and the average Group debt reducing to £5.1m (2008: £7.9m). Interest receivable on Group treasury activities has also fallen.

Minority put option revaluations are excluded from the headline results (see note 4) as the charge can vary significantly each year and affect the view of the underlying performance. In 2009 the revaluation of the minority put option liabilities which is accounted for within financial income was £0.2k (2008: £1.9m). In 2009 new put options were granted to the minority partners in our new offices in Brazil and Switzerland and additional put options were granted to the minority shareholders in our French office. The net reduction to the liability was caused by mutual annulment of the agreement to acquire additional equity in our Spanish associate and by the purchase of some of the minority shareholding in our UK based Sports and Entertainment and PR businesses.

The effective tax rate on headline profit before tax, before the investment into the new markets and the effect of the associate was 31.7% (2008: 31.8%). The impact of the non deductible losses incurred in these new ventures increased the effective tax rate by 4.5pts to 36.2%. The Group will be able to utilise the tax losses when the new offices start making profits.

The proportion of profits attributable to minority shareholders decreased to 5.6% (2008: 5.9%) of headline profit after tax to £0.4m (2008: £0.6m). The small decrease is due principally to the Group acquiring shares from its minorities during 2008 and 2009.

Associate
In 2008 there was a severe deterioration in the Spanish economy; this led us to review the value of our investment in the Group's Spanish associate. Based on our projected results for the associate we estimated our investment to be worth £1.7m, resulting in an impairment of £2.4m. In 2009 the economic situation in Spain improved slightly, and the associate has returned to profitability after cost reduction and client wins.

Company's Investments
We have assessed the value of the Company's investments, in the case of M&C Saatchi Worldwide Ltd which was acquired at float in 2004. The recoverable amount is now £15.0m less than the carrying amount. We have made a £15.0m impairment and released £15.0m of merger reserve to the balance sheets profit and loss reserve. Further details are set out in note 37.

BOARD

EXECUTIVE DIRECTORS

Jeremy Sinclair Chairman

Bill Muirhead Executive Director

Maurice Saatchi Executive Director

David Kershaw Chief Executive

Jamie Hewitt Finance Director

NON EXECUTIVE DIRECTORS

Lloyd Dorfman Non Executive Director

Adrian Martin Non Executive Director

SENIOR MANAGEMENT

Tom Dery Chairman, Advertising Network

Moray MacLennan Chief Executive, Advertising Network

Phil Georgiadis Chairman, Walker Media

Melvin Jay Chairman, Clear


Don’t let your friendship die on the road
THINK
Look out for your mates
MAYOR OF LONDON
Transport for London

Takes years off.


22 / MADRID
CARTELERA
EL PAÍS, lunes 22 de noviembre de 2004
EL PAÍS, lunes 22 de noviembre de 2004
CARTELERA
MADRID / 23
CINES
IT'S NOT A MOVIE
IT'S NOT A GAME.
PLAZA DE TOROS
DE LAS VENTAS

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the Group and Company for the year ended 31 December 2009.

Results and dividends

The consolidated income statement on page 34 shows the result for the year.

The directors paid an interim dividend of £536,000 (2008: £529,000), a second interim dividend of £1,692,000 (2008: £Nil) and recommend no final dividend (2008: 2.75 pence totalling £1,683,000).

Principal activity, trading review and future developments

The principal activity of the Group during the year was the provision of advertising and marketing services. The review of trading, future developments and key performance indicators (being revenue growth, headline operating margin, headline profit before tax, headline tax rate, and cash generation) are on pages 2 to 13.

Principal risks and uncertainties

Client losses hurt, although some turnover over time is normal and expected. Losses can happen for a variety of reasons. Our client profile is in line with those of our major competitors, and we continue to attract new clients on the basis of our creative excellence, the commitment of our people and our unique portfolio of services.

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

The other risks the Group faces are financial (details of which can be seen in note 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 £40,704 (2008: £63,267) and made no political donations (2008: nil).

Directors

The names of the directors are given on pages 14 and 15.

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 20 April 2010 the Company had been notified by shareholders representing 3% or more of issued share capital of the following interests:

	Number of shares	%
David Kershaw	3,799,369	6.1%
Bill Muirhead	3,799,369	6.1%
Maurice Saatchi	3,799,369	6.1%
Jeremy Sinclair	3,799,369	6.1%
Hermes Specialist UK Focus Fund Ltd	5,426,968	8.7%
Herald Investment Trust plc	4,400,000	7.1%
Fidelity Investments	2,774,986	4.5%
Aberdeen Asset Management	2,275,951	3.7%

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 2010, the Group continued its organic growth model by opening offices in South Africa.

On 30 March 2010 the Group sold 20% of its holding in its wholly owned Australian subsidiary M&C Saatchi Agency Pty Ltd to Tom Dery and Tom McFarlane, for a total consideration of AUD5m. The consideration was satisfied by AUD1m in cash and a AUD4m loan from M&C Saatchi plc to the purchasers, repayable if the purchasers no longer have a beneficial interest in M&C Saatchi Agency Pty Ltd. The loan, which is denominated 50% in sterling and 50% in

Australian dollars, 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 of the loan.

We are acquiring a majority stake in Inside Mobile, the mobile communication specialists as well as a minority stake in Quantum, a Lebanon based marketing and communications business operating in the Middle East and North Africa region.

The directors are not aware of any other events since the end of the financial year that have had, or may have a significant impact on the Group's operations, the results of those operations, or the state of affairs of the Group in future years.

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

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

Payment of creditors
The Group has no formal code of conduct dealing specifically with the payment of suppliers. However, we try to adhere to agreed payment terms, provided the required goods or services have been delivered. The average number of days of purchases of the Company represented by trade creditors at 31 December 2009 was 12 days (2008: 13 days).

Treasury shares
At the Annual General Meeting (AGM) in 2009 the directors were given the authority to purchase up to 6,081,900 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 2009 the directors were given the authority to issue up to 20,273,200 of its ordinary shares of which 6,081,900 were approved to be issued for cash.

During the year the Company issued 700,180 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 director's 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 have elected to 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
21 April 2010

Remuneration report

The members of the Remuneration Committee are Lloyd Dorfman 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.

With the exception of the open market rent paid to 36 Golden Square LLP (see note 34), no director of the Company has received or become entitled to receive a benefit (other than a fixed salary as a full time employee of the Company or of a related corporation, or a benefit included in the aggregate amount of remuneration shown in the financial statements) by reason of a contract made by the Company or a related corporation of which he is a member or with a Company in which he has a substantial financial interest.

By order of the Board

Andy Blackstone
Company Secretary
21 April 2010

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

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

1 LTIP is the directors' share of the year's accounting charge. Some of Jerry Wales's LTIP options will lapse 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	2009 £000	2008 £000
BILLINGS		**370,764**	436,506
REVENUE	4	**103,435**	104,383
OPERATING COSTS	6	**(93,257)**	(93,617)
OPERATING PROFIT	4	**10,178**	10,766
Share of results of associates	9	**64**	(81)
Impairment of associate	9	**–**	(2,400)
Finance income	10	**386**	3,350
Finance costs	11	**(369)**	(1,142)
PROFIT BEFORE TAXATION	4	**10,259**	10,493
Taxation	13	**(3,666)**	(3,904)
PROFIT AFTER TAXATION		**6,593**	6,589
Attributable to:			
Equity shareholders of the Group	4	**6,223**	6,021
Non controlling interests	4	**370**	568
PROFIT FOR THE YEAR	4	**6,593**	6,589
EARNINGS PER SHARE			
Basic (pence)	4	**10.17p**	10.04p
Diluted (pence)	4	**9.69p**	9.75p
HEADLINE RESULTS			
Headline operating profit	4	**10,360**	13,739
Headline profit before tax	4	**10,288**	14,095
Headline profit after tax attributable to equity shareholders	4	**6,215**	9,024

The notes on pages 40 to 70 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December	Note	2009 £000	2008 £000
PROFIT FOR THE YEAR		**6,593**	6,589
Other comprehensive income:			
Exchange differences on translating foreign operations before tax		**(193)**	2,403
Tax benefit/(expense)		**92**	(311)
Other comprehensive income for the year net of tax		**(101)**	2,092
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,492**	8,681
Total comprehensive income attributable to:			
Equity shareholders of the Group		6,122	7,952
Non controlling interests		370	729
		6,492	8,681

The notes on pages 40 to 70 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December	Note	2009 £000	2008 £000
NON CURRENT ASSETS			
Intangible assets	15	**58,394**	58,114
Investments in associates	17	**1,730**	1,711
Plant and equipment	18	**4,353**	4,239
Deferred tax assets	19	**1,900**	1,924
Other non current assets	20	**1,787**	707
		68,164	66,695
CURRENT ASSETS			
Trade and other receivables	21	**53,844**	60,784
Current tax assets		**89**	649
Cash and cash equivalents		**15,111**	9,271
		69,044	70,704
CURRENT LIABILITIES			
Trade and other payables	22	**(72,278)**	(73,583)
Current tax liabilities		**(2,000)**	(3,030)
Other financial liabilities	23	**(26)**	(37)
Deferred and contingent consideration	24	**(229)**	(116)
Minority shareholder put option liabilities	25	**(1,089)**	(1,881)
		(75,622)	(78,647)
NET CURRENT LIABILITIES		**(6,578)**	(7,943)
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,586**	58,752
NON CURRENT LIABILITIES			
Deferred tax liabilities	19	**(871)**	(928)
Other financial liabilities	23	**(4,447)**	(6,702)
Minority shareholder put option liabilities	25	**(2,834)**	(1,816)
Other non current liabilities	26	**(318)**	(483)
		(8,470)	(9,929)
TOTAL NET ASSETS		**53,116**	48,823

The notes on pages 40 to 70 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December	Note	2009 £000	2008 £000
EQUITY			
Equity attributable to shareholders of the Group			
Share capital	27	**622**	615
Share premium		**12,758**	12,758
Merger reserve		**22,258**	21,777
Treasury reserve		**(792)**	(792)
Minority interest put option reserve		**(3,480)**	(4,463)
Foreign exchange reserve		**2,148**	2,249
Retained earnings		**18,832**	15,869
		52,346	48,013
NON CONTROLLING INTEREST		**770**	810
TOTAL EQUITY		**53,116**	48,823

These financial statements were approved and authorised for issue by the Board on 21 April 2010 and signed on its behalf by:

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

The notes on pages 40 to 70 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Minority Interest put option reserve £000	Foreign exchange reserve £000	Retained earnings £000	Subtotal £000	Non controlling interests £000	Total £000
AT 1 JANUARY 2008	597	12,758	20,285	(792)	(6,876)	318	9,053	**35,343**	**555**	**35,898**
Issue of shares for acquisitions	18	–	1,925	–	–	–	–	**1,943**	**–**	**1,943**
Repayment of minority share capital	–	–	–	–	–	–	–	**–**	**(19)**	**(19)**
Exercise of minority put options	–	–	–	–	2,413	–	2,657	**5,070**	**(19)**	**5,051**
Transfer to minority reserves	–	–	–	–	–	–	(212)	**(212)**	**212**	**–**
Transfer of reserves	–	–	(433)	–	–	–	433	**–**	**–**	**–**
Equity settled share based payments	–	–	–	–	–	–	104	**104**	**–**	**104**
Dividends	–	–	–	–	–	–	(2,187)	**(2,187)**	**(648)**	**(2,835)**
Total comprehensive income	–	–	–	–	–	1,931	6,021	**7,952**	**729**	**8,681**
AT 31 DECEMBER 2008	615	12,758	21,777	(792)	(4,463)	2,249	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	–	–	–	–	–	(101)	6,223	**6,122**	**370**	**6,492**
AT 31 DECEMBER 2009	**622**	**12,758**	**22,258**	**(792)**	**(3,480)**	**2,148**	**18,832**	**52,346**	**770**	**53,116**

The definitions of the reserves reported in the above can be found in note 3.

The notes on pages 40 to 70 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Note	2009 £000	2008 £000
CASH GENERATED FROM OPERATIONS	29	**16,971**	15,050
Tax paid		**(4,024)**	(3,592)
NET CASH FLOW FROM OPERATING ACTIVITIES		**12,947**	11,458
INVESTING ACTIVITIES			
Acquisitions	30	**(536)**	(14,156)
Proceeds from sale of plant and equipment		**10**	5
Purchase of plant and equipment		**(1,715)**	(1,605)
Purchase of capitalised software		**(82)**	(100)
Dividends from associate		**38**	125
Interest earned		**215**	1,411
NET CASH CONSUMED BY INVESTING ACTIVITIES		**(2,070)**	(14,320)
FINANCING ACTIVITIES			
Dividends paid to equity holders of the Company	14	**(2,219)**	(2,187)
Dividends paid to minority interests		**(410)**	(648)
Subsidiaries' purchase of own shares from minorities		**–**	(19)
Subsidiaries sale of own shares to minorities		**118**	–
Repayment of finance leases		**(29)**	(12)
Inception of bank loans		**1**	12,620
Repayment of bank loans		**(2,154)**	(14,703)
Interest paid		**(350)**	(974)
Interest on finance leases		**(1)**	(1)
NET CASH CONSUMED BY FINANCING ACTIVITIES		**(5,044)**	(5,924)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,833**	(8,786)
Cash and cash equivalents at the beginning of the year		**9,271**	16,895
Effect of exchange rate changes		**7**	1,162
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**15,111**	9,271

The notes on pages 40 to 70 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, fair value gains and losses on liabilities caused by our put and call option agreements, and notional interest on deferred consideration.

Cost convention

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

Basis of consolidation

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

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

Where a consolidated company is less than 100% owned by the Group, the minority interest share of the results and net assets is recognised at each reporting date. Where such a company has net liabilities, the minority interest share of the loss is not attributed to the minority interests unless the minority shareholder has an obligation to make good its share of the net liabilities.

Subsidiary acquisitions

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values of the assets given, liabilities incurred or assumed and the equity instruments issued by the Group in exchange for control, together with any costs that are directly attributable to the business combination. The identifiable assets and liabilities (including contingent liabilities) acquired that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the date of acquisition.

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

Goodwill

Goodwill arising on the acquisition of a subsidiary 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 plus any direct costs of acquisition.

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

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

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

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

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

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

Associates

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

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

Intangible assets

Separately acquired intangible assets are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition if they are separately identifiable from the acquired entity. Intangible assets that relate to associates are included within the carrying value of the investment in associates. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Intangible assets are stated at historical cost less accumulated amortisation.

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

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

Software	– 3 years
Customer relationships	– 1 to 5 years
Brand name	– 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.

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

1. Accounting policies continued

Segmental reporting

The Group adopted IFRS 8 Segmental Reporting in the current financial year. 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 consolidated 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 2 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 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.

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.

Equity instruments

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

Treasury shares

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

Minority shareholder put option liabilities

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

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

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

Call option assets

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

On exercise the asset is extinguished against the profit and loss reserve.

1. Accounting policies continued

STANDARD EFFECTIVE FOR THE FIRST TIME THIS YEAR

IFRS 8 has been applied for the first time; see accounting policy on segmental reporting.

Revised IAS 1, Presentation of Financial Statements, has been applied to the financial statements.

STANDARDS NOT YET EFFECTIVE

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

Revised IFRS 3, Business Combinations and Complementary Amendments to IAS 27, 'Consolidated and Separate Financial Statements' (both effective for accounting periods beginning on or after 1 July 2009). The main impact of this revised standard on the Group is that for acquisitions post 1 January 2010, the standard does not allow capitalisation of acquisition costs, such costs are taken directly to the income statement. In addition, future contingent consideration on acquisition will be measured at fair value and the difference will be taken to the income statement annually.

Amendments to IAS 27, Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009). The key changes in the standard that will affect us is that acquisitions of equity from minorities (non controlling interests) will no longer to be treated as goodwill, instead will be taken straight to reserves.

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

Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009).

Amendments to IFRIC 9 and IAS 39: Embedded Derivatives (effective for accounting periods ending on or after 30 June 2009).

IFRIC 17, Distributions of Non cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).

IFRIC 18, Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).

In addition, the IASB 2008 annual improvements project includes minor amendments to various accounting standards which will be effective for accounting periods beginning on or after 1 January 2010 which are not expected to affect the Group.

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.

2009 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%	(231)	(117)
-10%	282	143

See note 4 for the income statement translated at prior year exchange rates.

SHARE PRICE RISK

Changes in our year end share price will impact the fair value adjustment to minority shareholders put options only. The year end share price was 81.0p (2008: 78.5p). The 2009 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
105.3p	+30%	(523)	(523)
97.2p	+20%	(349)	(349)
81.0p	–	–	–
72.9p	-10%	174	174
64.8p	-20%	349	349

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 £54,826k (2008: £52,476k). 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 28 – Share based payments – Conditional share awards

and to a limited extent:

Note 24 – Deferred and contingent consideration on Clear Ideas Ltd where there is a remote chance of future economic outflow.

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 2010.

They are used in calculating the fair value of minority put option, 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. (see note 31)

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 31)

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 an impairment 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 goodwill.

MINORITY INTEREST

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

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 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**
Impairment of associate	9	–	–	–	–	–	–
Share of results of associates	9	64	–	–	–	–	64
Finance income	10	386	–	–	(157)	–	229
Finance expense	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**
Minority 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.

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, the fair value gains and losses on liabilities caused by our put and call option agreements, and notional interest from deferred consideration.

Year ended 31 December 2008	Note	Reported results £000	Amortisation of acquired intangibles £000	Impairment of acquired intangibles and goodwill £000	Fair value adjustments to minority put option liabilities £000	Notional interest on deferred consideration £000	Headline & segmental results £000
REVENUE	5	**104,383**	**–**	**–**	**–**	**–**	**104,383**
OPERATING PROFIT	6	**10,766**	**575**	**2,398**	**–**	**–**	**13,739**
Impairment of associate	9	(2,400)	–	2,400	–	–	–
Share of results of associates	9	(81)	–	–	–	–	(81)
Finance income	10	3,350	–	–	(1,940)	–	1,410
Finance expense	11	(1,142)	–	–	–	169	(973)
PROFIT BEFORE TAXATION	5	**10,493**	**575**	**4,798**	**(1,940)**	**169**	**14,095**
Taxation	13, 5	(3,904)	(164)	(435)	–	–	(4,503)
PROFIT AFTER TAXATION		**6,589**	**411**	**4,363**	**(1,940)**	**169**	**9,592**
Minority interests		(568)	–	–	–	–	(568)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		**6,021**	**411**	**4,363**	**(1,940)**	**169**	**9,024**
BASIC EARNINGS PER SHARE							
Weighted average number of shares (thousands)		59,972	–	–	–	–	59,972
BASIC EPS		**10.04p**	**–**	**–**	**–**	**–**	**15.05p**
DILUTED EARNINGS PER SHARE							
Weighted average number of shares (thousands) as above		59,972	–	–	–	–	59,972
Add							
– UK growth shares		–	–	–	–	–	–
– Options		411	–	–	–	–	411
– LTIP options		1,151	–	–	–	–	1,151
– Contingent consideration		205	–	–	–	–	205
Total		**61,739**	**–**	**–**	**–**	**–**	**61,739**
DILUTED EARNINGS PER SHARE		**9.75p**					**14.62p**

5. Segmental information

SEGMENTAL AND HEADLINE INCOME STATEMENT

Year ended 31 December 2009	UK £000	Europe £000	Asia and Australasia £000	America £000	New Offices £000	Clear £000	Total £000
REVENUE	**49,079**	**9,444**	**33,227**	**2,386**	**800**	**8,499**	**103,435**
OPERATING PROFIT EXCLUDING GROUP COSTS	**10,453**	**1,315**	**2,707**	**(315)**	**(1,355)**	**1,289**	**14,094**
GROUP COSTS	**3,252**	**71**	**369**	**3**	**39**	**–**	**3,734**
OPERATING PROFIT	**7,201**	**1,244**	**2,338**	**(318)**	**(1,394)**	**1,289**	**10,360**
Share of results of associates	–	64	–	–	–	–	64
Financial income	93	10	119	2	–	5	229
Financial expense	(274)	(65)	(16)	–	(10)	–	(365)
PROFIT BEFORE TAXATION	**7,020**	**1,253**	**2,441**	**(316)**	**(1,404)**	**1,294**	**10,288**
TAXATION	(2,075)	(413)	(906)	102	(14)	(397)	(3,703)
PROFIT FOR THE YEAR	**4,945**	**840**	**1,535**	**(214)**	**(1,418)**	**897**	**6,585**
Minority interests	(80)	(226)	(194)	24	106	–	(370)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP	**4,865**	**614**	**1,341**	**(190)**	**(1,312)**	**897**	**6,215**
HEADLINE BASIC EPS							**10.15p**
COSTS INCLUDED IN OPERATING PROFIT:							
DEPRECIATION	**(581)**	**(138)**	**(772)**	**(23)**	**(24)**	**(153)**	**(1,691)**
Amortisation of software	(8)	(28)	(55)	(6)	(3)	–	(100)
SHARE OPTION CHARGES	**(216)**	**–**	**(31)**	**(4)**	**–**	**–**	**(251)**
OFFICE LOCATION	London	Paris Berlin Madrid	Sydney Melbourne Auckland Wellington Kuala Lumpur New Delhi Mumbai Hong Kong Beijing Shanghai	LA	São Paulo Geneva Tokyo	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 consolidated 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 two years of operation and then will be transferred into its regional segment (with the related comparative also restated). As Clear has a different nature of service and in the most part a different customer, even in the organisations we mutually serve, 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 2008	UK £000	Europe £000	Asia and Australasia £000	America £000	New Offices £000	Clear £000	Total £000
REVENUE	**52,357**	**8,727**	**29,677**	**3,200**	**–**	**10,422**	**104,383**
OPERATING PROFIT EXCLUDING GROUP COSTS	**11,259**	**1,306**	**2,376**	**295**	**–**	**1,905**	**17,141**
GROUP COSTS	**3,088**	**38**	**273**	**3**	**–**	**–**	**3,402**
OPERATING PROFIT	**8,171**	**1,268**	**2,103**	**292**	**–**	**1,905**	**13,739**
Share of results of associates	–	(81)	–	–	–	–	(81)
Financial income	1,180	45	162	2	–	21	1,410
Financial expense	(672)	(258)	(43)	–	–	–	(973)
PROFIT BEFORE TAXATION	**8,679**	**974**	**2,222**	**294**	**–**	**1,926**	**14,095**
TAXATION	(2,730)	(209)	(871)	(103)	–	(590)	(4,503)
PROFIT FOR THE YEAR	**5,949**	**765**	**1,351**	**191**	**–**	**1,336**	**9,592**
Minority interests	(240)	(182)	(114)	(32)	–	–	(568)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP	**5,709**	**583**	**1,237**	**159**	**–**	**1,336**	**9,024**
HEADLINE BASIC EPS							**14.62p**
COSTS INCLUDED IN OPERATING PROFIT:							
DEPRECIATION	**(605)**	**(106)**	**(726)**	**(25)**	**–**	**(169)**	**(1,631)**
Amortisation of software	–	(23)	(46)	(6)	–	–	(75)
SHARE OPTION CHARGES	**(96)**	**–**	**(36)**	**(1)**	**–**	**–**	**(133)**
OFFICE LOCATION	London	Paris Berlin Madrid	Sydney Melbourne Auckland Wellington Kuala Lumpur New Delhi Mumbai Hong Kong Singapore Beijing Shanghai	LA	–	London Hong Kong New York Amsterdam	

5. Segmental information continued

SEGMENTAL BALANCE SHEET

Year ended 31 December 2009	Note	UK £000	Europe £000	Asia and Australasia £000	America £000	New Offices £000	Clear £000	Total £000
Total assets		97,985	10,190	19,736	614	1,169	5,525	135,219
Total liabilities		(42,421)	(8,809)	(15,420)	(525)	(2,141)	(3,509)	(72,825)
TOTAL ASSETS INCLUDES ASSOCIATES		–	1,730	–	–	–	–	1,730
Additions to non current asset includes								
Non headline amortisation	15	–	–	–	–	28	131	159
Capital expenditure	18	348	151	1,187	7	120	44	1,857
Depreciation	18	(581)	(138)	(772)	(23)	(24)	(153)	(1,691)

SEGMENTAL BALANCE SHEET

Year ended 31 December 2008	Note	UK £000	Europe £000	Asia and Australasia £000	America £000	New Offices £000	Clear £000	Total £000
Total assets		98,060	11,522	17,634	2,219	–	5,390	134,825
Total liabilities		(39,315)	(12,179)	(14,507)	(5,266)	–	(2,916)	(74,183)
TOTAL ASSETS INCLUDES ASSOCIATES		–	1,711	–	–	–	–	1,711
Additions to non current assets includes:								
Non headline impairments	15,17	–	(2,400)	(846)	–	–	(1,552)	(4,798)
Non headline amortisation	15	–	–	–	–	–	(575)	(575)
Capital expenditure	18	1,053	188	351	3	–	122	1,717
Depreciation	18	(605)	(106)	(726)	(25)	–	(169)	(1,631)

Reportable segment assets are reconciled to total assets as follows:

	2009 £000	2008 £000
Segment assets	**135,219**	134,825
Current tax	**89**	650
Deferred tax	**1,900**	1,924
Total assets per balance sheet	**137,208**	137,399

Reportable segment liabilities are reconciled to total liabilities as follows:

	2009 £000	2008 £000
Segment liabilities	**(72,825)**	(74,183)
Deferred tax	**(871)**	(928)
Current tax	**(2,000)**	(3,030)
Current borrowings	**(26)**	(37)
Non current borrowings	**(4,447)**	(6,702)
Financial assets at fair value through income statement	**(3,923)**	(3,696)
Total liabilities per balance sheet	**(84,092)**	(88,576)

ADDITIONAL REGIONAL SPLITS REQUIRED FOR IFRS 8

Year ended 31 December 2009	UK £000	Europe £000	Asia and Australasia £000	The 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**

Year ended 31 December 2008	UK £000	Europe £000	Asia and Australasia £000	The Americas £000	Total £000
Revenue	60,349	10,329	29,667	4,028	104,383
Non current assets	51,060	6,998	6,601	112	64,771

SEGMENTAL INCOME STATEMENT TRANSLATED AT 2008 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 2009 results been translated at 2008 exchange rate then our results would have been:

Year ended 31 December 2009	UK £000	Europe £000	Asia and Australasia £000	America £000	New Offices £000	Clear £000	Total £000
REVENUE	**49,079**	**8,425**	**30,065**	**2,014**	**800**	**8,208**	**98,591**
OPERATING PROFIT EXCLUDING GROUP COSTS	**10,453**	**1,169**	**2,337**	**(276)**	**(1,355)**	**1,302**	**13,630**
GROUP COSTS	**3,252**	**63**	**335**	**3**	**39**	**–**	**3,692**
OPERATING PROFIT	**7,201**	**1,106**	**2,002**	**(279)**	**(1,394)**	**1,302**	**9,938**
Share of results of associates	–	57	–	–	–	–	57
Financial income	90	9	109	2	–	5	215
Financial expense	(271)	(65)	(15)	–	(10)	–	(361)
PROFIT BEFORE TAXATION	**7,020**	**1,107**	**2,096**	**(277)**	**(1,404)**	**1,307**	**9,849**
TAXATION	(2,075)	(364)	(801)	86	(14)	(396)	(3,564)
PROFIT FOR THE YEAR	**4,945**	**743**	**1,295**	**(191)**	**(1,418)**	**911**	**6,285**
Increase in 2009 results caused by translation differences	–	97	240	(23)	–	(14)	300

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

	2009	2008
US dollar	**1.565**	1.854
Malaysian ringgit	**5.510**	6.155
Australian dollar	**1.992**	2.185
Euro	**1.123**	1.259

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	2009 %	2008 %
Top Client	**5.8**	6.3
Top 10	**36.8**	32.9
Top 15	**46.1**	40.9
Top 30	**60.2**	57.5

6. Operating costs

Year ended 31 December	Note	2009 £000	2008 £000
Total staff costs	7	**66,350**	61,914
Other costs include:			
Goodwill impairment		**–**	846
Acquired intangibles impairment		**–**	1,552
Amortisation of intangibles			
– Acquired intangibles		**159**	575
– Capitalised software		**100**	75
Depreciation of plant and equipment		**1,691**	1,631
Losses on disposal of fixed assets		**2**	15
Loss on disposal of intangible asset		**23**	–

Year ended 31 December	2009 £000	2008 £000
OPERATING LEASE RENTALS		
Plant	**63**	246
Property	**4,514**	3,668
	4,577	3,914
Sublease receipts	**(7)**	(12)
	4,570	3,902

Year ended 31 December	2009 £000	2008 £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	**362**	249
– Within two to five years	**471**	483
	833	732
PROPERTY		
Commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:		
– Within one year	**4,922**	4,476
– Within two to five years	**15,032**	14,298
– Greater than five years	**30,561**	32,085
	50,515	50,859

7. Staff costs

Staff costs (including directors) comprise:

Year ended 31 December	2009 £000	2008 £000
Wages and salaries	**56,307**	52,126
Social security costs	**6,208**	6,305
Defined contribution pension scheme costs	**1,992**	1,775
Other staff benefits	**1,435**	1,480
	65,942	61,686
SHARE BASED INCENTIVE PLANS		
Cash settled	**157**	95
Equity settled	**251**	133
	408	228
TOTAL STAFF COSTS	**66,350**	61,914
STAFF COST TO REVENUE RATIO	**64%**	59%
STAFF NUMBERS		
UK	**478**	490
Europe	**64**	59
Asia & Australia	**445**	433
America	**22**	26
New Offices	**24**	–
Clear	**77**	93
	1,110	1,101

PENSIONS

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

Payments of £1,992k (2008: £1,775k) 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 £19k (2008: £17k).

KEY MANAGEMENT REMUNERATION

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

	2009 £000	2008 £000
Short term employee benefit	**3,930**	3,766
Post employment benefit	**317**	266
Share based payments	**47**	111
TOTAL	**4,294**	4,143

8. Auditors' remuneration

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

Year ended 31 December	2009 £000	2008 £000
AUDIT SERVICES		
Audit of the Company and its consolidated accounts	**127**	121
Audit of the Company's subsidiaries pursuant to legislation	**195**	221
	322	342
OTHER SERVICES PROVIDED BY THE AUDITORS		
Due diligence of acquisitions including capitalised costs	**–**	35
Taxation	**130**	105
Other advice	**39**	17
	169	157
TOTAL	**491**	499

9. Share of associates

Year ended 31 December	2009 £000	2008 £000
Share of associate's profit/(loss) before taxation	**112**	(20)
Share of associate's taxation	**(48)**	(61)
	64	(81)

ASSOCIATE IMPAIRMENT

During 2008, £2,400k of our investment in the associate was impaired (2009: £nil).

10. Finance income

Year ended 31 December	2009 £000	2008 £000
Bank interest receivable	**203**	1,247
Other interest receivable	**26**	163
TOTAL INTEREST RECEIVABLE	**229**	1,410
Fair value adjustments to minority shareholder put option liabilities	**157**	1,940
TOTAL FINANCE INCOME	**386**	3,350

11. Finance expense

Year ended 31 December	2009 £000	2008 £000
Bank interest payable	**(350)**	(925)
Interest payable on finance leases	**–**	(1)
Other interest payable	**(15)**	(47)
TOTAL INTEREST PAYABLE	**(365)**	(973)
Notional interest on contingent consideration	**–**	(169)
Fair value adjustments to call options	**(4)**	–
TOTAL FINANCE EXPENSE	**(369)**	(1,142)

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 £53k (2008: £12k).

In April 2008, the Group revised its banking arrangements and now has a £18m bank facility, the facility runs out in March 2011. The facility can borrow in sterling or euros. At 31 December 2009, £4.5m of this loan was drawn down.

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

13. Taxation

Year ended 31 December	2009 £000	2008 £000
CURRENT TAXATION		
Taxation in the year		
– UK	**2,176**	2,990
– Overseas	**1,466**	1,768
Withholding taxes payable	**–**	12
Utilisation of previously unrecognised tax losses	**–**	(182)
Adjustment for over provision in prior periods	**(20)**	(144)
TOTAL	**3,622**	4,444
DEFERRED TAXATION		
Origination and reversal of temporary differences	**27**	(596)
Effect of changes in tax rates	**17**	56
TOTAL	**44**	(540)
TOTAL TAXATION	**3,666**	3,904

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	2009 £000	2008 £000
Profit before taxation	**10,259**	10,493
TAXATION AT UK CORPORATION TAX RATE OF 28.0% (2008: 28.5%)	**(2,873)**	(2,991)
Tax effect of associates	**18**	(23)
Expenses not deductible for tax	**(272)**	(250)
Different tax rates applicable in overseas jurisdictions	**(30)**	(89)
Effect of changes in tax rates on deferred tax	**(17)**	(56)
Withholding taxes	**–**	(12)
Utilisation of previously unrecognised tax losses	**–**	182
Adjustment for over provision in prior periods	**20**	144
Tax losses for which no deferred tax asset was recognised	**(580)**	(222)
Share based incentive charge greater than value of shares	**30**	(167)
Fair value adjustments on minority shareholder put options	**44**	553
Notional interest on deferred consideration	**–**	(48)
Loss on disposal of intangible asset	**(6)**	–
Impairment of goodwill	**–**	(925)
	(3,666)	(3,904)

14. Dividends

Year ended 31 December	2009 £000	2008 £000
2008 final dividend 2.75p (2007 2.75p)	**1,683**	1,658
2009 interim dividend 0.87p (2007 0.87p)	**536**	529
	2,219	2,187

Additional 2009 interim dividend of 2.75p totalling £1,692k was paid 1 April 2010. No final dividend is proposed.

Dividends relate to the profit of the following years:

Year ended 31 December	2009 £000	2008 £000
First interim dividend	**536**	529
Second interim dividend	**1,692**	–
Final dividends	**–**	1,683
	2,228	2,212
Headline dividend cover	**2.8**	4.1

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

	Note	Goodwill £000	Brand name £000	Customer relationships £000	Software £000	Total £000
COST						
At 1 January 2008		56,095	2,640	3,213	320	62,268
Exchange differences		1,790	–	–	57	1,847
Reclassification		–	–	–	182	182
Acquired	16	5,878	–	–	100	5,978
Reduction in contingent consideration		(8,055)	–	–	–	(8,055)
AT 31 DECEMBER 2008		55,708	2,640	3,213	659	62,220
Exchange differences		(539)	–	6	6	(527)
Acquired	16	997	–	82	86	1,165
Disposal		(81)	–	–	(122)	(203)
AT 31 DECEMBER 2009		**56,085**	**2,640**	**3,301**	**629**	**62,655**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 1 January 2008		–	–	628	231	859
Exchange differences		–	–	–	35	35
Amortisation charge		–	–	575	75	650
Reclassification		–	–	–	164	164
Impairment charge		846	–	1,552	–	2,398
AT 31 DECEMBER 2008		846	–	2,755	505	4,106
Exchange differences		–	–	7	11	18
Amortisation charge		–	–	159	100	259
Disposals		–	–	–	(122)	(122)
AT 31 DECEMBER 2009		**846**	**–**	**2,921**	**494**	**4,261**
NET BOOK VALUE						
At 1 January 2008		56,095	2,640	2,585	89	61,409
At 31 December 2008		54,862	2,640	458	154	58,114
AT 31 DECEMBER 2009		**55,239**	**2,640**	**380**	**135**	**58,394**

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

Cash generating units (CGU)	Goodwill 31 December 2009 £000	Goodwill 31 December 2008 £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**	–	UK
M&C Saatchi Export Ltd	**600**	600	UK
M&C Saatchi Berlin GmbH*	**1,382**	1,503	Europe
M&C Saatchi Agency Pty Ltd (Australia)	**2,751**	2,994	Asia and Australasia
M&C Saatchi (Hong Kong) Ltd (China)	**924**	1,005	Asia and Australasia
M&C Saatchi Ltd (New Zealand)	**666**	725	Asia and Australasia
Clear Ideas Ltd	**14,531**	14,531	Clear
Total of the five CGUs with goodwill less than £0.5m*	**1,011**	820	Various
TOTAL	**55,239**	54,862	

* 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 2009 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. (2008: £2,398k).

Management have approved the forecasts for 2010 and have prepared additional projections based on the 2010 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 2008 due to higher long term interest and market rates. The pre tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country 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 and Clear, 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 (2008: equal), as we have not changed our expectations for New Zealand since last years impairment. Any change in assumptions will lead to an adjustment in the recoverable amount.

At end of 2009 Clear whose customer relationships were impaired in 2008, had a recoverable amount which is above its carrying amount by 21% (2008: 0%), this is based on the assumption that management base case profit forecasts are achieved. If we miss the 2010 estimated profit by more than 14% (2008: 1%) or if the forecasted annual growth rate 2010-2014 is reduced by more than 4.5% (2008: 0.2%), then the recoverable amount will equal the carrying amount.

	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

The acquired brand name £2,640k relates to the 'Clear' brand which was acquired with the Clear acquisition in 2007. There is no foreseeable limit to the duration of its life, 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 8% (2008: 25%) the recoverable amount will be less than the carrying amount.

SUBSIDIARIES

The Group's significant subsidiary undertakings are:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at 2009	2008	Nature of business
M&C Saatchi (UK) Ltd	UK	**100%**	100%	Advertising
LIDA Ltd	UK	**100%**	100%	Direct marketing
Talk PR Ltd	UK	**95%**	84%	PR
M&C Saatchi Sport & Entertainment Ltd	UK	**97%**	77%	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	**100%**	100%	Advertising
M&C Saatchi (M) SDN.BHD	Malaysia	**49 %**	49%	Advertising
M&C Saatchi GAD SAS	France	**52%***	72%	Advertising
M&C Saatchi Berlin GmbH	Germany	**85%**	80%	Advertising

* The reduction in our holding of M&C Saatchi GAD SAS is as a result of an option being exercised in the company that resulted in new equity being issued to the minorities (non controlling interests). The option was entered into at the formation of this company, and is exercised as certain cumulative profit targets are met. The new shares have no rights over historic dividends or dividends out of 2010 profits.

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 2009	2008	Nature of business
Re Team Pty Ltd	Australia	**90%**	0%	Branding
M&C Saatchi Sport and Entertainment Pty Ltd	Australia	**51%**	0%	Sport & Entertainment
M&C Saatchi Sport & Entertainment LLP	USA	**65%**	0%	Sport & Entertainment
M&C Saatchi (Switzerland) SA	Switzerland	**60%****	0%	Advertising
M&C Saatchi Ltd	Japan	**60%**	0%	Advertising
M&C Saatchi Brazil Comunicação Ltda	Brazil	**83%***	0%	Advertising
M&C Saatchi/Insight Pesquisa & Planejamento Ltda	Brazil	**60%***	0%	Consumer insight
M&C Saatchi Brand Licensing Ltd	UK	**75%**	0%	Brand Licensing

M&C Saatchi/Insight Pesquisa & Planejamento Ltda was the only acquired company in the year.
* The Group's effective holding in M&C Saatchi Brazil Comunicação Ltda is 74% and in M&C Saatchi/Insight Pesquisa & Planejamento Ltda is 54%.
** The Group holds nominal value call rights if certain targets are not met.

16. Acquisitions & disposals

EXERCISE OF PUT OPTIONS

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 Sports and 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

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 we 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

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.

16. Acquisitions & disposals continued

SMALL ACQUISITIONS (2008 ACQUISITIONS)

During 2008 the Group acquired a controlling interest in Play London Ltd (May 2008) and bought the trade and assets of FCINQ in Paris (February 2008). The total consideration paid for these two acquisitions was £214k.

EXERCISE OF PUT OPTIONS (2008 ACQUISITION)

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

In October 2008 the Group acquired 11.2% of the share capital of M&C Saatchi Export Ltd (formally The Immediate Sales Company Ltd) from the company's minority shareholders with an issue of 536,742 shares.

ACCOUNTING METHODS

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 does 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

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.

In 2008, our estimate of the contingent consideration in respect of Clear Ideas Ltd was reduced to £nil following the reversal of £9.0m and a component being settled via cash and shares in June 2008. This resulted in a net reduction to goodwill of £8,055k (note 15). Given Clear's 2009 result it is still highly unlikely that any contingent liability will be paid in respect of the average results of 2009 and 2010.

2008	Note	Walker Media £000	Immediate Sales £000	Play London* £000	FCINQ* £000	Total £000
Consideration, satisfied by:						
Cash		9,223	–	43	55	9,321
Fair value of deferred consideration		(5,127)	–	–	116	(5,011)
Shares issued		945	531	–	–	1,476
		5,041	531	43	171	5,786
Direct costs of acquisition		35	12	–	35	82
		5,076	543	43	206	5,868
Less						
– Fair value of net liabilities		–	–	29	–	29
– Book value of minority interest		37	(56)	–	–	(19)
Goodwill arising	15	5,113	487	72	206	5,878

* Acquisitions that fall within scope of IFRS 3.

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 2009	2008
Zapping/M&C Saatchi, S.A. and subsidiaries	Advertising	Spain	**25%**	25%

	2009 £000	2008 £000
At 1 January	**1,711**	4,086
Exchange movements	**(16)**	231
Subscription for a direct share in associate's subsidiary	**9**	–
Impairment	**–**	(2,400)
Dividends paid	**(38)**	(125)
Share of loss/(profit) after taxation	**64**	(81)
At 31 December	**1,730**	1,711

CHANGE TO ZAPPING / M&C SAATCHI AGREEMENTS

At acquisition of our investment in Zapping/M&C Saatchi, S.A. and subsidiaries we agreed to acquire in stages an additional 50% of this group, and to give a minority interest put option right to this group's shareholder to sell us the remaining 25%. It was mutually agreed that we would have no further obligation to acquire any further shares in Zapping/M&C Saatchi, S.A. and subsidiaries, this agreement was notarised on 28 September 2009.

17. Associates continued

SUBSCRIPTION FOR A DIRECT SHARE IN ASSOCIATES SUBSIDIARY

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.

2008 ZAPPING / M&C SAATCHI IMPAIRMENT

In 2008 the decline in the Spanish economy led to indicators of impairment within Zapping/M&C Saatchi, S.A and it subsidiaries. Subsequent impairment testing resulted in a £2,400k impairment in the Zapping/M&C Saatchi, S.A associate in 2008. In 2009 no such indicators of impairment existed and therefore no further write down was required. Management are also pleased to report that the Zapping/M&C Saatchi, S.A result in 2009 is ahead of the 2008 impairment testing's estimate.

SUMMARISED FINANCIAL INFORMATION

	2009 Total £000	2008 Total £000
Income statement		
Revenue	**4,453**	4,678
Operating profit/(loss)	**472**	(106)
Profit/(loss) before taxation	**448**	(80)
Profit/(loss) after taxation	**255**	(325)
Our share	**64**	(81)

SUMMARISED FINANCIAL INFORMATION

	2009 Total £000	2008 Total £000
Balance sheet		
Total assets	**10,596**	5,206
Total liabilities	**(9,291)**	(3,966)

18. Plant and equipment

	Leasehold improvements £000	Furniture fittings & other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
COST					
At 1 January 2008	3,082	4,029	4198	61	11,370
Exchange differences	235	297	433	11	976
Additions	644	473	599	1	1,717
Acquired	–	4	8	–	12
Reclassification	–	–	(182)	–	(182)
Disposals	(1,424)	(605)	(1,534)	(3)	(3,566)
At 31 DECEMBER 2008	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**
Depreciation					
At 1 January 2008	2,128	2,190	3,080	18	7,416
Exchange differences	173	202	367	4	746
Depreciation charge	371	534	710	16	1,631
Reclassification	–	–	(176)	–	(176)
Disposals	(1,414)	(597)	(1,515)	(3)	(3,529)
At 31 DECEMBER 2008	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**
NET BOOK VALUE					
At 1 January 2008	954	1,839	1,118	43	3,954
At 31 December 2008	1,279	1,869	1,056	35	4,239
AT 31 DECEMBER 2009	**1,652**	**1,782**	**855**	**64**	**4,353**

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 2008	–	13	23	16	52
At 31 December 2008	–	–	51	–	51
AT 31 DECEMBER 2009	**–**	**–**	**47**	**–**	**47**

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 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**

At 31 December 2008	Gross £000	Offset £000	Reported £000
Deferred tax assets	1,936	(11)	1,924
Deferred tax liabilities	(940)	11	(928)
NET DEFERRED TAX	996	–	996

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

	2009 £000	2008 £000
At 1 January	**996**	430
Exchange differences	**77**	55
Income statement (charge)/credit	**(44)**	540
Equity charge in relation to employee costs	**–**	(29)
AT 31 DECEMBER	**1,029**	996

The following is the deferred tax recognised by the Group and movements in 2008 and 2009.

	Capital allowances & amortisation £000	Tax losses £000	Options & bonus accruals £000	Working capital differences £000	Total £000
At 1 January 2008	(1,515)	76	621	1,248	430
Exchange differences	(11)	26	9	31	55
Income statement (charge)/credit	620	(102)	(212)	234	540
Equity charge in relation to employee costs	–	–	(29)	–	(29)
AT 31 DECEMBER 2008	**(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**

UNPROVIDED DEFERRED TAXATION IN RESPECT OF CARRIED FORWARD TAX LOSSES

	Loss £000	Unprovided deferred tax £000
At 1 January 2009	644	120
Exchange differences	(55)	(10)
Change in potential tax rates	–	(57)
Losses in year	2,073	603
AT 31 DECEMBER 2009	**2,662**	**656**

EXPIRY DATE OF LOSSES

	2009 £000	2008 £000
1 to 5 years	5	–
5 to 10 years	214	–
10 years or more	437	120
Total	656	120

A differed 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

	2009 £000	2008 £000
Rent deposits	**1,733**	707
Call option provision	**54**	–
Net trade receivables	**1,787**	707

21. Trade and other receivables

	2009 £000	2008 £000
Trade receivables	**43,844**	52,298
Provision for bad debts	**(786)**	(706)
Net trade receivables	**43,058**	51,592
Prepayments and accrued income	**8,917**	7,275
VAT and sales tax recoverable	**601**	941
Other debtors	**1,268**	976
Total trade and other receivables	**53,844**	60,784

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

MOVEMENT IN THE BAD DEBT PROVISION

	2009 £000	2008 £000
As at 1 January	**(706)**	(75)
Exchange movements	**(24)**	(18)
Charged to the income statement	**(634)**	(648)
Released to income statement	**40**	19
Utilisation of provision	**538**	16
As at 31 December	**(786)**	(706)

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.

	2009 £000	2009 %	2008 £000	2008 %
3 to 6 months	**1,068**	**2%**	1,940	4%
Over 6 months	**450**	**1%**	526	1%
Total net trade receivables	**43,058**	**100%**	51,592	100%

21. Trade and other receivables continued

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

	2009 £000	2009 %	2008 £000	2008 %
Current, less than 30 days	**13,748**	**73%**	29,996	85%
30 to 60 days	**4,057**	**21%**	3,661	10%
60 to 90 days	**866**	**5%**	922	3%
Over 90 days	**126**	**1%**	812	2%
Total	**18,797**	**100%**	35,391	100%

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

	2009 £000	2009 %	2008 £000	2008 %
Sterling	**37,559**	**70%**	44,849	74%
US dollars	**1,253**	**2%**	1,105	2%
Australian dollars	**6,999**	**13%**	6,594	11%
Euros	**4,002**	**7%**	5,010	8%
Other	**4,031**	**8%**	3,226	5%
	53,844	**100%**	60,784	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:

	2009 £000	2008 £000
LOANS AND RECEIVABLES		
Trade receivables	**43,058**	51,592
Accrued income	**6,634**	5,437
Other receivables	**3,058**	1,681
Cash and cash equivalents	**15,111**	9,271
Total	**67,861**	67,981

22. Trade and other payables

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £000	2008 £000
Trade creditors	**(33,580)**	(33,479)
Sales taxation and social security payables	**(4,504)**	(4,938)
Employment benefit accruals	**(998)**	(1,728)
Accruals and deferred income	**(28,321)**	(30,863)
Other payables	**(4,875)**	(2,575)
	(72,278)	(73,583)

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

	2009 £000	2009 %	2008 £000	2008 %
Sterling	**(53,191)**	**74%**	(55,515)	75%
US dollars	**(1,221)**	**2%**	(845)	1%
Australian dollars	**(8,240)**	**11%**	(5,822)	8%
Euros	**(3,647)**	**5%**	(5,119)	7%
Other	**(5,979)**	**8%**	(6,282)	9%
	(72,278)	**100%**	(73,583)	100%

FINANCIAL LIABILITIES

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

	2009 £000	2008 £000
AMORTISED COST		
Trade creditors	**(33,580)**	(33,479)
Employment benefit accruals	**(1,097)**	(1,941)
Accruals	**(15,158)**	(17,331)
Other payables	**(5,075)**	(2,842)
Finance leases	**(51)**	(51)
Loans and borrowings	**(4,421)**	(6,688)
Deferred and contingent consideration	**(229)**	(116)
	(59,611)	(62,448)
FAIR VALUE		
Minority shareholder put option liabilities*	**(3,923)**	(3,697)
	(63,534)	(66,145)

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

22. Trade and other payables continued

Gross maturity analysis of the financial liabilities is as follows:

	2009 £000	2008 £000
Up to 3 months	**(58,689)**	(55,171)
3–6 months	**(6,200)**	(61)
6–12 months	**(14)**	(2,119)
Later than 1 year not later than 5 years	**(7,187)**	(8,947)
Greater than 5 years	**(411)**	(388)
	(72,501)	(66,686)

This is an indicator of our liquidity risk.

23. Other financial liabilities

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £000	2008 £000
Obligations under finance leases	**(25)**	(25)
Other bank loans	**(1)**	(12)
	(26)	(37)

AMOUNTS FALLING DUE AFTER ONE YEAR

	2009 £000	2008 £000
Obligations under finance leases	**(26)**	(26)
Secured bank loans	**(4,421)**	(6,676)
	(4,447)	(6,702)

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

SECURED BANK LOANS

The secured bank loan is part of a three year £18m facility plus a one year £3m facility. The Group also has an undrawn overdraft facility to borrow a further £3m. The secured bank loans have floating rates of interest set at 1.10% above LIBOR and the overdraft has floating rates of interest set at 1.20% above Bank of England base rate (2008: 1.25% above LIBOR and 1.20% above Bank of England base rate respectively). The loans mature on 31 March 2011.

	2009 £000	2008 £000
Gross secured bank loans	**(4,525)**	(6,862)
Capitalised finance costs	**104**	186
Net secured bank loans	**(4,421)**	(6,676)
Future interest payable on secured bank loans at balance sheet date	**(91)**	(556)
Total secured bank loans and future interest	**(4,512)**	(7,232)

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

	2009 £000	2008 £000
In one year or less, or on demand	**(25)**	(25)
In more than one year but not more than two years	**(26)**	(26)
	(51)	(51)

24. Deferred and contingent consideration

	2009 £000	2008 £000
Amounts falling within one year		
– Deferred	**(229)**	(116)
	(229)	(116)

	2009 £000	2008 £000
At 1 January	**(116)**	(18,136)
Exchange difference	**9**	(159)
Acquisitions	**(229)**	(116)
Notional interest charge	**–**	(169)
Consideration paid	**107**	10,651
Adjustment to prior period estimate	**–**	7,813
AT 31 DECEMBER	**(229)**	(116)

25. Minority shareholder put option liabilities

When the Group sets up new subsidiary businesses with partners, the minority partners acquire the right to a put option. The put options give the minorities a right to exchange their minority holdings in the subsidiary into shares in M&C Saatchi plc or cash (as per the agreement).

	2009 £000	2008 £000
Amounts falling within one year		
– Cash	**(419)**	(675)
– Equity	**(670)**	(1,206)
	(1,089)	(1,881)
Amounts falling after one year		
– Cash	**(379)**	(422)
– Equity	**(2,455)**	(1,394)
	(2,834)	(1,816)
	(3,923)	(3,697)

	2009 £000	2008 £000
At 1 January	**(3,697)**	(10,545)
Exchange difference	**(84)**	(29)
Additions	**(1,736)**	(654)
Exercises	**939**	5,591
Termination	**498**	–
Income statement charge due to		
– Change in estimates	**244**	1,526
– Change in share price	**(59)**	1,182
– Time	**(28)**	(768)
AT 31 DECEMBER	**(3,923)**	(3,697)

Put options are exercisable from:

Company	Year	% of Company shares exchangeable
Talk PR Ltd	2009	5.2
M&C Saatchi Export Ltd	2009	2.8
M&C Saatchi LA Inc	2009	16.0
M&C Saatchi Marketing Arts Ltd	2009	50.0
M&C Saatchi (M) SDN BHD	2009	20.0
M&C Saatchi Sports and Entertainment Ltd	2009	2.8
Provenance Communication Ltd	2009	30.0
Influence Communications Ltd	2009	5.0
M&C Saatchi Europe Holdings Ltd	2010	4.0
M&C Saatchi German Holdings Ltd	2010	4.0
M&C Saatchi GAD SAS	2011	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	2014	40.0
M&C Saatchi Sport & Entertainment LLP	2014	35.0
M&C Saatchi (Switzerland) SA	2015	40.0

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 (2009: 81.0p, 2008: 78.5p).

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 2009 results of the companies who can exercise in 2010. Non current liabilities are determined by our year end share price and the projected results of the companies who can exercise after 2010. The projected results show management's best estimate of the growth rates and margin of the companies who can exercise after 2010, 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

	2009 £000	2008 £000
Employment benefit provisions	**(100)**	(213)
Other	**(218)**	(270)
	(318)	(483)

27. Issued share capital

ALLOTTED, CALLED UP AND FULLY PAID

	Number of shares	Ordinary shares £000
At 1 January 2008	59,661,132	597
Acquisition of 5.5% of Walker Media Holdings Ltd	854,978	9
Deferred consideration for Clear Ideas Ltd	466,867	4
Acquisition of 11.2 % of M&C Saatchi Export Ltd	536,742	5
AT 31 DECEMBER 2008	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**

28. Share based payments

The Group has recognised a total expense of £251k (2008: £133k) in respect of share based payments in the year. Share based payments include share options and conditional share awards.

Year of grant	Vesting	Description	Exercise price (pence)	Exercise period	2009 Number	2008 Number
2004		Vested options	1	2009–2014	**411,050**	411,050
2005/2006	2009	LTIP options 2010	0*	2010–2015	**568,980**	–
2005/2006	2009	LTIP options 2011	0*	2011–2015	**465,139**	–
					1,445,169	411,050

*The exercise price is £1 per exercise regardless of the number of share options exercised.

	Vested options Number	LTIP 2010	LTIP 2011	Sharesave Number	Total Number
At 1 January 2008	411,050	–	–	147,990	559,040
Lapsed	–	–	–	(147,990)	(147,990)
AT 31 DECEMBER 2008	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**

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. The subsidiaries involved in these awards are:

M&C Saatchi (UK) Ltd and subsidiaries
Lida Ltd
Talk PR Ltd
M&C Saatchi Sport & Entertainment Ltd
Play London Ltd

Management estimate that this equity will exchanged into 756,623 shares of M&C Saatchi plc (2008: Nil). However based on 2009 results of the companies and the Group, this equity would have been exchanged into 1,582,649 shares of M&C Saatchi plc (2008: Nil) (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
(2005, 2006 AWARDS THAT VESTED IN 2009)

On 18 May 2009 all the employees who participated in the Group's LTIP options 2010/2011 (issued on 18 May 2005 and 18 May 2006), exercised their right to vest their awards. Based on a share price of 74.5p and real (excluding inflation) diluted earnings per share growth of 8.9% for 2005 issued awards and 20.6% for 2006 issued awards, a bonus of £767,676 was paid and rights to 1,157,344 nil value options vested. The scheme rules are conditional on the fact that the option holder must remain an employee of the Group until the day that the options are exercised.

The conditional award was based on the real increase in diluted earnings per share. The maximum award vested if real diluted earnings per share grew at 10% or more. At a real diluted earning per share growth of 3%, 30% of the options would have vested. Below 3% earnings per share growth none of the options would have vested.

AVERAGE EXERCISE PRICE

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

LIABILITY ARISING FROM SHARE BASED PAYMENT

The following balances relate to cash based equity payments and employers tax on share and cash based payments. These balances are included within financial liabilities (note 22).

	2009 £000	2008 £000
Share based payment liabilities	**184**	899

EXPENSE ARISING FROM SHARE BASED PAYMENT

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

	2009 £000	2008 £000
Share based payment	**157**	95

29. Cash generated from operations

	2009 £000	2008 £000
Revenue	**103,435**	104,383
Operating expenses	**(93,257)**	(93,617)
Operating profit	**10,178**	10,766
Adjustments for:		
Depreciation of plant and equipment	**1,691**	1,631
Loss on sale of plant and equipment	**2**	15
Loss on sale of software intangibles	**–**	5
Impairment and amortisation of acquired intangible assets	**159**	2,127
Loss on disposal of intangible	**23**	–
Impairment of goodwill	**–**	846
Amortisation of capitalised software intangible assets	**100**	75
Non cash share based incentive plans	**251**	133
Operating cash flow before movements in working capital	**12,404**	15,598
Decrease in debtors	**7,291**	17,615
Decrease in creditors	**(2,724)**	(18,163)
Net cash flow from operating activities	**16,971**	15,050

30. Cash consumed by acquisitions

	2009 £000	2008 £000
Cash consideration including capitalised acquisition costs		
– Clear Ideas Ltd	**–**	(2,405)
– Walker Media Ltd	**–**	(9,258)
– M&C Saatchi Export Ltd	**–**	(3)
– Play London Ltd	**–**	(43)
– FCINQ SAS	**(107)**	(71)
– Talk PR Ltd	**(58)**	–
– M&C Saatchi Sport & Entertainment Ltd	**(171)**	–
– M&C Saatchi/Insight Ltda	**(82)**	–
– M&C Saatchi Berlin GmbH	**(109)**	–
	(527)	(11,780)
Less cash and cash equivalents acquired	**–**	–
	(527)	(11,780)
Purchase of associate (Zapping, Spain)	**(9)**	(2,376)
	(536)	(14,156)

31. 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 £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.

	2009 £000	2008 £000
Net current liabilities	**(6,578)**	(7,943)
Equity payable minority shareholder put option liabilities	**670**	1,206
Other deferred income	**4,215**	4,333
Free cash	**(1,693)**	(2,404)
Company's overdraft (note 39)	**(9,057)**	(9,549)
Working capital used to fund Group	**7,364**	7,145
Free cash	**(1,693)**	(2,404)

NET DEBT

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

	2009 £000	2008 £000
Free cash	**(1,693)**	(2,404)
Borrowings – repayable in more than one year.	**(4,447)**	(6,702)
Net debt	**(6,140)**	(9,106)
Total equity (at 81.0p; 78.5p)	**49,831**	47,743
Total capital	**55,971**	56,849
GEARING RATIO	**11%**	16%

32. Post balance sheet events

During 2010 the Group continued its organic growth model by opening offices in South Africa.

On 30 March 2010 the Group sold 20% of its holding in its wholly owned Australian subsidiary M&C Saatchi Agency Pty Ltd to Tom Dery and Tom McFarlane, for a total consideration of AUD5m. The consideration was satisfied by AUD1m in cash and a AUD4m loan from M&C Saatchi plc to the purchasers, repayable if the purchasers no longer have a beneficial interest in M&C Saatchi Agency Pty Ltd. The loan, which is denominated 50% in sterling and 50% in Australian dollars, 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 of the loan.

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

33. 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.

34. 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 32 and 33.

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 (2008: £1,300k). No amounts remained outstanding between any member of the Group and 36 Golden Square LLP at the year end.

Maurice Saatchi is a director of Centre for Policy Studies Ltd (an independent political think tank). During the year the Group donated £nil (2008: £5k). There were no amounts outstanding 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, £64k (2008: £128k) for advertising and marketing services, of which £nil (2008: £8k) was outstanding at the year end. The Group used Travelex foreign currency payment systems to pay £nil (2008: £668k) of our bills.

Tom Dery is a director of Australian Cancer. During the year the Group passed on third party costs to Australian Cancer of £50k (2008: £23k), and charged them £nil (2008: £1k) in fees, of which £nil (2008: £14k) was outstanding at the year end.

During the year the Group made purchases of £51k (2008: £308k) from its associate. At 31 December 2009, there was £27k due to associates in respect of these transactions (2008: £nil). During the year, £nil (2008: £31k) of overheads were charged by Group companies to associates. At 31 December 2009, associates owed Group companies £nil (2008: £nil).

COMPANY BALANCE SHEET

At 31 December	Note	2009 £000	2008 £000
FIXED ASSETS			
Investments	37	**79,251**	94,251
CURRENT ASSETS			
Debtors			
– due within one year	38	**14,383**	10,635
– due after one year	38	**42**	45
		14,425	10,680
Creditors falling due with in one year	39	**(15,382)**	(13,100)
NET CURRENT LIABILITIES		**(957)**	**(2,420)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**78,294**	**91,831**
Creditors falling due after more than one year	40	**(3,497)**	(5,284)
TOTAL ASSETS		**74,797**	**86,547**
Capital and reserves			
Share capital	42	**622**	615
Share premium	42	**12,758**	12,758
Merger reserve	42	**48,817**	63,336
Treasury reserve	42	**(792)**	(792)
Profit and loss account	42	**13,392**	10,630
SHAREHOLDERS' FUNDS		**74,797**	**86,547**

These financial statements were approved and authorised for issue by the Board on 21 April 2010 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 2009 is a loss after tax of £10,277k (2008: profit after tax £1,920k).

The notes on pages 72 to 74 form part of these financial statements.

35. 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.

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

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

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.

36. Staff costs

Year ended 31 December	**2009 £000**	2008 £000
Wages and salaries	**2,405**	1,973
Social security costs	**261**	226
Defined contribution pension scheme costs	**171**	138
Other staff benefits	**72**	49
	2,909	2,386
INCENTIVE PLANS		
Cash based incentive plans	**20**	2
Share based incentive plans	**(30)**	55
	(10)	57
TOTAL STAFF COSTS	**2,899**	2,443
Staff numbers	**11**	11

Share based payment details are provided in note 28.

37. Investments in subsidiary undertakings

	2009 £000	2008 £000
At 1 January	**94,251**	101,084
Adjustment to deferred consideration	**–**	(9,076)
Acquisitions	**–**	5,610
Provision for impairment	**(15,000)**	(3,367)
At 31 December	**79,251**	94,251

The significant subsidiary undertakings are listed in note 15 to the consolidated financial statements. The provision for impairment relates to the investment in M&C Saatchi Worldwide Ltd, these assets were acquired at float (July 2004) in return for equity that was priced at the time at 125p per share.

In making our assessment of the impairment of M&C Saatchi Worldwide Ltd, we used our forecast for 2010 and then a growth rate of 3% thereafter. The pre tax discount rate used was 16.7%. The result was checked to make sure that the value of equity did not add up to more than third party indicative values of our Company.

38. Current assets

Amounts due less than one year	**2009 £000**	2008 £000
Amounts from subsidiary undertakings	**13,751**	9,681
Prepayments and accrued income	**34**	390
Corporation tax debtor	**472**	548
Other debtors	**126**	16
Total trade debtors and other receivables	**14,383**	10,635
Amount due after more than one year		
Deferred tax asset	**42**	45

39. Creditors falling due within one year

	2009 £000	2008 £000
Overdrafts	**(9,057)**	(9,549)
Trade creditors	**(49)**	(55)
Amounts due to subsidiaries	**(1,664)**	(2,535)
Accruals and deferred income	**(735)**	(692)
Other payables	**(3,877)**	(269)
	(15,382)	(13,100)

40. Creditors falling due after more than one year

	2009 £000	2008 £000
Bank loans	**(3,497)**	(5,284)

41. Directors' remuneration

	2009 £000	2008 £000
Total for seven directors:		
Directors' salaries and benefits	**1,712**	1,720
Contribution to money purchase pension schemes	**150**	139
	1,862	1,859

	2009 £000	2008 £000
Highest paid director:		
Directors' salaries and benefits	**387**	342
Contribution to money purchase pension schemes	**3**	38
	390	380

Unaudited detail on directors' remuneration is disclosed in the remuneration report on pages 32 and 33. (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 (2008: 5).

42. 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 2008	597	12,758	62,291	(792)	9,884	84,738
Issue of shares	18	–	1,925	–	–	1,943
Equity settled share based payments	–	–	–	–	133	133
Transfer of reserves	–	–	(880)	–	880	–
Dividends	–	–	–	–	(2,187)	(2,187)
Profit for the year	–	–	–	–	1,920	1,920
AT 31 DECEMBER 2008	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**

43. Related parties

Details of related parties of the Company are provided in note 34. 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 2009 which comprise the Group income statement, the Group and Company balance sheets, the Group statement of comprehensive income, the Group statement of cash flow, the Group statement of changes in equity 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 the 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 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2009 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.

Diane Campbell
(senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
21 April 2010

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

ADDITIONAL INFORMATION

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England and Wales

Company number
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Corporate events

AGM
10 June 2010

Interim 2010 statement
September 2010

Interim 2010 dividend paid
November 2010

To those on the register on
October 2010

Preliminary announcement of 2010 result
Late March 2011

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