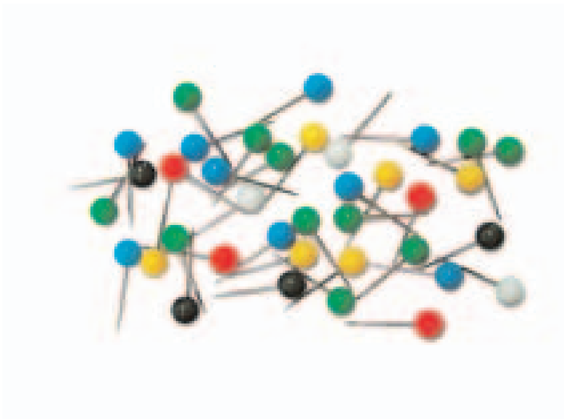
M&CSAATCHI



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document, which is an admission document required by the AIM Rules, does not constitute a prospectus pursuant to the POS Regulations but has been drawn up in accordance with the requirements of the POS Regulations, as required by the AIM Rules. A copy of this document has been delivered to the London Stock Exchange as an admission document in respect of the Ordinary Shares.

The Directors of M&C Saatchi, whose names appear on page 10 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for all of the Ordinary Shares of the Company to be admitted to trading on the Alternative Investment Market of the London Stock Exchange. It is expected that Admission will become effective and dealings for normal settlement in the Ordinary Shares will commence on 14 July 2004. Dealings on AIM before Admission will only be settled if Admission takes place. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be at the risk of the parties concerned.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

Prospective investors should read the whole text of this document and should be aware that an investment in the Company is speculative and involves a degree of risk. Your attention is drawn to the risk factors set out in Part V of this document.

M&C Saatchi plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 05114893)

Placing of 28,061,687 Ordinary Shares of 1p each at 125p per share
and
Admission to trading on AIM

Nominated adviser and broker

LEHMAN BROTHERS

Lehman Brothers Europe Limited is acting exclusively as nominated adviser and broker to the Company and Lehman Brothers International (Europe) is acting exclusively as bookrunner in connection with the proposed admission of the Ordinary Shares to trading on AIM. Lehman Brothers Europe Limited and Lehman Brothers International (Europe), which are authorised and regulated in the UK by the Financial Services Authority, will not be responsible to anyone other than the Company for providing the protections afforded to clients of Lehman Brothers Europe Limited or Lehman Brothers International (Europe), as the case may be, or for providing advice in relation to the contents of this document or any other matter. Neither Lehman Brothers Europe Limited nor Lehman Brothers International (Europe) has authorised the contents of any part of this document for the purposes of Regulation 13 (1)(g) of the POS Regulations.

No Ordinary Shares of the Company have been marketed to, nor are any available for purchase in whole or in part by, the public in the UK or elsewhere in connection with the proposed admission of the Ordinary Shares to trading on AIM. This document does not constitute an offer or invitation to any such person to subscribe for or purchase any Ordinary Shares. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended, or under the applicable state securities laws of any state of the US, or under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered or sold within the US, Australia, Canada or Japan or to or for the account or benefit of any national, resident or citizen of the US, or any person resident in Australia, Canada or Japan.

CONTENTS

DEFINITIONS

"Act"	the Companies Act 1985, as amended;
"Admission"	the admission of the Ordinary Shares, issued and to be issued pursuant to the Placing, to trading on AIM;
"AIM Rules"	the rules for AIM companies and their nominated advisors, issued by the London Stock Exchange from time to time in relation to AIM traded securities;
"AIM"	the Alternative Investment Market of the London Stock Exchange;
"Audit Committee"	the audit committee established by the Board;
"Articles"	the articles of association of the Company;
"Board"	the board of directors of the Company;
"Client Offer"	the offer of Ordinary Shares to Qualifying Clients as detailed in Part IV of this document;
"Client Offer Application Form"	the application form to be used by Qualifying Clients to apply for Ordinary Shares under the Client Offer;
"Combined Code"	the revised combined code on the principles of good governance and code of best practice as appended to, but not forming part of, the Listing Rules of the UK Listing Authority;
"Company"	M&C Saatchi plc;
"CREST"	the paperless settlement system enabling securities to be transferred and held by electronic means rather than by a certificate or written instrument operated by CRESTCo in accordance with the Uncertificated Securities Regulations 2001 (SI2001/3755);
"CRESTCo"	CRESTCo Limited, the operator of CREST;
"Directors"	the Directors of the Company whose names appear on page 10 of this document;
"Employee Offer"	the offer of Ordinary Shares to Qualifying Employees as detailed in Part IV of this document;
"Employee Offer Application Form"	the application form to be used by Qualifying Employees to apply for Ordinary Shares under the Employee Offer;
"Enlarged Group"	the Company and its subsidiary undertakings following Admission (from time to time including, for the avoidance of doubt, Walker Media on an illustrative basis pre-Admission and as a subsidiary post-Admission);
"Executive Committee"	David Kershaw, Bill Muirhead, Maurice Saatchi, Jeremy Sinclair, Jerry Wales, Tom Dery, Nick Hurrell, Moray MacLennan and Christine Walker;
"Executive Directors"	David Kershaw, Bill Muirhead, Maurice Saatchi, Jeremy Sinclair and Jerry Wales;
"Founding Directors"	David Kershaw, Bill Muirhead, Charles Saatchi, Maurice Saatchi and Jeremy Sinclair;
"Group"	M&C Saatchi Worldwide and its subsidiary undertakings (from time to time and as the context requires);
"Institutional Offer"	the bookbuilt offer of Ordinary Shares to institutional investors described in Part IV;
"Lehman Brothers"	Lehman Brothers Europe Limited and/or Lehman Brothers International (Europe), as the context requires;
"London Stock Exchange"	London Stock Exchange plc;
"Long Term Incentive Plan"	the M&C Saatchi plc Long Term Incentive Plan;
"M&C Saatchi"	the Company, and where the context requires, the Group;

''M&C Saatchi Australia''	M&C Saatchi Agency Pty Limited (and its subsidiary undertakings as the context requires);
''M&C Saatchi Holdings''	M&C Saatchi International Holdings BV;
''M&C Saatchi Hong Kong''	M&C Saatchi (Hong Kong) Limited;
''M&C Saatchi UK''	M&C Saatchi Limited;
''M&C Saatchi Worldwide''	M&C Saatchi Worldwide Limited, the ultimate holding company of the Group prior to its acquisition by the Company;
''Model Code''	the model code on dealing in securities as defined in the Listing Rules of the UK Listing Authority;
''New Ordinary Shares''	the Ordinary Shares to be issued by the Company pursuant to the Placing;
''Non-Executive Directors''	Lloyd Dorfman and Adrian Martin;
''Ordinary Shares''	ordinary shares of 1p each in the capital of the Company;
''Overseas Subsidiaries''	the subsidiaries of M&C Saatchi Worldwide which are incorporated outside of England and Wales;
''Participating Executives''	the Executive Directors (and trusts associated with the Executive Directors), Charles Saatchi and the management of certain companies in the Group who are participating in the Reorganisation;
''Placing''	the proposed placing of Ordinary Shares pursuant to the Institutional Offer subject to the terms of the Placing Agreement as described further in Part IV of this document together with the Employee Offer and the Client Offer;
''Placing Agreement''	the agreement dated 9 July 2004 between Lehman Brothers, the Directors, the Participating Executives and the Company, further details of which are in paragraph 8 of Part X of this document;
''Placing Price''	125p per Ordinary Share;
''PR''	public relations;
''POS Regulations''	The Public Offers of Securities Regulations 1995 (as amended);
''Qualifying Clients''	employees, directors and representatives of clients of the Enlarged Group who are over the age of 18 (and who are not resident in certain jurisdictions);
''Qualifying Employees''	full time employees of the Enlarged Group employed as at 1 June 2004 who are over the age of 18 and who are not Participating Executives (except for employees resident in certain jurisdictions);
''Redeemable Preference Shares''	redeemable preference shares of £10 each in the capital of the Company which will be redeemed in full following Admission;
''Remuneration Committee''	the remuneration committee established by the Board;
''Reorganisation''	the corporate reorganisation described further in Part IV;
''Reorganisation Shares''	the 45,776,627 Ordinary Shares to be allotted and issued to the Participating Executives pursuant to the Reorganisation;
''Reporting Accountants''	BDO Stoy Hayward LLP;
''Revenue''	commissions and fees earned in respect of turnover, shown as gross profit in the Group's accounts;
''SDRT''	stamp duty reserve tax;
''Securities Act''	the United States Securities Act of 1933, as amended;

"Senior Management"	Simon Corah, Tom Dery, Simon Dicketts, Tim Duffy, Phil Georgiadis, Nick Hurrell, James Lowther, Moray MacLennan, Tom McFarlane, Kevin Ramsey and Christine Walker;
"Share Schemes"	the Long Term Incentive Plan, the Sharesave Scheme and any other employee share scheme adopted by the Company from time to time;
"Shareholders"	holders of Ordinary Shares;
"Sharesave Scheme"	the M&C Saatchi plc Sharesave Scheme 2004;
"Statutes"	the Act and every other act, statute, statutory instrument, regulation or order for the time being in force and affecting the Company;
"UK" or "United Kingdom"	United Kingdom of Great Britain and Northern Ireland;
"UK Subsidiaries"	the subsidiaries of M&C Saatchi Worldwide which are incorporated in England and Wales; and
"Walker Media"	Walker Media Holdings Limited and its subsidiary undertakings (from time to time and as the context requires).

EXPECTED TIMETABLE AND PLACING STATISTICS

Expected Timetable of Principal Events

Date of publication of this document	9 July 2004
Conditional dealings in the Ordinary Shares commence	12.30 pm on 9 July 2004
Admission effective and unconditional dealings commence on AIM	8.00 am on 14 July 2004
CREST accounts credited with Ordinary Shares	14 July 2004
Despatch of definitive share certificates (where applicable) by	21 July 2004

Please note that each of the dates in the above timetable is subject to change and all references to times in this document are to London times unless otherwise stated.

Placing Statistics

Placing Price per Ordinary Share	125p
Number of Ordinary Shares being sold by Participating Executives pursuant to the Placing	19,631,715
Number of New Ordinary Shares being issued by the Company pursuant to the Placing(1)	8,429,972
Total number of Ordinary Shares being placed with placees pursuant to the Placing(1)	28,061,687
Number of Ordinary Shares in issue following the Placing	54,206,799
Market capitalisation of the Company at the Placing Price following the Placing	£67.8 million
Estimated net proceeds receivable by the Company after expenses(2)	£7.2 million

(1) Includes 429,972 New Ordinary Shares being issued to satisfy bonuses payable to certain Participating Executives as a result of phantom rights. See Parts IV and X for more details.

(2) Net of the amounts payable under (1) above.

KEY INFORMATION

The information below is only a summary of more detailed information included in other sections of the Admission Document. Prospective investors should read the whole of this document and not rely solely on this summarised information.

Overview

M&C Saatchi is an international advertising agency with offices in 13 locations, including London, New York and across the Asia Pacific region.

M&C Saatchi's Executive Directors and Senior Management are amongst the most experienced in the advertising sector. Four of the Executive Directors have been working together for over twenty years and in that time have built two internationally recognised advertising companies. Such continuity of management is repeated amongst the Senior Management, the majority of whom have been with the Group since it was founded in 1995.

M&C Saatchi's clients include many blue-chip organisations and are balanced between long-standing relationships (such as those with British Airways, Qantas, Scottish & Newcastle and the Dixons Group) and more recent wins (such as The Royal Bank of Scotland Group, Halfords, GlaxoSmithKline and the AA in the UK; and Woolworths Supermarkets and Optus (a telecommunications company) in Australia).

The growth of the Group has been organic, with no material bank debt to date. Since 1998 the Group has held a 46 per cent. beneficial interest in an associated company, Walker Media, a leading UK independent company providing media planning and buying services. Walker Media's clients include: Marks & Spencer, Dixons Group, Blockbuster, First Choice Group, Halfords, and KFC. Following Admission and the Reorganisation, M&C Saatchi's interest in Walker Media will increase to 75 per cent. and Walker Media will be accounted for as a subsidiary in the Enlarged Group's accounts.

On an illustrative combined basis, the Enlarged Group increased operating profits from £5.6 million in 2001 to £6.9 million in 2003 and achieved average annual revenue growth of 5.0 per cent. over the same period, against a backdrop of challenging advertising industry conditions. As at the end of April 2004 the Enlarged Group employed 700 people worldwide.

Key Strengths

The Directors consider the competitive strengths of M&C Saatchi to be:

- a proven management team;
- a strong international brand;
- a creative philosophy;
- the strength and breadth of its client base;
- its distinctive business model; and
- a diversified geographic profile.

Strategy

M&C Saatchi's strategy is to be the most sought after advertising agency in the world. The strategy, centred on the Group's core creative principle — brutal simplicity of thought — is designed to achieve the following:

- to retain and attract world class employees;
- to create shareholder value;
- to make further selective office openings; and
- to have a broad service offering.

The Reorganisation

M&C Saatchi has promoted a culture of entrepreneurship and ownership across its operations in order to incentivise the management of individual teams. In establishing its offices and operations, the practice of M&C Saatchi has been for the senior management of each business to own typically up to 20 per cent. of the equity in that business. This allows local managers to participate with the shareholders of M&C Saatchi in the risks and rewards of the relevant business.

Following Admission, it is intended to continue this culture by enabling the management teams of the majority of the Group's subsidiaries (in the UK and overseas) which currently have an equity stake in those subsidiaries to participate directly in the equity of M&C Saatchi as Shareholders as well as through the Share Schemes. This change will be achieved through the Reorganisation.

As part of the Reorganisation, following Admission, M&C Saatchi's current 46 per cent. beneficial interest in Walker Media, a leading UK independent company providing media planning and buying services, will increase to 75 per cent.. Walker Media will be accounted for as a subsidiary in the Enlarged Group's accounts.

Selected Financial Data

The table below sets out a summary of selected key financial data for the years indicated. This data has been extracted without material adjustment from, should be read in conjunction with, and is qualified in its entirety by reference to, the selected financial and other data appearing in Part II: ''Financial Record, Operating Information and Prospects'' and the Accountants' reports appearing in Parts VII and VIII.

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Revenue (gross profit)			
M&C Saatchi	48,644	48,732	53,611
Walker Media	5,110	5,044	5,707
Enlarged Group	53,754	53,776	59,318
Operating profit			
M&C Saatchi	4,527	5,170	5,452
Walker Media	1,046	1,181	1,418
Enlarged Group	5,573	6,351	6,870
Selected operating information			
Operating profit margin	10.4%	11.8%	11.6%
Staff costs/revenue margin	58.6%	61.8%	61.6%
Non-staff costs/revenue margin	31.0%	26.4%	26.8%
Effective tax rate	35.0%	32.0%	31.6%

Current Trading and Prospects

The Directors believe that the Enlarged Group's proven ability to retain its existing clients and to grow its client base through new client wins, combined with its smaller size relative to some of its competitors, makes the Enlarged Group relatively resilient to short and medium term fluctuations in the general industry market conditions. In addition, the Directors believe that the Enlarged Group is benefiting from the buoyant conditions in the advertising market and are encouraged by the Enlarged Group's trading performance for the year to date which is continuing to show improvement in recent weeks. Significant client wins for the Enlarged Group have included: Halfords, London Olympics 2012, US Tourism, Thames Water, Medibank (Australia), Ketel One Vodka (Los Angeles), Crystal Cruises (Los Angeles) and Celcom (Malaysia). Further, a number of clients in the Asia Pacific region which were won by the Enlarged Group in the year to 31 December 2003 are expected to make a full year contribution in the current financial year.

The Enlarged Group's operating profit margins for the year to date are in line with the Directors' expectations and the Directors remain confident for the Enlarged Group's prospects for the remainder of the year to December 2004.

Dividend Policy

Subject to maintaining an appropriate level of dividend cover, the Directors expect that the Company will pay dividends at a comparable level to its peer group (which it considers to be the major publicly listed UK and European advertising agencies). One third of any dividend paid during the year is expected to be paid as an interim dividend following the announcement of the Group's interim results for the six months to

30 June with the remainder being paid following the announcement of the Enlarged Group's full year results to 31 December. In respect of the year to 31 December 2004, M&C Saatchi expects to pay a dividend approximately equal to 50 per cent. of the aggregate amount that would have been paid if M&C Saatchi been admitted to trading on AIM throughout the year.

Summary of the Placing

A total of 28,061,687 Ordinary Shares are being placed, of which 8,429,972 are New Ordinary Shares[(1)] which are being issued direct to placees by the Company and 19,631,715 are Ordinary Shares being sold by the Participating Executives. The Placing will raise approximately £7.2 million (net of expenses) for M&C Saatchi[(2)].

Participating Executives, including the Executive Directors and the Senior Management, will sell 42.9 per cent. in aggregate of their shareholdings in the Placing. Following the Placing, the Participating Executives will own 48.2 per cent. of the Company. The Participating Executives have undertaken not to dispose of any of their Ordinary Shares (or any interest therein) for a period of two years from the date of Admission without the prior consent of Lehman Brothers (save in the limited circumstances set out in the Placing Agreement). See Part X of this document.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. on 14 July 2004. These times and dates may be changed.

Use of Proceeds

The Directors intend to use the net proceeds of the Placing to fund the investment required for the following sources of further growth for the business:

- making further selective office openings so the Group can service its existing and potential international clients more fully. Planned locations include Germany, France, Italy and Spain, with at least two of the target locations expected to be operational within eighteen months of Admission;
- opening a selected number of offices in the Asia Pacific area in countries where the Group is not currently represented in order to provide a more complete offering in the region. Planned locations include a further office in China (Beijing) and offices in the following new markets: South Korea, Indonesia, Thailand and India;
- strengthening the Enlarged Group's presence in the US market; and
- making selective brand extensions and investments in Walker Media, for example in direct media.

(1) Includes 429,972 New Ordinary Shares being issued to satisfy bonuses payable to certain Participating Executives as a result of phantom rights. See Parts IV and X for more details.

(2) Net of the amounts payable under (1) above.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Jeremy Sinclair (Chairman) David Kershaw (Chief Executive Officer) Bill Muirhead (Executive Director) The Lord Saatchi (Executive Director) Jerry Wales (Finance Director) Lloyd Dorfman (Non-Executive Director) Adrian Martin (Non-Executive Director) all of 36 Golden Square, London W1F 9EE
Company secretary and registered office	Andrew Blackstone 36 Golden Square London W1F 9EE
Nominated adviser and broker	Lehman Brothers 25 Bank Street London E14 5LE
Solicitors to the Company	Olswang 90 High Holborn London WC1V 6XX
Solicitors to the nominated adviser and broker	Lovells Atlantic House Holborn Viaduct London EC1A 2FG
Auditors and reporting accountants	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
Registrars	Computershare Investor Services PLC PO Box 859 The Pavilions Bridgwater Road Bristol BS99 1XZ

PART I: BUSINESS DESCRIPTION

Introduction

M&C Saatchi is an international advertising agency with offices in 13 locations, including London, New York and across the Asia Pacific region.

M&C Saatchi's Executive Directors and Senior Management are amongst the most experienced in the advertising industry. Four of the Executive Directors have been working together for over twenty years and in that time have built two internationally recognised advertising companies. Such continuity of management is repeated amongst the Senior Management, the majority of whom have been with the Group since it was founded in 1995.

M&C Saatchi's clients include many blue-chip organisations and are balanced between long-standing relationships (such as those with British Airways, Qantas, Scottish & Newcastle and the Dixons Group) and more recent wins (such as The Royal Bank of Scotland Group, Halfords, GlaxoSmithKline and the AA in the UK; and Woolworths Supermarkets and Optus (a telecommunications company) in Australia).

The growth of the Group has been organic, with no material bank debt to date. Since 1998 the Group has held a 46 per cent. beneficial interest in an associated company Walker Media, a leading UK independent company providing media planning and buying services. Walker Media's clients include: Marks & Spencer, Dixons Group, Blockbuster, First Choice Group, Halfords, and KFC. Following Admission and the Reorganisation (see Part IV below), M&C Saatchi's interest in Walker Media will increase to 75 per cent. and Walker Media will be accounted for as a subsidiary in the Enlarged Group's accounts.

On an illustrative combined basis, the Enlarged Group increased operating profits from £5.6 million in 2001 to £6.9 million in 2003 and achieved average annual revenue growth of 5.0 per cent. over the same period, against a backdrop of challenging advertising industry conditions. As at the end of April 2004, the Enlarged Group employed 700 people worldwide.

History and Development

The Executive Directors form one of the longest serving and most cohesive management teams in the advertising industry. Charles and Maurice Saatchi, together with Jeremy Sinclair, founded the advertising firm Saatchi & Saatchi in 1970. They were joined in 1971 by Bill Muirhead and in 1982 by David Kershaw. Saatchi & Saatchi obtained a listing on the London Stock Exchange in 1975 and by 1986 had become the largest advertising agency in the world. This success was recognised in 1993 when Saatchi & Saatchi was named by Campaign magazine as the ''top creative agency'' in the magazine's 25 year history.

In 1995, the Founding Directors decided to develop a new business, which became M&C Saatchi. The original management team of M&C Saatchi included Moray MacLennan and Nick Hurrell (former managing directors of Saatchi & Saatchi UK), Tom Dery, Tim Duffy (one of the former group account directors at Saatchi & Saatchi), Simon Dicketts and James Lowther (two former creative directors at Saatchi & Saatchi), and Jerry Wales. Charles Saatchi, a Founding Director, has not had an active role in the Company since 1997.

In 1998, Walker Media was established by Christine Walker (former chief executive of Zenith Media) and Phil Georgiadis (former UK chief executive of Initiative Media) in a joint venture with M&C Saatchi.

The Group reported revenues in 1995, its first full year of operation, of £8.1 million. Enlarged Group revenues in 2003 were £59.3 million, equivalent to a compound annual growth of approximately 28 per cent. over the period since 1995.

Key Strengths

The Directors consider the key strengths of M&C Saatchi to be:

- *A proven management team*

M&C Saatchi's Executive Directors and Senior Management are amongst the most experienced in the advertising industry.

Four of the Executive Directors have been working together for over twenty years and in that time have built two international advertising companies.

Such continuity of management is repeated amongst the Senior Management, the majority of whom have been with the Group since it was founded in 1995. Walker Media's management team has been together since its launch in 1998.

- *A strong international brand*

The Directors consider that the M&C Saatchi brand is amongst the most widely recognised in the advertising industry.

The Group was described in 1996 by Adweek as ''the fastest growing start-up in the history of advertising'', and has grown from its foundation to having a top ten market position in the UK and Australia. Campaign magazine awarded M&C Saatchi the title of ''1999 UK advertising agency of the year'' while both B&T Weekly and Ad News awarded M&C Saatchi Australia the title of ''2002 Australian advertising agency of the year''.

Since 1996, the Group has been ranked consistently as one of the top 10 agencies in the UK by billings in Campaign magazine's annual survey of the top 30 UK advertising agencies.

The Directors believe that the continuing strength of the brand will assist the Group in its future growth and expansion to new countries.

- *A creative philosophy*

M&C Saatchi's creative philosophy is centred on the core principle of ''Brutal Simplicity of Thought'' (see ''The Group's Objective and Strategy'' below) which the Directors believe has played an important role in the success of the Group to date.

- *The strength and breadth of the client base*

M&C Saatchi's clients include many blue-chip organisations and are balanced between longstanding relationships (such as those with British Airways, Qantas, Scottish & Newcastle and Dixons Group) and more recent wins (such as The Royal Bank of Scotland Group, Halfords, GlaxoSmithKline and the AA in the UK; and Woolworths Supermarkets and Optus (a telecommunications company) in Australia). A more detailed list of the Group's clients is given under ''Clients'' below.

Walker Media's clients include: Marks & Spencer; Dixons Group; Blockbuster; First Choice Group; Halfords and KFC.

The Directors believe that M&C Saatchi's clients come from all the principal categories of the communication service industry which the Directors consider to be: consumer products and services; retail; business to business services; and government and public services. As the Group has grown, the concentration of its revenues around the major clients has decreased; in 1999, the Group's top ten clients accounted for 58 per cent. of total revenues, compared to 44 per cent. in 2000 and 40 per cent. in 2003.

The Directors believe that the Group's breadth of clients, both in terms of advertising categories in which it operates and revenue concentration, ensures that M&C Saatchi is not reliant on any one client or any one category.

- *Distinctive business model*

The growth of the Group has been driven by organic growth, with no material bank debt. M&C Saatchi started operations with offices in five locations and has expanded to another eight locations, the most recent being Taipei and Kuala Lumpur. Each overseas trading subsidiary has a strong domestic customer base in addition to servicing the needs of the Group's key international clients.

The Group has promoted a culture of entrepreneurship and ownership across its operations in order to incentivise the management of individual teams. In establishing its offices and operations, the practice of M&C Saatchi has been for the senior management of each business to own typically up to 20 per cent. of the equity in that business. This allows local managers to participate with the shareholders of M&C Saatchi Worldwide in the risks and rewards of the relevant business.

Following Admission, it is intended to continue this culture by enabling the management teams of the majority of the Group's subsidiaries (in the UK and overseas), which currently have an equity stake in those subsidiaries to participate directly in the equity of the Company as Shareholders as well as through the Share Schemes.

In order to provide for such management to have a direct stake in the Company, the Group is carrying out the Reorganisation, immediately prior to Admission, under which the Participating Executives will sell the shares they hold in certain of the Group companies. In return, these Participating Executives will ultimately receive Ordinary Shares in the Company. The Participating Executives will sell a certain percentage of the Ordinary Shares allotted to them in the Reorganisation under the Placing referred to in Part IV of this document.

In respect of the most recently established trading subsidiaries and for operations set up after Admission, the Board considers that it is important that regional management and new local managers have direct involvement and therefore initially hold a direct equity stake in the new business. Once the business has become established and the Directors believe that the business has demonstrated satisfactory performance, this equity stake will be converted into an interest in the Company.

Further information on the proposed shareholding structure of the Enlarged Group following the Reorganisation and the Placing is set out in Part X below. In addition, summaries of the contracts to be entered into by the Company, the relevant members of the Group and the Participating Executives pursuant to the Reorganisation are provided in Part X of this document.

- *Diversified geographic profile*

M&C Saatchi has offices in 10 countries including in the UK, US, Australia and New Zealand. M&C Saatchi UK was the eighth largest advertising agency in the UK (according to Nielsen Media Research) and the tenth largest advertising agency in Australia (according to AdNews) for the twelve months to December 2003.

The Enlarged Group's principal markets are: the UK (which accounted for 61.5 per cent. of 2003 revenues); Asia Pacific (35.2 per cent. of 2003 revenues); and the US (3.2 per cent. of 2003 revenues).

The Directors intend to use some of the proceeds of the Placing to fund further selective office openings to enable the Group to service its international clients more fully, as well as to expand its client base. Planned locations include: Germany, France, Italy and Spain and certain countries in the Asia Pacific region. At least two of the target locations are expected to be operational within eighteen months of Admission. The Directors' target is for all offices opened after Admission to be profitable by the end of their second year of operation and pay back the initial cash investment by the end of year four. In addition, the Directors aim to strengthen the Enlarged Group's presence in the US market.

More detail regarding M&C Saatchi's overseas offices is given in under ''Business Overview'' below.

The Market

Introduction

Advertising companies typically provide a range of advertising, marketing and public relations services to their clients and use a number of media, including television, magazines, newspapers and billboards. Market size can be assessed in terms of total advertising expenditure which, in 2003 (according to estimates from ZenithOptimedia), is estimated to have been approximately $327 billion worldwide of which the bulk is expenditure on media buying.

Advertising companies can generally be considered to be in one of three categories: global companies with a wide range of services and product offerings; regional or country leaders; and small local companies. Major companies, at both a local and global level, have followed a trend of offering a range of communication services and marketing solutions over the past few years, and have grown to command significant percentages of the global advertising market. The market for smaller companies operating only at the local level has remained more fragmented.

Advertising companies' remuneration is generally on a commission and/or a fee basis. Traditionally, advertisers paid agencies through a commission based on total advertising campaign costs. Over time, however, a highly competitive environment and client pressure for reduced advertising costs have contributed to a shift in agency remuneration towards time-based fees. The majority of the Enlarged Group's revenue is fee based.

Market growth and segmentation

According to estimates from ZenithOptimedia, global advertising expenditure grew by an estimated 3.4 per cent. in 2003, representing some recovery from the decline in 2001 of 3.8 per cent. and modest growth of 1.2 per cent. in 2002. Since 1995, global advertising expenditure grew by an average rate of approximately 4.8 per cent. per annum.

Europe and the Asia Pacific region are the second and third largest advertising regions in the world (behind North America), accounting for 23.9 per cent. and 19.9 per cent., respectively, of global advertising expenditure in 2003. In Europe the three countries with the largest advertising expenditure in 2003 were Germany ($17.2 billion), UK ($15.4 billion) and France ($9.1 billion), representing in aggregate 53.4 per cent. of the region's expenditure. In the Asia Pacific region, Australia, Japan, China, Hong Kong and Taiwan together accounted for 76.2 per cent. of the region's expenditure.

In terms of media for the provision of services, the largest share of advertising expenditure globally in 2003 was print, accounting for 43.3 per cent. of total expenditure; followed by television (38.1 per cent.); radio (9.3 per cent.); outdoor (5.3 per cent.); internet (3.2 per cent.) and cinema (0.4 per cent.).

Growth drivers and prospects

Advertising expenditure typically follows the economic cycle, although longer term growth has tended to exceed that of GDP. As a result of M&C Saatchi's size, client wins and losses will tend to have a more significant impact on revenues than overall market trends.

ZenithOptimedia has forecast global advertising expenditure for North America, Europe and the Asia Pacific region in 1995 at $205.1 billion and $297.4 billion in 2003, representing a compound annual growth rate of approximately 4.8 per cent.

ZenithOptimedia forecasts growth for worldwide advertising expenditure of 4.8 per cent. for 2004 and 4.5 per cent. for 2005. Growth in European advertising expenditure is forecasted at 3.7 per cent. for 2004 and 3.8 per cent. for 2005; growth for the Asia Pacific region is forecast at 5.8 per cent. for 2004 and 5.7 per cent. for 2005. Growth for the UK is forecasted at 3.2 per cent. in 2004 and 2.9 per cent. in 2005.

Specifically, ZenithOptimedia has forecast price growth in advertising expenditure from 2004 to 2005 between 2.1 and 3.0 per cent in France, 2.7 and 5.0 per cent. in Germany, 3.0 and 4.2 per cent. in Italy and 3.3 and 4.1 per cent. in Spain.

Similarly, ZenithOptimedia has forecast annual current price growth in advertising expenditure from 2004 to 2005 between 12.0 and 14.0 per cent. in China, 7.8 and 8.2 per cent. in India, 29.8 per cent. in Indonesia, 6.6 and 8.0 per cent. in South Korea and 15.6 and 15.7 per cent. in Thailand.

The Directors believe that trends impacting the advertising industry include: the regionalisation or globalisation of industries which results in companies seeking the services of regional or global advertising companies; growth in the demand for coordinated services in order to gain greater effectiveness and efficiency from advertising and marketing expenditures; and the growth of alternative media with which to reach the targeted audiences, such as the internet.

The Directors believe that M&C Saatchi is well positioned to take advantage of improving industry conditions in 2004 across its existing operating locations and are confident in the prospects for its proposed new offices.

The Group's Objective and Strategy

M&C Saatchi's objective is to be the most sought after advertising agency in the world. The Group's core creative principle is brutal simplicity of thought.

BRUTAL SIMPLICITY OF THOUGHT

It's easier to complicate than to simplify

Simple messages enter the brain quicker and stay longer

Brutal simplicity of thought is therefore a painful necessity

M&C Saatchi's strategy is designed to achieve the following:

- *To retain and attract world class employees*

The Group aims to attract, train and retain the highest calibre of employees. The objective is to foster an environment where entrepreneurship, creativity and sound business practices are widespread. The Enlarged Group has a strong record of retaining senior employees with most of the Senior Management having worked at M&C Saatchi since it was founded in 1995 and many of them having worked together previously at Saatchi & Saatchi.

- *To create shareholder value*

The Enlarged Group will aim to maximise value to shareholders through a strategy of seeking to achieve revenue growth whilst strictly managing operating margins. The Enlarged Group increased operating profits from £5.6 million in 2001 to £6.9 million in 2003 on an illustrative combined basis and reported average annual revenue growth of 5.0 per cent. over the same period against a backdrop of challenging global advertising industry conditions. More information on the Enlarged Group's financial performance is shown in Parts II, VI, VII, VIII and IX.

- *To make further selective office openings*

M&C Saatchi aims to continue to expand in strategic locations and the Directors intend to use some of the proceeds of the Placing for this purpose. A new office will be opened only if there is an existing or potential client whose needs will be better served by such an expansion. Once a new office is opened, local management will be engaged both to service any existing accounts and target new clients. The Group recognises that each country has inherent market differences, and thus each location will enjoy a significant degree of autonomy within the boundaries of the financial and operational guidance set out by the Board and Senior Management.

- *To have a broad service offering*

M&C Saatchi has developed a strategy of offering a broad range of communication services, in addition to advertising agency business, in recognition of advertising market trends. More information on the Group's service offering is given in ''Business Overview'' below.

Business Overview

A full list of operational offices from which the Group currently operates is shown below:

UK	*US*	*Asia Pacific*	
London	Los Angeles	Auckland	Singapore
	New York	Hong Kong	Sydney
		Kuala Lumpur	Taipei
		Melbourne	Tokyo
		Shanghai	Wellington

Due to unsatisfactory operational performance, in December 2000 the Group closed a small operation in Spain (which had been opened in February 1999) and in June 2002 the Group disposed of its interest in a small operation in South Africa (which had been established in May 2001).

Following the planned geographic expansion, the Group will operate under four divisions, which are: the UK, the US, Asia Pacific and Continental Europe.

In recognition of client needs and market trends, M&C Saatchi provides a range of communication services in addition to advertising which is provided by M&C Saatchi UK. The service offering of the different countries is tailored to the needs of each location. In the UK the service offering is grouped under an operating structure referred to by M&C Saatchi as ''The Village''. Such product offering is replicated in other territories to the extent that is appropriate for the local market conditions. For the year ended December 2003, approximately 25 per cent. of the Enlarged Group's revenues were derived from non-agency business (including media buying and planning, PR and direct and digital marketing).

UK

''The Village'' is grouped together under M&C Saatchi UK, the UK holding company. Prior to the Reorganisation, the businesses which comprise ''The Village'' were structured in line with the business model of the remainder of the Group with a percentage of each business owned by the respective individual management team (see ''Key Strengths'' above). ''The Village'' businesses are developed by identifying a particular talented team in a certain field and offering such team the opportunity to develop a new business stream with the backing of the M&C Saatchi brand, its client base and infrastructure.

The UK trading subsidiaries that comprise ''The Village'' are:

□ *LIDA Limited*

LIDA was formed in October 1999 and is a direct and digital marketing agency. The core offering covers strategy (communications planning, customer relationship management, segmentation and data planning) and execution in all direct response media (print, online, mobile, radio, telemarketing and direct response television). Clients include Natwest, British Airways Holidays and the Central Office of Information. As at 31 December 2003, the business had 33 employees. Following the Reorganisation, LIDA Limited will be 100 per cent. owned by M&C Saatchi.

□ *Talk PR Limited*

Talk PR is a consumer focused PR agency with a current client base across the following sectors: fashion and luxury goods, beauty, finance, food and drink; and retail. It specialises in all elements of brand building PR activity including media relations, event management, strategic alliances and influence management programmes as well as trade and business media, and crisis and issues management. As at 31 December 2003, the business had 16 employees. Following the Reorganisation, Talk PR Limited will be 72.9 per cent. owned by M&C Saatchi.

- *Immediate Sales Limited*

Immediate Sales Limited was formed in February 2000 and is an integrated communications agency offering marketing services from a number of disciplines including advertising, sales promotion and direct marketing. As at 31 December 2003, the business had seven employees. Following the Reorganisation, Immediate Sales Limited will be 83.2 per cent. owned by M&C Saatchi.

- *M&C Saatchi Sponsorship Limited*

M&C Saatchi Sponsorship Limited establishes and manages a range of sponsorship activity across both sport and entertainment. It provides campaigns to exploit fully sponsorships through both media relations and event management (including corporate hospitality). As at 31 December 2003, M&C Saatchi Sponsorship Limited had three employees. Following the Reorganisation, M&C Saatchi Sponsorship Limited will be 100 per cent. owned by M&C Saatchi.

- *M&C Saatchi Marketing Arts Limited*

M&C Saatchi Marketing Arts Limited provides solutions to arts marketing challenges through brand development, marketing strategy, PR and media collaborations. As at 31 December 2003, the business had one employee. Following the Reorganisation, M&C Saatchi Marketing Arts Limited will be 50 per cent. owned by M&C Saatchi.

- *Influence Communications Limited*

Influence Communications Limited was founded in October 2003 and is an issues communications company, helping organisations to influence people and the issues that are important to their business. The business supplies services to clients through other members of the Group. Following the Reorganisation, Influence Communications Limited will be 100 per cent. owned by M&C Saatchi.

Australia

M&C Saatchi Australia was launched shortly after operations commenced in the UK. M&C Saatchi Australia operates a divisional structure, reflecting the growth of the business as a multi-service agency. M&C Saatchi Australia's divisions provide direct marketing services, print production services, artwork and design services in addition to traditional agency work.

- *M&C Saatchi Direct Pty Ltd*

M&C Saatchi Direct Pty Ltd services client needs in: traditional direct marketing and direct mail; digital advertising and online marketing; and the process management of technical direct marketing including database, telemarketing and results tracking. Among its clients are Optus and Qantas. As at 31 December 2003, the business had 37 employees. Following the Reorganisation, M&C Saatchi Direct Pty Ltd will be 100 per cent. owned by M&C Saatchi.

- *DNA Agency Network Pty Ltd*

DNA Agency Network Pty Ltd was founded in 2003 to start a second agency network and to help manage client conflicts. Its foundation client is Medibank Private in Melbourne. As at 31 December 2003, the business had five employees. Following the Reorganisation, DNA Agency Network Pty Ltd will be 90 per cent. owned by M&C Saatchi.

- *Bright Red Oranges Pty Ltd*

Bright Red Oranges Pty Ltd is a design company which services the design needs of existing Group clients in Australia, and aims to develop relationships with new non-agency clients not requiring a full service offering. Its clients include Insurance Australia Group and Qantas. As at 31 December 2003, the business had seven employees. Following the Reorganisation, Bright Red Oranges Pty Ltd will be 100 per cent. owned by M&C Saatchi.

- *GO Studios Pty Ltd*

GO Studios Pty Ltd is an in-house finished art and production management studio servicing the print production needs for many of the Group's clients in Sydney. Its clients include Qantas and Audi. As at 31 December 2003, the business had 13 employees. Following the Reorganisation, GO Studios Pty Ltd will be 100 per cent. owned by M&C Saatchi.

In all of the other territories in which the Group operates, all the services are being provided by the advertising agencies.

Walker Media

Since 1998 the Group has had a 46 per cent. beneficial interest in an associated company Walker Media, one of the UK's leading independent companies providing media planning and buying services. Walker Media's clients include: Marks & Spencer, Dixons Group, Blockbuster, First Choice Group, Halfords, and KFC. Following Admission and the Reorganisation, M&C Saatchi's interest in Walker Media will increase to 75 per cent. and Walker Media will be accounted for as a subsidiary in the Enlarged Group's accounts. Financial information on Walker Media is included in Part VIII. As at 31 December 2003, Walker Media had 43 employees.

Management Information and Reporting

Each business operates as a separate corporate entity and profit centre, but works alongside other members of the Group in different territories as client needs require. Following Admission, the office in London will report into Moray MacLennan (Chairman of M&C Saatchi in the UK), the office in New York will report directly into the Board, the offices in Australasia and Los Angeles will report to Tom Dery (Chairman M&C Saatchi in Asia Pacific) whilst offices in Asia will report through Kevin Ramsey to Tom Dery. The new planned European offices will report to Nick Hurrell (Chairman of M&C Saatchi, Europe). Following Admission, Walker Media will report to the Group chief executive. Further information on the Directors and Senior Management is given in Part III below.

M&C Saatchi has recently created an Executive Committee responsible for monitoring on a regular basis the progress of all operations.

The Group monitors the performance of each subsidiary closely through:

– a bi-annual financial and operational review by the Executive Directors;

– an annual visit and comprehensive review by members of the Senior Management (the ''Annual Review'');

– an annual visit by the Finance Director (or one of his officers); and

– comprehensive monthly financial reviews by the Finance Director.

The first of the bi-annual reviews takes place in April and is a review of the previous year's performance; the second takes place in October and sets the targets for the forthcoming year. The Annual Review, includes a standardised financial and creative overview, a client survey, and a staff survey, enabling the Directors to compare employee and client satisfaction across the Group. An analysis of any differences between what clients view as important and what each operating company aims to achieve helps to establish best practices across the Group. An internal review process for major clients is undertaken periodically based upon the same key performance indicators. Further, offices are visited annually by the Finance Director or one of his officers in order to monitor performance against financial targets that have been set by the Group.

The bi-annual reviews and the other monitoring processes referred to above, allow the Directors and Senior Management to manage the Group effectively, as well as to learn from the experiences of the local offices and to share information to ensure that best practices are applied.

The Group takes a multi-layered approach to winning new clients and maintaining ongoing client relationships. For example, in the UK one or more of the members of the Executive Committee are involved in all major pitches that the Group undertakes and each major account is assigned a contact person on the Executive Committee. Client relationships are managed on a day to day basis by account directors.

Clients

The Enlarged Group's clients, for whom work has been carried out in the last twelve months, include:

The AA	GlaxoSmithKline	Reuters
ANZ Bank	Halfords	Scottish & Newcastle
Blockbuster	The Inland Revenue	Somerfield
British Airways	KFC	The Royal Bank of Scotland Group
Central Office of Information	Mandarin Oriental	Tourism New Zealand
Coca-Cola Enterprises	Marks & Spencer	Transport for London
Dixons Group	Optus	Trinity Mirror
Dyson	Police Recruitment	Wanadoo
Gallaher Limited	Qantas	Woolworths Supermarkets

Property

The Group leases its headquarters in London from 36 Golden Square LLP which is owned by the Founding Directors and related parties. The lease expires in 2023 and its terms include five yearly upwards only open market rent reviews with a minimum uplift at each review. The last rent review took effect in April 2002 and the current annual rent is £1,672,000. As from April 2007, the annual rent cannot be less than £1,891,366.40 and thereafter the minimum uplift at each review will be the rent agreed at the previous review multiplied by a factor of 1.1314. Directors who are members of the LLP will not participate on behalf of the Group in the five-yearly rent review negotiations. More detail on the lease of the Company's headquarters is given in Part X. All other office locations are leaseholds.

Walker Media's business address is: 2nd Floor, Middlesex House, 34-42 Cleveland Street, London W1T 4JE. Walker Media's premises are leased from a third party on 15 year basis from October 2000, subject to a 10 year break clause, with a rent review every five years.

PART II: FINANCIAL RECORD, OPERATING INFORMATION AND PROSPECTS

Set out below is a summary of the illustrative combined financial performance of the Enlarged Group for the three years ended 31 December 2003. It has been derived by aggregating revenue (gross profit), operating profit and profit before tax and amortisation of goodwill for M&C Saatchi Worldwide and Walker Media as extracted from the Accountants' reports on M&C Saatchi and Walker Media set out in Parts VII and VIII.

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Revenue (gross profit)			
M&C Saatchi	48,644	48,732	53,611
Walker Media	5,110	5,044	5,707
Enlarged Group	53,754	53,776	59,318
Geographical split			
UK	35,772	35,946	36,465
Asia Pacific	15,535	16,332	20,891
America	2,395	1,395	1,880
Other	52	103	82
	53,754	53,776	59,318
Operating profit			
M&C Saatchi	4,527	5,170	5,452
Walker Media	1,046	1,181	1,418
Enlarged Group	5,573	6,351	6,870
Geographical split			
UK	5,471	4,577	4,941
Asia Pacific	1,935	1,972	2,020
America	(1,646)	(201)	(173)
Other	(187)	3	82
	5,573	6,351	6,870
Profit before tax and amorisation of goodwill			
M&C Saatchi	5,468	6,098	6,506
Walker Media	1,555	1,606	1,841
Less: share of profit before tax from Walker Media included within M&C Saatchi	(715)	(738)	(847)
Enlarged Group	6,308	6,966	7,500
Geographical split			
UK	6,173	5,148	5,550
Asia Pacific	1,968	2,015	2,042
America	(1,644)	(200)	(174)
Other	(189)	3	82
	6,308	6,966	7,500

Selected operating information

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
Operating profit margin	10.4%	11.8%	11.6%
Staff costs/revenue margin	58.6%	61.8%	61.6%
Non-staff costs/revenue margin	31.0%	26.4%	26.8%
Effective tax rate	35.0%	32.0%	31.6%

The Enlarged Group's revenue increased by 10.4 per cent. from £53.8 million in 2001 to £59.3 million in 2003. The key factors in this growth were:

- an increase in Asia Pacific revenues of £5.4 million, reflecting major client wins in Australia and New Zealand, including IAG, Woolworths and Optus; and
- an increase in UK revenues of £0.7 million, reflecting strong growth in M&C Saatchi Village companies and an increase in Walker Media revenues of £0.6 million.

The Enlarged Group's operating profit increased by 23.2 per cent. from £5.6 million in 2001 to £6.9 million in 2003. This corresponded to an increase in the Enlarged Group's operating profit margin from 10.4 per cent. to 11.6 per cent., despite an increase in the ratio of staff costs to revenues over this period from 58.6 per cent. to 61.6 per cent. The Directors believe the increase in the ratio of staff costs to revenue was required to achieve the staff capacity levels necessary to serve the expanding Asian Pacific client base and to remain prepared for expected further growth in the UK.

The ratio of non-staff costs to revenues decreased from 31.0 per cent. in 2001 to 26.8 per cent. in 2003. This decrease includes the impact of: downsizing M&C Saatchi's New York office following the events of September 2001, and the one-off release in 2003 of a rent review accrual from 2002 of £0.5 million.

The Enlarged Group's effective tax rate in 2003 was 31.6 per cent. This rate of tax arose as a result of certain disallowable expenses, in particular client entertaining. The Directors expect the effective tax rate to remain at approximately the same level for 2004.

Following the Reorganisation, the principal minority interest in the Enlarged Group will be a 25.0 per cent. interest in Walker Media. In addition, there will be minority interests in each of Talk PR Limited, The Immediate Sales Company Limited, M&C Saatchi Marketing Arts Limited, DNA Agency Network Pty Ltd and M&C Saatchi's offices in Japan, Malaysia, New York and Los Angeles (more information is given in Part X). In 2003 these minority interests together amounted to £424,000, or approximately 8.3 per cent., of the Enlarged Group's illustrative combined profit after tax. Minority interests in the Enlarged Group's results are also expected to arise from the application of M&C Saatchi's business model to the planned new offices (see section ''Key Strengths'' in Part I).

Current Trading and Prospects

The Directors believe that the Enlarged Group's proven ability to retain its existing clients and to grow its client base through new client wins, combined with its smaller size relative to some of its competitors, makes the Enlarged Group relatively resilient to short and medium term fluctuations in the general industry market conditions. In addition, the Directors believe that the Enlarged Group is benefiting from the buoyant conditions in the advertising market and are encouraged by the Enlarged Group's trading performance for the year to date which is continuing to show improvement in recent weeks. Significant client wins for the Enlarged Group have included: Halfords, London Olympics 2012, US Tourism, Thames Water, Medibank (Australia), Ketel One Vodka (Los Angeles), Crystal Cruises (Los Angeles) and Celcom (Malaysia). Further, a number of clients in the Asia Pacific region which were won by the Enlarged Group in the year to 31 December 2003 are expected to make a full year contribution in the current financial year.

The Enlarged Group's operating profit margins for the year to date are in line with the Directors' expectations and the Directors remain confident for the Enlarged Group's prospects for the remainder of the year to December 2004.

Dividend Policy

The New Ordinary Shares will rank in full for all dividends or other distributions declared, paid or made in respect of the Ordinary Share capital of the Company after Admission.

Subject to maintaining an appropriate level of dividend cover, the Directors expect that the Company will pay dividends at a comparable level to its peer group (which it considers to be the major publicly listed UK and European advertising agencies). One third of any dividend paid during the year is expected to be paid as an interim dividend following the announcement of the Group's interim results for the six months to 30 June with the remainder being paid following the announcement of the Enlarged Group's full year results to 31 December. In respect of the year to 31 December 2004, the Company expects to pay a dividend approximately equal to 50 per cent. of the aggregate amount that would have been paid if the Company been admitted to trading on AIM throughout the year.

Use of Proceeds and Sources of Growth

The Directors intend to use the net proceeds of the Placing to fund the investment required for the following sources of further growth for the business:

- making further selective office openings so that the Group can service its existing and potential international clients more fully. Planned locations include Germany, France, Italy and Spain, with at least two of the target locations expected to be operational within eighteen months of Admission;
- opening a selected number of offices in the Asia Pacific area in countries where the Group is not currently represented in order to provide a more complete offering in the region. Planned locations include a further office in China (Beijing) and offices in the following new markets: South Korea, Indonesia, Thailand and India;
- strengthening the Enlarged Group's presence in the US market; and
- making selective brand extensions and investments in Walker Media, for example in direct media.

PART III: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

David Kershaw, Bill Muirhead, Maurice Saatchi and Jeremy Sinclair have worked together for over twenty years, building and creating two internationally recognised advertising companies (Saatchi & Saatchi and M&C Saatchi). Members of the Senior Management also possess extensive experience in the advertising industry and many have worked together since 1995.

Directors

Executive Directors

Jeremy Sinclair (57) was one of the founders of Saatchi & Saatchi in 1970. He became Chairman of the UK agency of Saatchi & Saatchi in 1982 and Chairman of Saatchi and Saatchi International in 1986. He later became Executive Creative Director of Saatchi & Saatchi Advertising Worldwide and Chairman of Saatchi & Saatchi plc. He is a Founding Director of M&C Saatchi and upon Admission will be appointed Chairman.

David Kershaw (50) joined Saatchi & Saatchi in 1982, after obtaining an MBA at The London Business School. At Saatchi & Saatchi, he was appointed Managing Director in 1990 and Chairman and Chief Executive of the UK agency in 1994. He is currently Chairman of the Advertising Association, a UK federation of trade bodies representing the advertising and promotional marketing industries. He is a Founding Director of M&C Saatchi and upon Admission will be appointed Chief Executive.

Bill Muirhead (57) was one of the first account handlers at Saatchi & Saatchi plc in 1971 and later became Group Account Director. He was subsequently appointed Chairman of Saatchi & Saatchi Europe and had additional responsibility for the London agency. He moved to New York in February 1994 as Chief Executive Officer and President of Saatchi & Saatchi Advertising Worldwide. He is a Founding Director of M&C Saatchi and upon Admission will be appointed Executive Director.

Maurice Saatchi (58) founded Saatchi & Saatchi in 1970, of which he became Chairman in 1980. He was honoured with a life peerage in August 1996 and in November 2003 was appointed co-chairman of the Conservative Party. He is a Founding Director of M&C Saatchi and upon Admission will be appointed Executive Director.

Jerry Wales (47) joined M&C Saatchi in 1995. He is a founder member of the Senior Management team. He has 18 years' experience of working in senior finance roles in the advertising industry. Prior to joining M&C Saatchi he was finance director of Chiat-Day's New York office (now part of the Omnicom group).

Non-Executive Directors

Lloyd Dorfman (51) has been appointed to the Board as the senior independent Non-Executive Director. He is currently chairman and chief executive of Travelex Holdings Limited which he founded in 1976.

Adrian Martin (54) has been appointed to the Board and will be engaged as a Non-Executive Director upon Admission. He is currently chief executive of Reynolds Porter Chamberlain Solicitors, a non-executive director of Carphone Warehouse plc, a non-executive director of a privately controlled company and a non-executive director of a national charity. Previously he was managing partner of BDO Stoy Hayward, where he was also chairman of BDO's International Policy Board.

Senior Management

Simon Corah — Chief Executive Officer, Australia joined Saatchi & Saatchi in 1983 and held a variety of positions including chief executive officer of the businesses in Taiwan and Ireland. He returned to Australia in 1994 with specific responsibility for the Qantas International account. He is a founding member of the Senior Management team.

Tom Dery — Chairman, Asia Pacific, joined M&C Saatchi in 1995 as Executive Chairman of M&C Saatchi in Asia Pacific. He has experience on both the client side and the agency side of the business having worked at Qantas Airlines, Ansett (General Manager, Commercial), was a founding partner of the Campaign Palace and managing director of DDB Melbourne. He is a member of the Executive Committee.

Simon Dicketts — Executive Creative Director, UK joined Saatchi & Saatchi in 1979 as a copywriter and became Creative Director of Saatchi & Saatchi UK in 1991. He is a founding member of the Senior Management team.

Tim Duffy — Chief Executive, UK joined Saatchi & Saatchi in 1986 as a strategic planner and was promoted to Group Account Director in 1994. He is a founding member of the Senior Management team and upon Admission will be appointed as M&C Saatchi's Chief Executive in the UK.

Phil Georgiadis — Chief Executive, Walker Media worked with Christine Walker at Ray Morgan & Partners, before moving to Wight Collins Rutherford Scott in 1985 where he later became executive media director and vice chairman. In 1995, he moved to Initiative Media in the UK as chief executive where he stayed until the launch of Walker Media in 1998.

Nick Hurrell — Chairman, Europe joined Saatchi & Saatchi in 1985 as a trainee and was promoted to Managing Director of Saatchi & Saatchi UK in 1994. He is a founding member of the Senior Management team and a member of the Executive Committee. Upon Admission will be appointed as M&C Saatchi's Chairman in Europe.

James Lowther — Executive Creative Director, UK joined Saatchi & Saatchi as a copywriter in 1977 and was appointed Creative Director of Saatchi & Saatchi UK in 1987 and Deputy Chairman of Saatchi & Saatchi UK in 1989. He is a founding member of the Senior Management team.

Moray MacLennan — Chairman, UK joined Saatchi & Saatchi as a trainee in 1983 and was appointed Managing Director of Saatchi & Saatchi UK in 1994. He is a founding member of the Senior Management team and upon Admission will be appointed as M&C Saatchi's Chairman in the UK and is a member of the Executive Committee.

Tom McFarlane — Creative Director, Asia Pacific joined M&C Saatchi in 1996 as Creative Director Australia. Previously he was Executive Creative Director at DDB and Creative Director at J. Walter Thompson.

Kevin Ramsey — President M&C Saatchi Asia, joined M&C Saatchi in 2003. Previously he was a general manager of Colenso in Auckland before starting his own agency with three partners. Three years later, this was merged with J Walter Thompson New Zealand and he held various management roles with J Walter Thompson in New Zealand, US, Australia and Hong Kong.

Christine Walker — Chairman, Walker Media was a founding director of Ray Morgan and Partners, which was sold to Saatchi & Saatchi in 1988. She later became chief executive of Zenith Media and subsequently set up Walker Media, which started trading in 1998.

Employees

The Enlarged Group employed 700 people on a worldwide basis as at the end of April 2004. The employees were split by geographic regions as shown in the table below:

UK:	307 people
US:	21 people
Asia Pacific Region:	372 people

Corporate Governance

The Directors recognise and value the importance of high standards of corporate governance and intend to observe the requirements of the Combined Code to the extent that they consider appropriate in the light of the Company's size, stage of development and resources.

The Company will comply with Rule 19 of the AIM Rules regarding dealings in the Company's shares and will ensure compliance by the Directors and applicable employees. The Company will adopt a share dealing code appropriate for a company admitted to trading on AIM.

Following Admission, the Company will have two non-Executive Directors. However, the Directors intend to appoint a third non-Executive Director in due course following Admission.

The Board has carefully considered the independence of the Non-Executive Directors for the purpose of the Combined Code.

Lloyd Dorfman is currently chairman and chief executive of Travelex Holdings Limited. Travelex Holdings Limited and the members of its group are clients of the Group and accounted for approximately 1 per cent. of the Enlarged Group's revenues in 2003. For the purpose of the Combined Code the Directors consider that the relationship with Travelex Holdings Limited is not a material business relationship and they are therefore of the opinion that, notwithstanding this association, Lloyd Dorfman is independent.

Adrian Martin was a partner, and from 1991 the managing partner, of BDO Stoy Hayward. On 30 June 2000 he ceased to be a partner of BDO Stoy Hayward and entered into consultancy arrangements with BDO Stoy Hayward. The consultancy arrangements have recently terminated. Adrian Martin has had no business dealings with the Group in the past three years and did not carry out any work during the period of his consultancy in any of the business units of BDO Stoy Hayward which provide services to the Group. Accordingly the Directors have concluded that, notwithstanding this relationship, he is independent for the purpose of the Combined Code.

The Board has established the Audit Committee and the Remuneration Committee, each with formally delegated duties and responsibilities. The Audit Committee will receive and review reports from the management and the Company's auditors relating to annual and interim accounts and the accounting and internal controls in place throughout the Enlarged Group. The Audit Committee will have unrestricted access to the Group's auditors. Upon Admission, the members of the Audit Committee will be Adrian Martin (Chairman) and Lloyd Dorfman. The Remuneration Committee will review the scale and structure of the Executive Directors' and the Executive Committee's remuneration and the terms of their service contracts. The remuneration and terms of appointment of the Non-Executive Directors will be set by the Board. The Remuneration Committee will also approve the issue of share options under the Share Schemes. Upon Admission, the members of the Remuneration Committee will be Lloyd Dorfman (Chairman) and Adrian Martin.

Directors' Shareholdings

Details of the Directors' shareholdings in the Company both before and following Admission are set out in Part X of this document.

Pensions

Companies within the Group operate defined contribution pension schemes for their employees.

Share Incentives

The Directors recognise the vital role played by employees at all levels in contributing to the overall success of the Enlarged Group. It is considered key to the Enlarged Group's development that it is able to motivate and retain its existing employees as well as recruit new employees. The Directors believe that using equity awards is the best way to achieve these objectives. Equity awards enable employees to participate directly in the financial success of the Company as well as acting as a tool to align the interests of management with those of the Shareholders. The Company has therefore adopted the Sharesave Scheme, participation in which will be made available to all employees, and the Long Term Incentive Plan, under which participation will be at the discretion of the Remuneration Committee.

Summaries of the main terms of the Sharesave Scheme and Long Term Incentive Plan are set out in Part X of this document.

International Financial Reporting Standards

The Directors expect to adopt International Financial Reporting Standards (''IFRS'') with effect from 1 January 2005. It is not expected that there will be any material restatement on conversion to IFRS.

PART IV: THE REORGANISATION AND THE PLACING

THE REORGANISATION

Reorganisation of the Company's share capital

The Company's share capital was reorganised pursuant to resolutions passed at extraordinary general meetings held on 4 June 2004 and 8 July 2004. Details of the share capital of the Company are set out in Part X.

Reorganisation of M&C Saatchi Worldwide's share capital

The shareholders of M&C Saatchi Worldwide propose to reorganise the share capital of M&C Saatchi Worldwide immediately before Admission as follows:

- The authorised share capital of M&C Saatchi Worldwide will be increased from £12,505 to £1,550,000 by the creation of 987,500 new ordinary shares of £1.00 each, 299,996 new B ordinary shares of £1.00 each, 199,999 new C ordinary shares of £1.00 each and 10,000 new redeemable preference shares of £5.00 each.
- Each ordinary share of £1.00 will be subdivided 100 times.
- A capitalisation issue of 24 ordinary shares for each ordinary share held will be effected. This will reduce M&C Saatchi Worldwide's distributable reserves by £300,000.
- Each B ordinary share of £1.00 and each C ordinary share of £1.00 will be subdivided 100 times.
- A capitalisation issue of 2,873.35 B ordinary shares for each B ordinary share held will be effected. This will reduce M&C Saatchi Worldwide's distributable reserves by £11,493.40.
- A capitalisation issue of 838.26 C ordinary shares for each C ordinary share held will be effected. This will reduce M&C Saatchi Worldwide's distributable reserves by £838.26.
- Thereafter, each B ordinary share and each C ordinary share will be converted on a one for one basis into ordinary shares in the capital of M&C Saatchi Worldwide.

The shareholders also intend to grant authority to M&C Saatchi Worldwide's directors to allot relevant securities for the purposes of section 80 of the Act up to an aggregate nominal value of £1,550,000. Before Admission, the directors of M&C Saatchi Worldwide propose to allot 2,000 redeemable preference shares of £5.00 each in the capital of M&C Saatchi Worldwide to each of the Founding Directors credited as fully paid up. These shares will have identical rights to the rights attached to the Redeemable Preference Shares of the Company as set out in paragraph 2.4 of Part X. It is intended that these shares will be redeemed in full immediately following Admission.

Details of the agreement pursuant to which these arrangements are to be effected are set out in Part X.

UK minority shareholders and associated companies

M&C Saatchi UK and LIDA Limited: M&C Saatchi Worldwide has entered into agreements with Participating Executives pursuant to which M&C Saatchi Worldwide will acquire the shares held by Participating Executives in M&C Saatchi UK and LIDA Limited before Admission in consideration for an allotment of new shares in the capital of M&C Saatchi Worldwide. Further details of these agreements are set out in Part X.

Talk PR Limited and M&C Saatchi Marketing Arts Limited: Participating Executives hold shares in Talk PR Limited and M&C Saatchi Marketing Arts Limited. It is not intended that those Participating Executives transfer their shares in these companies to M&C Saatchi Worldwide at or before Admission. However, M&C Saatchi Worldwide and the Company have entered into agreements with those Participating Executives pursuant to which they will agree to the variation of their existing shareholders' agreements with respect to Talk PR Limited and M&C Saatchi Marketing Arts Limited with effect from Admission. The new arrangements include (a) the grant by M&C Saatchi Worldwide to the Participating Executives of put rights in respect of their shares; and (b) the grant by those Participating Executives to M&C Saatchi Worldwide of call rights in respect of their shares. The payment upon exercise of the put rights or the call rights will be satisfied (at the option of M&C Saatchi Worldwide) by an allotment of Ordinary Shares or in cash. Further details of these agreements are set out in Part X.

The Immediate Sales Company Limited: M&C Saatchi Worldwide has entered into agreements with the Participating Executives who hold shares in The Immediate Sale Company Limited pursuant to which M&C Saatchi Worldwide will acquire 43.75 per cent. of the shares held by those Participating Executives before Admission in consideration for an allotment of new shares in the capital of M&C Saatchi Worldwide. Further details of these agreements are set out in Part X. Participating Executives will not sell the remaining 56.25 per cent. of their shares in The Immediate Sales Company Limited to M&C Saatchi Worldwide at or before Admission. M&C Saatchi Worldwide and the Company have entered into agreements with those Participating Executives pursuant to which those Participating Executives will agree to the variation of their existing shareholders agreements with respect to The Immediate Sales Company Limited with effect from Admission. The new arrangements include (a) the grant by M&C Saatchi Worldwide to the Participating Executives of put rights in respect of their shares; and (b) the grant by the Participating Executives to M&C Saatchi Worldwide of call rights in respect of their shares. The payment upon exercise of the put rights or the call rights will be satisfied (at the option of M&C Saatchi Worldwide) by an allotment of Ordinary Shares or in cash. Further details of these agreements are set out in Part X.

Walker Media

M&C Saatchi Worldwide, Walker Media and Participating Executives have entered into agreements pursuant to which, before Admission:

- Walker Media will acquire the 8 per cent. of the share capital of Walker Media Limited which it does not already own in consideration for an allotment of new shares in the capital of Walker Media.
- M&C Saatchi Worldwide will acquire a further 29 per cent. of the share capital of Walker Media in consideration for an allotment of new shares in the capital of M&C Saatchi Worldwide. This will result in M&C Saatchi Worldwide holding 75 per cent. of the issued share capital of Walker Media.

Further details of the agreements effecting these arrangements are set out in Part X.

M&C Saatchi Worldwide has entered into agreements with the other shareholders of Walker Media which will become effective upon Admission. These agreements include (a) the grant by M&C Saatchi Worldwide to the other shareholders of Walker Media of put rights in respect of their shares; and (b) the grant by the other shareholders of Walker Media to M&C Saatchi Worldwide of call rights in respect of their shares. The payment upon exercise of the put rights and the call rights will be satisfied either in cash, or partly in cash and partly by an allotment of Ordinary Shares. Further details of the agreements effecting these arrangements are set out in Part X.

Acquisition of M&C Saatchi Worldwide by the Company

The Company has entered into an agreement with the shareholders of M&C Saatchi Worldwide and the Participating Executives pursuant to which the Company will acquire the entire issued share capital of M&C Saatchi Worldwide before Admission in consideration for an allotment of Reorganisation Shares. Further details of the agreements effecting this arrangement are set out in Part X.

Option holders

Participating Executives hold options to acquire shares in certain subsidiary companies of M&C Saatchi Worldwide:

- *M&C Saatchi Limited (New Zealand):* Participating Executives hold options to acquire shares in M&C Saatchi Limited (New Zealand). Those Participating Executives have entered into agreements with M&C Saatchi Holdings pursuant to which (a) the options held by those Participating Executives will be cancelled before Admission in return for a payment, (b) that payment will be satisfied by means of an allotment of Reorganisation Shares, and (c) as soon as reasonably practicable after Admission, those Participating Executives will pay to M&C Saatchi Holdings a sum equal to the exercise price payable in connection with their options.
- *M&C Saatchi Australia:* Participating Executives hold options to acquire shares in M&C Saatchi Australia. Those Participating Executives have entered into agreements with M&C Saatchi Holdings pursuant to which the options held by those Participating Executives will be transferred to M&C Saatchi Holdings before Admission. The consideration for that transfer will be satisfied by an allotment of Reorganisation Shares. M&C Saatchi Holdings will (a) before Admission exercise the options to the extent that they are over shares held by third parties, and (b) as soon as reasonably practicable after Admission, pay the exercise price. As soon as reasonably practicable after Admission, the Participating Executives will pay to M&C Saatchi Holdings a sum equivalent to the exercise price payable in connection with their options.
- *M&C Saatchi Hong Kong:* A Participating Executive holds an option to acquire shares in M&C Saatchi Hong Kong. M&C Saatchi Holdings has entered into an agreement with that Participating Executive pursuant to which that Participating Executive will exercise

her option before Admission. As soon as reasonably practicable after Admission she will pay the relevant exercise price to M&C Saatchi Holdings.

Further details of the agreements effecting these arrangements are set out in Part X.

Phantom right holders

Participating Executives hold rights to receive bonuses calculated by reference to the value of the share capitals of certain UK and Overseas Subsidiaries (''**Phantom Rights**''):

- *M&C Saatchi Worldwide and M&C Saatchi UK:* The Participating Executives who hold Phantom Rights in respect of M&C Saatchi Worldwide and M&C Saatchi UK have entered into agreements with M&C Saatchi Worldwide and M&C Saatchi UK, pursuant to which their Phantom Rights will be varied before Admission. M&C Saatchi Worldwide and M&C Saatchi UK will pay bonuses equivalent to 43.75 per cent. of the value of these Phantom Rights to the Participating Executives as soon as reasonably practicable after Admission. In substitution for the balance of their Phantom Rights, the Participating Executives will receive unapproved options over shares in the capital of the Company.
- *Talk PR Limited:* The Participating Executives who hold Phantom Rights in respect of Talk PR Limited have entered into agreements with Talk PR Limited, pursuant to which their Phantom Rights will be varied before Admission. These Phantom Rights will not entitle the Participating Executives to bonuses as a result of the Reorganisation or as a result of Admission. In substitution Talk PR Limited will grant new Phantom Rights to the Participating Executives.
- *M&C Saatchi Sponsorship Limited:* The Participating Executives (other than David Marren) who hold Phantom Rights in respect of M&C Saatchi Sponsorship Limited have entered into agreements with M&C Saatchi Sponsorship Limited, pursuant to which their Phantom Rights will be varied before Admission. M&C Saatchi Sponsorship Limited will pay bonuses equivalent to 43.75 per cent. of the value of these Phantom Rights to those Participating Executives as soon as reasonably practicable after Admission. In substitution for the balance of their Phantom Rights, M&C Saatchi Sponsorship Limited will grant those Participating Executives new Phantom Rights. The existing rights of David Marren will remain in place.
- *M&C Saatchi Limited (New Zealand):* The Participating Executive who holds Phantom Rights in respect of M&C Saatchi Limited (New Zealand) has entered into an agreement pursuant to which those Phantom Rights will be cancelled at Admission.

Further details of the agreements effecting these arrangements are set out in Part X.

Minority interests in overseas subsidiaries

M&C Saatchi Australia, M&C Saatchi Limited (New Zealand), M&C Saatchi (S) Pte Ltd and M&C Saatchi Hong Kong: M&C Saatchi Holdings has entered into agreements with Participating Executives pursuant to which, before Admission, M&C Saatchi Holdings will acquire the shares held by Participating Executives in the capitals of these companies in consideration for an allotment of Reorganisation Shares. Further details of these agreements are set out in Part X.

DNA Agency Pty Network Limited, M&C Saatchi (M) SDN BHD and M&C Saatchi LA, Inc: Participating Executives will not transfer their shares in these companies to M&C Saatchi Holdings at or before Admission. M&C Saatchi Holdings has entered into agreements with those Participating Executives pursuant to which the Participating Executives will agree to the variation of their existing shareholders agreements with respect to these companies with effect from Admission. The new shareholders agreements include (a) the grant by M&C Saatchi Holdings to the Participating Executives of put rights in respect of their shares; and (b) the grant by the Participating Executives to M&C Saatchi Holdings of call rights in respect of those shares. The payment upon exercise of the put rights and the call rights will be satisfied (at the option of M&C Saatchi Worldwide) by an allotment of Ordinary Shares or in cash. Further details of these new shareholders agreements are set out in Part X.

M&C Saatchi Agency, Inc: At or as soon as reasonably practicable after Admission, M&C Saatchi Worldwide proposes to procure the allotment of M&C Saatchi Agency, Inc shares to a Participating Executive such that, as a result of that allotment, that Participating Executive will hold 4 per cent. of the share capital of M&C Saatchi Agency, Inc. That allotment will be made at par. M&C Saatchi Holdings proposes to enter into a shareholders agreement with that Participating Executive at the time of that allotment. The new shareholders agreement will include (a) the grant by M&C Saatchi Holdings to the Participating Executive of put rights in respect of his shares; and (b) the grant by the Participating Executives to M&C Saatchi Holdings of call rights in respect of his shares. The payment upon exercise of the put rights and the call rights will be satisfied (at the option of M&C Saatchi Worldwide) by an allotment of Ordinary Shares or in cash. Further details of this proposed new shareholders agreement are set out in Part X.

Dery Finance Pty Limited

Tom Dery (a Participating Executive) holds the entire issued share capital of Dery Finance Pty Limited. Dery Finance Pty Limited holds shares in M&C Saatchi Australia, M&C Saatchi (S) Pte Ltd and M&C Saatchi Hong Kong. M&C Saatchi Holdings and the Company have entered into an agreement with Mr Dery pursuant to which M&C Saatchi Holdings will acquire the entire issued share capital of Dery Finance Pty Limited before Admission in consideration for an allotment of Reorganisation Shares. Further details of this agreement are set out in Part X.

THE PLACING

A total of 28,061,687 Ordinary Shares are being placed, of which 8,429,972 are New Ordinary Shares[(1)] which are being issued direct to placees by the Company and 19,631,715 are Ordinary Shares being sold by the Participating Executives. The Placing will raise approximately £7.2 million (net of expenses) for the Company.[(2)]

Participating Executives, including the Executive Directors and the Senior Management, will sell 42.9 per cent. in aggregate of their shareholdings in the Placing. Following the Placing, the Participating Executives will own 48.2 per cent. of the Company. More details on the current and proposed shareholding structure are provided in Part X of this document.

Lock-up arrangements

Except in relation to Ordinary Shares being sold under the Placing and in certain limited circumstances, the Participating Executives, who will hold in aggregate approximately 48.2 per cent. of the Ordinary Shares in issue on Admission, have undertaken in the Placing Agreement not to dispose of any of their Ordinary Shares (or any interest therein) for a period of two years from the date of Admission without the prior consent of Lehman Brothers. More details on these arrangements are provided in Part X of this document.

The Employee Offer

1,600,000 Ordinary Shares were made available on a priority basis for subscription by Qualifying Employees in certain countries under the Employee Offer. All Qualifying Employees in the UK, New Zealand, Singapore and Hong Kong, as well as Qualifying Employees who fell within specific securities law exemptions in Australia, were given the opportunity to participate in the Employee Offer.

Under the terms of the Employee Offer, Qualifying Employees were entitled to subscribe for Ordinary Shares at the Placing Price. Further terms and conditions of the Employee Offer and details of how to apply were set out in the Employee Offer Application Form which was sent to Qualifying Employees in the relevant countries by the Company. The Employee Offer closed at 5.00 p.m. on 7 July 2004. 260,219 Ordinary Shares were allocated under the Employee Offer.

The Client Offer

The Company agreed with a number of Qualifying Clients who expressed an interest to the Company in subscribing for Ordinary Shares under the Placing that Ordinary Shares would be made available to them on a priority basis. Under the terms of the Client Offer, Qualifying Clients were entitled to subscribe for Ordinary Shares at the Placing Price. The Client Offer closed at 5.00 p.m. on 7 July 2004. 156,000 Ordinary Shares were allocated under the Client Offer (of which 80,000 Ordinary Shares were allocated to Lloyd Dorfman at the Placing Price).

The Institutional Offer

The Institutional Offer comprised a placing of Ordinary Shares to certain institutional investors. The Ordinary Shares the subject of the Institutional Offer have been conditionally placed with institutional shareholders. The Institutional Offer is being fully underwritten by Lehman Brothers upon the terms, and subject to the conditions, of the Placing Agreement. For further information on the terms of the Placing Agreement see Part X of this document.

Admission, Dealings and CREST

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will take place and that unconditional dealings will commence at 8.00 a.m. on 14 July 2004.

Application has been made to permit Ordinary Shares to be settled through CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred other than by a written instrument. The articles of association of the Company permit the holding of Ordinary Shares in uncertificated form under the CREST system. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain a share certificate will be entitled to do so.

(1) Includes 429,972 New Ordinary Shares being issued to satisfy bonuses payable to certain Participating Executives as a result of phantom rights. See Parts IV and X for more details.

(2) Net of the amounts payable under (1) above.

It is expected that the CREST accounts in respect of those Shareholders who have requested their entitlements to be dealt with inside CREST will be credited on 14 July 2004 and that definitive share certificates will be despatched by first class post to those Shareholders whose entitlements are to be dealt with outside CREST at the sole risk of the Shareholder on or before 21 July 2004. It is possible that Shareholders wishing to sell Ordinary Shares shortly after Admission will not receive their definitive share certificates in time to meet settlement obligations in respect of such sales.

Selling Restriction

Before Admission becomes effective, placees may only offer or sell any Ordinary Shares in the United Kingdom in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of the POS Regulations.

PART V: RISK FACTORS

Risk Factors

An investment in the Ordinary Shares is subject to a number of risks. Potential investors should consider carefully all the risks described below along with the other information in this document before deciding whether to invest in the Company. If any of the following risks actually materialise, the business of the Enlarged Group, its financial condition and its results of operations could be adversely and materially affected, and investors could lose part or all of their investment in the Ordinary Shares.

The Group's market

The advertising industry is cyclical in nature with advertising expenditure typically following the economic cycle. In recent years a number of factors including difficult economic conditions, geopolitical unrest, lack of consumer confidence and cautious spending by companies in general and on advertising in particular have created a challenging business environment and industry wide margin contraction.

In addition, the industry in which the Group operates is highly competitive. There are a number of established global and numerous local companies which have a similar service offering and compete directly with the Group. Whilst the Group has proven its ability to expand its customer base, its success in winning new clients is limited by the high degree of competition and in particular a new entrant to a market may be subject to significant pricing pressure from established larger companies with greater resources.

The Group's business can be affected by commonplace client practices. For example, in the advertising market, clients are not generally bound to any individual agency and may move their accounts to another agency on short notice. Clients may also reduce advertising and marketing budgets at any time for any reason with no compensation to the agency.

Reliance on key clients

A relatively small number of clients account for a significant percentage of the Group's consolidated revenues. The Enlarged Group's ten largest clients accounted for approximately 43 per cent. of revenues in the year ended 2003. Furthermore, on a country by country basis any one client may account for a significant level of that country's revenue. However, the Directors believe that the customer base diversification which will result from the planned European expansion, as well as the potential growth of the customer base in existing markets, may help mitigate this risk going forward.

Although the Group has long established relationships with certain of its key clients, there is no guarantee that any of the Group's clients will continue to utilise the same or any of its services in the future. It is common for work to be carried out for clients by members of the Group without a written contract, and where a written contract does exist, it typically contains a 90 day notice period for termination. The loss of one or more of, or a reduction in advertising and marketing spending by one of, the Group's largest clients could adversely impact the Enlarged Group's prospects, business, financial condition and results of operations if not replaced by an increase in business from new accounts or revenues from existing clients.

Reliance on key employees

Employees are the most important asset of the Group. The Group is highly dependent on the talent, creative abilities and technical skills of its personnel as well as the relationships that its key employees have with clients. Whilst the Group's track record and strong brand recognition in the industry have helped attract talented personnel in the past, the Group is nevertheless vulnerable to the effects of key personnel loss. In addition, it is common for client contracts to specify that certain key personnel work on a particular contract. The Group aims to minimise this risk by putting in place appropriate incentive packages to help attract and retain employees. In addition the Group is aware of the reliance of the business on the Executive Directors and has in place a succession management plan. It is expected that this succession plan may, in due course, result in members of the Executive Committee who are not currently members of the Board (Tom Dery, Nick Hurrell, Moray MacLennan and Christine Walker) becoming Directors.

Exposure to international business risks

The Group is active in ten countries and intends to open offices in new countries following the Placing. Its operations are therefore exposed to the normal business risks and limitations caused by currency fluctuations, exchange control restrictions, restrictions on repatriation of earnings and investment of capital and political instability.

Strategy implementation risks

One of the aims of the Group is to expand geographically into selected Continental European countries and additional countries in the Asia Pacific region. Whilst the Group considers carefully the candidate countries for expansion, which include at present Germany, France, Italy and Spain, there are nevertheless factors that could prevent the successful expansion into all targeted locations, including the Enlarged Group's ability to attract talented local employees and to win new accounts, and local market conditions in each territory. Government and similar regulations in a given country could also adversely affect the local advertising market.

Competitive position

Some large international corporations seek to appoint one global advertising company for substantially all of their global advertising requirements. Although M&C Saatchi has offices in ten countries, it currently has no office in Continental Europe and only two offices in the US. Of the Enlarged Group's revenues for the year to December 2003, 61.5 per cent. were from the UK and 35.2 per cent. from the Asia Pacific region. This current geographic profile may mean that the Group is not in a position to win large advertising contracts from some large international corporations. As discussed above, the main use of the proceeds from the Placing is to expand into selected Continental European countries and additional countries in the Asia Pacific region. The Directors believe that this planned expansion will put the Enlarged Group in a stronger competitive position and provide it with a more complete geographic reach.

Share price volatility and liquidity

The share price of quoted companies can be highly volatile and the market in the shares can be illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors such as: the performance of both the Enlarged Group and its competitors; large purchases or sales of the Company's shares; and changes in general economic, political, market or regulatory conditions.

Investment in AIM securities

Investment in shares traded on AIM is perceived to involve a higher degree of risk and shares traded on AIM tend to be less liquid than investment in companies whose shares are listed on the Official List of the UK Listing Authority. An investment in Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and the market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group. Investors may therefore realise less than, or lose all of, their investment.

PART VI: ACCOUNTANTS' REPORT ON M&C SAATCHI

BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
M&C Saatchi plc
36 Golden Square
London W1F 9EE

The Directors
Lehman Brothers Europe Limited
25 Bank Street
London E14 5LE

The Directors
Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE

9 July 2004

Dear Sirs

M&C Saatchi plc (the "Company")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM admission document dated 9 July 2004 of the Company (the ''Admission Document'').

The Company was incorporated as M&C Saatchi Holdings plc on 28 April 2004 and changed its name to M&C Saatchi plc on 7 June 2004. Since incorporation, the Company has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented. No financial statements have been drawn up.

Basis of preparation

The financial information set out below is based on the balance sheet of the Company as at 31 May 2004 (the ''Balance Sheet'') to which no adjustments were considered necessary.

Responsibility

The Balance Sheet is the responsibility of the directors of the Company (the ''Directors'') and has been approved by them.

The Directors are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Balance Sheet, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Balance Sheet underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 31 May 2004.

Consent

We consent to the inclusion in the AIM admission document of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Balance sheet as at 31 May 2004	*As at 31 May 2004* £
Current assets	
Debtors – unpaid share capital	2
Net assets	2
Share capital and reserves	
Called up share capital	2
Shareholders' funds – equity	2

NOTES TO THE FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Share capital

The Company was incorporated with authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each. On incorporation, 2 ordinary shares of £1 each were issued at £1 per share.

Post balance sheet events

On 4 June 2004:

- The authorised share capital was increased to £150,000 by the creation of 10,000 redeemable preference shares of £10.00 each.
- 5,000 of the 10,000 redeemable preference shares were allotted.

Immediately before admission:

- The authorised share capital will be increased to £2,000,000 by the creation of 1,850,000 new ordinary shares of £1 each.
- Each issued and unissued ordinary share of £1 each will be subdivided into 100 ordinary shares.
- An aggregate of 42,068,116 ordinary shares and 5,000 redeemable preference shares, in all cases, credited as fully paid, will be allotted in consideration for the entire issued share capital of M&C Saatchi Worldwide Limited and an aggregate of 3,708,511 ordinary shares, credited as fully paid, will be allotted in consideration for the interests of Participating Executives in various overseas subsidiaries.

The redeemable preference shares pay an annual preference dividend at the rate of 5 per cent. on the issue price (in priority to ordinary dividends), are redeemable at their issue price (at the Company's or shareholders' notice) and have no voting rights.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART VII: ACCOUNTANTS' REPORT ON M&C SAATCHI WORLDWIDE

BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
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London W1F 9EE

The Directors
Lehman Brothers Europe Limited
25 Bank Street
London E14 5LE

The Directors
Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE

9 July 2004

Dear Sirs

M&C Saatchi Worldwide Limited (''M&C Saatchi Worldwide'')

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM admission document dated 9 July 2004 (the ''Admission Document'') of M&C Saatchi plc (the ''Company'').

Basis of preparation

The financial information is based on the audited consolidated financial statements of M&C Saatchi Worldwide for the three years ended 31 December 2003 (the ''Relevant Period'') to which no adjustments were considered necessary.

BDO Stoy Hayward LLP, and prior to 2 January 2004, its predecessor firm BDO Stoy Hayward, both Chartered Accountants and Registered Auditors, 8 Baker Street, London W1U 3LL, have been auditors to M&C Saatchi Worldwide throughout the Relevant Period. Each of the audit reports throughout the Relevant Period was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of M&C Saatchi Worldwide who approved their issue.

The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of M&C Saatchi Worldwide as at the dates stated and of its consolidated profits for the years then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Basis of consolidation

The consolidated financial information incorporates the results of M&C Saatchi Worldwide and all of its subsidiary and associated undertakings made up to the relevant balance sheet dates. The group has used the acquisition method of accounting to consolidate the results of subsidiary undertakings. The results of subsidiary undertakings have been included from the date of acquisition.

An entity is treated as an associated undertaking where the group has a participating interest and exercises significant influence over its operating and financial policy decisions.

In the financial information interests in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the operating results, interest, pre tax results and attributable taxation of such undertakings based on audited financial statements for the relevant year. In the consolidated balance sheet, the interests in associated undertakings are shown as the group's share of the net assets.

Turnover

Turnover represents amounts invoiced to clients, excluding sales taxes, for services provided to clients. Commissions are recognised when charges are made to clients, usually when advertisements appear in the media, or when production work is completed. Fees are recognised over the period of the relevant assignments or agreements.

Work in progress

Work in progress comprises all outlays incurred on behalf of clients which have still to be recharged, and is stated at cost less any provisions for any amounts that may not be recovered.

Fixed assets and depreciation

Tangible assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over the assets estimated useful lives, as follows:

Short leasehold improvements	–	over the period of the lease
Furniture, fittings and other equipment	–	10% to 25% in equal instalments
Computer equipment	–	25% to 33% in equal instalments
Motor vehicles	–	25% in equal instalments

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets 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. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account 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 the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Pensions

The group does not operate any company pension schemes. The group makes payments to certain employees to enable them to contribute to their personal pension plans. Payments are charged to the profit and loss account in the period in which they are due.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that 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.

Foreign currency

Foreign currency transactions arising from normal trading activities are recorded in local currency at current exchange rates.

Monetary assets and liabilities denominated in foreign currencies at year end are translated at the year end exchange rate.

Foreign currency gains and losses are credited or charged to the profit and loss account as they arise.

The results and balance sheets of overseas operations are translated at the closing rate of exchange and exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Consolidated profit and loss accounts

	Notes	*Year ended 31 December 2001 £000*	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Turnover	1	95,074	98,301	101,219
Cost of sales		(46,430)	(49,569)	(47,608)
Gross profit	1	48,644	48,732	53,611
Administrative expenses		(44,165)	(43,596)	(48,194)
		4,479	5,136	5,417
Other operating income		48	34	35
Operating profit	1, 2	4,527	5,170	5,452
Share of operating profit of associates		481	543	652
Interest receivable	5	538	439	457
Interest payable and similar charges	6	(78)	(54)	(55)
Profit on ordinary activities before taxation	1	5,468	6,098	6,506
Tax on profit from ordinary activities	7	(1,983)	(1,880)	(2,117)
Profit on ordinary activities after taxation		3,485	4,218	4,389
Minority interest		(991)	(861)	(944)
Profit for the financial year		2,494	3,357	3,445
Dividends (including non-equity)	8	(843)	(3,183)	(4,641)
Retained profit/(loss)	16	1,651	174	(1,196)

All amounts relate to continuing activities

Consolidated statement of total recognised gains and losses

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Profit for the financial year			
Group	2,013	2,874	2,812
Associated undertakings	481	483	633
	2,494	3,357	3,445
Exchange differences on retranslation of opening reserves	(100)	254	526
Total recognised gains and losses for the year	2,394	3,611	3,971

Consolidated balance sheets

	Notes	*As at 31 December 2001 £000*	*As at 31 December 2002 £000*	*As at 31 December 2003 £000*
Fixed assets				
Tangible assets	9	3,312	2,971	3,453
Investments	10	1,106	1,137	985
		4,418	4,108	4,438
Current assets				
Work in progress	11	1,555	1,660	1,334
Debtors – within one year	12	14,659	13,203	16,028
– greater than one year	12	682	752	1,061
Cash at bank and in hand		7,279	12,405	5,047
		24,175	28,020	23,470
Creditors: amounts falling due within one year	13	(21,871)	(25,223)	(21,367)
Net current assets		2,304	2,797	2,103
Total assets less current liabilities		6,722	6,905	6,541
Creditors: amounts falling due after more than one year	13	(1,020)	(953)	(950)
Provisions for liabilities and charges	14	(127)	(178)	(208)
Net assets	1	5,575	5,774	5,383
Capital and reserves				
Called up share capital	15	12	12	12
Profit and loss account	16	4,200	4,631	3,961
Shareholders' funds	17	4,212	4,643	3,973
Minority interests (equity)		1,363	1,131	1,410
		5,575	5,774	5,383

Included within shareholders' funds is an amount of £5 (2001 and 2002: £5) in respect of non-equity interests.

Consolidated cash flow statements

	Notes	*Year ended 31 December 2001 £000*	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Net cash inflow from operating activities	22	3,103	11,338	139
Dividends from associated undertakings		—	—	810
Returns on investments and servicing of finance				
Interest received		297	243	261
Interest paid		(20)	(30)	(7)
Interest element of finance lease payments		(51)	(22)	(45)
Minority interest dividend paid		(548)	(946)	(743)
Net cash outflow from returns on investments and servicing of finance		(322)	(755)	(534)
Taxation				
UK corporation tax		(912)	(1,647)	(1,269)
Overseas tax paid		(741)	(144)	(470)
Tax paid		(1,653)	(1,791)	(1,739)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(725)	(93)	(1,591)
Sale of tangible fixed assets		265	151	133
Net cash (outflow)/inflow from capital expenditure		(460)	58	(1,458)
Acquisitions and disposals				
Investment in subsidiary undertaking		(32)	36	—
Investment in associated undertaking		—	454	1
Net cash (outflow)/inflow from acquisitions and disposals		(32)	490	1
Equity dividends paid		(843)	(3,183)	(4,641)
Cash (outflow)/inflow before financing		(207)	6,157	(7,422)
Financing				
Shares issued to minorities		—	19	6
Inception of bank loans		112	—	—
Repayment of bank loans		(14)	(34)	(34)
Capital element of finance lease payments		(532)	(958)	(165)
Cash outflow from financing		(434)	(973)	(193)
(Decrease)/increase in cash for the year	23, 24	(641)	5,184	(7,615)

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Turnover, profit and net assets

Turnover and profit before taxation are attributable to the provision of advertising and marketing services.

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
Turnover	*£000*	*£000*	*£000*
Analysis by geographical market:			
By origin			
UK	57,618	61,933	56,716
Asia Pacific	32,239	33,740	41,928
America	5,100	2,362	2,575
Other	117	266	—
	95,074	98,301	101,219

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
Gross profit	*£000*	*£000*	*£000*
Analysis by geographical market:			
By origin			
UK	30,709	31,050	31,004
Asia Pacific	15,488	16,285	20,805
America	2,395	1,297	1,802
Other	52	100	—
	48,644	48,732	53,611

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
Operating profit	*£000*	*£000*	*£000*
Analysis by geographical market:			
By origin			
UK	4,472	3,544	3,769
Asia Pacific	1,888	1,925	1,934
America	(1,646)	(299)	(251)
Other	(187)	—	—
	4,527	5,170	5,452

Profit before taxation	*Year ended 31 December 2001 £000*	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Analysis by geographical market:			
By origin			
UK	5,380	4,428	4,802
Asia Pacific	1,921	1,968	1,956
America	(1,644)	(298)	(252)
Other	(189)	—	—
	5,468	6,098	6,506

Net assets	*As at 31 December 2001 £000*	*As at 31 December 2002 £000*	*As at 31 December 2003 £000*
Analysis by geographical market:			
By origin			
UK	7,202	6,563	6,055
Asia Pacific	1,596	2,102	1,957
America	(2,927)	(2,779)	(2,629)
Other	(296)	(112)	—
	5,575	5,774	5,383

2. Operating profit

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
This is arrived at after charging/(crediting):			
Loss/(profit) on disposal of fixed assets	530	(37)	(1)
Charitable donations	—	34	38
Depreciation	1,295	1,128	1,141
Hire of other assets – operating leases	2,046	2,587	2,750
Rent review accrual and release	—	486	(486)
Auditors' remuneration			
audit services	114	140	159
non-audit services	145	61	73
Exchange differences	(13)	(70)	15

The rent review accrual and release relate to the excess of the estimated impact of a rent review in the UK in 2002 that was released during 2003.

Depreciation includes £221,000 (2002: £335,000, 2001 £327,000) in respect of assets held under finance leases and hire.

3. Employees

The average monthly number of employees during the year, including executive directors, was:

	Year ended 31 December 2001 Number	*Year ended 31 December 2002 Number*	*Year ended 31 December 2003 Number*
Full time	552	551	622

Staff costs for all employees, including executive directors, consist of:

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Wages and salaries	25,720	27,756	30,253
Social security costs	2,074	2,047	2,338
Pension costs	1,063	1,090	1,359
	28,857	30,893	33,950

4. Directors

	Basic salary (including bonus) £000	*Benefits in kind £000*	*Other £000*	*Total £000*
Year ended 31 December 2001				
D Kershaw	250	47	24	321
W M Muirhead	250	51	28	329
C Saatchi	200	2	—	202
The Lord Saatchi	250	11	28	289
J T Sinclair	250	36	28	314
	1,200	147	108	1,455
Year ended 31 December 2002				
D Kershaw	475	59	24	558
W M Muirhead	475	61	29	565
C Saatchi	200	2	—	202
The Lord Saatchi	475	17	29	521
J T Sinclair	475	41	29	545
	2,100	180	111	2,391
Year ended 31 December 2003				
D Kershaw	271	60	25	356
W M Muirhead	310	84	33	427
C Saatchi	—	4	—	4
The Lord Saatchi	271	82	33	386
J T Sinclair	271	43	33	347
	1,123	273	124	1,520

Benefits in kind include car allowances, permanent health insurance benefits and chauffeur services.

Other benefits include contributions to money purchase pension schemes.

5. Interest receivable

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Group	297	243	261
Associates	241	196	196
	538	439	457

6. Interest payable and similar charges

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Interest on:			
Bank overdrafts	20	30	7
Finance leases	51	22	45
Associates	7	2	1
Other	—	—	2
	78	54	55

7. Taxation on profit from ordinary activities

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Current tax			
UK corporation tax on profits of the year	1,448	1,221	1,333
Overseas tax payable	549	448	611
Adjustment in respect of previous years	(186)	(102)	(34)
Associates	234	261	214
Total current tax	2,045	1,828	2,124
Deferred tax			
Origination and reversal of timing differences	(62)	52	(7)
Movement in deferred tax provision (note 14)	(62)	52	(7)
Taxation on profit on ordinary activities	1,983	1,880	2,117

The tax assessed for the year differs from that obtained by using the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Profit on ordinary activities before tax	5,468	6,098	6,506
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	1,641	1,829	1,952
Effects of:			
Expenses not deductible for tax purposes	309	256	242
Capital allowances for year in excess of depreciation	266	(86)	5
Utilisation of tax losses carried forward	57	(57)	32
Lower rates of tax on overseas earnings	(42)	(52)	(73)
Adjustment to tax charge in respect of previous years	(186)	(62)	(34)
Current tax charge for year	2,045	1,828	2,124

8. Dividends

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Ordinary dividends of 2001: £60, 2002: £248, 2003: £365 per share (equity)	750	3,102	4,560
B shares of 2001: £22,426, 2002: £18,400, 2003: £18,400 per share (non-equity)	90	74	74
C shares of 2001: £3,409, 2002: £6,900, 2003: £6,900 per share (non-equity)	3	7	7
	843	3,183	4,641

9. Tangible assets

	Freehold property £000	Short leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost						
As at 1 January 2001	—	2,655	1,677	1,777	1,012	7,121
Additions	—	207	139	565	575	1,486
Disposals	—	(958)	(485)	(338)	(470)	(2,251)
Exchange adjustment	—	9	(9)	(20)	(2)	(22)
As at 31 December 2001	—	1,913	1,322	1,984	1,115	6,334
Additions	—	—	423	392	154	969
Disposals	—	(38)	(1)	(221)	(371)	(631)
Exchange adjustment	—	(14)	(50)	(19)	41	(42)
As at 31 December 2002	—	1,861	1,694	2,136	939	6,630
Additions	311	114	487	744	33	1,689
Disposals	—	(23)	(2)	(274)	(282)	(581)
Exchange adjustment	—	56	41	106	4	207
As at 31 December 2003	311	2,008	2,220	2,712	694	7,945
Depreciation						
As at 1 January 2001	—	1,007	774	884	537	3,202
Provided for the year	—	341	203	538	213	1,295
Disposals	—	(420)	(434)	(327)	(276)	(1,457)
Exchange adjustment	—	(1)	(4)	(11)	(2)	(18)
As at 31 December 2001	—	927	539	1,084	472	3,022
Provided for the year	—	219	214	485	210	1,128
Disposals	—	(1)	—	(212)	(258)	(471)
Exchange adjustment	—	(6)	(7)	(27)	20	(20)
As at 31 December 2002	—	1,139	746	1,330	444	3,659
Provided for the year	—	188	226	561	166	1,141
Disposals	—	(23)	(4)	(269)	(153)	(449)
Exchange adjustment	—	48	20	67	6	141
As at 31 December 2003	—	1,352	988	1,689	463	4,492
Net book value						
As at 31 December 2001	—	986	783	900	643	3,312
As at 31 December 2002	—	722	948	806	495	2,971
As at 31 December 2003	311	656	1,232	1,023	231	3,453

The net book value of tangible assets for the group includes an amount of 2001: £641,000, 2002: £689,000, 2003: £461,000, in respect of assets held under finance lease and hire purchase contracts.

10. Fixed asset investments

	Associated undertakings £000
Cost	
As at 1 January 2001	69
Additions	32
Exchange adjustment	(5)
As at 31 December 2001	96
Exchange adjustment	8
As at 31 December 2002 and at 31 December 2003	104
Share of retained profits	
As at 1 January 2001	529
Retained profit for the year	481
As at 31 December 2001	1,010
Retained profit for the year	23
As at 31 December 2002	1,033
Retained loss for the year	(152)
As at 31 December 2003	881
Total	
As at 31 December 2001	1,106
As at 31 December 2002	1,137
As at 31 December 2003	985

Subsidiary and associated undertakings

The following were subsidiary undertakings at the end of the year and have all been consolidated in the financial information:

Name	*Country of incorporation or registration*	*Proportion of voting rights and ordinary share capital held at 31 December*	*Nature of business*
M&C Saatchi Limited	UK	82.1%	Advertising
M&C Saatchi Sponsorship Limited	UK	2001: 78.8%, 2002 and 2003: 82.1%	Advertising
M&C Saatchi Facilities Limited	UK	2001: 82.1%, 2002 and 2003: Nil	Dormant
M&C Saatchi International Limited	UK	100%	Holding Company
M&C Saatchi (Management) Limited	UK	82.1%	Dormant
LIDA Limited	UK	57.4%	Direct marketing
M&C Saatchi Marketing Arts Limited	UK	50%	Consultancy
The Immediate Sales Company Limited	UK	57.4%	Direct marketing
Talk PR Limited	UK	57.4%	Public relations
Newincco 292 Limited	UK	2001: Nil, 2002: Nil, 2003: 100%	Property rental
Influence Communications Limited	UK	2001: Nil, 2002: Nil, 2003: 100%	Consultancy
M&C Saatchi Agency (ESOP) Limited	Jersey	82.1%	Dormant
M&C Saatchi International Holdings BV	UK Branch	100%	Holding Company
M&C Saatchi Agency Pty Limited	Australia	80%	Advertising
M&C Saatchi Direct Pty Limited	Australia	80%	Direct marketing
Go Studios Pty Limited	Australia	80%	Advertising

Name	*Country of incorporation or registration*	*Proportion of voting rights and ordinary share capital held at 31 December*	*Nature of business*
EMC Saatchi Pty Limited	Australia	80%	Advertising
Bright Red Oranges Pty Limited	Australia	2001: Nil, 2002 and 2003: 80%,	Advertising
DNA Agency Network Pty Limited	Australia	2001: Nil, 2002: Nil, 2003: 72%,	Advertising
M&C Saatchi (Hong Kong) Limited	Hong Kong	80%	Advertising
M&C Saatchi (S) Pte Ltd	Singapore	82%	Advertising
M&C Saatchi Agency Inc	USA	100%	Advertising
M&C Saatchi Limited	New Zealand	82.5%	Advertising
M&C Saatchi (M) SDN BHD	Malaysia	2001 and 2002: Nil, 2003: 66%	Advertising
M&C Saatchi Spain	Spain	2001 and 2002: 100%, 2003: Nil	Advertising
M&C Saatchi Limited	Japan	2001: Nil, 2002 and 2003: 64%	Advertising
M&C Saatchi Consulting (Shanghai) Limited	China	2001: Nil, 2002 and 2003: 80%	Consultancy
M&C Saatchi (Pty) Limited	South Africa	2001: 100%, 2002 and 2003: Nil	Advertising

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

The investment in associated undertakings represents investments in the following:

Name	*Country of incorporation or registration*	*Proportion of voting rights and ordinary share capital held at 31 December*	*Nature of business*
Walker Media Holdings Limited	UK	50%	Holding company
Walker Media Limited	UK	46%	Media buying

The investment in Walker Media Holdings Limited represents 100 per cent. of the issued B ordinary shares representing 50 per cent. of the issued share capital.

The group's share of the results and balance sheet of its associates are as follow:

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Share of turnover	57,605	58,972	70,596
Share of profit before tax	715	738	847
Share of taxation	(234)	(261)	(214)
Share of profit after tax	481	477	633
Share of fixed assets	179	157	130
Share of current assets	16,208	21,350	22,477
Share of current liabilities	(15,358)	(20,450)	(21,721)
Share of net assets	1,029	1,057	886

11. Work in progress

	As at 31 December 2001 £000	As at 31 December 2002 £000	As at 31 December 2003 £000
Work in progress	1,555	1,660	1,334

12. Debtors

	As at 31 December 2001 £000	As at 31 December 2002 £000	As at 31 December 2003 £000
Due within one year:			
Trade debtors	11,258	10,545	12,518
Other debtors	1,731	1,774	1,271
Prepayments and accrued income	1,670	884	2,239
	14,659	13,203	16,028
Due in more than one year:			
Other debtors	682	752	1,061

13. Creditors

Amounts falling due within one year

	As at 31 December 2001 £000	*As at 31 December 2002 £000*	*As at 31 December 2003 £000*
Bank loans	35	34	21
Trade creditors	4,989	5,890	5,872
Other creditors	454	1,025	458
Tax and social security creditor	1,693	1,657	1,326
Dividends payable	112	268	—
Corporation tax	1,372	731	780
Obligations under finance leases and hire purchase agreements	353	257	222
Accruals and advanced billings	12,863	15,361	12,688
	21,871	25,223	21,367

Amounts falling due after more than one year

	As at 31 December 2001 £000	*As at 31 December 2002 £000*	*As at 31 December 2003 £000*
Bank loans	63	25	—
Obligations under finance leases and hire purchase agreements	256	229	229
Other creditors	701	699	721
	1,020	953	950

Financial liabilities are due:

	As at 31 December 2001 £000	*As at 31 December 2002 £000*	*As at 31 December 2003 £000*
Bank loans			
— in one year or less	35	34	21
— in more than one year but not more than two years	63	25	—
	98	59	21
Finance leases			
— in one year or less	353	257	222
— in more than one year but not more than two years	218	198	78
— in more than two years but not more than five years	38	31	151
	609	486	451

14. Provision for liabilities and charges

	As at 31 December 2001 £000	As at 31 December 2002 £000	As at 31 December 2003 £000
Deferred taxation (see below)	127	178	208

Deferred taxation

Amounts provided:

	As at 31 December 2001 £000	As at 31 December 2002 £000	As at 31 December 2003 £000
Capital allowances	187	238	268
Sundry timing differences	(60)	(60)	(60)
	127	178	208

Deferred taxation movements are:

	As at 31 December 2001 £000	As at 31 December 2002 £000	As at 31 December 2003 £000
Opening balance	194	127	178
Exchange translation differences	(5)	(1)	37
Transfer to profit and loss account (note 7)	(62)	52	(7)
Closing balance	127	178	208

15. Share capital

	As at 31 December 2001 £	As at 31 December 2002 £	As at 31 December 2003 £
Authorised			
Equity share capital			
12,500 ordinary shares of £1 each	12,500	12,500	12,500
Non-equity share capital			
4 B ordinary shares of £1 each	4	4	4
1 C ordinary share of £1 each	1	1	1
	12,505	12,505	12,505
Allotted, called up and fully paid			
Equity share capital			
12,500 ordinary shares of £1 each	12,500	12,500	12,500
Non-equity share capital			
4 B ordinary shares of £1 each	4	4	4
1 C ordinary share of £1 each	1	1	1
	12,505	12,505	12,505

The shares rank *pari passu* except for:

The B and C ordinary shares are entitled to a set percentage of any dividend paid by certain subsidiary companies.

On winding up their rights are restricted to a repayment of the amount paid up and a set percentage of any surplus of certain subsidiaries. The B and C ordinary shares have no voting rights.

The issue of B and C shares at par was agreed at incorporation and the shareholders' rights were enforceable from that date. However, due to administrative delays the paperwork was not completed until 26 November 2001.

16. Reserves

	Profit and loss Account
	£000
At 1 January 2001	2,649
Exchange differences on retranslation of opening reserves	(100)
Profit for the year	1,651
As at 31 December 2001	4,200
Change in holdings of subsidiary	3
Exchange differences on retranslation of opening reserves	254
Profit for the year	174
As at 31 December 2002	4,631
Exchange differences on retranslation of opening reserves	526
Loss for the year	(1,196)
As at 31 December 2003	3,961

17. Reconciliation of movements in shareholders' funds

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
	£000	*£000*	*£000*
At the beginning of the year	2,661	4,212	4,643
Profit for the year			
— Group	2,013	2,874	2,812
— Associates	481	483	633
Dividend	(843)	(3,183)	(4,641)
Other recognised (losses)/gains relating to the year (net)	(100)	254	526
Change in holdings of subsidiary	—	3	—
At the end of the year	4,212	4,643	3,973

18. Contingent liabilities

M&C Saatchi Worldwide has guaranteed amounts due to certain suppliers by its associated company Walker Media Limited. At the relevant year ends the liabilities covered by these guarantees totalled 2001: £10,089,144; 2002: £14,761,741; 2003: £13,531,225.

19. Pensions

The Group does not operate any company pension schemes. The Group makes payments to certain employees to enable them to contribute to their personal pension plans. Payments made in the relevant years were 2001: £1,062,905; 2002: £1,089,883; 2003: £1,358,879. These were charged to the profit and loss account in the period they were due. At the year end, there are unpaid amounts included within accruals totalling 2001: £80,212; 2002: £57,766; 2003: £63,451.

20. Commitments under operating leases

The following are the annual commitments under non-cancellable operating leases:

	As at 31 December 2001		*As at 31 December 2002*		*As at 31 December 2003*	
	Land and buildings	*Other*	*Land and buildings*	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Operating leases which expire:						
Within one year	286	78	273	51	66	10
In two to five years	1,841	49	2,781	153	1,020	82
Over five years	—	—	—	—	1,672	—
	2,127	127	3,054	204	2,758	92

21. Related party transaction

During the relevant years the group entered into the following transactions with companies where there is common control.

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
	£000	*£000*	*£000*
Walker Media Limited			
Turnover	944	644	776
Sundry costs	16	10	—
Amounts due from Walker Media Limited	12	2	—
Amounts due to Walker Media Limited	276	53	19
eMC Saatchi Limited			
Turnover	1,750	20	—
Recharged costs	259	474	—
Amounts due from eMC Saatchi Limited	257	393	—

36 Golden Square LLP

On 24 November 2003, 36 Golden Square LLP acquired long leasehold interest in 36 Golden Square. On 27 November 2003, Newincco 292 Limited, a group undertaking, acquired the freehold interest in 36 Golden Square.

The Group paid rent to 36 Golden Square LLP totalling £165,291 during the year. No amounts remained outstanding at the year end.

Newincco 292 Limited received ground rent totalling £2,500 during the year. The full amount remained outstanding at the year end.

22. Reconciliation of operating profit to net cash flow from operating activities

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
	£000	*£000*	*£000*
Operating profit	4,527	5,170	5,452
Depreciation	1,295	1,128	1,141
(Profit)/loss on sale of tangible fixed assets	530	(37)	(1)
Decrease/(increase) in work in progress	818	(149)	463
Decrease/(increase) in debtors	2,018	762	(2,998)
(Decrease)/increase in creditors	(6,085)	4,278	(4,183)
Exchange differences	—	186	265
Net cash flow from operating activities	3,103	11,338	139

23. Reconciliation of net cash flow to movement in net funds

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
(Decrease)/increase in cash in the year	(641)	5,184	(7,615)
Cash outflow from repayment of bank loan	14	34	34
Inception of bank loan	(112)	—	—
Cash outflow from decrease in lease financing	532	958	165
Change in net funds resulting from cash flows	(207)	6,176	(7,416)
Inception of finance leases	(761)	(837)	(96)
Exchange differences	(6)	(51)	228
Movement in net funds in the year	(974)	5,288	(7,284)
Net funds at the beginning of the year	7,546	6,572	11,860
Net funds at the end of the year (note 24)	6,572	11,860	4,576

24. Analysis of net funds

	At start of the year £000	*Cash flow £000*	*Non-cash changes £000*	*Exchange movement £000*	*At the end of the year £000*
Year ended 31 December 2001					
Cash in hand, at bank	8,030	(736)	—	(15)	7,279
Overdrafts	(98)	95	—	3	
Cash	7,932	(641)	—	(12)	7,279
Bank loans	—	(98)	—	—	(98)
Finance leases	(386)	532	(761)	6	(609)
Financing (excluding share capital)	(386)	434	(761)	6	(707)
Total	7,546	(207)	(761)	(6)	6,572
Year ended 31 December 2002					
Cash in hand, at bank	7,279	5,184	—	(58)	12,405
Cash	7,279	5,184	—	(58)	12,405
Bank loans	(98)	34	—	5	(59)
Finance leases	(609)	958	(837)	2	(486)
Financing (excluding share capital)	(707)	992	(837)	7	(545)
Total	6,572	6,176	(837)	(51)	11,860
Year ended 31 December 2003					
Cash in hand, at bank	12,405	(7,615)	—	257	5,047
Cash	12,405	(7,615)	—	257	5,047
Bank loans	(59)	34	—	4	(21)
Finance leases	(486)	165	(96)	(33)	(450)
Financing (excluding share capital)	(545)	199	(96)	(29)	(471)
Total	11,860	(7,416)	(96)	228	4,576

25. Post balance sheet events

Interim dividends for the year ending 31 December 2004 of £6,428,000 were proposed and paid by subsidiary companies between February and June 2004. These reduced group net assets and minority interests by £1,268,000.

An interim dividend for the year ending 31 December 2004 of £120 per ordinary share, the entitlement to which will be waived in respect of 10,000 of the 12,500 shares (resulting in a total payment of £300,000) has been proposed and will be paid before Admission.

A further interim dividend for the year ended 31 December 2004 totalling £1,975,324 will be proposed and paid by the Company before Admission as follows:

- Ordinary shares £144 a share, a total of £1,800,000;
- B shares £41,100 a share, a total of £164,400;
- C shares £10,924 a share, a total of £10,924.

Immediately before Admission:

- The authorised share capital will be increased to £1,550,000 by the creation of 987,500 new ordinary shares of £1 each, 299,996 new B ordinary shares of £1 each, 199,999 new C ordinary shares of £1 each and 10,000 redeemable preference shares of £5 each.
- The 10,000 redeemable preference shares will be issued.
- 300,000 new ordinary shares of £1 each will be capitalised from the profit and loss account reserve.
- Each issued and unissued ordinary, B ordinary and C ordinary share of £1 each will be subdivided into 100 ordinary shares of the same class.
- 1,149,340 new B ordinary shares and 83,826 new C ordinary shares of 1 penny each will be capitalised from the profit and loss account.
- Each B ordinary and C ordinary share will be re-designated as one ordinary share of 1 penny each.
- An aggregate 13,293,164 ordinary shares credited as fully paid will be issued as consideration in relation to a group reorganisation comprising, *inter alia*, the acquisition of a further 29 per cent. of the share capital of Walker Media Holdings and certain minority interests in subsidiaries.
- The entire issued share capital will be acquired by way of a share for share exchange with M&C Saatchi plc.
- Newincco 292 Limited will sell its freehold interest in 36 Golden Square to 36 Golden Square LLP.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART VIII: ACCOUNTANTS' REPORT ON WALKER MEDIA

BDO Stoy Hayward
Chartered Accountants

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The Directors
Lehman Brothers Europe Limited
25 Bank Street
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E14 5LE

The Directors
Lehman Brothers International (Europe)
25 Bank Street
London
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9 July 2004

Dear Sirs

Walker Media Holdings Limited ("Walker Media")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM admission document dated 9 July 2004 of (the ''Admission Document'') of M&C Saatchi plc (the ''Company'').

Basis of preparation

The financial information is based on the audited consolidated financial statements of Walker Media for the three years ended 31 December 2003 (the ''Relevant Period'') to which no adjustments were considered necessary.

BDO Stoy Hayward LLP, and prior to 2 January 2004, its predecessor firm BDO Stoy Hayward, both Chartered Accountants and Registered Auditors, 8 Baker Street, London W1U 3LL, have been auditors to Walker Media throughout the Relevant Period. Each of the audit reports throughout the Relevant Period was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of Walker Media who approved their issue.

The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Walker Media as at the dates stated and of its consolidated profits for the years then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Basis of consolidation

The consolidated financial information incorporate the results of the company and its subsidiary undertaking using acquisition accounting. The results of the subsidiary are included from the date of start up which is also the date of acquisition.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	—	6.67% on cost
Fixtures, fittings, tools and equipment	—	25% on cost
Plant and machinery	—	25% on cost
Motor vehicles	—	25% on cost

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising form underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Consolidated profit and loss accounts

	Notes	*Year ended 31 December 2001 £000*	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Turnover	1	126,605	128,199	153,470
Cost of sales		(121,495)	(123,155)	(147,763)
Gross profit	1	5,110	5,044	5,707
Administrative expenses		(4,064)	(3,863)	(4,289)
Operating profit	1, 2	1,046	1,181	1,418
Interest receivable	5	524	429	425
Interest payable	6	(15)	(4)	(2)
Profit on ordinary activities before taxation		1,555	1,606	1,841
Taxation on profit from ordinary activities	7	(459)	(569)	(465)
Profit on ordinary activities after taxation		1,096	1,037	1,376
Minority interest		(88)	(80)	(130)
Profit for the financial year		1,008	957	1,246
Dividends	8	—	(920)	(1,610)
Retained profit for the year		1,008	37	(364)
Accumulated profit brought forward		1,071	2,079	2,116
Retained profit carried forward		2,079	2,116	1,752

All amounts relate to continuing activities.

Consolidated balance sheets

	Notes	*As at 31 December 2001 £000*	*As at 31 December 2002 £000*	*As at 31 December 2003 £000*
Fixed assets				
Tangible assets	9	393	342	282
Current assets				
Work in progress	11	—	1	2
Debtors	12	19,775	20,297	23,884
Cash at bank and in hand		15,848	26,115	24,977
		35,623	46,413	48,863
Creditors: amounts falling due within one year	13	(33,754)	(44,456)	(47,220)
Net current assets		1,869	1,957	1,643
Net assets	1	2,262	2,299	1,925
Capital and reserves				
Called up share capital	14	10	10	10
Share premium account	15	10	10	10
Profit and loss account	15	2,079	2,116	1,752
Shareholders' funds	16	2,099	2,136	1,772
Minority interest		163	163	153
		2,262	2,299	1,925

All shareholders' funds are equity.

Consolidated cash flow statements

	Notes	*As at 31 December 2001 £000*	*As at 31 December 2002 £000*	*As at 31 December 2003 £000*
Cash inflow from operating activities	19	4,651	8,169	(2,146)
Returns on investments and servicing of finance				
Interest received		524	404	425
Interest paid		(15)	(4)	(2)
Minority interest dividend paid		—	(80)	(140)
Net cash inflow from return on investments and servicing of finance		509	320	283
Taxation				
UK taxation paid		(518)	(743)	(369)
Equity dividends paid		—	(920)	(1,610)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(106)	(51)	(47)
Net cash outflow from capital expenditure and financial investment		(106)	(51)	(47)
Increase in cash in the year	20,21	4,536	6,775	(3,889)

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Turnover, profit and net assets

Turnover and profit before taxation are attributable to the provision of advertising and marketing services.

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
Turnover	*£000*	*£000*	*£000*
Analysis by geographical market:			
By origin			
UK	125,514	121,586	147,811
Asia Pacific	1,091	973	1,802
America	—	5,597	1,628
Other	—	43	2,229
	126,605	128,199	153,470

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
Gross profit	*£000*	*£000*	*£000*
Analysis by geographical market:			
By origin			
UK	5,063	4,896	5,461
Asia Pacific	47	47	86
America	–	98	78
Other	—	3	82
	5,110	5,044	5,707

	Year ended 31 December 2001	*Year ended 31 December 2002*	*Year ended 31 December 2003*
	£000	*£000*	*£000*
Operating profit			
Analysis by geographical market:			
By origin			
UK	999	1,033	1,172
Asia Pacific	47	47	86
America	–	98	78
Other	—	3	82
	1,046	1,181	1,418

Profit/(loss) before taxation	Year ended 31 December 2001 £000	Year ended 31 December 2002 £000	Year ended 31 December 2003 £000
Analysis by geographical market:			
By origin			
UK	1,508	1,458	1,595
Asia Pacific	47	47	86
America	—	98	78
Other	—	3	82
	1,555	1,606	1,841

Net assets	As at 31 December 2001 £000	As at 31 December 2002 £000	As at 31 December 2003 £000
Analysis by geographical market:			
By origin			
UK	2,262	2,299	1,925
	2,262	2,299	1,925

2. Operating profit

This is arrived at after charging/(crediting):	Year ended 31 December 2001 £000	Year ended 31 December 2002 £000	Year ended 31 December 2003 £000
Operating leases — land and buildings	326	326	326
Depreciation	98	102	107
Auditors' remuneration	10	12	13

3. Employees

The average monthly number of employees during the year, including directors, was:

	Year ended 31 December 2001 Number	Year ended 31 December 2002 Number	Year ended 31 December 2003 Number
Full time	49	45	45

Staff costs for all employees, including directors, consist of:

	Year ended 31 December 2001 £000	Year ended 31 December 2002 £000	Year ended 31 December 2003 £000
Wages and salaries	2,301	2,060	2,300
Social security costs	245	205	245
Pension costs	89	80	78
	2,635	2,345	2,623

4. **Directors**

	Basic salary (including bonus) £000	*Benefits in kind £000*	*Other £000*	*Total £000*
Year ended 31 December 2001				
C Walker	257	19	23	299
P A Georgiadis	275	1	21	297
D Kershaw	—	—	—	—
M MacLennan	—	—	—	—
	532	20	44	596
Year ended 31 December 2002				
C Walker	308	20	22	350
P A Georgiadis	332	1	23	356
D Kershaw	—	—	—	—
M MacLennan	—	—	—	—
	640	21	45	706
Year ended 31 December 2003				
C Walker	308	19	31	358
P A Georgiadis	327	3	26	356
D Kershaw	—	—	—	—
M MacLennan	—	—	—	—
	635	22	57	714

Benefits in kind include car, fuel, and BUPA and PPP contributions.

Other benefits include contributions to money purchase pension schemes.

5. **Interest receivable**

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Bank interest	524	429	425

6. **Interest payable and similar charges**

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Bank interest	15	4	2

7. Taxation on profit from ordinary activities

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Current tax			
UK corporation tax on profits of the year	459	495	572
Adjustment in respect of previous years	—	74	(107)
Total current tax	459	569	465

The tax assessed for the year differs from that obtained by using the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Profit on ordinary activities before tax	1,555	1,606	1,841
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	467	482	552
Effects of:			
Expenses not deductible for tax purposes	7	6	9
Depreciation for year in excess of capital allowances	(15)	7	11
Adjustment to tax charge in respect of previous years	—	74	(107)
Current tax charge for year	459	569	465

8. Dividends

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Ordinary dividends of 2001: £Nil, 2002: £92, 2003: £161 per share	—	920	1,610

9. Tangible assets

	Leasehold improvements £000	*Furniture, fittings and other equipment £000*	*Plant and machinery £000*	*Motor vehicles £000*	*Total £000*
Cost					
As at 1 January 2001	157	75	196	23	451
Additions	41	1	64	—	106
As at 31 December 2001	198	76	260	23	557
Additions	—	4	47	—	51
As at 31 December 2002	198	80	307	23	608
Additions	—	1	46	—	47
As at 31 December 2003	198	81	353	23	655
Depreciation					
As at 1 January 2001	1	13	48	4	66
Provided for the year	12	19	62	5	98
As at 31 December 2001	13	32	110	9	164
Provided for the year	13	17	66	6	102
As at 31 December 2002	26	49	176	15	266
Provided for the year	13	14	74	6	107
As at 31 December 2003	39	63	250	21	373
Net book value					
As at 31 December 2001	185	44	150	14	393
As at 31 December 2002	172	31	131	8	342
As at 31 December 2003	159	18	103	2	282

10. Investments in subsidiary

During the year the company retained its investment in 100 per cent. of the A ordinary shares of Walker Media Limited. Walker Media Limited is a company registered in England carrying out strategic media planning and buying. There were no other acquisitions or disposals.

11. Work in progress

	As at 31 December 2001 £000	*As at 31 December 2002 £000*	*As at 31 December 2003 £000*
Work in progress	—	1	2

12. **Debtors**

	As at 31 December 2001 £000	As at 31 December 2002 £000	As at 31 December 2003 £000
Trade debtors	14,368	10,964	16,445
Prepayments	594	400	443
Accrued billings	4,164	7,744	5,883
Other debtors	6	4	8
VAT recoverable	451	993	865
Deposit due from landlord	192	192	192
Amounts due from related parties	—	—	48
	19,775	20,297	23,884

13. **Creditors**

Amounts falling due within one year

	As at 31 December 2001 £000	As at 31 December 2002 £000	As at 31 December 2003 £000
Bank loans and overdrafts	17,893	21,385	24,136
Trade creditors	12,316	19,300	17,509
Other creditors	596	373	587
Tax and social security creditor	67	144	106
Corporation tax	475	301	397
Accruals	2,407	2,953	4,485
	33,754	44,456	47,220

14. **Share capital**

	As at 31 December 2001 £	As at 31 December 2002 £	As at 31 December 2003 £
Authorised			
5000 A ordinary shares of £1 each	5,000	5,000	5,000
5000 B ordinary shares of £1 each	5,000	5,000	5,000
	10,000	10,000	10,000
Allotted, called up and fully paid			
5000 A ordinary shares of £1 each	5,000	5,000	5,000
5000 B ordinary shares of £1 each	5,000	5,000	5,000
	10,000	10,000	10,000

The A and B shares rank *pari passu* subject to the provisions of the Articles of Association.

15. Reserves

	Share premium account £000	*Profit and loss account £000*
At 1 January 2001	10	1,071
Profit/(loss) for the year	—	1,008
As at 1 January 2002	10	2,079
Profit/(loss) for the year	—	37
As at 1 January 2003	10	2,116
Profit/(loss) for the year	—	(364)
As at 31 December 2003	10	1,752

16. Reconciliation of shareholders' funds

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Profit for the year	1,008	957	1,246
Dividend	—	(920)	(1,610)
Net addition to shareholders' funds	1,008	37	(364)
Opening shareholders' funds	1,091	2,099	2,136
Closing shareholders' funds	2,099	2,136	1,772

17. Commitments under operating leases

The following are the annual commitments under non-cancellable operating leases:

	As at 31 December 2001 Land and buildings £000	*As at 31 December 2002 Land and buildings £000*	*As at 31 December 2003 Land and buildings £000*
Operating leases which expire:			
In two to five years	326	326	326

18. Related party transaction

During the year, Walker Media Limited entered into related party transactions with M&C Saatchi and its subsidiary companies. M&C Saatchi Worldwide Limited is a shareholder in the ultimate parent company.

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
M&C Saatchi Limited			
Sales turnover — inclusive of VAT	709	358	231
Sundry costs	16	10	—
Amounts due from M&C Saatchi	276	10	19
Amounts due to M&C Saatchi	12	2	—
M&C Saatchi (S) Pte Ltd			
Sales turnover	235	286	545
Amounts due from M&C Saatchi (S) Pte Ltd	10	43	—
LIDA			
Sales turnover — inclusive of VAT	59	—	—
Amount due from LIDA	59	—	—

Transactions also occurred between Walker Media Limited and RCL, a company part owned by the husband of C Walker, a director of Walker Media Limited.

RCL Communications			
Sales turnover — inclusive of VAT	88	103	121
Amount due from RCL	2	23	29

During 2003, C Walker, a director of the company advanced Walker Media amounts which were remitted to a third party during the year and subsequent to the year end in Euros. Walker Media was holding an amount advanced by C Walker of £291,000 at 31 December 2003.

19. Net inflow from operating activity

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Operating profit	1,046	1,181	1,418
Depreciation of tangible assets	98	102	107
Decrease/(increase) in stock	3	(1)	(1)
Decrease/(increase) in debtors	8,810	(497)	(3,587)
Decrease/(increase) in creditors	(5,306)	7,384	(83)
	4,651	8,169	(2,146)

20. Reconciliation of net cash inflow to movement in net (debt)/funds

	Year ended 31 December 2001 £000	*Year ended 31 December 2002 £000*	*Year ended 31 December 2003 £000*
Increase in cash in the year	4,536	6,775	(3,889)
Opening net debt	(6,581)	(2,045)	4,730
Closing net (debt)/funds	(2,045)	4,730	841

21. Analysis of net (debt)/funds

	At start of the year £000	*Cash flow £000*	*At the end of the year £000*
Year ended 31 December 2001			
Cash in hand, at bank	16,304	(456)	15,848
Overdrafts	(22,885)	4,992	(17,893)
Total	(6,581)	4,536	(2,045)
Year ended 31 December 2002			
Cash in hand, at bank	15,848	10,267	26,115
Overdrafts	(17,893)	(3,492)	(21,385)
Total	(2,045)	6,775	4,730
Year ended 31 December 2003			
Cash in hand, at bank	26,115	(1,138)	24,977
Overdrafts	(21,385)	(2,751)	(24,136)
Total	4,730	(3,889)	841

22. Ultimate controlling party

The A ordinary shares are held by C Walker and P A Georgiadis and the B ordinary shares are held by M&C Saatchi Worldwide Limited.

23. Director's interest in transactions

On 14 January 2002 a loan of £300,000 bearing 3 per cent. fixed interest was made to P A Georgiadis, a director of the company. The loan was fully repaid on 10 December 2002.

24. Post balance sheet events

An interim dividend for the year ending 31 December 2004 of £2,500,000 will be proposed and paid by Walker Media Limited before Admission. This will reduce group net assets and minority interests by £200,000.

An interim dividend for the year ended 31 December 2004 of £250 for each A and B ordinary share, a total of £2,300,000, will be proposed and paid by the company before Admission. The company's shareholders have agreed to waive their rights to receive the dividend such that the A ordinary shareholders will receive a total dividend of £1,571,750 and the B ordinary shareholders will receive a total dividend of £728,750.

Immediately before Admission:

- The authorised share capital will be increased to £10,870 by the creation of 870 new B ordinary shares of £1.00 each.
- An aggregate of 870 ordinary shares will be allotted in consideration for the acquisition of the share capital of Walker Media Limited not already owned by Walker Media.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART IX: PRO FORMA FINANCIAL INFORMATION FOR THE ENLARGED GROUP

A UNAUDITED PRO FORMA NET ASSETS STATEMENT AS AT 31 DECEMBER 2003

The following unaudited pro forma statement of net assets of the Enlarged Group has been prepared for illustrative purposes only to provide information about the impact of the Reorganisation, Placing and Admission on the Enlarged Group and because of its nature may not give a true reflection of the financial position of the Enlarged Group. It has been prepared on the basis that the Reorganisation, Placing and Admission had taken place as at 31 December 2003 and on the basis set out in the notes.

			Adjustments		
	M&C Saatchi Worldwide at 31 December 2003 (Note 2) £000	*Walker Media at 31 December 2003 (Note 3) £000*	*Reorganisation (Note 4) £000*	*Placing (Note 5) £000*	*Pro forma net assets of the Enlarged Group at 31 December 2003 (Note 6) £000*
Fixed assets					
Tangible assets	3,453	282	—	—	3,735
Intangible assets	—	—	13,925	—	13,925
Investments	985	—	(886)	—	99
	4,438	282	13,039	—	17,759
Current assets					
WIP	1,334	2	—	—	1,336
Debtors					
- within one year	16,028	23,884	(19)	—	39,893
- greater than a year	1,061	—	—	—	1,061
Cash at bank and in hand	5,047	24,977	—	7,201	37,225
	23,470	48,863	(19)	7,201	79,515
Creditors: amounts falling due within one year	(21,367)	(47,220)	19	—	(68,568)
Net current assets	2,103	1,643	—	7,201	10,947
Total assets less current liabilities	6,541	1,925	13,039	7,201	28,706
Creditors: amounts falling due after more than one year	(950)	—	—	—	(950)
Provisions for liabilities and charges	(208)	—	—	—	(208)
Net assets	5,383	1,925	13,039	7,201	27,548

Notes:

The pro forma statement of net assets has been prepared on the following basis:

1 The net assets of M&C Saatchi plc, the new holding company of M&C Saatchi Worldwide, which are set out in the accountants' report in Part VI of this document, have not been included on the basis that their inclusion is immaterial in the context of the pro forma net assets of the Enlarged Group.

2 The net assets of M&C Saatchi Worldwide have been extracted from the accountants' report in Part VII.

3 Walker Media is currently treated as an associated company of M&C Saatchi Worldwide. Following Admission, M&C Saatchi Worldwide will control Walker Media and Walker Media's financial results will be consolidated into M&C Saatchi plc's financial statements. The net assets of Walker Media have been extracted from the accountants' report in Part VIII.

4 The Reorganisation, which is described in Part IV, will result in the consolidation of Walker Media's net assets (previously equity accounted for as an associate) and a further investment in certain existing subsidiaries. The adjustment relates to:

- goodwill arising on the acquisition of a further 29 per cent beneficial interest in Walker Media of £2.892 million calculated as the difference between the total consideration of £4.336 million (3,468,568 Reorganisation Shares at £1.25 per share) and £1.444 million (being 75 per cent of the net assets owned of Walker Media of £1.925 million)
- goodwill arising on the reduction in certain minority interests of £11.033 million calculated as the difference between the consideration of £12.281 million (9,824,596 Reorganisation Shares at £1.25 per share) and £1.248 million (being the additional net assets acquired in each subsidiary)
- the elimination of the £886,000 investment and £19,000 inter-company debtor and creditor in Walker Media

5 This adjustment reflects:

- the proceeds from the Placing of £10 million
- less the estimated expenses of £2.799 million

6 Save as disclosed, no account has been taken of:

- dividends of £2.275 million to be paid by M&C Saatchi Worldwide prior to Admission
- dividends of £2.3 million to be paid by Walker Media prior to Admission
- any changes in the financial position of M&C Saatchi Worldwide or Walker Media, including their trading performance since 31 December 2003
- any fair value adjustments that may be necessary.

B UNAUDITED PRO FORMA PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

The following unaudited pro forma profit and loss statement of the Enlarged Group has been prepared for illustrative purposes only to provide information about the impact of the Reorganisation, the Placing and Admission on the Enlarged Group and because of its nature may not give a true reflection of the results of the Enlarged Group. It has been prepared on the basis that the Reorganisation, the Placing and Admission had effect from 1 January 2003 and on the basis set out in the notes.

	Adjustments			*Pro forma profit and loss account of the Enlarged Group year ended 31 December 2003 (Note 6) £000*
	M&C Saatchi Worldwide year ended 31 December 2003 (Note 2) £000	*Walker Media year ended 31 December 2003 (Note 3) £000*	*Reorganisation (Note 4) £000*	
Turnover	101,219	153,470	(742)	253,947
Cost of sales	(47,608)	(147,763)	742	(194,629)
Gross profit	53,611	5,707	—	59,318
Administrative expenses	(48,194)	(4,289)	—	52,483
Other operating income	35	—	—	35
Operating profit	5,452	1,418	—	6,870
Share of operating profit of associates	652	—	(652)	—
Interest receivable	457	425	(196)	686
Interest payable and similar charges	(55)	(2)	1	(56)
Profit on ordinary activities before taxation	6,506	1,841	(847)	7,500
Tax on profit from ordinary activities	(2,117)	(465)	214	(2,368)
Profit on ordinary activities after taxation	4,389	1,376	(633)	5,132
Minority interest	(944)	(130)	650	(424)
Profit for the financial year	3,445	1,246	17	4,708

Notes:

The pro forma profit and loss statement has been prepared on the following basis:

1 No trading results for M&C Saatchi plc, the new holding company of M&C Saatchi Worldwide, have been included as the company has not commenced trading.

2 The trading results of M&C Saatchi Worldwide have been extracted from the accountants' report in Part VII.

3 Walker Media is currently treated as an associated company of M&C Saatchi Worldwide. Following Admission, M&C Saatchi Worldwide will control Walker Media and Walker Media's results will be consolidated into M&C Saatchi plc's financial statements. The trading results of Walker Media have been extracted from the accountants' report in Part VIII.

4 The Reorganisation, which is described in Part IV, will result in the consolidation of Walker Media's results (previously equity accounted for as an associate) and a reduction of the minority interests in certain existing subsidiaries. The adjustment relates to:

- the elimination of inter-company turnover (on which there was no profit) and cost of sales of £742,000
- the elimination of M&C Saatchi Worldwide's share in the operating profits (£652,000), interest receivable (£196,000), interest payable (£1,000) and taxation (£214,000) of Walker Media
- the reduction by £650,000 of minority interests in the profit after taxation of the Enlarged Group leaving a minority interest of £424,000.

5 Goodwill arises on the consolidation of Walker Media and on the reduction in certain minority interests (as set out in the pro forma statement of net assets above). No amortisation of this goodwill over its estimated useful economic life is shown. In the opinion of the Directors, the treatment adopted by the industry is to perform annual impairment reviews rather than provide for an annual amortisation of goodwill arising on acquisitions. The Directors intend to perform a detailed assessment of the nature of the goodwill arising and the most appropriate basis on which to account for it. Additionally, under International Financial Reporting Standards, which the Directors expect to adopt in 2005, goodwill is not amortised, but is subject to annual impairment reviews.

6 Save as disclosed, no account has been taken of:

- dividends of £2.275 million to be paid by M&C Saatchi prior to Admission
- dividends of £2.3 million to be paid by Walker Media prior to Admission
- any trading or other adjustments since 31 December 2003.

PART X: ADDITIONAL INFORMATION

1. The Company

1.1 Incorporation

1.1.1 The Company was incorporated on 28 April 2004 in England and Wales and registered under the Act as a public company limited by shares with registered number 05114893 and with the name M&C Saatchi Holdings Public Limited Company. On 7 June 2004 the Company's name was changed to M&C Saatchi plc. On 7 June 2004, the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act.

1.1.2 The principal legislation under which the Company was formed is the Act and regulations made under the Act.

1.1.3 The registered office of the Company and its principal place of business in the United Kingdom is 36 Golden Square, London W1F 4EE.

1.1.4 The liability of the members of the Company is limited.

1.2 The Group

1.2.1 Following the acquisition of M&C Saatchi Worldwide, the Company's principal activity will be that of a holding company.

1.2.2 The Company currently has no subsidiary undertakings. Following the acquisition of M&C Saatchi Worldwide and the Re-organisation, it will have the following subsidiary undertakings within the meaning of section 736 of the Act:

Name	*Field of activity*	*Jurisdiction*	*Proportion of capital held by the Company*
M&C Saatchi Worldwide Limited	Holding company	England and Wales	100%
M&C Saatchi Limited	Advertising	England and Wales	100%
M&C Saatchi Marketing Arts Limited	Consultancy	England and Wales	50%
Walker Media Holdings Limited	Advertising	England and Wales	75%
Walker Media Limited	Advertising	England and Wales	75%
Newincco 292 Limited	General commercial company	England and Wales	100%
Talk PR Limited	Public relations	England and Wales	72.9%
M&C Saatchi Sponsorship Limited	Advertising	England and Wales	100%
LIDA Limited	Direct marketing	England and Wales	100%
The Immediate Sales Company Limited	Direct marketing	England and Wales	83.1%
Influence Communications Limited	General commercial company	England and Wales	100%
M&C Saatchi (Management) Limited	Dormant	England and Wales	100%
M&C Saatchi International Limited	Holding company	England and Wales	100%
M&C Saatchi International Holdings B.V.	Holding company	Netherlands	100%
M&C Saatchi International Holdings B.V.	UK Branch	Netherlands	100%
M&C Saatchi Agency (ESOP) Limited	Trust administration	Jersey	100%
DNA Agency Network Pty Limited	Advertising	Australia	90%
EMC Saatchi Pty Limited	Advertising	Australia	100%
GO Studios Pty Limited	Advertising	Australia	100%
M&C Saatchi Direct Pty Limited	Direct marketing	Australia	100%
M&C Saatchi Agency Pty Limited	Advertising	Australia	100%
Bright Red Oranges Pty Limited	Advertising	Australia	100%
M&C Saatchi Limited	Advertising	New Zealand	100%
M&C Saatchi (Hong Kong) Limited	Advertising	Hong Kong	100%
M&C Saatchi (Hong Kong) Limited	Taiwan branch	Taiwan	100%
M&C Saatchi (M) SDN. BHD.	Advertising	Malaysia	80%
M&C Saatchi (S) Pte Ltd	Advertising	Singapore	100%
M&C Saatchi Limited (Japan)	Advertising	Japan	64%

Name	Field of activity	Jurisdiction	Proportion of capital held by the Company
M&C Saatchi Agency, Inc	Advertising	New York	96%
M&C Saatchi LA Inc.	Advertising	Los Angeles	84%
M&C Saatchi Consulting (Shanghai) Co., Limited	Consultancy	Shanghai	100%

Note: Other than M&C Saatchi Worldwide, all of the companies listed above will be indirect subsidiaries.

2. Share capital

2.1 The following table shows the authorised and issued Ordinary Share capital of the Company following the Reorganisation but immediately before Admission and as it will be immediately following Admission and the Placing:

Before Admission

Authorised			*Issued and fully paid*	
Nominal Value	*Number*		*Nominal Value*	*Number*
£0.01	200,000,000	Ordinary Shares	£0.01	45,776,827

After Admission

Authorised			*Issued and fully paid*	
Nominal Value	*Number*		*Nominal Value*	*Number*
£0.01	200,000,000	Ordinary Shares	£0.01	54,206,799

Immediately following Admission the Company's authorised but unissued Ordinary Share capital will be £1,457,932.01.

2.2 As part of the Reorganisation, 5,000 Redeemable Preference Shares have been issued to the Founding Directors. A further 5,000 Redeemable Preference Shares will be issued to the Founding Directors before Admission. It is intended that these be redeemed following Admission and that the £10 nominal amount of each Redeemable Preference Share comprised in the authorised share capital of the Company shall thereafter be automatically subdivided 1,000 times and that each resulting unissued redeemable preference share of £0.01 shall be converted into one Ordinary Share.

2.3 The Directors are currently authorised to exercise all powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to a nominal amount of £100,000. The Directors are currently empowered to issue equity securities (as defined in section 94(2) of the Act) without applying the statutory pre-emption rights set out in section 89(1) of the Act pursuant to section 95 of the Act, as set out below.

2.4 At an extraordinary general meeting of the Company held on 4 June 2004 the following ordinary and special resolutions were duly passed:

Ordinary resolutions

That:

2.4.1 the authorised share capital of the Company be increased by £100,000 from £50,000 to £150,000 by the creation of 10,000 Redeemable Preference Shares of £10.00 each, having the rights set out in paragraph 2.4.3;

2.4.2 in revocation of any existing general authority granted to the Directors pursuant to section 80 of the Act, the Directors be generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £100,000, such authority to expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) on the day falling 5 years from the date of resolution provided that the authority shall allow the Company to make an offer or enter into an agreement which would or might require relevant securities (as so defined) to be allotted after this authority expires;

2.4.3 except as expressly provided below, the Redeemable Preference Shares shall rank *pari passu* in all respects with all other shares in the capital of the Company. The Redeemable Preference Shares shall have the rights set out below:

Income and capital

(i) The holders of the Redeemable Preference Shares shall have the right to receive, in priority to any rights of the holders of any other shares in the capital of the Company, any dividend or other distribution payable (but, for the avoidance of doubt, ranking equally to the rights of the holders of any other redeemable preference shares in the capital of the Company from time to time in issue to receive any dividend or distribution payable), without any resolution of the directors or of the Company, a fixed non-cumulative preferential dividend (the ''**Preference Dividend**'') at the rate of 5 per cent. per annum on the aggregate price at which such Redeemable Preference Shares were issued, including without limitation the aggregate of the amount paid up in respect of the nominal value of such Redeemable Preferences Shares (the ''**Issue Price**''). The Redeemable Preference Shares shall rank for dividends and distributions in priority to the other shares of the Company in issue from time to time.

(ii) The Preference Dividend shall accrue from day to day from the date of issue of the Redeemable Preference Shares and shall be paid annually on such date as the Board shall determine (and in any event before 31 December in each year). Any amount of Preference Dividend not paid shall be carried forward and shall be payable in priority to the Preference Dividend payable on any later date.

(iii) On a return of capital on liquidation or otherwise, the assets of the Company available for distribution amongst the members shall be applied first in repaying in full to the holders of the Redeemable Preference Shares the Issue Price in respect of such shares together with any arrears and accruals of the Preference Dividend calculated to the date of payment.

(iv) Except as specified above, the Redeemable Preference Shares shall not carry any right to participate in the profits or assets of the Company.

Redemption

(v) Subject to the provisions of the Act, the Company shall redeem all (but not some only) of the Redeemable Preference Shares at such time as (i) the holders of the Redeemable Preference Shares shall specify by notice in writing to the Company; or (ii) the Company shall specify by notice in writing to the holders of the Redeemable Preference Shares, provided always that if the Company shall at any time be unable in compliance with the provisions of the Act to redeem the Redeemable Preference Shares on the date specified then the Company shall redeem such shares as soon as it is able to comply with such provisions of the Act.

(vi) On the date specified for redemption the Company shall pay to each registered holder of Redeemable Preference Shares the amount payable in respect of such redemption and upon receipt of that amount each such holder shall surrender to the Company the certificate for his Redeemable Preference Shares in order that it may be cancelled.

(vii) The Company shall pay the Issue Price on each of the Redeemable Preference Shares to be redeemed and any arrears and accruals of the Preference Dividend calculated to the date of redemption and in the absence of any direction to the contrary by the holder of the relevant Redeemable Preference Shares any monies paid on redemption of such shares shall relate first to any arrears and accruals of Preference Dividend. The Preference Dividend shall cease to accrue from the date of payment of the redemption monies. All redemption monies shall be paid in cash or in such manner as the Company and the holders of the Redeemable Preference Shares may, from time to time, determine.

(viii) Upon redemption of the Redeemable Preference Shares, the £10 nominal amount of each Redeemable Preference Share comprised in the authorised share capital of the Company shall thereafter automatically be subdivided 1,000 times and each such resulting unissued redeemable preference share of £0.01 shall be converted into one Ordinary Share of £0.01.

Voting

(ix) The Redeemable Preference Shares shall carry the right to attend general meetings of the Company but shall not carry any right to vote at general meetings of the Company.

Special Resolutions

That:

2.4.4 subject to the passing of the resolution in paragraph 2.4.2, the Directors be given power pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in paragraph 2.4.2 as if section 89(1) of the Act did not apply to the allotment, such power to expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) the day falling 5 years from the date of this resolution. The power will be limited to the allotment of Redeemable Preference Shares having a nominal value not exceeding £100,000 in aggregate to such persons as the directors of the Company may, in their discretion, determine.

2.4.5 the name of the Company be changed to ''M&C Saatchi plc''; and

2.4.6 the Company adopt new articles of association.

2.5 At an extraordinary general meeting of the Company held on 8 July 2004 the following ordinary and special resolutions were duly passed:

Ordinary Resolutions

That:

2.5.1 the authorised share capital of the Company be increased by £1,850,000 from £150,000 to £2,000,000 by the creation of 1,850,000 additional ordinary shares of £1.00 each having the rights and restrictions set out in the articles of association of the Company;

2.5.2 in revocation of any existing general authority granted to the Directors pursuant to section 80 of the Companies Act 1985 (the "**Act**"), the Directors be generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £725,000[(1)], such authority to expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) on the day falling twelve months from the date of this resolution provided that the authority shall allow the Company to make an offer or enter into an agreement which would or might require relevant securities (as so defined) to be allotted after this authority expires; and

2.5.3 each issued and unissued ordinary share of £1.00 each be subdivided into one hundred ordinary shares of £0.01 each having the rights and restrictions set out in the articles of association.

Special resolutions

That:

2.5.4 subject to the passing of the resolution referred to at paragraph 2.5.2, the Directors be given power pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to at paragraph 2.5.2 as if section 89(1) of the Act did not apply to the allotment, such power to expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) on the day falling twelve months from the date of this resolution. The power will be limited to:

(i) the allotment of new Ordinary Shares of £0.01 having a nominal value not exceeding in aggregate £457,766.27 in connection with an offer of such securities to holders of ordinary shares in the share capital of M&C Saatchi Worldwide in connection with the purchase of the entire issued share capital of M&C Saatchi Worldwide by the Company and to holders of shares in the capitals of, options over the capitals of, or rights to receive bonuses calculated by reference to the capitals of various subsidiary companies of M&C Saatchi Worldwide in connection with the proposed Reorganisation;

(ii) the allotment of new Redeemable Preference Shares of £10.00 having a nominal value not exceeding £50,000 in connection with an offer of such securities to holders of redeemable preference shares in the capital of M&C Saatchi Worldwide;

(iii) the allotment of 8,429,972 New Ordinary Shares of £0.01 in connection with the Placing;

1 This number represents 133 per cent. of £542,067.99 (being the aggregate nominal value of the Ordinary Shares issued and to be issued pursuant to the Reorganisation and the Placing) rounded up to £725,000.

(iv) the allotment of equity securities in connection with an offer or issue of those securities in favour of the holders of Ordinary Shares on the register on a date fixed by the directors in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on that date save in relation to fractional entitlements and subject to those exclusions and other arrangements as the directors may deem necessary or expedient to deal with either legal problems under the laws of any territory, or the requirements of any regulatory body; and

(v) the allotment (other than pursuant to paragraphs 2.5.4 (i) to (iv) above) of equity securities up to a maximum aggregate nominal amount of £27,103 (being equal to five per cent. of the issued Ordinary Share capital of the Company immediately following Admission) provided that this power shall enable the Company to make an offer or enter into an agreement which would or might require equity securities (as so defined) to be allotted after this power expires.

2.6 The provisions of section 89(1) of the Act confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash (other than by way of an allotment of equity securities to employees under an employees' share scheme as defined in section 743 of the Act) and apply to the balance of the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 2.5.4 above. Following Admission, this disapplication will give the Directors limited flexibility to issue Ordinary Shares for cash without making an offer to all the shareholders of the Company.

2.7 Save in connection with the allotment and issue of the Reorganisation Shares, the New Ordinary Shares, the grant of options under the Share Schemes and the allotment and issue of Ordinary Shares pursuant to options already granted by the Company (as described in paragraphs 4.1.2 and 4.1.3 of this Part X) there is no present intention to issue any of the authorised but unissued share capital of the Company or to utilise any of the authorities referred to in paragraph 2.5 of this Part X.

2.8 The Reorganisation Shares and New Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares including (without limitation to the generality of the foregoing) in relation to voting rights and the right to receive all dividends or other distributions declared, paid or made after Admission.

3. Memorandum and Articles of Association

3.1 Memorandum of Association

The principal object of the Company is to carry on business as a general commercial company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association of the Company which is available for inspection at the address specified in paragraph 14 of this Part X.

3.2 Articles of Association

The Articles contain, *inter alia*, provisions to the following effect:

3.2.1 Rights attaching to the Ordinary Shares

(a) *As to Income*

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of members, and may fix the time for payment of such dividends but no dividend shall exceed the amount recommended by the Directors. Any dividend declared shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

(b) *As to Capital*

On a winding up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of an extraordinary resolution and any other sanction required by law: (i) divide among the members *in specie* the whole or any part of the assets of the Company; and/or (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator, with the like authority, shall think fit but so that no member shall be compelled to accept any assets in respect of which there is any liability.

(c) *As to Voting*

Subject to the Articles and to any special rights or restrictions as to voting for the time being attached to any class of shares in the Company, on a show of hands every member present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him. A member present by proxy shall be deemed to be present in person.

Any corporation which is a member of the Company may (by resolution of its board or other governing body) authorise any person to act as its representative at any meeting of the Company. A person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member including a power to vote on a show of hands or on a poll and to demand or concur in demanding a poll.

Unless the Board otherwise determines, a member shall not be entitled to vote at a general meeting either personally or by proxy or (if the member is a corporation) by authorised representative in respect of any share held by him or to exercise any other rights conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect that share remains unpaid.

(d) *Variation of Rights*

Whenever the share capital of the Company is divided into different classes of shares, then subject to the provisions of the Statutes, all or any of the rights attached to any class of shares in the Company may be varied or abrogated in such manner as those rights may provide for, or (if no provision is made) either with the consent of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the authority of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. The provisions of the Articles relating to general meetings of the Company apply, *mutatis mutandis*, to such meetings except that the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class (but at an adjourned meeting any one holder of shares of the relevant class present in person shall be a quorum), any holder of shares of the class present in person may demand a poll and on a poll every such holder shall have one vote for every share of the class held by him.

(e) *Transfer of Shares*

All transfers of certificated shares shall be effected by an instrument in any usual or common form, or in any other form acceptable to the Board. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Board may in its absolute discretion and without assigning any reason for its decision, refuse to register any transfer of a certificated share which is not a fully paid share and any transfer of a share on which the Company has a lien.

Transfers of uncertificated shares shall be effected in accordance with the Statutes and the requirements and the facilities of CREST (or any other ''relevant system'' approved under the Uncertificated Securities Regulations 2001).

In addition, the Board may, in its absolute discretion and without assigning any reason for its decision, decline to register the transfer of a certificated share unless the instrument of transfer:

(i) is in respect of only one class of share;

(ii) is duly stamped or adjudged or certified as not chargeable to stamp duty and is deposited at the registered office of the Company or at such other place as the Board may determine; and

(iii) (except where the shares are registered in the name of a market nominee and no certificate has been issued) is accompanied by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the transfer is executed by some other person on his behalf, the authority of that person to sign).

The registration of transfers may be suspended and the register closed at such times and for such periods (not exceeding 30 days in any year) as the Board may from time to time determine and either generally or in respect of any class of shares, except that the registration of the transfer of any participating security may only be suspended as permitted by the Statutes.

3.2.2 Changes in Share Capital

The Company may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe. All new shares created under the Articles shall be subject to the provisions of the

Statutes and of the Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise and shall be unclassified unless otherwise provided by the Articles, by the resolution creating the shares or by the terms of allotment of the shares.

The Company may by ordinary resolution:

(a) consolidate, or consolidate and then divide, all or any of its share capital into shares of larger amount than its existing shares;

(b) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and reduce the amount of its capital by the amount of the shares so cancelled;

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association or the Articles (subject to the provisions of the Statutes).

Subject to the Statutes and the rights attached to any class of shares, the Company may purchase any of its own shares (including redeemable shares).

Subject to the Statutes and any rights attached to any class of shares, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner.

3.2.3 Borrowing Powers

Subject to the limits on borrowing referred to below, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and, subject to and in accordance with the Statutes, to issue debentures and other securities, whether outright or as collateral security for any guarantee, debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (but as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount of all borrowings by the Enlarged Group outstanding at any time (exclusive of any borrowings which are owed by any Enlarged Group company to another Enlarged Group company and subject to provisions in the Articles prescribing the method of calculation of borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to two times the Capital and Reserves (as defined in the Articles).

4. Interests of the Directors and others, and significant shareholders

4.1 Directors' interests

4.1.1 The interests in the share capital of the Company following the Reorganisation but immediately before Admission which: (i) have been notified to the Company pursuant to section 324 or 328 of the Act; or which (ii) are required pursuant to section 325 of the Act to be entered in the register of Directors' interests referred to in that section; or which (iii) are interests of a person connected with a Director within the meaning of section 346 of the Act, and which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to or could, with reasonable diligence be ascertained by the Director in question; and as they are expected to be following Admission, are as follows (all such interests being beneficial unless otherwise noted):

	Before Admission			Following Admission(1)		
Name	*No. of Redeemable Preference Shares*	*No. of Ordinary Shares*	*% of existing issued share capital*	*No. of Redeemable Preference Shares(2)*	*No. of Ordinary Shares*	*% of the enlarged issued share capital*
Jeremy Sinclair	2,000	6,250,000	13.7%	2,000	3,799,369	7.0%
David Kershaw	2,000	6,250,000	13.7%	2,000	3,799,369	7.0%
Bill Muirhead	2,000	6,250,000	13.7%	2,000	3,799,369	7.0%
The Lord Saatchi	2,000	6,250,000	13.7%	2,000	3,799,369	7.0%
Jerry Wales	—	—	—	—	—	—
Lloyd Dorfman	—	—	—	—	80,000	0.1%
Adrian Martin	—	—	—	—	—	—

(1) Any reduction in shareholding will result from the sale of Ordinary Shares pursuant to the Placing.

(2) It is intended that the Redeemable Preference Shares be redeemed following Admission.

4.1.2 As at 8 July 2004 (being the latest practicable date before the publication of this document) no options have been granted to Directors over Ordinary Shares, but the Company has upon Admission agreed to grant the following options to the following Director:

Director	*No. of Ordinary Shares under option*	*Exercise Period*	*Exercise Price*
Jerry Wales	282,555	Two years(1)	Nominal value

(1) These options will be granted upon Admission and are exercisable on expiration of the lock-up period referred to in paragraph 8 of this Part X.

4.1.3 Upon Admission, the Company has also agreed to grant options over 128,495 Ordinary Shares to Tim Duffy (as described in paragraph 6 of this Part X).

4.1.4 Save as set out in paragraphs 4.1.1 and 4.1.2 of this Part X, no director is interested in the share capital of the Company.

4.1.5 As at 8 July 2004 (being the latest practicable date before the publication of this document) the total of all outstanding loans made by any member of the Group to the Directors was £836,000 and the total value of all outstanding guarantees provided by any member of the Group to the Directors was £322,000. As set out in paragraph 7.2 of Part X, Newincco 292 Limited has obtained a conditional release from this outstanding guarantee which was given to Royal Bank of Scotland plc (acting through its agent National Westminster Bank plc (''**NatWest**'')) in connection with the advance by NatWest of a loan facility to 36 Golden Square LLP (which is owned by the Founding Directors and connected parties) and it is also proposed that the outstanding loan of £836,000 owed by 36 Golden Square LLP to M&C Saatchi Worldwide will be repaid prior to Admission.

4.2 Directors' service contracts

4.2.1 Immediately prior to Admission the Company will enter into a service agreement with Jeremy Sinclair which will become effective on Admission. The contract provides for Mr Sinclair to act as the Chairman of the Company at a salary of £250,000 per annum. The contract has no fixed term and is terminable by 12 months' notice in writing by either party. Under the contract, Mr Sinclair is entitled to 30 paid working days holiday each year and to private health insurance, life assurance, permanent health insurance, a car for him or a car allowance, and pension benefits. He is subject to a non-dealing with clients covenant for a period of 6 months following termination of his employment and non-solicitation of key employees, clients and suppliers covenants for a period of 12 months following termination of his employment and he is also subject to a confidentiality undertaking that is without limit in time.

4.2.2 Immediately prior to Admission the Company will enter into a service agreement with David Kershaw on terms identical to those of Jeremy Sinclair set out in paragraph 4.2.1 of this Part X save that Mr Kershaw will be appointed as the Chief Executive Officer of the Company with effect from Admission.

4.2.3 Immediately prior to Admission the Company will enter into a service agreement with Bill Muirhead on terms identical to those of Jeremy Sinclair set out in paragraph 4.2.1 of this Part X save that Mr Muirhead will be appointed as an Executive Director of the Company with effect from Admission.

4.2.4 Immediately prior to Admission the Company will enter into a service agreement with The Lord Saatchi on terms identical to those of Jeremy Sinclair set out in paragraph 4.2.1 of this Part X save that The Lord Saatchi will be appointed as an Executive Director of the Company with effect from Admission.

4.2.5 Immediately prior to Admission the Company will enter into a service agreement with Jerry Wales on terms identical to those of Jeremy Sinclair set out in paragraph 4.2.1 of this Part X save that Mr Wales will be appointed as the Finance Director of the Company on a salary of £200,000 with effect from Admission.

4.2.6 Lloyd Dorfman is engaged by the Company as a non-executive director with effect from Admission on the terms of a letter of appointment dated 4 June 2004 for a term of 3 years, terminable on 30 days' notice from either party. Mr Dorfman will receive a fee of £35,000 per annum, which is payable in quarterly instalments and may, at the option of Mr Dorfman, be applied by the Company in subscribing for Ordinary Shares at market value. Mr Dorfman's letter of appointment includes restrictions in respect of conflicts of interest and confidential information.

4.2.7 Adrian Martin is engaged by the Company as a non-executive director through The Sun Tzn Partnership, with effect from Admission on terms identical to those of Lloyd Dorfman set out in paragraph 4.2.6.

4.2.8 Save as set out above, there are no existing or proposed service contracts between any of the Directors and the Company or any member of the Group.

4.2.9 The total aggregate remuneration (including benefits in kind and pension contributions) paid to the Directors by all members of the Group for the year ended 31 December 2003 amounted to £1,735,000 and, under the arrangements in force at the date of this document, the estimated aggregate total remuneration payable to the Directors by any member of the Group for the current financial year will amount to £1,487,000.

4.2.10 Save in respect of the property arrangements disclosed in paragraph 7 of this Part X, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant in relation to the business of the Group and which was effected by the Company either: (i) during the current or immediately preceding financial year; or (ii) during any earlier financial year and which remains in any aspect outstanding or unperformed.

4.3 Significant shareholders

Save as set out below, the Directors are not aware of any person, other than the Directors referred to in paragraph 4.1.1 of this Part X, who is, or will following the Reorganisation but immediately before Admission, (or who will, immediately following Admission), be interested (within the meaning of the Act), directly or indirectly, in 3 per cent. or more of the issued share capital of the Company or who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

	Before Admission			*Following Admission*		
Shareholder	*No. of Redeemable Preference Shares*	*No. of Ordinary Shares*	*% of the existing issued share capital*	*No. of Redeemable Preference Shares*[(1)]	*No. of Ordinary Shares*	*% of the enlarged issued share capital*
Charles Saatchi	2,000	6,250,000	13.7%	2,000	3,799,369	7.0%
Christine Walker	—	2,177,068	4.8%	—	492,017	0.9%
Moray Maclennan	—	1,592,629	3.5%	—	957,804	1.8%
Nick Hurrell	—	1,592,629	3.5%	—	957,804	1.8%
Tom Dery	—	1,502,037	3.3%	—	913,086	1.7%
Fidelity Investments	—	—	—	—	5,801,434	10.7%
Gartmore Investment Management	—	—	—	—	2,500,000	4.6%
New Star Asset Management Limited	—	—	—	—	2,300,000	4.2%
Capital International Limited	—	—	—	—	2,200,000	4.1%

(1) It is intended that the Redeemable Preference Shares be redeemed following Admission.

4.4 Other interests

4.4.1 Over the five years preceding the date of this document, the Directors of the Company have been directors or partners of the following companies and partnerships:

Director	*Current*	*Former*
DAVID ANDREW KERSHAW	M&C Saatchi Worldwide Limited M&C Saatchi Marketing Arts Limited M&C Saatchi Limited M&C Saatchi Sponsorship Limited M&C Saatchi (S) Pte Ltd Walker Media Holdings Limited Talk PR Limited Saatchinvest Limited Newincco 292 Limited EMCSaatchi Limited The Immediate Sales Company Limited Lida Limited The Institute of Practitioners in Advertising Coombe Hill Holdings (1946) Limited The Advertising Association	M&C Saatchi Facilities Limited (Dissolved 03/12/02)
WILLIAM MORTIMER MUIRHEAD	The Defence Agency Limited M&C Saatchi Agency Pty Limited M&C Saatchi Agency, Inc M&C Saatchi Worldwide Limited M&C Saatchi Limited EMCSaatchi Limited Saatchinvest Limited Tenon Group plc The Company Agency Limited	Porkinsons Limited (Dissolved 13/07/99) Claydon Heeley Jones Mason Limited Sportev Limited
THE LORD MAURICE NATHAN SAATCHI	Josephine Hart Productions Limited Maurice Saatchi Associates Limited Finsbury Food Group Plc M&C Saatchi Limited M&C Saatchi Worldwide Limited Centre for Policy Studies Limited Auction Ads Limited The Museum of Garden History EMCSaatchi Limited Saatchinvest Limited Newincco 292 Limited	Hatzone Limited (Dissolved 22/08/2000) Saatchi & Saatchi Leasing Limited (Dissolved 29/03/94) The New Saatchi Agency Limited (Dissolved 15/07/97) Wellington Museum Trust (Dissolved 01/06/2004) London First Centre Net Search Limited Net.Home Limited Net T.V. Limited Megalomedia Limited Net.Car Limited Net.Job Limited The Net Channel Limited Old Timeload Limited Flextech Limited Forward Limited London School of Economics and Political Science Lydeo Limited Timeload Holdings Limited Shalbian Limited Storesurvey Limited

Director	*Current*	*Former*
JEREMY THEODORSON SINCLAIR	M&C Saatchi Limited M&C Saatchi (S) Pte Ltd M&C Saatchi Agency, Inc M&C Saatchi Agency Pty Limited M&C Saatchi Worldwide Limited M&C Saatchi International Limited The Art Academy The Independent Educational Association Limited EMCSaatchi Limited Saatchinvest Limited Villandry Foodstore Restaurant Limited M&C Saatchi International Holdings B.V. Newincco 292 Limited The Fellowship of the School of Economic Science Jyotinidhi Nyasa Trust	M&C Saatchi (Golden Square) Limited (Dissolved 05/03/02) News at Twelve Limited (Dissolved 14/10/97) A and BC Theatre Company (Dissolved 11/07/2000) M&C Saatchi Marketing Arts Limited
JEREMY CLIVE WALES	M&C Saatchi Worldwide Limited M&C Saatchi International Holdings B.V. Lida Limited M&C Saatchi International Limited The Immediate Sales Company Limited Talk PR Limited Newincco 292 Limited M&C Saatchi Agency Inc M&C Saatchi Limited (New Zealand) M&C Saatchi Limited (Japan) M&C Saatchi International Holdings B.V. (UK Branch)	Walker Media Holdings Limited M&C Saatchi Facilities Limited (Dissolved 03/12/02) M&C Saatchi Publicity Projects (Dissolved 12/01/04)
ADRIAN HOWARD MARTIN	Tickstop Limited The Carphone Warehouse Group Public Limited Company Disasters Emergency Committee Intelligent Addressing (Holdings) Limited Intelligent Addressing Limited	Stoy Hayward Employees Two (Dissolved 01/06/99) Stoy Hayward Employees Three (Dissolved 25/05/99) Stoy Hayward Employees One (Dissolved 11/05/99) BDOSH Consulting (Dissolved 25/03/99) BDO Stoy Hayward Franchising Services Limited BDO Stoy Hayward Benefit Consulting Limited BDO Stoy Hayward Services Kite (UK) Limited Stoy Hayward Properties No. 2 Stoy Hayward Properties Ashteene City Limited BDO Stoy Hayward Nominees Limited Property Intelligence Limited Helicopter Club (G.B.) Limited City Motor Holdings Limited

Director	*Current*	*Former*
LLOYD MARSHALL DORFMAN	Travelex Holdings Limited Travelex Plc Travellers Exchange Corporation Limited Travelex Group Investments Limited Travelex ATMs Limited Support Trustee Limited Helpful Trustee Limited	International Transport Services Limited Interpayment Services Limited Thomas Cook Travellers Cheques Limited Travelex Global Payments Limited Fluency Solutions Limited (Dissolved 24/02/04) Travelex Cheque Services Limited Travelex TC Acquisitions (Canada) Limited Travelex TC Acquisitions (UK) Limited Travelex France Limited (Dissolved 24/02/04) Travelex Foreign Money Limited Travelex UK Limited Travelex Foreign Coin Services Limited Travelex International Limited (Dissolved 24/02/04) Travelex Europe Limited Rodaville (UK) Limited (Dissolved 24/02/04) Travelex France Holdings Limited Travelex Financial Services Limited Euro Travellers Cheque Espana Limited Travelex Foreign Money Gulf EC Limited Travelex Global and Financial Services Limited Travelex Italia Limited Express Exchange Limited Travelex TC Acquisitions (U.S.) Limited Deak International (UK) Limited Travelex International Group Services Limited (Dissolved 24/02/04) Travelex Maritime Services Limited Travelex Developments Limited (Dissolved 24/02/04) Travelex Finance Limited Travelex.Com Limited (Dissolved 24/02/04) Travelex Worldwide Money Limited Interpayment Puerto Rico Limited Rennies Travel (UK) Limited Travelex Currency Services Limited Goldtake Limited (Dissolved 04/05/04) IBIS (609) Limited (Dissolved 04/05/04) Keycastle Limited (Dissolved 15/07/03) Stepney Jewish (B'nai B'rith) Clubs and Settlement Limited Jewish Care Travelex Australia Pty Ltd

Director	*Current*	*Former*
LLOYD MARSHALL DORFMAN (continued)		Thomas Cook Australia Pty Ltd Interpayment Australia Limited Travelex Superannuation Pty Ltd Travelex Limited (Australia) Travelex Investments (Australia) Pty Ltd Travelex Global Payments Pty Ltd Travelex Belgium NV Travelex Canada Limited Travelex Czech Republic AS Travelex SA Travelex France SA Travelex Change SA Banque Travelex SA Travelex Financial Services GmbH Travelex Deutschland GmbH Travelex Nederland Holdings BV Travelex Nederland BV PT Travelex Indonesia Rodaville Holdings Limited *(in liquidation)* Travelex TC US Investments SARL Travelex Malta Limited Travelex Financial Services Malta Limited Travelex Financial Services NZ Ltd Travelex Currency Services Inc Travelex America Inc Travelex Services Inc Travelex Investments Inc Travelex Insurance Services Inc Travelex Inc US Deposits Holdings LLC Bondfair Hong Kong Limited

4.4.2 None of the Directors has:

(a) any unspent convictions in relation to indictable offences;

(b) at any time been adjudged bankrupt or been the subject of any form of individual voluntary arrangement;

(c) been a director of a company at the time of or within the 12 months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or composition or arrangement with its creditors generally or any class of creditors;

(d) been a partner in a partnership at the time of or within the 12 months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement;

(e) owned any asset which has been placed in receivership or been a partner of any partnership at the time of or within the 12 months preceding the date on which any assets of that partnership have been placed in receivership;

(f) been subject to any public criticism by any statutory or regulatory authority (including a recognised professional body); or

(g) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5. Share Schemes

5.1 Save as set out below, no share or loan capital of the Company or any of its subsidiary undertakings is under option or agreed conditionally or unconditionally to be put under option.

5.2 The Sharesave Scheme 2004 (the ''**Sharesave Scheme**'').

On 4 June 2004 the Company approved the establishment of the Sharesave Scheme. The principal terms of the Sharesave Scheme are as follows:

5.2.1 ***General:*** The Sharesave Scheme will be submitted to the Inland Revenue for approval under the Income Tax (Earnings and Pensions) Act 2003. The operation of the Sharesave Scheme will be supervised by the Remuneration Committee.

5.2.2 ***Eligibility:*** Any employee of the Company and its participating subsidiaries who is a UK resident (including Directors who are required to work at least 25 hours a week) will be eligible to participate in the Sharesave Scheme provided he has the required length of continuous service as set by the Remuneration Committee which may not exceed 5 years. The Remuneration Committee may amend the eligibility conditions (within the limit set by the relevant legislation) and has a discretion to allow other employees to participate in the Sharesave Scheme.

5.2.3 ***Grant of Options:*** Invitations to apply for options to acquire Ordinary Shares may be issued within 42 days of formal approval by the Inland Revenue of the Sharesave Scheme and thereafter within 42 days after the announcement of the Company's final or interim results, as well as at other times where the Remuneration Committee consider there are exceptional circumstances.

No invitations may be issued more than 10 years after the adoption of the Sharesave Scheme. Options may only be granted to employees who enter into Inland Revenue approved savings contracts, under which monthly savings are made over a period of 3 or 5 years and, in relation to a 7 year contact, retained in the savings account for an additional 2 years.

The number of Ordinary Shares over which an option is granted will be such number that can be acquired at the option price with the proceeds on maturity of the related savings contract. Options are personal to the participant and may not be transferred, except on death.

5.2.4 ***Option Price:*** The option price may be set at a discount of up to 20 per cent. from the market value of an Ordinary Share as agreed with the Inland Revenue provided that the date of grant of options falls within the period of 30 days (or 42 days if applications are scaled down) from the day used to calculate market value.

5.2.5 ***Overall Limits:*** The aggregate number of unissued shares which may be allocated at any time under the Sharesave Scheme or any other employee share incentive schemes operated by the Company shall not in any 10 year period exceed 10 per cent. of the Company's issued ordinary share capital from time to time.

5.2.6 ***Individual Limits:*** Monthly savings by an employee under all savings contracts linked to options granted under the Sharesave Scheme and any other savings-related share option scheme may not exceed the statutory maximum (currently £250).

5.2.7 ***Exercise of Options:*** An option will normally be exercisable for six months only from the third, fifth or seventh anniversary of the commencement of the related savings contract (depending on the length of the contract originally entered into).

On cessation of employment, options will lapse unless cessation is in one of the particular compassionate circumstances set out in the rules, or if the option has been held for at least three years. Similarly, an option may be exercised if an employee reaches age 65 whether or not he ceases employment. Early exercise is also permitted in the event of a takeover, amalgamation, reconstruction or winding-up of the Company.

5.2.8 ***Pensionability:*** Benefits received under the Sharesave Scheme will not be pensionable.

5.2.9 ***Rights attaching to ordinary shares:*** All Ordinary Shares allotted under the Sharesave Scheme will rank equally with all other Ordinary Shares of the Company then in issue (save for rights arising by reference to a record date preceding the date of allotment). The Company will apply to the London Stock Exchange for such shares to be admitted to AIM.

5.2.10 ***Adjustment of options:*** In the event of any increase or variation to the Company's share capital, such as a rights or capitalisation issue or reduction of capital or other event affecting the Company, the Remuneration Committee may make an appropriate adjustment to the number of ordinary shares over which an option has been granted and the option price, save where the effect of the event on the options is deemed by the Committee to be *de minimis*. This must be agreed in advance by the Inland Revenue.

5.2.11 ***Amendments to the Sharesave Scheme:*** The Remuneration Committee may at any time amend the Sharesave Scheme in any respect providing that any amendment to the rules dealing with who is eligible to participate, individual or overall limits or the rule dealing with adjustment of options following a variation of share capital cannot be made which is to the advantage of participants unless approved by the Company in general meeting (except for minor amendments to benefit the administration of the Sharesave Scheme, to take account of changes in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company or any group company or for a participant). Any amendment to a key feature of the Sharesave Scheme must also be agreed in advance with the Inland Revenue.

5.2.12 ***Overseas Sharesave Scheme:*** The Sharesave Scheme provides that additional sections of the rules may be adopted for participants who are not UK resident. Options granted under such additional sections may be granted subject to different terms and conditions in order to take account of local laws. However, any additional sections must conform to the basic principles of the Sharesave Scheme and must not increase or exceed the limits set out in the Sharesave Scheme.

5.3 The Long Term Incentive Plan (''**LTIP**'')

5.3.1 **General:** The LTIP will be administered by the Remuneration Committee in respect of awards made to executive directors and members of the executive committee and their alternates. Awards to other eligible employees will be made by the board of Directors. Awards under the LTIP comprise two elements: a nominal priced option which will be over newly issued Ordinary Shares exercisable at par value per Ordinary Share and a cash award. Each element makes up 50 per cent. of the award. Under the nominal priced option the participant will receive Ordinary Shares in the Company on exercise of the option. Under the cash award the participant will be allocated a notional pool of shares in the Company and will, on vesting of the cash award, receive a cash payment based on the aggregate market value of notional pool of shares at the date of vesting.

5.3.2 **Initial Awards:** Immediately following the announcement of the Company's final results for the year ended 31 December 2004 it is intended that awards under the LTIP will be made to approximately 30 eligible employees (the ''**Initial Awards**'').

5.3.3 **Eligibility:** Any employee or full-time director of the Company or of any other member of the Group who is not within 6 months of his retirement date is eligible to participate in the LTIP. However, other than in respect of the Finance Director, it is not intended that awards will be made to directors of the Company under the LTIP.

5.3.4 **Making Of Awards:** Awards may usually only be made within 42 days of the announcement of the Company's final or interim results. However, where the Remuneration Committee considers there are exceptional circumstances, awards may be made at other times. No awards may be made more than 10 years after the approval of the LTIP by the Board.

5.3.5 **Vesting of Awards:** Vesting of an award will be dependant on the achievement of performance conditions. Generally, awards vest after a five year period from grant with the cash award being delivered immediately and the nominal priced option being exercisable as to half of the shares on the sixth anniversary of grant and half of the shares on the seventh anniversary of grant. However, a participant may elect to have the award vest on the third or fourth anniversary of grant based on performance at that date in which case, the nominal priced option will be exercisable as to half on the fourth and fifth anniversaries of grant or the fifth and sixth anniversaries of grant respectively.

If a participant elects to have the award vest early, any part of the award which does not vest in accordance with the performance conditions at that date will lapse.

Unvested awards will normally lapse if a participant ceases to be employed within the Enlarged Group. However, in certain ''good leaver'' situations (such as illness, disability, redundancy, retirement) or in other exceptional circumstances, awards may vest early subject to the extent to which the Remuneration Committee determines that the performance conditions are achieved at the date of cessation.

In the event of a change of control of the Company, awards may vest early subject to the extent to which the Remuneration Committee determines that the performance conditions have been achieved at the date of the change of control, with account also taken of the time elapsed since grant.

5.3.6 **Performance Conditions:** An award will vest based on the achievement of real growth in earnings per share (''**EPS**''). Awards will vest if at the end of the five year period (or a shorter period of three or four years if the participant so elects) from grant the real EPS growth (i.e. after tax, growth in RPI and after taking into account the cost of the LTIP) is between 3 per cent. and 10 per cent. per annum (calculated on a compounded average basis). At 3 per cent. per annum growth in real EPS 30 per cent. of the award will vest, at 10 per cent. per annum growth 100 per cent. of the award will vest. Where real EPS growth is between 3 per cent. and 10 per cent. per annum awards will vest on a straight-line basis.

5.3.7 **Individual Limits:** Generally, awards with a value (taking into account the combined share and notional share elements valued at the date of grant) of no more than one times base salary may be made each year. However, the Remuneration Committee retains a discretion to increase these limits in exceptional circumstances to up to three times base salary.

5.3.8 **Overall Limits:** No more than 10 per cent. of the Company's issued share capital may be subject to the nominal priced option element of awards made under the LTIP and any awards made under other employee share incentive schemes operated by the Company.

5.3.9 **PAYE/NIC Elections:** The LTIP enables the Company to make arrangements with the award holder for the payment of any income tax and employee's and employer's national insurance liabilities arising on the exercise of the nominal priced option. It also allows the Company to sell Ordinary Shares on the award holder's behalf to meet these liabilities. The cash award will be made to a participant after deduction of income tax and employee's national insurance contributions.

5.3.10 **Overseas LTIP:** The LTIP provides that additional sections of the rules may be adopted for participants outside the UK. Awards granted under such additional sections may be granted subject to different terms and conditions in order to take account of local laws. However, additional sections must conform to the basic principles of the LTIP and must not increase or exceed the limits set out in the LTIP.

5.3.11 **Pension:** Awards under the LTIP are not pensionable.

5.3.12 **Adjustment of Awards:** In the event of any increase or variation to the Company's share capital arising from a rights or capitalisation issue or reduction of capital or other event affecting the Company, the Remuneration Committee may make an appropriate adjustment to the number of Ordinary Shares over which an award has been made.

5.3.13 **Amendments to the LTIP:** The Remuneration Committee may at any time amend the LTIP in any respect providing that any amendment to the rules dealing with who is eligible to participate, individual or LTIP limits or the rule dealing with the adjustment of options following a variation of share capital cannot be altered to the advantage of participants unless approved by the Company in general meeting (except for minor amendments to benefit the administration of the LTIP or to take account of changes in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company, the Group or for a participant).

6. Material contracts

The following contracts (which are available for inspection in accordance with paragraph 14 of this Part X) not being contracts entered into in the ordinary course of business, are contracts which (i) are or may be material and have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this document; or (ii) have been entered into by the Company or any of its subsidiaries at any time before the date of this document where those contracts contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group as at the date of this document.

6.1 The Placing Agreement summarised at paragraph 8 of this Part X.

6.2 The property, loans and security arrangements summarised in paragraph 7 of this Part X.

6.3 An agreement dated 28 June 2004 between the Company, M&C Saatchi Worldwide and the shareholders of M&C Saatchi Worldwide, pursuant to which the parties agreed, *inter alia*, to effect the following matters before Admission:

6.3.1 the passing of resolutions of the shareholders of M&C Saatchi Worldwide to:

6.3.1.1 increase the authorised share capital of M&C Saatchi Worldwide by £1,537,495 from £12,505 to £1,550,000 by the creation of 987,500 new ordinary shares of £1.00 each, 299,996 new B ordinary shares of £1.00 each, 199,999 new C ordinary shares of £1.00 each and 10,000 new redeemable preference shares of £5.00 each;

6.3.1.2 grant authority pursuant to section 80 of the Act to the directors of M&C Saatchi Worldwide to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum nominal amount of £1,550,000, together with the power to allot those relevant securities as if the pre-emption rights set out in the articles of association of M&C Saatchi Worldwide did not apply to those allotments;

6.3.1.3 capitalise £300,000 standing to the credit of M&C Saatchi Worldwide's profit and loss account for the purposes of paying up in full 300,000 new ordinary shares of £1.00 each and approve the distribution of those new ordinary shares amongst the holders of ordinary shares in the capital of M&C Saatchi Worldwide as at the date of execution of the resolutions in the proportion of 24 new ordinary shares of £1.00 each for each one ordinary share of £1.00;

6.3.1.4 subdivide each issued and unissued ordinary share of £1.00 into 100 ordinary shares of £0.01 each;

6.3.1.5 subdivide each issued and unissued B ordinary share of £1.00 into 100 B ordinary shares of £0.01 each;

6.3.1.6 capitalise £11,493.40 standing to the credit of M&C Saatchi Worldwide's profit and loss account for the purposes of paying up in full 1,149,340 new B ordinary shares of £0.01 each and approve the distribution of those new B ordinary shares amongst the holders of B ordinary shares in the capital of M&C Saatchi Worldwide as at the date of execution of the resolutions in the proportion of 2,873.35 new B ordinary shares for each one B ordinary share held;

6.3.1.7 subdivide each issued and unissued C ordinary share of £1.00 into 100 C ordinary shares of £0.01 each;

6.3.1.8 capitalise £838.26 standing to the credit of M&C Saatchi Worldwide's profit and loss account for the purposes of paying up in full 83,826 new C ordinary shares of £0.01 each and approve the distribution of those new C ordinary shares amongst the holders of C ordinary shares in the capital of M&C Saatchi Worldwide as at the date of the execution of the resolutions in the proportion of 838.26 new C ordinary shares for each one C ordinary share held;

6.3.1.9 upon the implementation of the capitalisations referred to in paragraphs 6.3.1.6 and 6.3.1.8, redesignate each issued and unissued B ordinary share as one ordinary share of £0.01 and redesignate each issued and unissued C ordinary share as one ordinary share of £0.01; and

6.3.1.10 adopt new articles of association;

6.3.2 the convening of meetings of the directors of M&C Saatchi Worldwide to (a) allot 2,000 redeemable preference shares to each of the Lord Saatchi, Charles Saatchi, Jeremy Sinclair, David Kershaw and William Muirhead and (b) distribute and allot the shares capitalised pursuant to the resolutions referred to in paragraphs 6.3.1.3, 6.3.1.6 and 6.3.1.8 to the shareholders referred to in those paragraphs;

6.3.3 the sale by the shareholders of M&C Saatchi UK (other than M&C Saatchi Worldwide) of their shares in M&C Saatchi UK to M&C Saatchi Worldwide, in consideration for an allotment of shares in the capital of M&C Saatchi Worldwide;

6.3.4 the termination at Admission of all existing agreements and arrangements which relate to the management, affairs or share capital of M&C Saatchi UK and M&C Saatchi Worldwide; and

6.3.5 after implementation of the share capital reorganisation, capitalisations and share allotments referred to in paragraphs 6.3.1 to 6.3.3, the sale by the shareholders of M&C Saatchi Worldwide of the entire issued share capital of M&C Saatchi Worldwide to the Company in consideration for an allotment of Reorganisation Shares and Redeemable Preference Shares by the Company to those shareholders.

The Reorganisation Shares and Redeemable Preference Shares to be allotted by the Company to those shareholders pursuant to this agreement and to Participating Executives pursuant to the agreements referred to in paragraphs 6.11 and 6.14.4, in each case, in consideration for the sale of the share capital of M&C Saatchi Worldwide, are set out below:

Shareholder/Participating Executive	*Ordinary Shares*	*Redeemable Preference Shares*
David Kershaw	6,249,900	1,000
The Lord Maurice Saatchi	4,687,500	1,000
Trustees of the Lord Saatchi Discretionary Trust	1,562,500	
Charles Saatchi	6,250,000	1,000
Trustees of the Muirhead Settlement	6,250,000	1,000
Jeremy Sinclair	6,249,900	1,000
Christine Walker	2,177,068	
Moray MacLennan	1,592,629	
Nicholas Hurrell	1,592,629	
James Lowther	1,342,870	
Simon Dicketts	1,342,870	
Phil Georgiadis	1,004,378	
Timothy Duffy	479,714	
David Harris	458,444	
Lisa Thomas	458,444	
Jonathan Horrocks	287,122	
Alan Jarvie	41,074	
Michael Moszynski	41,074	
TOTAL	42,068,116	5,000

6.4 Agreements dated 28 June 2004 between the Company, M&C Saatchi UK and each of Tim Duffy and Jerry Wales, pursuant to which the parties agreed that the ''phantom'' rights of Tim Duffy and Jerry Wales to receive bonuses calculated by reference to the value of the share capital of M&C Saatchi UK will be varied before Admission as follows:

6.4.1 M&C Saatchi UK agreed to pay to each of Tim Duffy and Jerry Wales a bonus as soon as reasonably practicable after Admission. The bonus payable to Mr Duffy will be 0.2981 per cent. of the value of the Group before the allotment of the New Ordinary Shares assessed by reference to the Placing Price, less the value of the shares to be placed under option and referred to in paragraph 6.4.2. The bonus payable to Mr Wales will be 0.5963 per cent. of the value of the Group before the allotment of the New Ordinary Shares assessed by reference to the Placing Price, less the value of the shares to be placed under option and referred to in paragraph 6.4.2; and

6.4.2 the Company has agreed to grant options over Ordinary Shares to each of Tim Duffy and Jerry Wales upon Admission. Mr Duffy will receive unapproved options over 106,015 Ordinary Shares. Mr Wales will receive unapproved options over 212,029 Ordinary Shares. The options will become exercisable at the expiration of the lock-up period referred to in Paragraph 8 of this Part X.

6.5 Agreements dated 28 June 2004 between the Company, M&C Saatchi Worldwide and each of Tim Duffy and Jerry Wales pursuant to which the parties agreed that the ''phantom'' rights of Tim Duffy and Jerry Wales to receive bonuses calculated by reference to the value of the share capital of M&C Saatchi Worldwide will be varied before Admission as follows:

6.5.1 M&C Saatchi Worldwide agreed to pay to each of Tim Duffy and Jerry Wales a bonus as soon as reasonably practicable after Admission. The bonus payable to Mr Duffy will be 0.0632 per cent. of the value of the Group before the allotment of the New Ordinary Shares assessed by reference to the Placing Price, less the value of the shares to be placed under option and referred to in paragraph 6.5.2. The bonus payable to Mr Wales will be 0.1983 per cent. of the value of the Group before the allotment of the New Ordinary Shares assessed by reference to the Placing Price, less the value of the shares to be placed under option and referred to in paragraph 6.5.2; and

6.5.2 the Company agreed to grant options over Ordinary Shares to each of Tim Duffy and Jerry Wales upon Admission. Mr Duffy will receive unapproved options over 22,480 Ordinary Shares. Mr Wales will receive unapproved options over 70,526 Ordinary Shares. The options will become exercisable at the expiration of the lock-up period referred to in Paragraph 8 of this Part X.

6.6 Agreements dated 28 June 2004 between the Company, Talk PR Limited and each of Claudia Crow and Jane Boardman, pursuant to which the parties agreed that the ''phantom'' rights of Claudia Crow and Jane Boardman to receive bonuses calculated by reference to the value of the share capital of Talk PR Limited will be varied before Admission. Claudia Crow and Jane Boardman will have no right to receive a bonus as a result of Admission. After Admission, each of Claudia Crow and Jane Boardman will have the right to receive a single bonus payment from Talk PR Limited. These rights will be extinguished in the event that Claudia Crow or Jane Boardman cease to be employed by the Group. The bonuses will be:

6.6.1 payable at the option of (i) Claudia Crow or Jane Boardman (as appropriate) during one of the 28 day periods following the publication of the accounts of the Company for each of its financial years ending on and after 31 December 2006; and (ii) at the option of Talk PR Limited during one of the 28 day periods following the publication of the accounts of the Company for each of its financial years ending on and after 31 December 2009;

6.6.2 calculated using a valuation for Talk PR Limited established using the formula set out in paragraph 6.12.4; and

6.6.3 payable in cash or (at the option of Talk PR Limited) by means of an allotment of Ordinary Shares.

6.7 Agreements dated 28 June 2004 between the Company, M&C Saatchi Sponsorship Limited and each of Tanya Hughes, Nick Hurrell and Moray MacLennan, pursuant to which the parties agreed that the ''phantom'' rights of Tanya Hughes, Nick Hurrell and Moray MacLennan to receive bonuses calculated by reference to the value of the share capital of M&C Saatchi Sponsorship Limited will be varied before Admission as follows:

6.7.1 M&C Saatchi Sponsorship Limited agreed to pay to each of Tanya Hughes, Nick Hurrell and Moray MacLennan a bonus as soon as reasonably practicable after Admission. The bonus payable to each of Tanya Hughes, Nick Hurrell and Moray MacLennan will be 43.75 per cent. of 0.266 per cent. of the value of the Group assessed by reference to the Placing Price before the allotment of the New Ordinary Shares. The balance of the ''phantom'' rights of Tanya Hughes will be cancelled at Admission; and

6.7.2 after Admission, each of Nick Hurrell and Moray MacLennan will have the right to receive a single bonus payment from M&C Saatchi Sponsorship Limited. These rights will be extinguished in the event that Nick Hurrell or Moray MacLennan cease to be employed by the Group. The bonuses will be:

6.7.2.1 payable at the option of (i) Nick Hurrell or Moray MacLennan (as appropriate) during one of the 28 day periods following the publication of the accounts of the Company for each of its financial years ending on and after 31 December 2007; and (ii) at the option of M&C Saatchi Sponsorship Limited during one of the 28 day periods following the publication of the accounts of the Company for each of its financial years ending on and after 31 December 2009;

6.7.2.2 calculated using a valuation for M&C Saatchi Sponsorship Limited established using the formula set out in paragraph 6.12.4; and

6.7.2.3 payable in cash or (at the option of M&C Saatchi Sponsorship Limited) by an allotment of Ordinary Shares.

In addition to the ''phantom'' rights referred to above David Marren has ''phantom'' rights to receive a bonus calculated by reference to the share capital of M&C Saatchi Sponsorship Limited. These rights will remain in place following Admission. As at 8 July (being the latest practicable date before publication of this document) these rights would entitle David Marren to receive a bonus upon the occurrence of certain circumstances worth up to £150,000.

6.8 Agreements dated 28 June 2004 between M&C Saatchi Holdings, M&C Saatchi Limited (New Zealand), the shareholders of M&C Saatchi Limited (New Zealand) and each of Jason Ross and Marie Jackson, pursuant to which the parties agreed, *inter alia*, to the cancellation, before Admission, of option rights held by Jason Ross and Marie Jackson over the share capital of M&C Saatchi Limited (New Zealand) in consideration for an allotment of 171,304 Reorganisation Shares to Jason Ross and 171,304 Reorganisation Shares to Marie Jackson. Each of Jason Ross and Marie Jackson agreed to pay the option exercise price payable in connection with their options (NZ$90,000) to M&C Saatchi Holdings as soon as reasonably practicable after Admission.

6.9 Agreement dated 28 June 2004 between M&C Saatchi Holdings, M&C Saatchi Hong Kong and Janice Chan pursuant to which Janice Chan has agreed to exercise in full her options to acquire shares in the capital of M&C Saatchi (Hong Kong) Limited before Admission and to pay the option exercise price to M&C Saatchi Holdings as soon as reasonably practicable after Admission.

6.10 Agreements dated 28 June 2004 between the Company, M&C Saatchi Holdings, M&C Saatchi Australia, the shareholders of M&C Saatchi Australia and each of Naseema Sparkes and Michael Daddo, pursuant to which the parties agreed to effect the following matters before Admission:

6.10.1 the transfer of the options to acquire shares in the capital of M&C Saatchi Australia from each of Naseema Sparkes and Michael Daddo to M&C Saatchi Holdings in consideration for an allotment of 199,172 Reorganisation Shares to Naseema Sparkes and 199,172 Reorganisation Shares to Michael Daddo;

6.10.2 the exercise of those options by M&C Saatchi Holdings immediately after the transfer referred to in paragraph 6.10.1 and M&C Saatchi Holdings agreed to pay the exercise price in respect of those options to the shareholders of M&C Saatchi Australia (other than M&C Saatchi Holdings) who granted those options, as soon as reasonably practicable after Admission; and

6.10.3 each of Naseema Sparkes and Michael Daddo agreed to pay the exercise price payable in respect of their options (being A$900,000 in aggregate) to M&C Saatchi Holdings as soon as reasonably practicable after Admission.

6.11 Agreements (the ''**UK Minority Share Swap Agreements**'') dated 28 June 2004 between the Company, M&C Saatchi Worldwide and the Participating Executives who hold shares in LIDA Limited and The Immediate Sales Company Limited, pursuant to which the parties agreed to effect the following matters before Admission:

6.11.1 each Participating Executive will sell all of (in the case of LIDA Limited) or 43.75 per cent. of (in the case of The Immediate Sales Company Limited) the shares held by that Participating Executive in LIDA Limited or The Immediate Sales Company Limited (as appropriate) to M&C Saatchi Worldwide in consideration for an allotment of new ordinary shares in the capital of M&C Saatchi Worldwide; and, immediately thereafter

6.11.2 each Participating Executive will sell those new ordinary shares in the capital of M&C Saatchi Worldwide to the Company, in consideration for an allotment of Reorganisation Shares. See paragraph 6.3.5 for a summary of the Reorganisation Shares to be allotted to Participating Executives pursuant to these agreements.

6.12 Agreements made between 28 June 2004 and the date of this document, between, the Company, Talk PR Limited, The Immediate Sales Company Limited, M&C Saatchi Marketing Arts Limited, DNA Agency Network Pty Limited, M&C Saatchi (M) SDN BHD and M&C Saatchi LA, Inc (the ''**Start Up Subsidiaries**'') and Participating Executives who hold shares in those companies, pursuant to which the parties have agreed that, with effect from Admission, the terms upon which those Participating Executives hold shares in the Start Up Subsidiaries will be as follows:

6.12.1 subject as set out in paragraphs 6.12.2 and 6.12.3 and other than in the case of M&C Saatchi LA, Inc, in the event that they leave the Enlarged Group's employment the Participating Executives will be required to transfer their shares to the Group at par. In the case of M&C Saatchi LA, Inc, in the event that they leave the Enlarged Group's employment, the Participating Executives will be obliged to transfer their shares to the Enlarged Group at fair value;

6.12.2 other than in the case of M&C Saatchi LA, Inc, upon the retirement, death, unfair dismissal or wrongful dismissal of the Participating Executives, the Participating Executives (or their personal representatives) will be obliged to transfer their shares to the Enlarged Group at fair value;

6.12.3 other than in the case of M&C Saatchi LA, Inc, where the Company or the relevant Start Up Subsidiary experiences a change of control and the relevant Participating Executive is dismissed within 28 days thereafter, the Group will have the right to require the relevant Participating Executive to transfer his or her shares to the Group at fair value; and

6.12.4 (a) the Participating Executives will have the right to oblige the Group to acquire their shares during the periods of 28 days starting with the publication of the Company's accounts for its financial periods ending after 31 December 2006 (in the case of Talk PR Limited, the Immediate Sales Company Limited and M&C Saatchi LA, Inc) and 31 December 2007 (in all other cases) and (b) the Group will have the right to oblige the Participating Executives to sell their shares during the periods of 28 days starting with the publication of the Company's accounts for its financial period ending on and after 31 December 2009, in each case using the following formula to determine the value of each share to be acquired:

$$\frac{D}{J}$$

where:

D = the amount calculated by applying the following formula:

$$E \times \frac{G}{H}$$

where:

E = the market capitalisation of the Company or, if, at that time, the share capital of the Company is not admitted to trading on AIM or the Official List of the London Stock Exchange, the value of the Group as assessed by an independent valuer;

G = the average post-tax profits of the relevant Start Up Company for three financial periods ended prior to that time;

H = the average consolidated post-tax profits of the New Group for the three financial periods ended prior to that time (but excluding, for these purposes any losses made by members of the Group); and

J = the total number of shares of the Start Up Company in issue

and the consideration will be paid (at the option of the Group) by an allotment of Ordinary Shares or in cash.

6.12.5 At or as soon as reasonably practicable after Admission, M&C Saatchi Worldwide proposes to procure the allotment of M&C Saatchi Agency, Inc shares to Robert Fletcher such that, as a result of that allotment, he will hold 4 per cent. of the share capital of M&C Saatchi Agency, Inc. That allotment will be made at par. M&C Saatchi Holdings proposes to enter into a shareholders agreement with Mr Fletcher at the time of those allotments in a form substantially similar to the form set out above, provided that in the event that Mr Fletcher leaves the Enlarged Group's employment (a) less than 3 years after his employment with M&C Saatchi Agency, Inc commenced, Mr Fletcher will be obliged to transfer his shares back to the Enlarged Group at par, or (b) more than 3 years after his employment with M&C Saatchi Agency, Inc commenced, Mr Fletcher will be obliged to transfer his shares back to the Enlarged Group at their fair value.

6.13 Agreements (the ''**Overseas Minority Share Swap Agreements**'') made between 28 June 2004 and the date of this document between the Company, M&C Saatchi Holdings and the Participating Executives who hold or will, at that time, hold shares in M&C Saatchi Australia, M&C Saatchi Limited (New Zealand), M&C Saatchi (S) Pte Ltd and M&C Saatchi Hong Kong, pursuant to which the parties agreed that, before Admission each of those Participating Executives will sell the shares they hold in those companies to M&C Saatchi Holdings in consideration for an allotment of Reorganisation Shares. The Reorganisation Shares to be allotted by the Company to Participating Executives pursuant to these agreements are set out below:

Participating Executive	*Ordinary Shares*
Tom Dery	782,779
Simon Corah	398,345
Tom McFarlane	398,345
Alan Jarvie	161,557
Michael Moszynski	161,557
Janice Chan	161,557
Jonathan Griffith	147,329
Katherine Griffith	36,832
TOTAL	2,248,301

6.14 Agreements dated 8 June 2004 between the Company, M&C Saatchi Worldwide, Walker Media, Christine Walker, Phil Georgiadis, the trustees of the Phil Georgiadis Settlement 2004 and Jonathan Horrocks, pursuant to which the parties have agreed to effect the following matters before Admission:

6.14.1 Jonathan Horrocks agreed to sell the shares he holds in the capital of Walker Media Limited to Walker Media in consideration for an allotment of new ordinary shares in the capital of Walker Media;

6.14.2 the trustees of the Phil Georgiadis Settlement 2004 agreed to sell the shares they hold in the capital of Walker Media Limited to Walker Media in consideration for an allotment of new ordinary shares in the capital of Walker Media;

6.14.3 each of Christine Walker, Phil Georgiadis and Jonathan Horrocks agreed to sell part of the shares they will hold after the allotments referred to in paragraphs 6.14.1 and 6.14.2 have been effected to M&C Saatchi Worldwide in consideration for an allotment and issue of new shares in the capital of M&C Saatchi Worldwide. In connection with these transfers, Christine Walker and Phil Georgiadis gave certain warranties to M&C Saatchi Worldwide regarding the business of Walker Media. After these transfers have been effected, M&C Saatchi Worldwide will own 75 per cent. of the issued share capital of Walker Media; and

6.14.4 each of Christine Walker, Phil Georgiadis and Jonathan Horrocks agreed to sell to the Company the new ordinary shares in the capital of M&C Saatchi Worldwide that they will receive pursuant to the allotments referred to in paragraph 6.14.3, in consideration for an allotment and issue of Reorganisation Shares.

6.15 Agreements made on 8 June 2004, between the Company, M&C Saatchi Worldwide, Walker Media, Christine Walker, Phil Georgiadis, the trustees of the Phil Georgiadis Settlement 2004 and Jonathan Horrocks, pursuant to which the parties agreed that, with effect from Admission, the terms upon which the parties hold shares in the capital of Walker Media will be varied as follows:

6.15.1 M&C Saatchi Worldwide will grant to Christine Walker, Phil Georgiadis, the trustees of the Phil Georgiadis Settlement 2004 and Jonathan Horrocks options to sell the balance of their shares in Walker Media to the Company which will be exercisable *inter alia* (i) in two equal tranches each of which shall be no less than 12 months apart, (ii) at intervals coinciding with the publication of Walker Media's accounts for each of Walker Media's financial years ending on and after 31 December 2005 (provided that the first tranche will not be exercisable until at least two years after Admission) or upon the implementation of a takeover or delisting of the Company, (iii) at a valuation established by an independent valuer (using *inter alia*, the assumption that, at that time, the share capital of Walker Media is publicly traded) which valuation, in any event, shall not be (a) more than the valuation obtained by multiplying the most recently available consolidated post tax profits of Walker Media by 23; or (b) less than the valuation obtained by multiplying the most recently available consolidated post tax profits of Walker Media by 13. The consideration payable upon the exercise of these options will be satisfied either wholly in cash or in cash (as to 43.75 per cent.) and by means of an allotment of Ordinary Shares (as to the balance);

6.15.2 Christine Walker, Phil Georgiadis, the trustees of the Phil Georgiadis Settlement 2004 and Jonathan Horrocks will grant to the Company options to acquire the balance of their shares which will be exercisable (i) in one tranche, (ii) at intervals coinciding with the publication of Walker Media's accounts for each of Walker Media's financial years ending on and after 31 December 2007, (iii) at a valuation established in the manner set out in paragraph 6.15.1. The consideration payable upon the exercise of these options will be satisfied in cash;

6.15.3 no shareholder will have the right to transfer the shares he, she or it holds in the capital of Walker Media to an unconnected third party without the consent of the other shareholders;

6.15.4 any shareholder holding more than 5 per cent. of the issued share capital of Walker Media will have the right to appoint a director to the board of Walker Media. M&C Saatchi Worldwide will have the right to appoint the majority of the board of Walker Media;

6.15.5 Christine Walker will have the right to be appointed as chairman of the board of Walker Media and as a member of the Group's executive committee;

6.15.6 Phil Georgiadis will have the right to be appointed as chief executive of the board of Walker Media and to serve as chief executive of Walker Media;

6.15.7 Christine Walker and Phil Georgiadis will retain day to day operational management and control of Walker Media and M&C Saatchi Worldwide will have certain veto rights in respect of key strategic matters relating to the management of Walker Media. In the event that the board of Walker Media interferes with the management or operational control of Walker Media (a) Christine Walker and Phil Georgiadis will each have the right to terminate their employment and none of the restrictions set out in their service agreements or referred to in paragraph 6.15.9 will be effective, (b) the rights of Christine Walker and Phil

Georgiadis referred to in paragraph 6.15.1 will become effective immediately and (c) each of Christine Walker and Mr Georgiadis will be entitled to receive a payment equal to 12 months salary;

6.15.8 Walker Media will pay quarterly dividends to its shareholders;

6.15.9 Christine Walker and Phil Georgiadis will agree to certain restrictive covenants with respect to the business of Walker Media to be effective during the period after they cease to hold shares in Walker Media; and

6.15.10 the Company will agree to procure that no management or other charges are made to Walker Media and will agree not to establish any media services business in any market in which the Walker Media business provides services.

6.16 An agreement dated 28 June made between the Company, M&C Saatchi Holdings and Tom Dery, pursuant to which the parties have agreed that, before Admission, Tom Dery will sell the entire issued share capital of Dery Finance Pty Limited to M&C Saatchi Holdings in consideration for an allotment of Reorganisation Shares. Mr Dery gave various warranties and indemnities to M&C Saatchi Holdings in respect of the business, assets and liabilities of Dery Finance Pty Limited. Pursuant to this agreement 719,258 Reorganisation Shares will be allotted to Mr Dery.

7. Property, loans and security

7.1 M&C Saatchi Worldwide is the occupational lessee of the headquarters office building known as 36 Golden Square, London W1 (comprising 32, 34 and 36 Golden Square and 26, 28, 30 and 32 Beak Street) (''**Property**'') which it holds pursuant to a primary lease dated 4 April 1997 between The Scottish Provident Institution and M&C Saatchi Worldwide (for a term expiring on 3 April 2017) and a reversionary lease dated 24 November 2003 between 36 Golden Square LLP (''**LLP**'') (a limited liability partnership whose members are the Founding Directors, Lady Saatchi and The Lord Saatchi Discretionary Trust) and M&C Saatchi Worldwide (for a term commencing on 4 April 2017 and expiring on 23 November 2023). By a deed of variation dated 24 November 2003 between LLP and M&C Saatchi Worldwide, the primary lease was varied following the purchase by LLP of the headlease of 36 Golden Square. On 27 November 2003, Newincco 292 Limited acquired the freehold interest in the Property. On 8 July 2004 M&C Saatchi Worldwide and LLP entered into a rent deposit deed pursuant to which a nominal sum of £1,000 will be placed in an interest bearing deposit account in the name of LLP. As a further term of the rent deposit deed, LLP is able to serve a written demand on M&C Saatchi Worldwide for the remainder of the rent deposit (currently £836,000) to be paid to LLP. Further details relating to this acquisition and the purchase of the head leasehold in the Property by LLP are set out in paragraph 7.2 of this Part X.

On 11 December 2003, each of Simon Dicketts, James Lowther, Moray MacLennan and Nick Hurrell were granted an option to acquire a 4 per cent. interest in LLP, Tim Duffy was granted an option to acquire a 2.5 per cent. interest in LLP and Jerry Wales was granted an option to acquire a 1 per cent. interest in LLP. All of the options are exercisable within two years of the date of grant and, upon exercise, the relevant optionholder will be admitted as a member of LLP.

7.2 By a guarantee (''**Guarantee**'') dated 24 November 2003 and a debenture (''**Debenture**'') dated 24 November 2003, Newincco 292 Limited granted security over its property, assets and undertaking and gave an unlimited guarantee to the Royal Bank of Scotland plc (acting through its agent NatWest in respect of the liabilities of LLP).

Newincco 292 Limited entered into the Guarantee and Debenture as security for amounts advanced by NatWest (pursuant to the terms of a credit agreement dated 24 November 2003 between LLP and NatWest) to assist LLP with the purchase of the headlease of the Property.

As part of the above mentioned financing transaction, Newincco 292 Limited also entered into a legal assignment of contract (''**Legal Assignment of Contract**'') dated 24 November 2003 with NatWest over its right, title and interest in an option agreement also dated 24 November 2003 between Newincco 292 Limited and Scottish Provident Limited relating to the acquisition of the freehold interest in the Property.

Pursuant to the terms of a facility letter dated 24 November 2003 (''**Facility Letter**'') from M&C Saatchi Worldwide to Newincco 292 Limited, M&C Saatchi Worldwide advanced £300,000 by way of loan to Newincco 292 Limited to assist with the purchase of the freehold interest in the Property, Newincco 292 Limited exercised its option to purchase such freehold interest in the Property on 25 November 2003 and completed such purchase (and granted a legal charge (''**Legal Charge**'') in respect thereof in favour of NatWest) on 27 November 2003.

In addition, pursuant to the terms of a facility letter dated 24 November 2003 from M&C Saatchi Worldwide to LLP, M&C Saatchi Worldwide advanced £836,000 by way of loan to LLP to assist with the purchase of the leasehold interest in the Property.

As a further part of the financing transaction, it was agreed with NatWest that in order to protect its position as a senior lender, repayment of the loan monies advanced by M&C Saatchi Worldwide to Newincco 292 Limited would be subordinated until all of LLP's outstanding liabilities to NatWest had been satisfied. As a result, by a subordination agreement dated 24 November 2003 between M&C Saatchi Worldwide, Newincco 292 Limited and NatWest it was agreed that amounts outstanding under the Facility Letter could not be repaid to M&C Saatchi Worldwide without the prior written consent of NatWest.

Prior to Admission it is proposed that the following occurs:

7.2.1 Newincco 292 Limited sells its freehold interest in 36 Golden Square to LLP for £310,000 plus VAT;

7.2.2 NatWest releases Newincco 292 Limited from its obligations under the Guarantee, Debenture, Legal Charge and Legal Assignment of Contract; and

7.2.3 the outstanding loan between M&C Saatchi Worldwide and Newincco 292 Limited is repaid; and

7.2.4 the outstanding loan between M&C Saatchi Worldwide and LLP is repaid.

Newincco 292 Limited has conditional consent to the above proposed steps from NatWest.

8. Placing Arrangements

8.1 Pursuant to the Placing Agreement dated 9 July 2004 and made between (1) the Company (2) the Directors (3) the Participating Executives, (4) Lehman Brothers Europe Limited and (5) Lehman Brothers International (Europe), Lehman Brothers has agreed, conditional upon, *inter alia*, Admission taking place on or before 8.00 am on 14 July 2004, (or such later time and/or date as the Company and Lehman Brothers may agree, not being later than 31 July 2004) to procure subscribers for the New Ordinary Shares proposed to be issued by the Company and the Ordinary Shares to be sold by the Participating Executives at the Placing Price, or failing which, subscribe for or acquire itself such Ordinary Shares.

The Placing Agreement contains warranties from the Company, the Participating Executives and the Directors as well as an indemnity from the Company, certain of the Directors and Charles Saatchi in favour of Lehman Brothers, together with provisions which enable Lehman Brothers to terminate the Placing Agreement in certain circumstances before Admission, including circumstances where any of the warranties are found not to be true or accurate in any material respect. The liability of the Directors and the Participating Executives under the Placing Agreement is limited.

Each of the Participating Executives has undertaken not to dispose of any Ordinary Shares or interests in Ordinary Shares held at Admission for two years following Admission without the prior written consent of Lehman Brothers, save in the following limited circumstances: (i) a transaction notified in advance in writing to Lehman Brothers where Lehman Brothers gives its consent in writing to such transaction (such consent not to be unreasonably withheld or delayed) provided that any such transaction (involving a disposal of Ordinary Shares by way of a sale on the London Stock Exchange) is effected through Lehman Brothers, (ii) an acceptance of a general offer for the share capital of the Company made in accordance with the City Code on Takeovers and Mergers (the ''City Code'') or, in response to a request from the offeror, the provision of an irrevocable undertaking to accept such offer or a sale of shares to an offeror during an offer period (within the meaning of the City Code), (iii) any compromise or arrangement under section 425 of the Act providing for the acquisition by any person (or group of persons) acting in concert (within the meaning of the City Code) of 50 per cent. or more of the equity share capital of the Company, (iv) any sale or transfer ordered by any court of competent jurisdiction, (v) sales of Ordinary Shares by three overseas Participating Executives (who are not Directors and who will hold in aggregate 1.2 per cent. of the issued share capital of the Company following Admission) to the extent necessary to enable them to raise additional funds to pay any sum they owe to any member of the Group which represents, or is calculated by reference to, the price payable upon exercise of certain share options which, before Admission, they agreed to exercise, transfer or cancel or to the extent they are required to pay any tax thereon (after they have first applied the funds received by them pursuant to the Placing), and (vi) sales of shares in the Company by a Participating Executive's personal representative following the death of a Participating Executive provided that such sales shall be effected in accordance with the reasonable requirements of Lehman Brothers so as to ensure an orderly market for the issued share capital of the Company. The Company has undertaken not to issue any Ordinary Shares or interests in Ordinary Shares for one year following Admission without the prior written consent of Lehman Brothers, save pursuant to the Share Schemes.

A corporate finance fee of £0.3 million (including VAT) and a commission of 2.5 per cent. of the aggregate value of the New Ordinary Shares at the Placing Price is payable by the Company to Lehman Brothers on Admission. A commission of 2.5 per cent. of the aggregate value of the Ordinary Shares sold by the Participating Executives at the Placing Price is payable by the Participating

Executives. In addition, a discretionary fee is payable by the Company to Lehman Brothers at the discretion of the Company, such fee not to exceed 1.0 per cent. of the aggregate value of the Ordinary Shares placed under the Placing.

9. UK Taxation

This paragraph is intended as a general guide to the current tax law and practice in the UK in the areas referred to below. It applies to persons who are resident or ordinarily resident in the UK for tax purposes, who beneficially own their shares as investments and acquired the shares otherwise than through their employment with the group. It does not apply to share dealers, charities or persons with special tax status, for whom different tax rules will apply.

9.1 Taxation of dividends

Under current United Kingdom tax legislation, no tax will be withheld by the Company when it pays dividends.

(a) Individual and trustee shareholders

(i) An individual shareholder, resident for tax purposes in the United Kingdom, who receives a dividend from the Company will be entitled to a tax credit equal to one ninth of the amount of the net dividend which is equivalent to a tax credit of 10 per cent. of the sum of the net dividend and the tax credit (the ''gross dividend'').

(ii) Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual's income. The tax credit referred to in (i) above will discharge the liability to income tax in respect of the dividend of an individual shareholder who is subject to United Kingdom tax at the lower rate or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability on tax on the gross dividend. A higher rate taxpayer will be liable to income tax on the gross dividend at a rate of 32.5 per cent. After setting off the tax credit, a higher rate taxpayer will be liable to additional income tax equal to 25 per cent. of the net dividend. If an individual United Kingdom resident shareholder's total tax credit on such dividends exceeds his overall United Kingdom tax liability, he may no longer claim from the Inland Revenue repayment of the excess.

(iii) For dividends paid to trustees of United Kingdom resident discretionary or accumulation trusts after 6 April 2004, assuming provisions in the current Finance Bill are enacted, the gross dividend will be subject to United Kingdom income tax at a rate of 32.5 per cent., which after setting off the tax credit, will result in additional income tax equal to 25 per cent. of the net dividend.

(iv) The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, life assurance company, or charity will not be repaid. Special transitional rates will apply to charities to compensate them, on a phased basis, for the loss of repayable tax credits.

(b) Corporate shareholders

A corporate shareholder (other than a share dealer) resident for tax purposes in the United Kingdom will not generally be liable to United Kingdom corporation tax on any dividend received, nor will it be able to recover any part of the tax credit.

(c) Non-resident shareholders

Certain non-resident shareholders may be able to claim repayment of part of the tax credit under a relevant double taxation agreement, but any such amount is likely to be insignificant.

9.2 Taxation on capital gains for shareholders

Depending on their circumstances, shareholders who are individuals resident or ordinarily resident in the United Kingdom, and other shareholders resident in the United Kingdom, for taxation purposes may be subject to capital gains tax (or, in the case of corporate shareholders, corporation tax on capital gains) in respect of any gain arising on a disposal, including a disposal on a winding-up of the company, of their shares unless the shareholder is taxed as a dealer in securities, in which case any gain will be treated as income and taxed as such. For shareholders who are individuals or trustees, taper relief, and for shareholders within the charge to UK corporation tax, and in respect of periods of ownership up to 5 April 1998 for shareholders who are individuals or trustees, indexation allowance, may reduce a chargeable gain but not create or increase any allowable loss.

Shareholders who are not resident or ordinarily resident in the UK for the purpose of UK taxation will not normally be liable to UK taxation on chargeable gains arising from a disposal of their shares unless they carry on a trade, profession or vocation in the UK through a branch or agency in connection with which the shares are held. However, such shareholders may be subject to charges to foreign taxation depending upon their personal circumstances. In addition, individual shareholders who are temporarily non-UK resident may be liable to UK capital gains tax under anti-avoidance legislation.

9.3 Stamp duty and stamp duty reserve tax (''**SDRT**'')

(a) Except as mentioned in paragraph (d) below, no liability to stamp duty or SDRT will arise on the issue or allotment of New Ordinary Shares by the Company pursuant to the Placing.

(b) Except as mentioned in paragraph (d) below, the transfer of existing Ordinary Shares by the Participating Executives will be liable to *ad valorem* stamp duty at the rate (in broad terms) of 0.5 per cent. of the amount of the value of the consideration paid, or if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. The Participating Executives have undertaken in the Placing Agreement to bear any stamp duty or SDRT liability payable by the placees on the transfer of existing Ordinary Shares at the rate (in broad terms) of 0.5 per cent. These arrangements do not apply to any charge to stamp duty or SDRT under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (as referred to below). Each applicant will be required to give confirmation in his application that the increased rate of stamp duty and SDRT charges do not apply to them.

(c) Except as mentioned in paragraph (d) below, the transfer on sale of the Ordinary Shares will generally be liable to *ad valorem* stamp duty at the rate (in broad terms) of 0.5 percent of the amount or value of the consideration paid, or if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay such stamp duty or SDRT is that of the transferee or purchaser. In the case of transfers in CREST, SDRT will be collected in CREST in accordance with the rules of the CREST system.

(d) Where any charge to stamp duty or SDRT arises under sections 67, 70, 93 and 96 of the Finance Act 1986 (which broadly apply where ordinary shares are transferred or, in certain circumstances, are issued to persons who issue depository receipts or provide clearance services, or their nominees or agents), stamp duty at the higher rate (in broad terms) of 1.5 per cent., or SDRT at the higher rate of 1.5 per cent. (as appropriate), will be payable on the amount or value of the consideration paid for the issue or transfer.

The above comments are intended as a general guide to the current tax position in the United Kingdom based on current UK tax legislation and Inland Revenue practice. They apply principally only to shareholders resident in the United Kingdom for tax purposes and who hold their ordinary shares as an investment. If you are not resident in the United Kingdom or are in any doubt as to your tax position, you should consult your own professional advisor.

10. Working Capital

The Directors (having made due and careful enquiry) are of the opinion that taking into account existing cash and the proceeds of the Placing receivable by the Company, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

11. Significant Change

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Enlarged Group since 31 December 2003, being the date to which the latest consolidated accounts of M&C Saatchi Worldwide and Walker Media were prepared.

12. Litigation

12.1 On 8 July 2004 M&C Saatchi UK received a letter before action from Sports Media Limited, a company with whom M&C Saatchi UK had considered merging M&C Saatchi Sponsorship Limited in 2003. No arrangement was ever entered into between the parties. Prior to 8 July 2004 no claim has ever been made or threatened by Sports Media Limited. The Directors, who have been so advised, believe that the claim is vexatious and without any merit and intend to vigorously defend it.

12.2 Save as disclosed above, no member of the Group is engaged in any legal or arbitration proceedings, and the Company is not aware of any legal or arbitration proceedings active, pending or threatened by or against the Company or any member of the Group, which are having or may have a significant effect on the Group's financial position.

13. General

13.1 BDO Stoy Hayward LLP, of 8 Baker Street, London W1U 3LL, (chartered accountants) has given and not withdrawn its written consent to the inclusion of its reports in the form set out in Parts VI, VII and VIII of this document and the references to them in the form and context in which they appear and has authorised and takes responsibility for the contents of those parts of this document for the purposes of paragraph 45 of the POS Regulations.

13.2 Lehman Brothers Europe Limited and Lehman Brothers International (Europe) have given and not withdrawn their written consent to the inclusion in this document of references to their respective names, in the form and context in which they appear.

13.3 The overall costs and expenses payable by the Company in connection with Admission and the Placing (including professional fees, underwriting commission, the costs of printing and the fees payable to the Registrars) are estimated to amount to approximately £2.8 million (including VAT).

13.4 The total proceeds expected to be raised by the Placing amount to £10 million, and the net proceeds of the Placing (following the deduction of the expenses of Admission and the Placing) amount to £7.2 million.

13.5 The minimum amount which, in the opinion of the Directors must be raised by the Placing in order to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 to the POS Regulations is £2.8 million all of which will be used to fund the expenses of the Placing, as referred to in paragraph 13.3 above.

13.6 Save as disclosed in paragraph 6 of this Part X and save in relation to arrangements with trade suppliers no person has received, directly or indirectly, from the Company within the 12 months preceding the application for Admission, or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

(i) fees totalling £10,000 or more;

(ii) securities of the Company having a value of £10,000 or more calculated by reference to the Placing Price; or

(iii) any other benefit with a value of £10,000 or more at the date of Admission.

13.7 On 20 May 1995 M&C Saatchi UK, Cordiant plc (and other companies in its group), Maurice Saatchi, Charles Saatchi and others entered into an agreement under which M&C Saatchi UK and the members of its group were granted the right to use the name ''M&C Saatchi Agency''. M&C Saatchi UK began trading in 1995 using the name ''M&C Saatchi'' and continues to do so, no objection having been made by the other parties to the agreement since 20 May 1995 to any member of the Group using this name.

13.8 Save as disclosed in paragraph 13.7 of Part X of this document, the Directors believe that there are no patents, other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

13.9 The Ordinary Shares have not been admitted to dealings on a recognised investment exchange and, save in relation to the application for Admission, no application for such admission has been made.

14. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Olswang, 90 High Holborn, London WC1V 6XX from the date of this document until Admission:

14.1 the Memorandum and Articles of Association of the Company;

14.2 the material contracts referred to in paragraph 6 of this Part X;

14.3 the service contracts and letters of appointment referred to in paragraph 4.2 of this Part X;

14.4 the reports set out in Parts VI, VII and VIII of this document;

14.5 the audited consolidated accounts of the Group for the two years ended 31 December 2003;

14.6 the letter from BDO Stoy Hayward LLP relating to the pro forma statement of net assets set out in Part IX of this document; and

14.7 the consent letters referred to in paragraphs 13.1 and 13.2 of this Part X.

Dated 9 July 2004

Printed by greenaways, a member of the ormolu group. E149386