

# M&C SAATCHI

## Annual Report 2004

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# WHO WE ARE

M&C Saatchi was launched in 1995. The aim was to be the world's most sought after agency

The company is now the world's largest independent network, with headquarters in London and regional centres covering America, Asia Pacific and Europe

It employs over 750 people and works for more than 200 clients

## JEREMY SINCLAIR'S INTRODUCTION

Following our launch in 1995, Adweek referred to the company as 'The fastest growing start-up in the history of advertising'. In the decade since, we have maintained the momentum. 2004 marked the tenth consecutive year of organic growth, and saw increases in revenue, profit before tax and group earnings per share.

We set out with a clear business model to fill a market gap with a clear positioning. The model was to grow through start-ups based on a straightforward 80/20 ownership ratio. The gap that we would exploit lay between the one off boutiques and the sprawling conglomerates. The positioning is driven by the company's powerful core philosophy: simplicity sells.

### Going for growth

The company passed a significant milestone on 14 July 2004, when we floated on London's Alternative Investment Market (AIM).

We floated primarily to expand. M&C Saatchi's creative resource has never been in question and this has helped us become the world's largest independent network.

However, our limited geographical presence denied us markets that offered substantial potential in their own right. It also hampered our ability to service multinational clients, who need a genuinely international capability.

### Offering more

Our strategy remains on course. Our East and West coast operations in America have been incorporated into one management structure. We have begun preparing for major expansion throughout the Asia Pacific region and we are about to launch the first of our continental European offices, which will include France, Germany, Italy and Spain.

We have also expanded our offering. Advertising was our first love and greatest revenue generator, but we can now support clients in other ways: online and with design, branding, direct marketing, sponsorship and PR.

# WHAT WE DO

A comprehensive range of marketing and communications services

Substantial operations in the UK and Asia Pacific and a growing presence in the US

Steadily building a global network of resources

## 8 DISCIPLINES, 4 CONTINENTS

### **M&C Saatchi**

An international advertising agency with offices in 13 locations worldwide. Led by four Executive Directors with over 20 years of working together. The agency's clients include British Airways, Dixons Group, The Royal Bank of Scotland Group, Optus, Qantas and the Central Office of Information.

### **Walker Media**

The leading UK independent media planner and buyer. Clients include Dixons Group, Marks & Spencer, KFC, First Choice Group and Blockbuster.

### **LIDA**

A direct and digital marketing agency which provides strategy and execution in all direct response media to clients including British Airways Holidays, Natwest, and the Central Office of Information.

### **Talk PR**

Provides consumer-oriented PR to clients from fashion and luxury goods to beauty, finance, food & drink and retail. Talk PR specialises in brand building, using

a comprehensive range of methods, including press relations, event management, strategic alliances and crisis and issues management.

### **Immediate Sales**

An integrated communications agency offering services in areas from advertising and sales promotion to direct marketing.

### **M&C Saatchi Sponsorship**

Undertakes a range of sponsorship activity in the sport and entertainment sectors, with campaigns incorporating press management, event management and corporate hospitality.

### **M&C Saatchi Arts**

Uses brand development, marketing strategy, PR and media collaborations to solve arts marketing challenges.

### **Influence**

Helps businesses influence the people and organisations that are important to their success.

# HOW WE DO IT

It's easier to complicate than to simplify

Simple messages enter the heart quicker  
and stay there longer

Brutal simplicity of thought is therefore  
an absolute necessity

## BRUTAL SIMPLICITY OF THOUGHT

Creativity lies in reducing propositions to their simplest possible form. To establish whether that's been achieved, refer to the sales curve.

This core principle has driven our steady growth, achieving three key objectives:

### **Retain and attract world class employees**

We look to attract employees of the highest calibre, and supply the training and leadership necessary to enable them to deliver to their full potential. We aim to create an environment where entrepreneurship and creativity thrive within a framework governed by sound business principles and practices. Our levels of 'churn' are remarkably low in an industry characterised by volatility, nowhere better exemplified than in our top management, whose collaboration now extends over more than two decades.

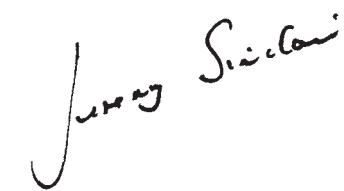
### **Create shareholder value**

Brutal simplicity of thought drives group strategy as much as the creative executions we undertake for our clients. That strategy has two strands and one ultimate goal. The strands are to increase revenues

and manage operating margins. The goal is to create shareholder value. This year we have absorbed the impact of a set of one-off costs associated with our flotation and with laying the foundations for future growth – particularly for our expansion into continental Europe.

### **Establish new offices**

Our existing network leaves large areas of potentially lucrative business beyond our reach. We therefore plan to expand overseas steadily, opening new offices wherever we believe it necessary to support existing or potential clients. Our philosophy is to give good people a clear strategic direction, and the freedom to execute it according to local conditions. As with previous openings, we aim to give these offices significant autonomy, subject to the overall financial and operational objectives laid down by the Board.



Jeremy Sinclair, Chairman

# HOW WE'VE DONE

Revenues up 4.8% to £62.2 million

Improvement in underlying operating margin

Pre-tax profit up 8.5% to £8.1 million

UK solid; US streamlined; Asia Pacific strong

International expansion programme on track

## DAVID KERSHAW'S REVIEW OF OPERATIONS

### Performance overview

To show the underlying performance of the enlarged group the pro forma results have been prepared on the basis that the reorganisation, placing and admission had effect from the 1 January 2003 and exclude the exceptional costs and the amortisation of goodwill.

On this basis, revenues increased 4.8% to £62.2 million (2003: £59.3 million). Operating profit increased by 5.3% to £7.2 million. This was helped by improved contributions from our Asia Pacific business, which grew operating profit by 39% and our American business, which returned to profit. Profit before taxation and goodwill amortisation increased by 8.5% to £8.1 million (2003: £7.5 million).

Administrative expenses increased to £54.9 million (2003: £52.4 million). As indicated at the interim results, in the 2nd half of 2004 we incurred some one-off IPO-related costs totalling £138k. There was also an increase in underlying costs relating to our plc status, totalling £293k. Additionally, we incurred some incremental costs relating to exploratory work in Europe amounting to £70k. During 2004 these costs were charged to the UK business. As a result of the restructuring associated with our IPO,

in 2005, the costs associated with running the holding company will be reclassified as a group cost and then recharged to the regional businesses (including the additional plc related costs). The reallocation will not have any impact on group profit in 2005.

Our underlying operating margin grew to 12.4%. However, the impact of additional costs mentioned above kept the operating margin flat at 11.6%. Group net interest receivable increased to £901k (2003: £630k), principally resulting from interest earned on the cash raised at the IPO. The group's tax rate increased slightly to 32.8% (2003: 31.6%) due to the effect of profits taken straight to reserves. Minority interest increased by 4.0% to £441k (2003: £424k) but as a percentage of profit reduced from 8.3% to 8.1%.

Group earnings per share increased by 6.8% to 9.28p (2003: 8.69p). The Board is recommending a final ordinary dividend of 1.16p payable on 10 June 2005 to shareholders on the register as at 13 May 2005. The dividend is being paid on the basis that the group was listed for half the year.

## PERFORMING WELL; PREPARING FOR THE FUTURE

### Segmental analysis

#### UK

The UK saw a strong new business performance over the year. Revenues were broadly flat on the prior year at £36.5 million, with a strong new business performance off-setting the lost revenue resulting from Matalan and Rover taking their accounts in-house in mid-2003.

Operating profits fell to £4.3 million from £5.2 million as a result of an increase in costs associated with the IPO, our plc status and investment in Europe totalling £501k, and the release of a rent accrual in 2003. Stripping out these effects, underlying operating profits increased 3.1%.

New client wins in the agency included Privilege Insurance, Halfords, US Department of Commerce (Tourism), Thames Water, and Krug. Walker Media had a good year, winning KFC and Halfords and extending their service offering through the formation of a new media strategy company 'Spark'. LIDA, our direct and digital marketing subsidiary, Talk PR, Play, our interactive marketing agency and M&C Saatchi Sponsorship all won new clients this year, with the latter voted 2004 Sponsorship Agency of the Year by Marketing Magazine.

#### Asia Pacific

The business in Asia Pacific performed well. Revenues increased 11.2% to £23.1 million and operating profit increased by 38.9% to £2.7 million, as the business benefited from the first full year contribution from the Optus and Medibank accounts (won in 2003). The operating margin increased to 11.6% from 9.3% as a result of the elimination of one-off new business costs incurred in 2003.

The group has successfully expanded in the region and the established network of 10 offices now has sufficient scale to start attracting pan-regional revenue. We will continue to look for opportunities to start additional offices in the region's high growth markets. During the year we established an office in Thailand and are in advanced negotiations for an Indonesian opening. Other markets where we see potential include India, Korea, the Philippines and further offices in Greater China.

#### America

America returned to profit in 2004. Revenues increased by 40.6% to £2.5 million, and the region is now making a positive contribution to the group, with operating profit growing to £200k from a loss of £251k in 2003.

In addition to new assignments from Ketel One Vodka and Crystal Cruises, our LA office won several new clients including San Diego Zoo and our New York office undertook a high profile assignment for the National Football League's season opening.

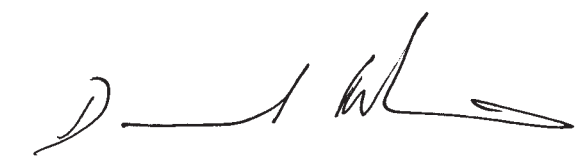
Our US business, whilst a small part of the group, is strategically important. The region is now run as a single entity, reporting to Tom Dery. These offices now provide a good platform to deliver continued growth in America.

#### Europe

Europe remains a key growth area for the group. Local management must be 'best in class' in their markets and our key priority is to find the right people to spearhead these businesses. We remain on track to open two European offices by the end of the year, including a French office, where we are now in detailed discussions with partners.

### Outlook

We continue to make progress with our strategy of growing the underlying business and expanding internationally. As stated at the time of the IPO, while the expansion in Europe will have an impact on profits during the investment period, it will provide us with significant local, regional and global revenue opportunities in the future. We are pleased to report that 2005 has started well, with new assignments in the group from British Airways, Dyson, ITV, Mini, The Royal Bank of Scotland Group and most recently Ribena (GSK).



David Kershaw, Chief Executive

# HOW WE ACCOUNT FOR OURSELVES

## JERRY WALES EXPLAINS THE EFFECTS OF THE REORGANISATION AND PLACING

On 14 July the group's shares floated on London's AIM market. Immediately prior to admission the group undertook a reorganisation of its minority shareholders and increased its stake in Walker Media. A significant amount of exceptional costs were incurred as a result of the reorganisation and the flotation.

### Reorganisation of Minorities

To enable all the group's shareholders to participate in the float we acquired most of the minority interests in the group's subsidiaries in the UK and Asia Pacific. The acquisition of these minorities was satisfied via the issue of new shares in M&C Saatchi Worldwide. These transactions resulted in a goodwill addition of £12.5 million being created. The group's minority interests have reduced accordingly.

### Increased Stake in Walker Media

Immediately prior to admission the group increased its interest in Walker Media by 29% to 75%. This increase was satisfied by the issue of new shares in M&C Saatchi Worldwide. A further goodwill addition of £4.4 million was created.

The result of increasing our stake has been to cause a change to the way we account for our holding from an associate to a subsidiary.

### Exceptional Costs

The group incurred an exceptional charge to the Profit & Loss as a result of the reorganisation and placing of £2.8 million.

These exceptional costs were made up of three elements: the cost of the reorganisation £0.3 million, the cost of the placing £1.0 million and cost of obligations made to employees crystallising immediately prior to admission £1.5 million.

### Unaudited Pro Forma Accounts for the year ended 31 December 2004

To show the underlying performance of the enlarged group pro forma results have been prepared on the basis that the reorganisation, placing and admission had effect from the 1 January 2003 and excludes exceptional costs and goodwill amortisation. Analysis of this performance is contained on pages 6 to 9.

## UNAUDITED PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
<b>Turnover</b>		
– continuing operations	106,884	101,219
– acquisitions	180,864	152,728
Turnover	287,748	253,947
Cost of sales	(225,570)	(194,629)
<b>Gross profit</b>	62,178	59,318
Administrative expenses		
– ordinary	(54,944)	(52,448)
– exceptional	–	–
– amortisation of goodwill	–	–
<b>Operating profit</b>		
– continuing operations	5,829	5,452
– acquisitions	1,405	1,418
Operating profit	7,234	6,870
Share of operating profit of associates	–	–
Interest receivable	931	686
Interest payable	(30)	(56)
<b>Profit on ordinary activities before taxation</b>	8,135	7,500
Taxation on profits on ordinary activities	(2,666)	(2,368)
<b>Profit on ordinary activities after taxation</b>	5,469	5,132
Minority interests	(441)	(424)
<b>Profit for the financial year</b>	5,028	4,708
<b>Earnings Per Share</b>		
– Basic	9.28p	8.69p
– Diluted	9.24p	8.65p

## UNAUDITED PRO FORMA SEGMENTAL ANALYSIS

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
<b>Gross profit arising from the principal activities of the group</b>		
UK	36,518	36,711
Asia Pacific	23,126	20,805
America	2,534	1,802
	<b>62,178</b>	<b>59,318</b>
<b>Operating profit/(loss) before exceptional items and amortisation of goodwill</b>		
UK(1)	4,348	5,187
Asia Pacific	2,686	1,934
America	200	(251)
	<b>7,234</b>	<b>6,870</b>
<b>Profit/(loss) before taxation, exceptional items and amortisation of goodwill</b>		
UK(1)	5,200	5,794
Asia Pacific	2,736	1,958
America	199	(252)
	<b>8,135</b>	<b>7,500</b>

(1) The 2004 UK results include one-off, non-exceptional float expenses of £138k, additional costs related to our plc status of £293k, and the exploratory work in Europe amounting to £70k. Total £501k.

### Audited Accounts for the year ended 31 December 2004

The Group's audited financial statements for the year (set out on pages 24 to 47) reflect the reduction in the minorities, the increased stake in Walker Media, the creation and amortisation of goodwill (from the 14 July 2004) and include the exceptional costs.

### Reconciliation of the Unaudited Proforma Accounts to Audited accounts for year ended 31 December 2004

	Operating Profit	PBT	PAT	Profit for financial year
<b>Audited results for year</b>	2,898	4,020	1,987	1,456
Account for Walker Media as a Subsidiary	764	543	370	198
Remove Exceptional Costs	2,795	2,795	2,335	2,335
Remove Goodwill Charge	777	777	777	777
<b>Total</b>	<b>7,234</b>	<b>8,135</b>	<b>5,469</b>	<b>4,766</b>
Adjust Minorities				262
<b>Total underlying (Pro Forma) profits for full year 2004</b>	<b>7,234</b>	<b>8,135</b>	<b>5,469</b>	<b>5,028</b>
<b>Total underlying (Pro Forma) profits for full year 2003</b>	<b>6,870</b>	<b>7,500</b>	<b>5,132</b>	<b>4,708</b>

This is a summary of the detailed reconciliation set out on pages 48 to 49.



Jerry Wales, Finance Director

# COMMERCIAL BREAK

This year group companies won  
59 new accounts and launched 60 major  
new campaigns for existing clients

Here is a small selection of that work

If you enjoy flying first class with our competitors  
may we recommend our business class cabin?

  
**FIRST**  
BRITISH AIRWAYS

NO  
**KRUG**  
NO  
THANKS  
KRUG CHAMPAGNE, REIMS, FRANCE







Revenue

**Child Trust Fund**  
What will yours grow into?

childtrustfund.gov.uk 0845 302 1470

The advertisement features a baby in a red outfit sitting in the foreground. The background shows a blurred crowd of people. The text is overlaid on the right side of the image.



11,347 STITCHES IN EVERY SHIRT.  
ENOUGH TO DRIVE ANY TAILOR INSANE.





FREE THOSE IMPRISONED FOR THEIR BELIEFS



TODAYS SPECIAL

PRIVILEGE  
GUARANTEE  
TO BEAT YOUR  
RENEWAL  
QUOTE



0845 246 0077

privilege.com

You don't have to be posh to be privileged.

# WHO'S IN CHARGE

## M&C SAATCHI BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

#### Jeremy Sinclair

Chairman  
Jeremy Sinclair was one of the founders of Saatchi & Saatchi in 1970. He became Chairman of the UK agency 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 was appointed Chairman during the year.

#### David Kershaw

Chief Executive  
David Kershaw 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 was appointed Chief Executive during the year.

#### Bill Muirhead

Executive Director  
Bill Muirhead was one of the first account handlers at Saatchi & Saatchi 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 was appointed an Executive Director during the year.

#### Maurice Saatchi

Executive Director  
Maurice Saatchi 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 was appointed an Executive Director during the year.

#### Jerry Wales

Finance Director  
Jerry Wales 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 New York.



### NON-EXECUTIVE DIRECTORS

#### Lloyd Dorfman

Non-Executive Director  
Lloyd Dorfman was appointed to the Board as the senior independent Non-Executive Director during the year. He is currently Chairman and Chief Executive of Travellex Holdings Limited which he founded in 1976.

#### Adrian Martin

Adrian Martin was appointed to the Board as an independent Non-Executive Director during the year. He is currently Chief Executive of Reynolds Porter Chamberlain Solicitors, and a Non-Executive Director of three other organisations. Until 2000 he was managing partner of BDO Stoy Hayward, where he was also chairman of BDO's International Policy Board.



## EXECUTIVE COMMITTEE\*

#### Tom Dery

Chairman, Asia Pacific & America  
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.

#### 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.

#### 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.

#### Christine Walker

Chairman, Walker Media  
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.



\* THE EXECUTIVE COMMITTEE IS COMPOSED OF THE FIVE EXECUTIVE DIRECTORS SHOWN ON THE LEFT AND THE FOUR CHAIRMEN ABOVE.

# THE DIRECTORS REPORT

## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2004 and the company for the 8 month period ended 31 December 2004.

### Results and dividends

The profit and loss account is set out on pages 24 and 25 and shows the result for the year.

The Directors paid an interim ordinary dividend of £2,313,119 (2003 – £4,641,000) in respect of the year. The Directors recommend the payment of a final dividend of £628,799.

### Principal activity, trading review and future developments

The principal activity of the Company and the Group during the year was the provision of advertising and marketing services.

The review of trading and future developments appears on pages 6 to 9.

### Charitable and political contributions

During the year the Group made charitable donations of £99,000 (2003 – £38,000) and no political contributions.

### Substantial shareholding

At 31 March 2005 the Company had been notified of the following interests of 3% or more in its ordinary shares:

	Number of shares	%
David Kershaw	3,799,369	7.0%
Bill Muirhead	3,799,369	7.0%
Maurice Saatchi	3,799,369	7.0%
Jeremy Sinclair	3,799,369	7.0%
Charles Saatchi	3,799,369	7.0%
Fidelity Investments	7,046,884	13.0%
Goldman Sachs	5,579,294	10.3%
New Star Asset Management Limited	1,994,940	3.7%

No other person has notified any interest in the ordinary shares of the Company required to be disclosed to the Company in accordance with sections 198 to 208 of the Companies Act 1985 and representing 3% or more of the issued share capital of the Company.

### Directors

The names of the Directors and their biographical details are given on page 14.

The interests of the Directors in the shares of the Company are shown in the Remuneration Report on pages 20 to 21.

### Events since the end of the year

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

### Employees

The Directors believe that well informed staff can bring invaluable commitment and great benefits to the business, and due consideration is given to their interests when making management decisions. The Directors and senior managers regularly have meetings with staff to obtain their views on matters affecting them, and information is provided throughout the Group on matters of concern to them.

### Employment of disabled people

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. The services of existing employees who become disabled are retained wherever practicable. Appropriate training or retraining is arranged to promote the career development of disabled persons within the Group.

### Payment of Creditors

The Group seeks to abide by agreed payment terms whenever it is satisfied that suppliers have provided goods or services in accordance with agreed terms and conditions. The Group does not have a standard code of conduct dealing specifically with the payment of suppliers. Average creditor days for 2004 were 53 days (2003: 21 days). As a holding company, the Group has no meaningful equivalent of creditor days.

### Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

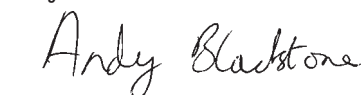
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board



Andy Blackstone, Company Secretary  
13 April 2005

# HOW WE RUN THE COMPANY

## A NOTE ABOUT CORPORATE GOVERNANCE

### Statement of compliance

The Directors intend to comply with the 2003 FRC Combined Code on the Principles of Good Governance and Code of Best Practice ('The Code'), insofar as it is practicable for a Group of M&C Saatchi's size and nature. Current areas of non-compliance will be addressed as the Group grows.

The Company has adopted a code of Directors' dealings appropriate for an AIM-listed company, and takes all reasonable steps to ensure compliance by Directors and employees.

### Board and board committees

The Board comprises five Executive and two Non-Executive Directors. It met twice in 2004 following the July flotation, and plans eight meetings for 2005. The Board manages the Group's affairs according to the schedule of matters reserved for its decision, including the approval of financial statements, acquisitions and disposals, authority levels for expenditure, and reviews of monthly and other management reports. Brief Directors' biographies can be found on page 14.

The Directors can, in undertaking their duties, access independent advice at the Group's expense, and the advice and services of the Company Secretary.

Lloyd Dorfman is the senior independent Non-Executive Director. An independent Director has no relationship with Group, or management, impinging on independence; does not depend on the Group or management as a primary source of income; has not been a senior manager of the

Group within the last three years; and does not participate in its incentive bonus or pension schemes.

The Board delegates day-to-day and business management control to the Executive Directors who are in regular contact with each other. Formal decisions are communicated throughout the Group. The Executive Directors are responsible for the implementation of Group policy, the performance and monitoring of the business, and reporting to the full Board.

Since the 14 July 2004 float the Group has operated with an Audit Committee, whose terms of reference cover the points recommended by the Code. The Committee comprises Lloyd Dorfman and the Chairman, Adrian Martin, and is attended by Jerry Wales, the Finance Director, and the auditors as appropriate.

The Group has a Remuneration Committee, composed of the two Non-Executive Directors and chaired by Lloyd Dorfman. Its report can be found on page 20.

All Executive Directors have service contracts with the Group, terminable on twelve months' notice, which in all cases may be served by either party.

Following their first appointment to the Board, the terms of the Articles of Association require all Directors to retire and stand for re-election at the earliest opportunity. Under the Articles of Association, a third of the Directors shall retire from office by rotation; all must retire once every three years.

In view of the size of the Group there is no Nominations Committee.

### Relationship with shareholders

The Directors consider the clear and timely communication of information to shareholders as an important part of their duties. The Chairman's and Chief Executive's Reviews provide a summary of the Group's trading performance and future outlook. Furthermore, twice a year, following the Group's interim and preliminary final announcements, the Group's financial results are published and briefings held for investment managers and institutional analysts.

### Accountability and internal control

The Directors' have described their responsibility for preparing the financial statements on page 17 in the Statement of Directors' Responsibilities. The Board has overall responsibility for the systems of internal control. Implementation and maintenance of the internal control systems is the responsibility of Executive Management. The Board, through the Audit Committee, has reviewed the effectiveness of the systems of internal control for the accounting year, and the period to the date of approval of the financial statements. It should be understood, however, that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss.

The Group has an established framework of internal controls, the key features are:

Control environment – Organisational responsibilities are clearly defined, and the Board is committed to employing staff suitably qualified to allow the delegation of authority to appropriate levels, maintaining accountability and acceptable levels of risk.

Information systems – The Group operates a number of separate systems of financial and operational reporting to the Board and senior management, based on an annual budget and regular forecasts. The Board recognises the need to review and where appropriate improve information technology systems. Monthly and other periodic reports of actual results and key performance indicators are produced for, and discussed by, the Directors.

Identification and evaluation of business risks and controls – Management control is exercised at all levels of the Group, and regulated by appropriate limits of authority. The Directors have considered various areas of business risks, and developed appropriate policies to manage and mitigate them. These policies are subject to continuous review in the light of known and perceived changes to these risks.

Quality and integrity of personnel – The Group attaches great importance to the honesty and integrity of all personnel – particularly those in positions of authority. The Group operates a policy of recruiting and promoting suitably experienced personnel, and giving them clearly defined accountabilities. The Group currently employs 790 people in 13 locations.

Investment appraisal – Although capital investment is not a significant element of the Group's operations, all major expenditure is included in the annual budget and reported to the Board. In addition, the Board, both in regular meetings and ad hoc reports, regularly reviews all potential and actual acquisition opportunities.

Monitoring – The Group does not currently employ an internal auditor. This position will be reviewed during the coming year by the Board and the Audit Committee.

# HOW MUCH WE'RE PAID

## OUR REMUNERATION REPORT

The Remuneration committee members are Lloyd Dorfman and Adrian Martin.

### Policy on directors' remuneration

A key Company objective is to attract and retain executives of high calibre, and reward them in a way that encourages the creation of value for shareholders. The Committee undertakes to review Directors' remuneration packages annually. No Executive Director plays a part in the discussion about his own remuneration.

### Directors' pension arrangements

The Company contributes to the Directors' money purchase pension schemes.

### Directors' contracts

All the Executive Directors have service contracts with twelve month notice periods.

### Long Term Incentive Plan ('LTIP')

It is the intention of the Directors to operate an LTIP for the Group's senior employees. David Kershaw, Bill Muirhead, Maurice Saatchi and Jeremy Sinclair will not participate.

### Directors' remuneration

	Basic salary (including Bonus) £000	Phantom Bonus(1) £000	Benefits in Kind(2) £000	Other(3) £000	Total £000
<b>Year ended 31 December 2003</b>					
Executive directors	271	–	60	25	356
David Kershaw	310	–	84	33	427
Bill Muirhead	271	–	82	33	386
Maurice Saatchi	271	–	43	33	347
Jeremy Sinclair	1,123	–	269	124	1,516

	Basic salary (including Bonus) £000	Phantom Bonus(1) £000	Benefits in Kind(2) £000	Other(3) £000	Total £000
<b>Year ended 31 December 2004</b>					
Executive directors	229	–	50	25	304
David Kershaw	229	–	27	35	291
Bill Muirhead	229	–	70	35	334
Maurice Saatchi	229	–	40	35	304
Jeremy Sinclair	300	237(1)	23	25	585
Jerry Wales(4)	1,216	237	210	155	1,818

- (1) Jerry Wales was paid a bonus, in accordance with his 'phantom' rights, calculated by reference to the values of the share capital of M&C Saatchi (UK) Limited and M&C Saatchi Worldwide Limited on admission.
- (2) Benefits in kind include car allowances, permanent health insurance benefits and chauffeur services.
- (3) Other benefits include contributions to money purchase pension schemes.
- (4) Jerry Wales has been an employee of the Group for ten years. He was appointed to the Board of M&C Saatchi plc on 28 April 2004, and to the Board of M&C Saatchi Worldwide Limited (the then ultimate holding company of the Group) on 19 May 2005.

	Basic salary (including Bonus) £000	Phantom Bonus(1) £000	Benefits in Kind(2) £000	Other £000	Total £000
<b>Year ended 31 December 2004</b>					
Non Executive Directors	20	–	–	–	20
Adrian Martin	20	–	–	–	20
Lloyd Dorfman	40	–	–	–	40

Both non Executive Directors were appointed to the Company on 4 June 2004. Their annual fees are £35,000 each.

### Directors' share interests

The Directors' interest in the Company's ordinary share capital, all of which were beneficial, were as follows:

	Before Admission(1)		At 31 December 2004	
David Kershaw	6,250,000	13.7%	3,799,369	7.0%
Bill Muirhead	6,250,000	13.7%	3,799,369	7.0%
Maurice Saatchi	6,250,000	13.7%	3,799,369	7.0%
Jeremy Sinclair	6,250,000	13.7%	3,799,369	7.0%
Jerry Wales(2)	–	–	–	–
Adrian Martin	–	–	–	–
Lloyd Dorfman	–	–	85,008	0.2%

- (1) Interest held by the Directors after the Group had been reorganised but before admission. On appointment on 28 April 2004 no director held any shares. On 4 June 2004, 1 ordinary share of £1 was acquired by Jeremy Sinclair and 1 ordinary share of £1 was acquired by David Kershaw.
- (2) Upon admission Jerry Wales was granted options for 282,555 (0.5%) ordinary shares exercisable from 14 July 2006 at 1p each.

The Directors' interest in the Company's redeemable preference shares, all of which were beneficial, were as follows:

	Before Admission(1)		At 31 December 2004	
David Kershaw	2,000	20.0%	–	–
Bill Muirhead	2,000	20.0%	–	–
Maurice Saatchi	2,000	20.0%	–	–
Jeremy Sinclair	2,000	20.0%	–	–
Jerry Wales	–	–	–	–
Adrian Martin	–	–	–	–
Lloyd Dorfman	–	–	–	–

The redeemable preference shares were redeemed on 30 July 2004.

No director of the Company has received or has become entitled to receive a benefit (other than a fixed salary as a full-time employee of the Company or of a related corporation, or a benefit included in the aggregate amount of emoluments shown in the financial statements) by reason of a contract made by the Company or a related corporation of which he is a member or with a Company in which he has a substantial financial interest.

By order of the Board

*Andy Blackstone*

Andy Blackstone, Company Secretary  
13 April 2005

## AUDITORS REPORT

We have audited the financial statements of M&C Saatchi plc for the year ended 31 December 2004 on pages 24 to 47 which have been prepared under the accounting policies set out on pages 30 to 31.

### **Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company or Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the information contained on pages 1 to 21 and pages 48 to 49. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP  
Chartered Accountants  
and Registered Auditors  
London  
13 April 2005

# HEADLINES

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
<b>Turnover</b>			
– continuing operations		106,884	101,219
– acquisitions		108,300	–
Turnover	2	215,184	101,219
Cost of sales	3	(155,807)	(47,608)
<b>Gross profit</b>		<b>59,377</b>	53,611
Administrative expenses			
– ordinary		(52,907)	(48,159)
– exceptional	4	(2,795)	–
– amortisation of goodwill		(777)	–
Administrative expenses	3	(56,479)	(48,159)
<b>Operating profit</b>			
– continuing operations		2,257	5,452
– acquisitions		641	–
Operating profit	7	2,898	5,452
Share of operating profit of associates		352	652
Interest receivable	8	800	457
Interest payable	9	(30)	(55)
<b>Profit on ordinary activities before taxation</b>		<b>4,020</b>	6,506
Taxation on profits on ordinary activities	10	(2,033)	(2,117)

	Note	As at 31 December 2004 £000	As at 31 December 2003 £000
<b>Profit on ordinary activities after taxation</b>		<b>1,987</b>	4,389
Minority interests		(531)	(944)
<b>Profit for the financial year</b>		<b>1,456</b>	3,445
Dividends	11	(2,942)	(4,641)
Retained loss for the year	23	(1,486)	(1,196)
<b>Earnings Per Share</b>	12		
– Basic		3.42p	10.61p
– Diluted		3.41p	10.61p

All amounts relate to continuing activities.

The reconciliation of movements in shareholders' funds is shown in note 24 to the financial statements.

The notes on pages 30 to 47 form part of these financial statements.

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
<b>Profit for the financial year</b>		
– Group	1,140	2,812
– Associates	316	633
	<b>1,456</b>	<b>3,445</b>
Exchange differences on retranslation of opening reserves	260	526
<b>Total recognised gains and losses for the financial year</b>	<b>1,716</b>	<b>3,971</b>

The notes on pages 30 to 47 form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

	At 31 December 2004 £000	At 31 December 2003 £000	At 31 December 2003 £000	At 31 December 2003 £000
<b>Fixed assets</b>				
Intangible assets	13	16,158		–
Tangible assets	14	3,047		3,453
Investments	15	15		985
		<b>19,220</b>		<b>4,438</b>
<b>Current assets</b>				
Work in progress	16	3,368	1,334	
Debtor				
– due within one year	17	46,374	16,028	
– due after more than one year	17	731	1,061	
		<b>47,105</b>	<b>17,089</b>	
Cash at bank and in hand		17,323	5,047	
		<b>67,796</b>	<b>23,470</b>	
Creditors				
– amounts falling due within one year	18	55,980	21,367	
Net current assets		<b>11,816</b>		<b>2,103</b>
Total assets less current liabilities		<b>31,036</b>		<b>6,541</b>
Creditors				
– amounts falling due after more than one year	19	774		950
Provisions for liabilities and charges	20	218		208
		<b>30,044</b>		<b>5,383</b>
<b>Capital and reserves</b>				
Share capital	22	542		12
Share premium account	23	9,618		–
Merger reserve	23	15,959		–
Share option reserve	23	514		–
Profit and loss account	23	2,948		3,963
Shareholders' funds – equity	23	<b>29,581</b>		<b>3,974</b>
Minority interests – equity		463		1,410
		<b>30,044</b>		<b>5,383</b>

These financial statements were approved by the Board on 13 April 2005 and signed on its behalf by:



David Kershaw, Chief Executive

The notes on pages 30 to 47 form part of these financial statements.

## COMPANY BALANCE SHEET

	Note	At 31 December 2004 £000	At 31 December 2003 £000
<b>Fixed assets</b>			
Investments	15		52,585
<b>Current assets</b>			
Debtors	17	6,441	
Cash at bank and in hand		9,801	
		<b>16,242</b>	
<b>Creditors</b>			
– amounts falling due within one year	18	852	
<b>Net current assets</b>			15,390
			67,975
<b>Capital and reserves</b>			
Share capital	22		542
Share premium account	23		9,618
Merger reserve	23		56,763
Share option reserve	23		514
Profit and loss account	23		538
Shareholders' funds – equity	23		67,975

The company was incorporated on 28 April 2004 and subsequently merged with M&C Saatchi Worldwide Limited on 14 July 2004.

These financial statements were approved by the Board on 13 April 2005.

  
David Kershaw, Chief Executive

The notes on pages 30 to 47 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2004 £000	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000	Year ended 31 December 2003 £000
Cash inflow from operating activities	31		4,953		139
Dividend received from associates			728		810
<b>Returns on investments and servicing of finance</b>					
Interest received		687		261	
Interest paid		(3)		(7)	
Interest element of finance lease rental payments		(27)		(45)	
Minority interest dividend paid		(1,296)		(743)	
Net cash outflow from return on investment and servicing of finance			(639)		(534)
<b>Taxation</b>					
UK taxation paid		(1,136)		(1,269)	
Overseas taxation paid		(664)		(470)	
			(1,800)		(1,739)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(922)		(1,591)	
Sale of tangible fixed assets		417		133	
Sale of a part share of a subsidiary undertakings		527		–	
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>			22		(1,458)
<b>Acquisitions and disposals</b>					
Investment in subsidiary		(382)		–	
Cash acquired with subsidiary undertakings	29	2,243		–	
Investment in associate		–		1	
			1,861		1
Equity dividends paid			(2,313)		(4,641)
Net cash inflow/(outflow) before financing			2,812		(7,422)
<b>Financing</b>					
Share placement		10,537		–	
Share placement costs		(835)		–	
Shares issued to minorities		107		6	
Repayment of bank loans		(21)		(34)	
Capital element of finance lease rental payments		(225)		(165)	
Net cash inflow/(outflow) from financing			9,563		(193)
Increase/(decrease) in cash in the year	33		12,375		(7,615)

The notes on pages 30 to 47 form part of these financial statements.

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## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

#### (a) Basis of consolidation

The M&C Saatchi plc consolidated financial statements incorporate the financial statements of M&C Saatchi plc and all of its subsidiary and associated undertakings made up to 31 December 2004. The Group uses the 'acquisition' or 'merger' methods of accounting to consolidate the results of subsidiary undertakings as appropriate.

#### Acquisition accounting

Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

#### Merger accounting

Where merger accounting is used, the investment is recorded in the Company's balance sheet at the value of the shares issued, together with the fair value of any additional consideration paid.

In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of such a subsidiary are included for the whole period in the year it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

#### Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over ten years, being the Directors' estimate of its useful economic life.

#### Associates

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 Group financial statements 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 year. In the consolidated balance sheet, the interests in associated undertakings are shown as the Group's share of the net assets.

#### (b) Turnover

Turnover represents amounts invoiced to clients, excluding sales taxes, for services provided to clients.

Turnover for each type of revenue is recognised on the following basis:

- (1) Project fees are recognised over the period of the relevant assignments or agreements.
- (2) Retainer fees are spread over a period of the contract on a straight line basis.
- (3) Production fees are recognised at the point the client accepts delivery of each component of a project. The amount of total project revenue allocated to each component is assessed according to the stage of completion of the project as a whole.
- (4) Commission on media spend is recognised when the advertisements appear in the media, or when production is complete.

#### (c) 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.

#### (d) Intangible assets and amortisation

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

#### (e) Fixed assets and depreciation

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

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

#### (f) Valuation of investments

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

#### (g) 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.

#### (h) 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.

#### (i) 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.

#### (j) 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 the year end are translated at the year end exchange rate, or, where appropriate, the rate implied in forward contracts.

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

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

#### (k) Share Based payments

The Groups' share based payments have been accounted for in a manner that we believe is not materially different to that calculated in accordance with FRS 20. The cost of share based payments given less any consideration to be received from employee is charged to the Group's profit and loss account over the period to which the employee's performance relates. Where awards are contingent upon future events (other than continued employment) an assessment of the likelihood of these conditions being met is made at the end of each reporting period and an appropriate provision made.

Share based payments include options issued to employees, phantom bonuses and other long term equity linked bonuses.



## NOTES TO THE ACCOUNTS CONTINUED

### 10. TAXATION ON PROFITS FROM ORDINARY ACTIVITIES

Note	2004 £000	2004 £000	2003 £000	2003 £000
<b>Current tax</b>				
UK corporation tax on profits for the year	1,204		1,333	
Overseas tax payable	1,024		611	
Adjustment in respect of previous years	15		(34)	
Associates	148		214	
<b>Total current tax</b>		<b>2,391</b>		2,124
<b>Deferred tax</b>				
Origination and reversal of timing differences	(358)		(7)	
Movement in deferred tax provision	21	(358)		(7)
<b>Taxation on profit on ordinary activities</b>		<b>2,033</b>		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:

	2004 £000	2003 £000
Profit on ordinary activities before tax	4,020	6,506
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 – 30%)	1,206	1,952
Effects of:		
Expenses not deductible for tax	150	242
Float expenses not deductible for tax	379	–
Goodwill amortisation	233	–
Exchange adjustment taken to reserves subject to tax	81	–
Utilisation of tax losses	31	32
Differences between capital allowances and depreciation	(25)	5
Short term timing differences	175	–
Short term timing differences due to provision on options & phantom bonus accruals	214	–
Adjustment to tax charge in respect of previous years	15	(34)
Tax rate differences	(68)	(73)
<b>Current tax charge for year</b>	<b>2,391</b>	2,124

### 11. DIVIDENDS

	2004 £000	2003 £000
Paid prior to reorganisation and flotation(1)		
Ordinary shares of £1 – £144 per share (2003 – £365)	1,800	4,560
Ordinary shares of £1 – £135 per share(2)	338	–
'B' shares of £1 – £41,100 per share (2003 – £18,400)	164	74
'C' shares of £1 – £10,924 per share (2003 – £6,900)	11	7
	<b>2,313</b>	4,641
Proposed final dividend of M&C Saatchi plc – £1.16p per share	629	–
	<b>2,942</b>	4,641

(1) These dividends were paid by M&C Saatchi Worldwide Limited (the previous ultimate holding company of the M&C Saatchi Group). Its share capital before reorganisation consisted of 12,500 ordinary shares of £1, 4 'B' shares of £1 and 1 'C' share of £1.

(2) Dividend waived by all the Ordinary £1 shareholders, with the exception of Charles Saatchi who held 2,500 shares.

### 12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit after tax and minority interest, divided by the number of shares in issue during the year. The number of shares stated for 2003 and brought forward into 2004 is the number of shares that M&C Saatchi plc would have issued had MC Saatchi Worldwide Limited occurred at the beginning of 2003. (The actual number of shares that exist on 31 December was 12,500.)

### 12. EARNINGS PER SHARE CONTINUED

Earnings per share is calculated as follows:

	2004	2003
<b>Basic</b>		
Profit for the year	£1,456k	£3,445k
Weighted average number of ordinary shares	42,542k	32,484k
Basic earnings per share	3.42p	10.61p
<b>Diluted</b>		
Profit for the year	£1,456k	£3,445k
Weighted average number of ordinary shares	42,732k	32,484k
Basic earnings per share	3.41p	10.61p

The outstanding options at 31 December 2004 was 411,050 (2003 – nil), and their weighted average for the year was 190,322.

### 13. INTANGIBLE ASSETS

	Goodwill £000
1 January 2004	–
Additions	16,935
Amortisation	(777)
<b>31 December 2004</b>	<b>16,158</b>

Additions represent the goodwill arising on the acquisition of a further 29% beneficial interest in Walker Media Holdings Limited (£4,394k) and the acquisition of certain minority interests in Group companies (£12,541k). These transactions occurred prior to the flotation on 14 July 2004 and were fulfilled by issuing equity.

The company had no intangible fixed assets during the year to 31 December 2004.

## NOTES TO THE ACCOUNTS CONTINUED

### 14. TANGIBLE ASSETS

Group	Freehold £000	Short leasehold improvements £000	Furniture, fittings and other equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>						
At 1 January 2004	311	2,008	2,220	2,712	694	7,945
Reclassifications	–	(252)	241	106	(95)	–
Additions	–	2	397	524	28	951
New acquisitions	–	198	81	353	–	632
Disposals	(311)	(1)	(61)	(392)	(384)	(1,149)
Exchange translation differences	–	(15)	(26)	(57)	–	(98)
<b>At 31 December 2004</b>	<b>–</b>	<b>1,940</b>	<b>2,852</b>	<b>3,246</b>	<b>243</b>	<b>8,281</b>
<b>Depreciation</b>						
At 1 January 2004	–	1,352	988	1,689	463	4,492
Reclassifications	–	(218)	180	80	(42)	–
New acquisitions	–	46	73	279	–	398
Provision for year	–	203	269	612	83	1,167
Disposals	–	(1)	(67)	(386)	(312)	(766)
Exchange translation differences	–	(9)	(15)	(33)	–	(57)
<b>At 31 December 2004</b>	<b>–</b>	<b>1,373</b>	<b>1,428</b>	<b>2,241</b>	<b>192</b>	<b>5,234</b>
<b>Net book value</b>						
<b>At 31 December 2004</b>	<b>–</b>	<b>567</b>	<b>1,424</b>	<b>1,005</b>	<b>51</b>	<b>3,047</b>
At 31 December 2003	311	656	1,232	1,023	231	3,453

The net book value of tangible fixed assets for the Group includes an amount of £213k (2003 – £461k) in respect of assets held under finance leases and hire purchase contracts. The Company had no assets held under such leases.

The Company held no tangible fixed assets during the year to 31 December 2004.

### 15. INVESTMENTS

Group	Associated undertakings £000	Other £000	Total £000
<b>Cost</b>			
At 1 January 2004	78	26	104
Investment sold	(63)	–	(63)
Reclassification to subsidiary	(15)	–	(15)
Amortisation of investment	–	(7)	(7)
Exchange rate movement	–	(4)	(4)
<b>31 December 2004</b>	<b>–</b>	<b>15</b>	<b>15</b>
<b>Share of retained profits</b>			
At 1 January 2004	881	–	881
Retained loss for the year (1 January 2004 to 14 July 2004)	(412)	–	(412)
Dividends waived	(422)	–	(422)
Reclassification to subsidiary (14 July 2004)	(47)	–	(47)
<b>At 31 December 2004</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>			
<b>At 31 December 2004</b>	<b>–</b>	<b>15</b>	<b>15</b>
At 31 December 2003	959	26	985
<b>Company</b>			
			£000
<b>Cost</b>			
At 1 January 2004	–		
Additions	52,585		
<b>31 December 2004</b>	<b>52,585</b>		

## NOTES TO THE ACCOUNTS CONTINUED

### 15. INVESTMENTS CONTINUED

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at 31 December 2004	Nature of business
M&C Saatchi Limited	UK	100%	Advertising
M&C Saatchi Sponsorship Limited	UK	100%	Advertising
M&C Saatchi International Limited	UK	100%	Holding Company
M&C Saatchi (Management) Limited	UK	100%	Dormant
LIDA Limited	UK	100%	Direct marketing
M&C Saatchi Marketing Arts Limited	UK	50%	Consultancy
The Immediate Sales Company Limited	UK	83.2%	Direct marketing
Talk PR Limited	UK	72.9%	Public relations
Influence Communications Limited	UK	100%	Advertising
Newinco 292 Limited	UK	100%	Property rental
Walker Media Holdings Limited	UK	75%	Holding Company
Walker Media Limited	UK	75%	Media buying
M&C Saatchi Worldwide Limited	UK	100%	Holding Company
M&C Saatchi Agency (ESOP) Limited	Jersey	100%	Dormant
M&C Saatchi International Holdings BV	UK Branch	100%	Holding Company
M&C Saatchi Agency Pty Limited	Australia	100%	Advertising
M&C Saatchi Direct Pty Limited	Australia	100%	Direct marketing
Go Studios Pty Limited	Australia	100%	Advertising
EMC Saatchi Pty Limited	Australia	100%	Dormant
Bright Red Oranges Pty Limited	Australia	100%	Advertising
DNA Agency Network Pty Limited	Australia	90%	Advertising
Dery Finance Pty Limited	Australia	100%	Holding Company
M&C Saatchi (Hong Kong) Limited	Hong Kong	100%	Advertising
M&C Saatchi Agency (S) Pte Limited	Singapore	100%	Advertising
M&C Saatchi Agency Inc	USA	96%	Advertising
M&C Saatchi LA Inc	USA	84%	Advertising
M&C Saatchi Limited	New Zealand	100%	Advertising
M&C Saatchi (M) SDN BHD	Malaysia	80%	Advertising
M&C Saatchi Limited	Japan	64%	Advertising
M&C Saatchi Consulting (Shanghai) Limited	China	100%	Consultancy

In 2003 the investment in Walker Media Holdings Limited represented 100% of the issued 'B' ordinary shares representing 50% of the issued share capital. On 14 July 2004 the Group acquired a further 25% of Walker Media Holdings Limited, causing Walker Media Holdings Limited to be accounted for as a subsidiary. The results shown below for 2004 represent the first half of the year.

### 15. INVESTMENTS CONTINUED

The Group's share of the results and balance sheet of its associates are as follows:

Company	2004 £000	2003 £000
Share of turnover	33,371	70,596
Share of profit before tax	446	847
Share of taxation	(148)	(214)
Share of profit after tax	316	663
Share of fixed assets	–	130
Share of current assets	–	22,477
Share of current liabilities	–	(21,721)
Share of net assets	–	886

### 16. WORK IN PROGRESS

	2004 Group £000	2004 Company £000	2003 Group £000	2003 Company £000
Work in progress	3,368	–	1,334	–

### 17. DEBTORS

	Note	2004 Group £000	2004 Company £000	2003 Group £000	2003 Company £000
Due within one year:					
Trade debtors		43,287	11	12,518	–
Amount due from subsidiary undertakings		–	6,274	–	–
Other debtors		587	142	1,271	–
Prepayments and accrued income		2,500	14	2,239	–
		46,374	6,441	16,028	–
Due after more than one year:					
Deferred tax asset	21	370	–	225	–
Other debtors		361	–	836	–
		731	–	1,061	–

## NOTES TO THE ACCOUNTS CONTINUED

### 18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 Group £000	2004 Company £000	2003 Group £000	2003 Company £000
Bank loans	–	–	21	–
Trade creditors	31,189	35	5,872	–
Other creditors	822	5	458	–
Amounts due to subsidiary undertakings	–	5	–	–
Tax and social security	2,553	–	1,326	–
Dividends payable	629	629	–	–
Corporation tax	1,279	–	780	–
Obligations under finance leases and hire purchase contracts	133	–	222	–
Accruals and advanced billings	19,375	178	12,688	–
	<b>55,980</b>	<b>852</b>	<b>21,367</b>	<b>–</b>

### 19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 Group £000	2004 Company £000	2003 Group £000	2003 Company £000
Other creditors	663	–	721	–
Obligations under finance leases and hire purchase contracts	111	–	229	–
	<b>774</b>	<b>–</b>	<b>950</b>	<b>–</b>

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

	2004 £000	2003 £000
In one year or less, or on demand	133	222
In more than one year but not more than two years	85	78
In more than two years but not more than five years	26	150
	<b>244</b>	<b>450</b>

### 20. PROVISIONS FOR LIABILITIES AND CHARGES

	Note	2004 £000	2003 £000
Deferred taxation	21	9	208
Phantom bonus provision(1)		143	–
National Insurance on employee Options		66	–
		<b>218</b>	<b>208</b>

(1) Certain Executives are entitled to 'phantom' bonuses in M&C Saatchi Sponsorship Limited & Talk PR Limited, calculated with reference to the relevant company's share of Group profits after tax and the market capitalisation of the Group. The liability could crystallise from 2007 or 2009 when the Executive or Group respectively have the right to exercise the options.

### 20. PROVISIONS FOR LIABILITIES AND CHARGES CONTINUED

	Deferred Taxation £000	Phantom Bonus £000	National Insurance £000	Total £000
At 1 January 2004	208	–	–	208
Charge to the profit & loss account	(199)	892	66	759
Paid in the year	–	(749)	–	(749)
At 31 December 2004	<b>9</b>	<b>143</b>	<b>66</b>	<b>218</b>

### 21. DEFERRED TAXATION

The amounts of provided deferred taxation are as follows:

Group	Note	Deferred taxation £000
At 1 January 2004 in provisions	20	208
At 1 January 2004 in long-term debtors	17	(225)
Exchange translation differences		(17)
		14
		(3)
Credited to profit and loss account	10	(358)
At 31 December 2004		(361)
At 31 December 2004 in provisions	20	9
At 31 December 2004 in long-term debtors	17	(370)
At 31 December 2004		(361)
	<b>2004 £000</b>	<b>2003 £000</b>
Accelerated capital allowances	27	268
Provision on options & phantom bonus accruals	(214)	–
Sundry timing differences	(174)	(285)
	<b>(361)</b>	<b>(17)</b>

The Group has no unprovided deferred taxation.

#### Company

The company had neither provided nor unprovided deferred taxation.

## NOTES TO THE ACCOUNTS CONTINUED

### 22. SHARE CAPITAL

	2004 Company £000
<b>Authorised</b>	
200,000,000 ordinary shares of 1p each	<b>2,000</b>
	2004 Company £000
<b>Allotted, called up and fully paid</b>	
54,206,799 ordinary shares of 1p each	<b>542</b>
	<b>542</b>

M&C Saatchi (The Company) was incorporated on 28 April 2004 and subsequently merged with M&C Saatchi Worldwide Limited on 14 July 2004.

- On incorporation the Company issued 2 ordinary shares of £1 each.
- The Company's shares were then split into 200 ordinary shares of 1p.
- 5,000 redeemable preferences of £10 each were issued in the Company.
- 42,068,116 ordinary shares of 1p were issued in exchange for M&C Saatchi Worldwide Ltd.
- 3,708,511 ordinary shares of 1p were issued in exchange for the minority shares in certain of our Asia Pacific companies.
- 8,429,972 ordinary shares of 1p were issued by the company when its shares were admitted to AIM.
- All ordinary shares were issued at £1.25 per share.
- On the 30 July 2003, 2,000 redeemable preferences of £10 each were redeemed.
- Certain employees hold options for 411,050 ordinary shares exercisable from 14 July 2006, at 1p.

### 23. RESERVES

Group	Ordinary share capital £000	Share premium account £000	Merger reserve £000	Share(1) option reserve £000	Profit and loss account £000	Total £000
At 1 January 2004	12	-	-	-	3,961	3,973
Exchange differences	-	-	-	-	260	260
Script issue	312	-	-	-	(312)	-
Ordinary shares issued in respect of acquisitions	134	-	16,484	-	-	16,618
Issue of options	-	-	-	514	-	514
Share placement	84	10,453	-	-	-	10,537
Share issue costs	-	(835)	-	-	-	(835)
Redemption of redeemable preference shares on subsidiary	-	-	50	-	(50)	-
Merger reserve release on Goodwill amortisation	-	-	(575)	-	575	-
Retained Profit for the year	-	-	-	-	(1,486)	(1,486)
<b>At 31 December 2004</b>	<b>542</b>	<b>9,618</b>	<b>15,959</b>	<b>514</b>	<b>2,948</b>	<b>29,581</b>

Company	Ordinary share capital £000	Share premium account £000	Merger reserve £000	Share(1) option reserve £000	Profit and loss account £000	Total £000
Ordinary shares issued in respect of acquisition of M&C Saatchi Worldwide Ltd	421	-	52,164	-	-	52,585
Ordinary shares issued in respect of other acquisitions	37	-	4,599	-	-	4,636
Share placement	84	10,453	-	-	-	10,537
Issue of options	-	-	-	514	-	514
Share issue costs	-	(835)	-	-	-	(835)
Retained Profit for the year	-	-	-	-	538	538
<b>At 31 December 2004</b>	<b>542</b>	<b>9,618</b>	<b>56,763</b>	<b>514</b>	<b>538</b>	<b>67,975</b>

(1) 411,050 (0.8%) ordinary share options were issued on 14 July 2004. These options are exercisable from 14 July 2006 at a price of 1p each.

(2) Before M&C Saatchi Worldwide Limited merged with M&C Saatchi plc it split all its £1 shares into 1p shares and then issued, by way of a scrip issues, 30,000,000 new 1p ordinary shares, 1,149,340 new B shares and 83,826 new C shares. The 1p B and C shares were converted to 1p ordinary shares.

Minority shareholders in M&C Saatchi Marketing Arts Limited, The Immediate Sales Company Limited, Talk PR Limited, Walker Media Holdings Limited, DNA Agency Network Pty Limited, M&C Saatchi Agency Inc, M&C Saatchi LA Inc and M&C Saatchi (M) SDN BHD, have rights to swap their minority shareholding for equity in M&C Saatchi plc at a fair value. The earliest year these rights can be exercisable is 2007.

The Company has taken advantage of the dispensation under Section 230(3) of the Companies Act 1985, allowing it not to publish its own profit and loss account. The Group profit for the year includes a loss after tax and before dividends of £(333k) which relates to the Company.

## NOTES TO THE ACCOUNTS CONTINUED

### 24. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 Group £000	2004 Company £000	2003 Group £000	2003 Company £000
<b>Profit for the financial year</b>				
– Group	1,140	1,167	2,812	–
– Associates	316	–	633	–
Dividend	(2,942)	(629)	(4,641)	–
	<b>(1,486)</b>	<b>538</b>	<b>(1,196)</b>	
Exchange differences	260	–	526	–
Issue of shares	27,155	67,758	–	–
Share issue cost	(835)	(835)	–	–
Issue of options	514	514	–	–
Net addition/(reduction) to shareholders' funds	<b>25,608</b>	<b>67,975</b>	<b>(670)</b>	–
Opening shareholders' funds	<b>3,973</b>	–	4,643	–
Closing shareholders' funds	<b>29,581</b>	<b>67,975</b>	3,973	–

### 25. COMMITMENTS UNDER OPERATING LEASES

As at 31 December 2004, the Group had annual commitments under non-cancellable operating leases as set out below:

	2004 Land and buildings £000	2004 Other £000	2003 Land and buildings £000	2003 Other £000
Operating leases which expire:				
Within one year	174	58	66	10
In two to five years	836	139	1,020	82
More than 5 years	1,961	–	1,672	–
	<b>2,971</b>	<b>197</b>	<b>2,758</b>	<b>92</b>

### 26. 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 of £1,328,342 (2003 – £1,358,879) were made in the year and 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 £82,490 (2003 – £63,451).

### 27. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties.

Jeremy Sinclair, Maurice Saatchi, Bill Muirhead and David Kershaw who are Directors of M&C Saatchi plc are also Directors of 36 Golden Square LLP. These companies therefore have a controlling nucleus of Directors in common.

On 14 July 2004 Newincco 292 Limited, a Group undertaking, sold the freehold interest in 36 Golden Square to 36 Golden Square LLP for £310,500.

Newincco 292 Limited received a ground rent totalling £15,625 (2003 – £2,500) from 36 Golden Square LLP during the year.

The Group paid rent to 36 Golden Square LLP totalling £1,672,000 during the year (2003 – £165,291 for rent since 24 November 2003).

No amounts remained outstanding between any member of the Group and 36 Golden Square LLP at the year end.

Maurice Saatchi is Co-Chairman of the Conservative party. During the year the Group charged, on an arms length basis, the Conservative Central office £350,684 (2003 – £3,000) for advertising and marketing services of which £31,603 (2003 – £nil) was outstanding at the year end.

Lloyd Dorfman is Chairman and Chief Executive of Travelex Holdings Limited. During the year the Group charged, on an arms length basis, subsidiaries of Travelex Holdings Limited £356,786 (2003 – £704,351) for advertising and marketing services of which £114,952 (2003 – £153,957) was outstanding at the year end.

### 28. CONTINGENT LIABILITIES

The Group has guaranteed amounts due to certain suppliers of its subsidiary company Walker Media Limited. At the year end the liabilities covered by these guarantees totalled £20,238,545 (2003 – £13,531,225).

### 29. ACQUISITION OF WALKER MEDIA HOLDINGS LTD

On the 14 July 2004 the Group acquired an additional 29% of Walker Media Holdings Limited for £4,335,710 paid by the issue of shares. Before the acquisition the Group held 46% of Walker Media Holdings Limited shares.

In calculating the goodwill arising on acquisition the fair values of the net assets of Walker Media Holdings Limited have been assessed. No adjustment from book value was deemed necessary.

	Book and Fair Value £000
Fixed assets tangible	234
<b>Current assets</b>	
Debtors	13,838
Cash at bank and in hand	2,243
<b>Total Assets</b>	<b>16,315</b>
<b>Creditors</b>	
Due within one year	16,204
<b>Net Assets</b>	<b>111</b>
Equity consideration	4,336
Cost of acquisition	90
Less net assets acquired (29%)	(32)
<b>Goodwill arising on acquisition</b>	<b>4,394</b>

## NOTES TO THE ACCOUNTS CONTINUED

### 29. ACQUISITION OF WALKER MEDIA HOLDINGS LTD CONTINUED

The results of Walker Media Holdings Ltd prior to its acquisition were as follows:

#### Profit & loss account

	1 January 2004 to 13 July 2004 £000	2003 £000
Turnover	72,564	153,470
Operating profit	764	1,418
Net Interest	243	423
Profit on ordinary activities before taxation	1,007	1,841
Taxation on profits on ordinary activities	(321)	(465)
Profit for the year	686	1,376

#### Cash flows

The net inflow of cash arising from the acquisition of Walker Media Holdings Ltd was as follows:

	£000
Cost of acquisition	(90)
Cash acquired	2,243
<b>Net cash inflow</b>	<b>2,153</b>

### 30. FINANCIAL INSTRUMENTS

The Group has no borrowings and holds cash on short term deposit. During the year the Group received an average of 4% on its deposits.

#### Currency exposure

The monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit concerned are shown below. The fair value of the monetary assets is not materially different to the book value.

	US Dollar £000	Euro £000	Total £000
Functional currency of Group operations			
<b>2004 Sterling &amp; Total</b>	<b>1,583</b>	<b>119</b>	<b>1,702</b>
2003 Sterling & Total	–	10	10

These balances arose from trading with clients who pay in currencies other than the currency of the local office. Exchange rate exposure is minimised by using forward contracts when the amount of future currency exposure on client contracts is material and known.

### 31. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £000	2003 £000
Operating profit	2,898	5,452
Amortisation of intangible fixed assets	777	–
Non cash flow expenses associated with reorganisation	460	–
Depreciation	1,167	1,141
Profit on sale of tangible fixed assets	(34)	(1)
(Increase)/decrease in work in progress	(2,062)	463
Increase in debtors	(16,233)	(2,998)
(Increase)/decrease in creditors	17,902	(4,183)
Exchange differences	78	265
	<b>4,953</b>	<b>139</b>

### 32. ANALYSIS OF CHANGES IN NET FUNDS

	Balance at 1 January 2004 £000	Cash inflow £000	Finance leases £000	Exchange movements £000	Balance at 31 December 2004 £000
Cash at bank and in hand	5,047	12,375	–	(99)	17,323
Debt due within one year	(21)	21	–	–	–
Finance leases	(450)	225	(31)	12	(244)
<b>Total</b>	<b>4,576</b>	<b>12,621</b>	<b>(31)</b>	<b>(87)</b>	<b>17,079</b>

### 33. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £000	2004 £000	2003 £000	2003 £000
Increase in cash in the year	12,375		(7,615)	
Cash outflow from decrease in lease financing	225		165	
Inception of finance leases	(31)		(96)	
Exchange differences	(87)		228	
Cash outflow from repayment of bank loan	21		34	
Movement in net funds in the year		12,503		(7,284)
Net funds at start of year		4,576		11,860
Net funds at end of year		<b>17,079</b>		<b>4,576</b>

## RECONCILIATION OF THE UNAUDITED PRO FORMA ACCOUNTS TO THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

2004	M&C Saatchi plc £000	Removal exceptional items and goodwill £000	Re- organisation (1) £000	Enlarged Group £000
<b>Turnover</b>	215,184	–	72,564	287,748
Cost of sales	(155,807)	–	(69,763)	(225,570)
<b>Gross profit</b>	59,377	–	2,801	62,178
Administrative expenses				
– Ordinary	(52,907)	–	(2,037)	(54,944)
– Exceptional	(2,795)	2,795	–	–
– Amortisation of goodwill	(777)	777	–	–
<b>Operating profit</b>	2,898	3,572	764	7,234
Share of operating profit of associates	352	–	(352)	–
Interest receivable	800	–	131	931
Interest payable	(30)	–	–	(30)
<b>Profit on ordinary activities before taxation</b>	4,020	3,572	543	8,135
Taxation on profits from ordinary activities	(2,033)	(460)	(173)	(2,666)
<b>Profit on ordinary activities after taxation</b>	1,987	3,112	370	5,469
Minority interests	(531)	–	90	(441)
<b>Profit for the financial period</b>	1,456	3,112	460	5,028
<b>Earning per share</b>				
– Basic	3.42p	5.74p	0.12p	9.28p
– Diluted	3.41p	5.72p	0.11p	9.24p
<b>Shares earning per share is based on: (2)</b>	42,541,744	47,068,544	54,206,799	54,206,799

(1) Reorganisation column restates the first half of the year to show Walker Media Holdings Limited as a subsidiary, and adjusts minority interests by £262k to remove the minority charge relating to the M&C Saatchi minorities that were acquired during the reorganisation.

(2) 54,206,799 is the number of ordinary shares in existence at 31 December 2004 and includes the new shares placed on 14 July 2004.

2003	M&C Saatchi Worldwide £000	Walker Media £000	Re- organisation £000	Enlarged Group £000
<b>Turnover</b>	101,219	153,470	(742)	253,947
Cost of sales	(47,608)	(147,763)	742	(194,629)
<b>Gross profit</b>	53,611	5,707	–	59,318
Administrative expenses				
– Ordinary	(48,159)	(4,289)	–	(52,448)
– Exceptional	–	–	–	–
– Amortisation of goodwill	–	–	–	–
<b>Operating profit</b>	5,452	1,418	–	6,870
Share of operating profit of associates	652	–	(652)	–
Interest receivable	457	425	(196)	686
Interest payable	(55)	(2)	1	(56)
<b>Profit on ordinary activities before taxation</b>	6,506	1,841	(847)	7,500
Taxation on profits from ordinary activities	(2,117)	(465)	214	(2,368)
<b>Profit on ordinary activities after taxation</b>	4,389	1,376	(633)	5,132
Minority interests	(944)	(130)	650	(424)
<b>Profit for the financial period</b>	3,445	1,246	17	4,708
<b>Earning per share</b>				
– Basic	10.61p	2.44p	(4.36)p	8.69p
– Diluted	10.61p	2.44p	(4.40)p	8.65p
<b>Shares earning per share is based on:</b>	32,483,666	35,952,232	54,206,799	54,206,799

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