

SIMPLICITY

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WORDS

1. WORDS

Chairman
Chief Executive
Finance Director
Board
Directors' report
Rewards

2. PICTURES

Recycle Boutique (New Zealand)
Silverjet (UK)
Nike (Malaysia)
Yves Rocher (France)
London Underground (UK)
Business Friendly Bahrain (Bahrain)
Earthquake Commission (New Zealand)
RBS (USA)
Bündnis 90/dieGrünen Nie (Germany)

3. NUMBERS

Consolidated income statement
Consolidated statement of recognised income and expense
Consolidated cash flow statement
Consolidated balance sheet
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Independent auditors' report
Additional information

CHAIRMAN

2007 was our third full year since floating the Company in 2004. During that time revenue rose by 41%, headline profit before tax by 47%, headline earnings per share by 35%.

Our UK advertising agency ranking has risen from No 6 to 3, the number of International offices has gone from 13 to 20.

Meanwhile at the time of writing, the share price since flotation has fallen by 12%. Now it can be argued that the executive director's job is simply to run the Company well and leave the share price to look after itself. It can also be argued that it is undignified to kick against market forces.

Perhaps.

But since 40% of the Company is owned by the management, the decline in value is very much felt by the executives.

Our solution falls into two main areas.

We will continue to expand the Company into higher margin and higher growth sectors. The recent acquisition of the brand consultancy Clear Ideas Ltd and the increased stake in our media planning and buying company Walker Media are prime examples of this.

We will continue to expand geographically. During the year the group won regional and global business in Europe, Asia and Australasia, including Jameson, Jet Airways, and Westfield. We are also finding a healthy demand for our services in two new areas: The Middle East and Eastern Europe. If sufficient demand is received, we may well expand our offering in these areas in 2008.

The potential for rapid expansion through global new business wins is as great as ever. The sound of the creaking bones of the multinational groups whets our appetite.

2007 was our third full year since floating the Company in 2004. During that time revenue rose by 41%, profit before tax by 47%, earnings per share by 35%.

We can hope (and pray) that the Company's solid performance will not go unnoticed even in the current climate. Shareholders' help in either area would of course be gratefully received.

Elsewhere, some of our creative agencies are reporting a welcome reduction in the pressure on margins. Perhaps the appreciation of the power of an idea to transform a business is growing. Advertising has gone through some interesting phases in recent times. In the early days, TV ads were unavoidable unless you got out of your seat and changed the channel. The advent of the remote control changed all of that. With the touch of a finger, a boring commercial could be zapped away. Unless the attention was caught from frame one, the viewer was off.

Now with the new media world order, we have entered another phase. If your ad is unusual or imaginative, or dramatic or funny enough, the viewer will choose not only to watch it, but he will choose to capture it and choose to send it to friends.

The public interest in and sensitivity to good writing, good acting and good direction in advertising has never been greater. The audience is a sophisticated and intelligent critic, who is willing to be won over. The advertiser has to transform from a boorish bully to a charming suitor. Some recent advertisements have had greater viewing figures from free downloads than from paid for media.

As Napoleon said: Imagination rules the world.

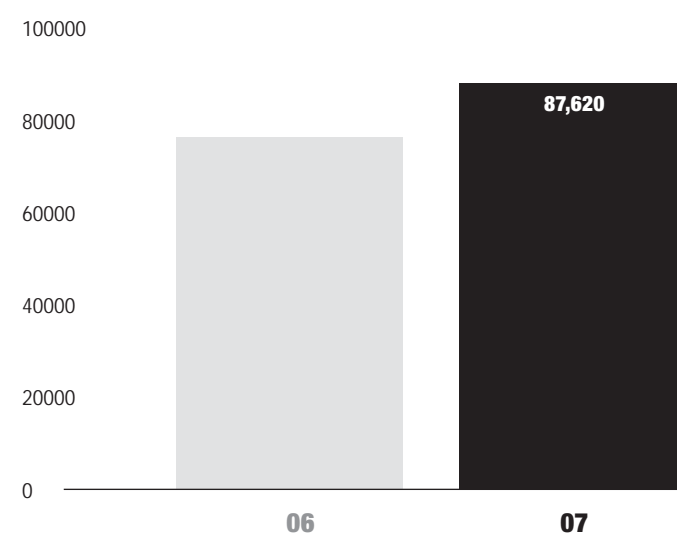
Long may it continue.

Jeremy Sinclair

AT A GLANCE

KEY FIGURES

REVENUE (£M)

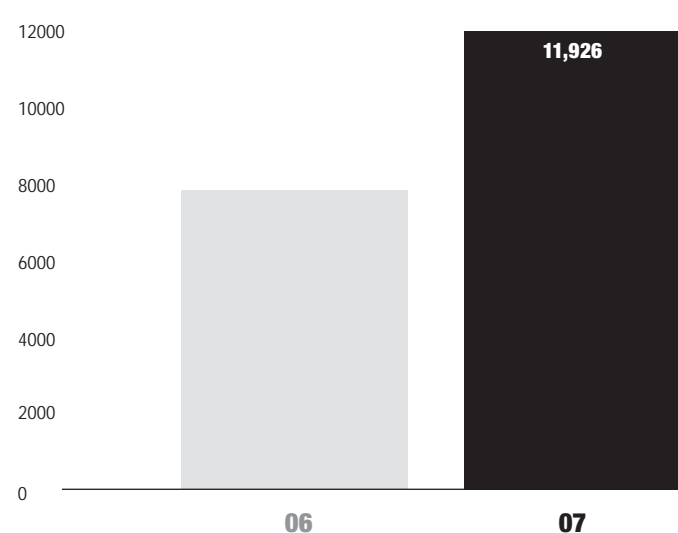


HEADLINE BASIC EPS GROWTH % (2004 – 2007)

+35

2007 HEADLINE EPS 12.55P (2006 7.04P)

HEADLINE PBT (£M)



DIVIDEND PER SHARE GROWTH % (2005 – 2007)

+42

2007 HEADLINE DPS 3.62P (2006 3.20P)

2007 IFRS Headline results are described in note 2 to the financial statements. 2004 and 2005 UK GAAP pro forma results were prepared on the basis that the 14th July 2004 reorganisation, placing and admission had effect from 1st January 2003 and exclude exceptional cost and the amortisation of goodwill. A detailed reconciliation can be found on page 48 of the 2004 Annual Report. With the adjustments made the difference between accounting results under 2007 IFRS Headline and the 2004 and 2005 UK GAAP pro forma is not significant.

DISCIPLINES

UK

London

Advertising, Media, Digital, Direct, Design, Promotion, Consumer PR, Sport & Entertainment, Luxury Brands, Brand Consulting

EUROPE

Berlin, Paris, Madrid, Amsterdam

Advertising, Digital, Direct, Design, Promotion, Brand Consulting, Corporate PR

US

Los Angeles, New York

Advertising, Digital, Direct, Brand Consulting

ASIA/AUSTRALIA

Auckland, Bangkok, Hong Kong, Kuala Lumpur, Melbourne, Mumbai, New Delhi, Shanghai, Singapore, Sydney, Wellington

Advertising, Digital, Direct, Design, Promotion, Brand Consulting

HISTORY

2007

100% of Clear Ideas Ltd. acquired, additional 19.5% of Walker Media Holdings Ltd. acquired and 25% of Zapping Publicidad, S.A. (Madrid) acquired. Mumbai office opened.

2006

80% of M&C Saatchi Berlin GmbH acquired.

2005

Paris and New Delhi offices opened. Thailand acquired.

2004

Listed on AIM, reorganised group swapping most of our minorities shares in subsidiary for shares in PLC. Acquired additional 25% of Walker Media Holdings Ltd.

CHIEF EXECUTIVE

We made good progress on three fronts this year, and the financial returns are starting to accrue.

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ORGANIC GROWTH

- Organic growth accounted for 7.6% of the overall 15.5% increase in revenue for the year with particular success in the UK. This has been the 13th year of continuous organic growth. The balance came from the acquisition of Clear Ideas in the UK and our agency in Germany;

GEOGRAPHICAL DEVELOPMENT

- The European business contributed profits after two years of investment. Our organic start-up in Paris made its first full year profit, and our acquisitions in Germany in July 2006 and investment in Spain in March 2007 made important contributions;
- Reorganisation in the USA led to the region becoming profitable;

DRIVE INTO HIGHER MARGIN, HIGHER GROWTH BUSINESSES

- The acquisition in July 2007 of 100% of the brand consultancy Clear Ideas in the UK;
- The acquisition, also in July, of a further 19.5% of Walker Media brought total ownership to 94.5%.

We also deployed our balance sheet strength in pursuit of our strategic aims. The acquisition of Clear Ideas, of the initial stake in Zapping and the increased ownership of Walker Media moved our centre of gravity decisively from traditional advertising into marketing and communications. Geographically, Clear Ideas also brings strong international potential, and the acquisition of Zapping added Spain to our portfolio.

UK

The UK performed well overall with another strong contribution from Walker Media. Revenue in the UK grew 18.9% to £52.8m (2006: £44.4m). Of this, 8.9% was organic growth with Clear Ideas contributing £4.5m in the second half of the year. Headline operating profit rose 32.4% to £8.4m (2006: £6.3m), and headline operating margin increased to 15.9% (2006: 14.3%).

Significant new business in the UK included Vodafone (direct marketing), Ladbrokes, Findus and Macleans (GSK). Our export business also had a particularly successful year with projects in Georgia (Georgia Government) and the fast growing Middle East region (Dubai and Bahrain) serviced from the UK.

Acquired mid-year, Clear Ideas made a significant first financial contribution. The business also adds a new, high margin discipline to our portfolio, and supports our geographical objectives. Based in London and Amsterdam, it launched successfully in the US market in 2007 and has wider international potential. We are considering the opportunities to extend the Clear franchise using the existing M&C Saatchi international network.

EUROPE

Our European business consolidated well during the year, benefiting from the end of the investment phase. Revenue was £6.1m (2006: £2.3m), operating profit was £0.7m (2006: £(1.3)m), and operating margin was 11.9% (2006: (56.5)%).

We expanded our regional presence with the acquisition in March of 25% of Zapping Publicidad who are based in Madrid. This will increase to 51% in July 2008. Operationally, Spain, France and Germany all generated good earnings growth. France continued its strong new business performance, adding Pages Jaunes and Jameson. This business was sufficiently well established to open a new corporate public relations operation. In Germany, new business wins included Apollinaris, Kinder and the Green Party of Germany.

The UK and Continental European businesses are now run as one region under Moray MacLennan. Strategically, this has enabled a pan-regional as well as local approach to new business and has also helped facilitate cost reductions. We plan to build on this foundation and look for further growth opportunities. In particular Eastern Europe offers attractive potential, which we believe we could develop for a relatively modest outlay.

ASIA & AUSTRALIA

The performance in the region was mixed. Revenues were down 3.8% to £24.7m (2006: £25.7m), operating profit was down to £0.6m (2006: £1.5m), and operating margin fell to 2.2% (2006: 5.8%).

Australia had a difficult start to the trading year following the loss of the IAG account at the end of 2006. The region recovered well in the second half of the year, with important new business from Westfield, Domaine Chandon, Repco, and inclusion on the Federal Government roster, as well as growing the important Optus account. The digital agency Mark made good progress developing its own brand and direct client base alongside its hitherto largely in-house business.

CHIEF EXECUTIVE CONTINUED

It was a challenging year elsewhere, with three notable exceptions. Malaysia performed well with new clients including Nike, and additional business from Cellcom. New Zealand had success with new business from Pfizer and 'Kiwi-made'. In India, we opened a second office in Mumbai, on the back of good early momentum in this high growth market. New business wins included Jet Airways and Jet-Lite.

In order to exploit the potential for high growth we have appointed Chris Jacques as our new CEO of the region. Following a comprehensive review he will be executing a new Asian strategy in 2008.

AMERICA

We took a tough approach to rationalising our US business in 2007, a process completed in March. As a consequence the region returned to growth and profit. Revenues were £4.1m (2006: £3.6m), operating profit was £0.6m (2006: £(0.3)m), and the operating margin was 14.1% (2006: 7.2%).

We closed our New York office and moved our advertising centre to Los Angeles. We have retained a small, flexible operation providing support as needed in New York. In addition to any advertising requirements this office

now houses the US operations of Clear and Sports & Entertainment.

We now have a more robust structure, and good incremental business is developing. However the effects of economic slowdown became increasingly apparent towards the end of the year, and are expected to persist.

OUTLOOK

In 2008 we should benefit from the significant strategic progress made in 2007.

The investment in higher growth marketing and communications disciplines should deliver margin and revenue improvements. We will continue to look at acquisitions but will be selective and cautious in our approach.

Despite concerns with the economic environment, we believe 2008 offers prospects for growth from the strength of our core operations, a broader geographic base and the acquisitions made in 2007.

David Kershaw

FINANCE DIRECTOR

2007 was a year of strong financial growth. Revenues rose by 15.5% to £87.6m. Headline operating profit grew 62.9% to £10.2m and headline operating margin increased by 3.4 points to 11.7%.

Financial income increased to £1.8m (2006: £1.5m). Interest paid on the group's borrowings was £0.4m (2006: £0.0m).

The Group's share of profit after tax from its associates increased to £334k (2006: £5k). In March 2007 we acquired an initial 25% of Spanish agency group Zapping. The contribution from Zapping for the nine month period was £309k. The balance of £25k is from our UK based digital business Play London.

Headline profit before tax increased by 53.2% to £11.9m.

The profit after tax attributable to the Group's minority shareholders increased marginally to £1.2m (2006: £1.1m). More significantly the proportion of the headline profit after tax attributable to the minority shareholders decreased to 14.2% (2006: 23.3%). The reduction was due to the acquisition of 19.5% of the remaining 25% minority in Walker Media in July and to the significant reduction in the operating losses incurred in the USA, Europe and parts of

Asia Pacific, all of which are attributable to the Group's equity shareholders.

Finally headline profit after tax attributable the equity shareholders increased by 86.4% to £7.0m and headline basic EPS increased by 78.3% to 12.5 pence.

The Board is proposing a final dividend of 2.75 pence per share (2006: 2.43 pence), giving a full year dividend of 3.62 pence (2006: 3.2 pence), and an increase of 13.1%. The dividend will be paid on the 7th July 2008 to shareholders on the register as at the 6th June 2008.

The reported statutory results for 2007 reflect the impact of the accounting changes to which the Group has been subject as a result of adopting and reporting under IFRS (International Financial Reporting Standards) for the first time. The board considers that these changes do not, amongst others, affect the underlying operating performance or the cash flows of the Company. Therefore and in common with our peers we have excluded those accounting charges which have materially altered the reported results. Those accounting charges are:

- The amortisation of intangible assets under IAS 36.

FINANCE DIRECTOR

CONTINUED

- The revaluation of minority shareholder put options under IAS 32 & IAS 39.
- A fair value adjustment to deferred consideration (notional interest) under IFRS 3 & IAS 39.

A Reconciliation of the Reported to Headline operating results is presented below:

	2007 £000	2006 £000
Headline operating Profit	10,222	6,274
Headline PBT	11,926	7,786
Less items excluded from headline results		
Amortisation of intangible assets		
– Group Company	608	20
– associate	53	–
Fair value adjustment of minority put options	3,052	8,970
Notional interest	257	–
Reported PBT	7,956	(1,204)

During the year the group made a number of strategic acquisitions:

1. In March 2007 we acquired an initial 25% of Madrid based Marketing communications group Zapping Publicidad for a cash payment of £1.4m. We will make a further payment

based on their performance for the 12 months ending March 2007. This was estimated at £2.2m at 31st December 2007. We have also agreed to purchase a further 26% in July 2008 and a final 24% in July 2009.

2. In July 2007 we acquired 100% of Richmond based leading brand consultancy Clear Ideas Ltd. The initial consideration was satisfied by an initial payment of £13.9m in cash and £5.6m in PLC shares. We have made a provision for the expected deferred consideration of £10.5m.

3. In July 2007 we acquired a further 19.5% of the minority interest in Walker Media from Christine Walker who retired from the business at the same time. The group paid £8.8m in cash and £3.0m in PLC shares. The estimated value of the remaining 5.5% was £5.1m at the year end.

4. In December 2007 the group paid the final amount due under the agreement to purchase 80% of our German subsidiary. The cash paid was £0.4m.

5. Under existing arrangements with minority shareholders in Talk PR, the group was required to acquire 6.3% of the minority interest. The amount paid was £0.2m in PLC shares.

2007 was a year of strong financial growth. Revenues rose by 15.5% to £87.6m. Headline operating profit grew 62.9% to £10.2m and headline operating margin increased by 3.4 points to 11.7%.

The total net cash outflow on these transactions in 2007 was £24.6m and the total amount of deferred and contingent consideration provided for at 31st December 2007 was £17.9m. The Group has also taken a notional interest charge on the anticipated deferred consideration of £0.3m. (The notional interest has been excluded from the headline results.)

To finance these transactions the Group agreed a £13.0m, three year committed revolving credit facility with The Royal Bank of Scotland Group. The facility is priced at 1.1% above LIBOR. The amount outstanding under this facility was £8.6m at 31st December 2007.

The Group has also issued 5.4 million new shares to meet its obligations under these transactions and together with 15,350 shares issued under the Group's share scheme the total number of shares increased to 59.7m. The weighted average number of shares increased 4.6% to 56.2m.

The reported cash position of the group remains positive at £16.9m (2006: £31.3m). A summary cash flow is presented below:

	£million	£million
Cash balance at 31st December 2006		31.3
Effect of exchange		0.2
Headline PBT (before associates)	11.6	
Depreciation and non cash incentives	2.0	
Tax paid in period	(4.1)	
Capital expenditure	(1.6)	
Dividends paid	(3.2)	
Cash inflow from operations	4.7	
Reduction in working capital contribution	(3.2)	
Acquisitions	(24.6)	
Bank loans	8.5	
Net cash outflow during period	(14.6)	(14.6)
Cash balance at 31st December 2007		16.9

Jerry Wales

BOARD



EXECUTIVE DIRECTORS

Jeremy Sinclair
Chairman

Maurice Saatchi
Executive Director

Bill Muirhead
Executive Director

David Kershaw
Chief Executive

Jerry Wales
Finance Director

NON-EXECUTIVE DIRECTORS

Lloyd Dorfman
Non-Executive Director

The senior independent non-executive director at M&C Saatchi. He is founder and chairman of Travelex.

Adrian Martin
Non-Executive Director

An independent non-executive director at M&C Saatchi. He is 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

Founding member of the senior management team.

Moray MacLennan
Chairman, Europe

Founding member of the senior management team. He is currently chairman of the IPA.

Phil Georgiadis
Chairman, Walker Media

Founding member of Walker Media senior management team.

Melvin Jay
Chairman, Clear

Founding member of Clear's senior management team.

Chris Jacques
Chairman, Asia

Became Chairman of Asia in December 2007, having worked extensively in the region.

* The executive committee is made up of the five executive directors and the five divisional chairmen.

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the Group and Company for the year ended 31st December 2007.

RESULTS AND DIVIDENDS

The consolidated income statement on page 43 shows the result for the year.

The directors paid an interim ordinary dividend of £513,000 (2006: £412,000) and recommend a final dividend of 2.75 pence totalling £1,621,000 (2006: 2.43 pence totalling £1,300,000).

PRINCIPAL ACTIVITY, TRADING REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the Group during the year was advertising and marketing services. The review of trading, future developments and key performance indicators are on pages 2 to 11.

PRINCIPAL RISKS & UNCERTAINTIES

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

There is also the risk, as a result of an economic slow down that budgets and fees are reduced. Any significant recession in our markets therefore can affect us. We have already felt this in the USA in 2007.

As a listed company we can suffer when stock market effects depress our share price. We have employee share ownership programmes as part of our remuneration incentives. In poor conditions, their attractions diminish for existing holders. In a business reliant on people this can be de-motivational.

The other risks the Group faces are financial (details of which can be seen in note 32 to the financial statements), the risk that key staff leave, and the risk that regulatory and legal changes affect our trading or ownership structures.

FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Group are contained in note 32 of the financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Group made charitable donations of £57,572 (2006: £52,000) and paid £4,000 (2006: £5,000) to provide a film for the Conservative Party conference for which no fee was charged.

DIRECTORS

The names and biographical details of the directors are given on page 12.

INSURANCE

The Company purchases insurance to cover its directors and officers against costs they may incur in defending themselves in legal proceedings instigated against them as a direct result of duties carried out on behalf of the Company.

SUBSTANTIAL SHAREHOLDINGS

As at 25th April 2008 the Company had been notified by shareholders representing 3% or more of issued share capital of the following interests:

	Number of shares	%
David Kershaw	3,799,369	6.4%
Bill Muirhead	3,799,369	6.4%
Maurice Saatchi	3,799,369	6.4%
Jeremy Sinclair	3,799,369	6.4%
Fidelity Investments	5,910,119	9.9%
BT Pension Scheme Trustees Ltd.	4,542,029	7.6%
Aberdeen Asset Management	3,383,000	5.7%
Herald Investment Trust plc	3,150,000	5.3%
Black Rock, Inc.	2,670,721	4.5%
Christine Walker	1,844,207	3.1%

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

EVENTS SINCE THE END OF THE YEAR

On 2nd April 2008 M&C Saatchi plc acquired the remaining 5.5% shareholding in Walker Media Holdings Ltd, in return for £3,854,249 cash and 854,978 additional ordinary shares of 1p.

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

EMPLOYEES

In an attempt to retain and develop our employees, the people we recognise as being key to the Group's success, we encourage open communication at all levels and endeavour to reward individuals by way of discretionary bonuses and long term incentives plans such as the share save scheme.

EQUAL OPPORTUNITIES

The Group's equal opportunities policy is not to discriminate on any grounds other than someone's ability to work effectively. This policy relates to recruitment, training, pay and benefits, promotions and transfers. Specifically in the case of those with a disability, we will make reasonable adjustments to working arrangements or to a physical aspect of the work place if the individual is placed at a substantial disadvantage compared to a non-disabled person.

PAYMENT OF CREDITORS

The Company has no formal code of conduct dealing specifically with the payment of suppliers. However, we try to adhere to agreed payment terms, provided the required goods or services have been delivered. The average number of days of purchases of the company represented by trade creditors at 31st December 2007 is 51 days (2006: 31 days).

DIRECTORS' REPORT

CONTINUED

TREASURY SHARES

At the AGM in 2007 the directors were given the authority to purchase up to 5,420,679 of its ordinary shares. The directors will seek to renew this authority at the next AGM.

During the year the Company held 700,000 of its 1p ordinary shares ('treasury shares'). The directors have the intention of selling these treasury shares back to the market or using them to fulfil option obligations at a later date.

DIRECTORS' POWER TO ISSUE SHARES

At the AGM in 2007 the directors were given the authority to issue up to 18,068,900 of its ordinary shares of which 3,025,800 were approved to be issued for cash.

During the year the Company issued 5,454,333 shares to fulfil options and to acquire equity (see note 24). The Company did not issue any shares for cash.

AGREEMENTS THAT VEST ON CHANGE OF CONTROL

As part of the acquisition of its Spanish associate the Group has given them the right, in the event of a change of control, to put their remaining shares for a multiple of their post tax profits of the last three years.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of

fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice (GAAP).

GROUP FINANCIAL STATEMENTS

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

PARENT COMPANY FINANCIAL STATEMENTS

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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- 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.

Financial statements are published on the Group's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

All the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

AUDITORS

BDO Stoy Hayward LLP are willing to continue in office. A resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

Andy Blackstone
Company Secretary
1 May 2008

REWARDS

REMUNERATION REPORT

Lloyd Dorfman and Adrian Martin are the remuneration committee.

POLICY ON DIRECTORS' REMUNERATION

Attracting and retaining high calibre executives is a key Company objective. We seek to reward them in a way that encourages the creation of value for shareholders.

DIRECTORS' PENSION ARRANGEMENTS

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

DIRECTORS' CONTRACTS

All executive directors have service contracts with 12 month notice periods. All non-executive directors have contracts with a nil to 30 day notice period dependent on the circumstances.

With the exception of the open market rent paid to 36 Golden Square LLP (see note 31 of the financial statements), no director of the Company has received or become entitled to receive a benefit (other than a fixed salary as a full-time employee of the Company or of a related corporation, or a benefit included in the aggregate amount of remuneration shown in the financial statements) by reason of a contract made by the Company or a related corporation of which he is a member or with a Company in which he has a substantial financial interest.

By order of the Board

Andy Blackstone
Company Secretary
1 May 2008

2007	Basic salary £000	Bonus £000	LTIP ¹ £000	Benefits in kind ² £000	Pension £000	Total £000
DIRECTORS						
David Kershaw	250	100	–	53	39	442
Bill Muirhead	250	100	–	51	38	439
Maurice Saatchi	288	100	–	49	3	440
Jeremy Sinclair	288	100	–	48	–	436
Jerry Wales	170	100	153	25	60	508
Total	1,246	500	153	226	140	2,265
NON-EXECUTIVE DIRECTORS						
Lloyd Dorfman	35	–	–	–	–	35
Adrian Martin	35	–	–	–	–	35
Total	70	–	–	–	–	70
TOTAL REWARDS	1,316	500	153	226	140	2,335
2006	Basic salary £000	Bonus £000	LTIP ¹ £000	Benefits in kind ² £000	Pension £000	Total £000
DIRECTORS						
David Kershaw	250	100	–	48	38	436
Bill Muirhead	250	100	–	50	37	437
Maurice Saatchi	278	100	–	45	13	436
Jeremy Sinclair	278	100	–	46	11	435
Jerry Wales	185	100	68	27	44	424
Total	1,241	500	68	216	143	2,168
NON-EXECUTIVE DIRECTORS						
Lloyd Dorfman	35	–	–	–	–	35
Adrian Martin	35	–	–	–	–	35
Total	70	–	–	–	–	70
TOTAL REWARDS	1,311	500	68	216	143	2,238

¹ LTIP is the directors share of the years accounting charge. The charge is based on the expectations of future amounts that will vest.

² Benefits in kind include car allowances, permanent health insurance benefits and chauffeur services.

2

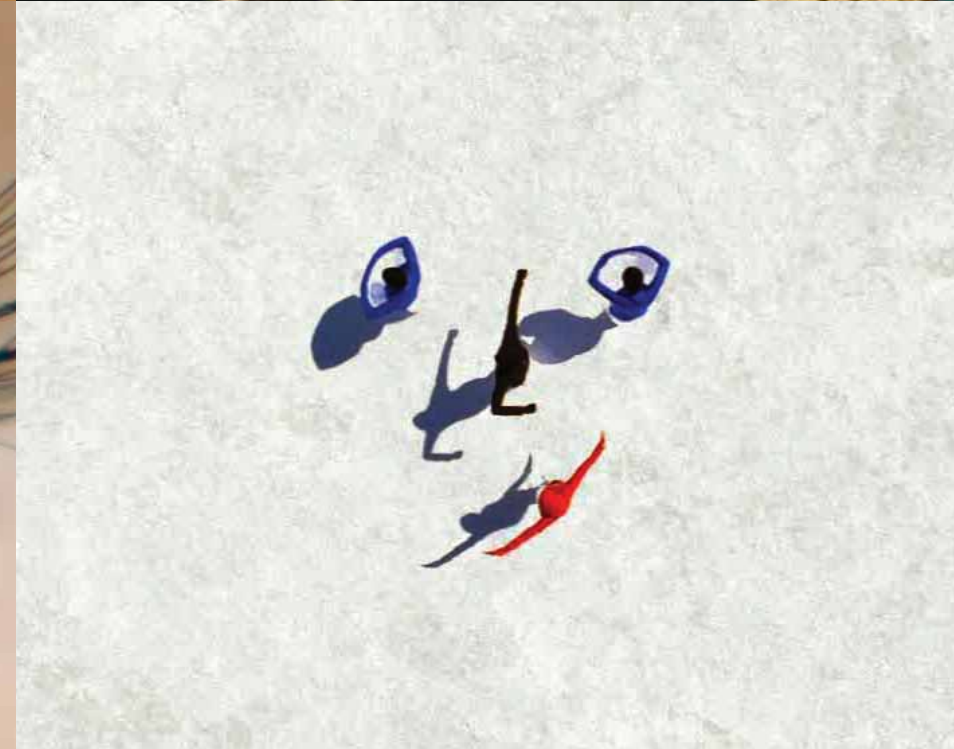
PICTURES



7 Darby Street - off Queen Street, Auckland
www.recycleboutique.co.nz

WHERE
OLD
CLOTHES
FEEL
YOUNG
AGAIN





First system of musical notation. Treble clef on the left, bass clef on the right. The music consists of eighth notes and quarter notes. A dynamic marking *p* is present. A slur with an accent (>) covers the first four measures of the treble staff.

Second system of musical notation. Treble clef on the left, bass clef on the right. The music consists of eighth notes and quarter notes. A slur with an accent (>) covers the first four measures of the treble staff.

Third system of musical notation. Treble clef on the left, bass clef on the right. The music consists of eighth notes and quarter notes. A dynamic marking *mf* is present. A slur with an accent (>) covers the first four measures of the treble staff.

Fourth system of musical notation. Treble clef on the left, bass clef on the right. The music consists of eighth notes and quarter notes. A dynamic marking *f* is present. A slur with an accent (>) covers the first four measures of the treble staff.

Fifth system of musical notation. Treble clef on the left, bass clef on the right. The music consists of eighth notes and quarter notes. A slur with an accent (>) covers the first four measures of the treble staff.

Sixth system of musical notation. Treble clef on the left, bass clef on the right. The music consists of eighth notes and quarter notes. A dynamic marking *f* is present. A slur with an accent (>) covers the first four measures of the treble staff.





9 ans



8 mois



8 ans



18 ans



17 ans



75 ans



5 ans

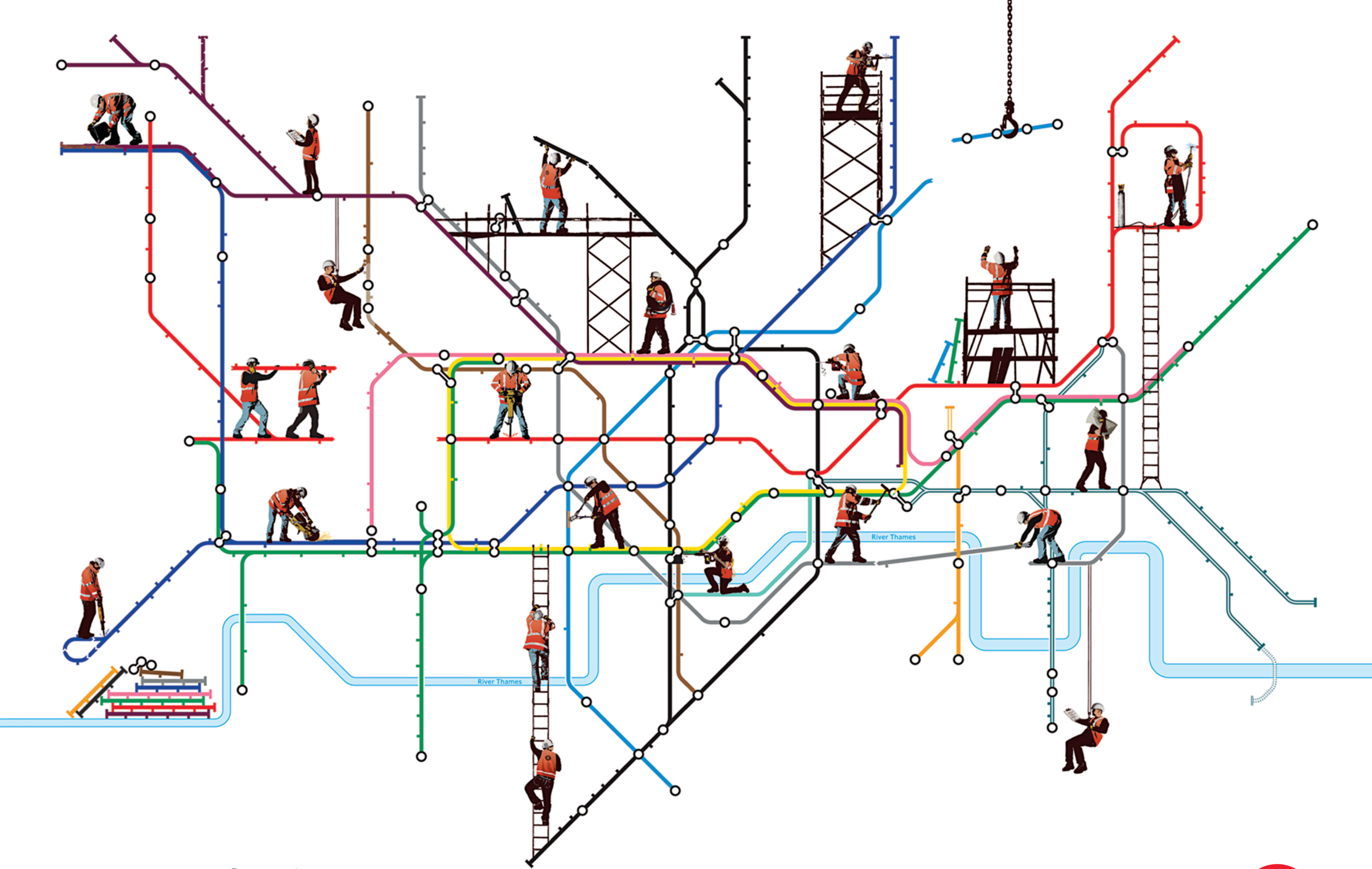


100 ans



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UNDERGROUND





BUSINESS
friendly

BAHRAIN

in Venice

HOME - Artists Rachael Rakena (left) and Graham unloading a shipping container of work *Aniwaniwa*. The work was returning from the Venice Biennale where it exhibited last year.

'The Venetians were all into it. It was about rising of water.'

which provides water for the Horahora Power Station on the Waikato River.

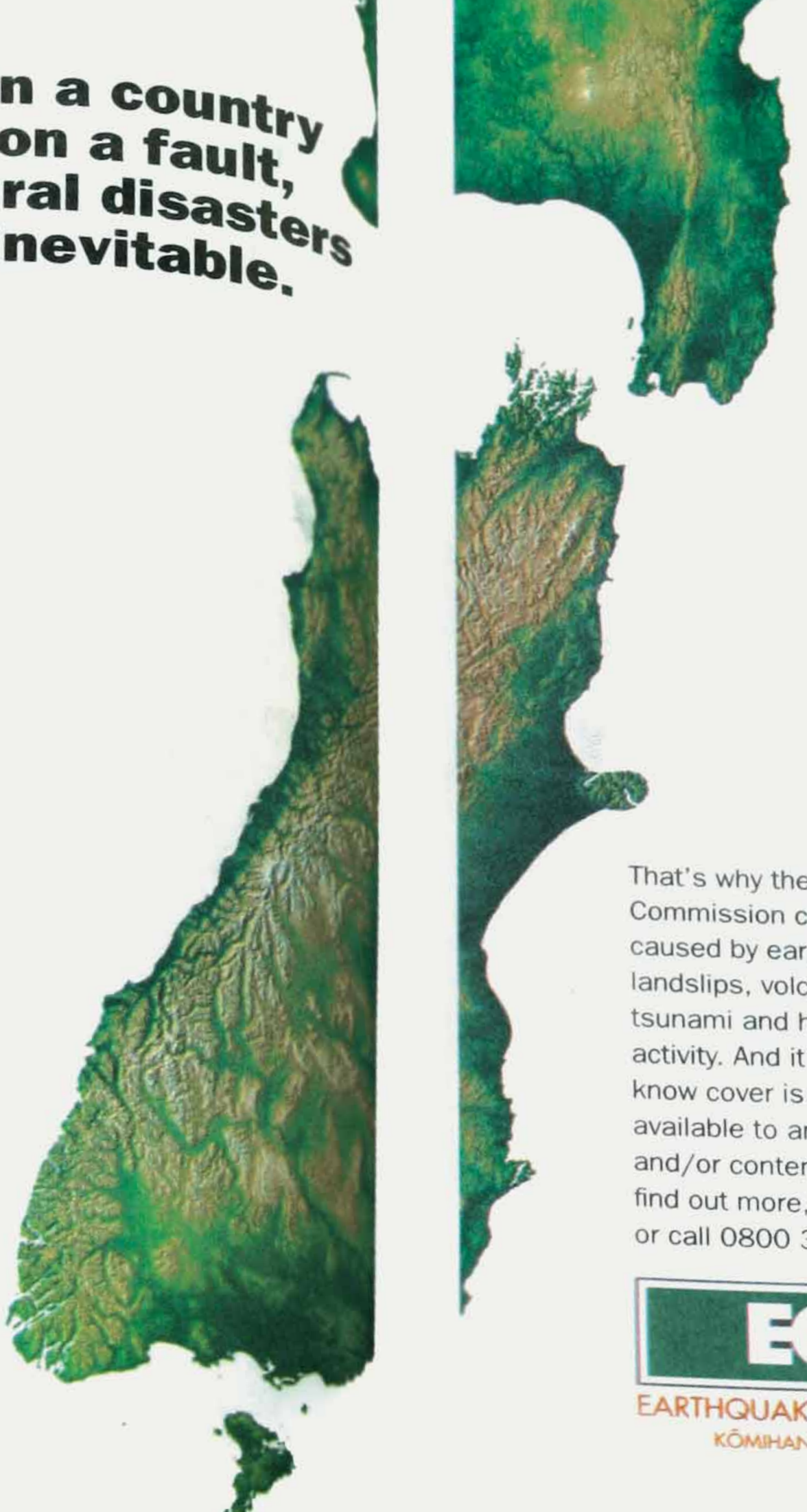
The Biennale might attract thousands of visitors to Venice, but it takes a lot to impress the locals, Rakena says. "The Venetians were all into it. It was about rising of water."

"The Venetians don't often really connect with the Biennale art work, but it was something that they really related to."

The pair visited Venice in late May to install the work and open the exhibition, then returned in October to dismantle it and dispatch it home.

◆ *Aniwaniwa* shows at the City Gallery, Civic Square from February 23 until June 15. It also features soundtrack music by

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FUTURE HOPES - There are already hundreds of programmes around Wellington, but what's next for the next generation?

"We're not doing enough because they're moving very, very fast, much faster these days and we're not mentally keeping up with them," says Simon Gilbert, who manages the Secret Level youth centre in Lower Hutt.

Since opening at their central city location in 2005, Mr Gilbert says they have attracted thousands of teenagers to use the facility, and have worked to provide a range of different activities.

This view is shared by Keryn Martin, national director for Zeal, a youth centre run as a charitable trust and located near Glover Park in central Wellington.

For 10 years Zeal has been a venue where teens can come to gigs or just meet with their friends and take some time out.

Mr Martin says trends develop every two or three years amongst youth culture, and Zeal's job is to keep up with them, providing people with quality events.

"We're constantly reinventing ourselves and trying something new."

And the model seems

'Personal most people the their there is amount who don't see the

concrete why, it v Zeal.

Cons to chan Richard knows a the pas Church out wa commu Creek,

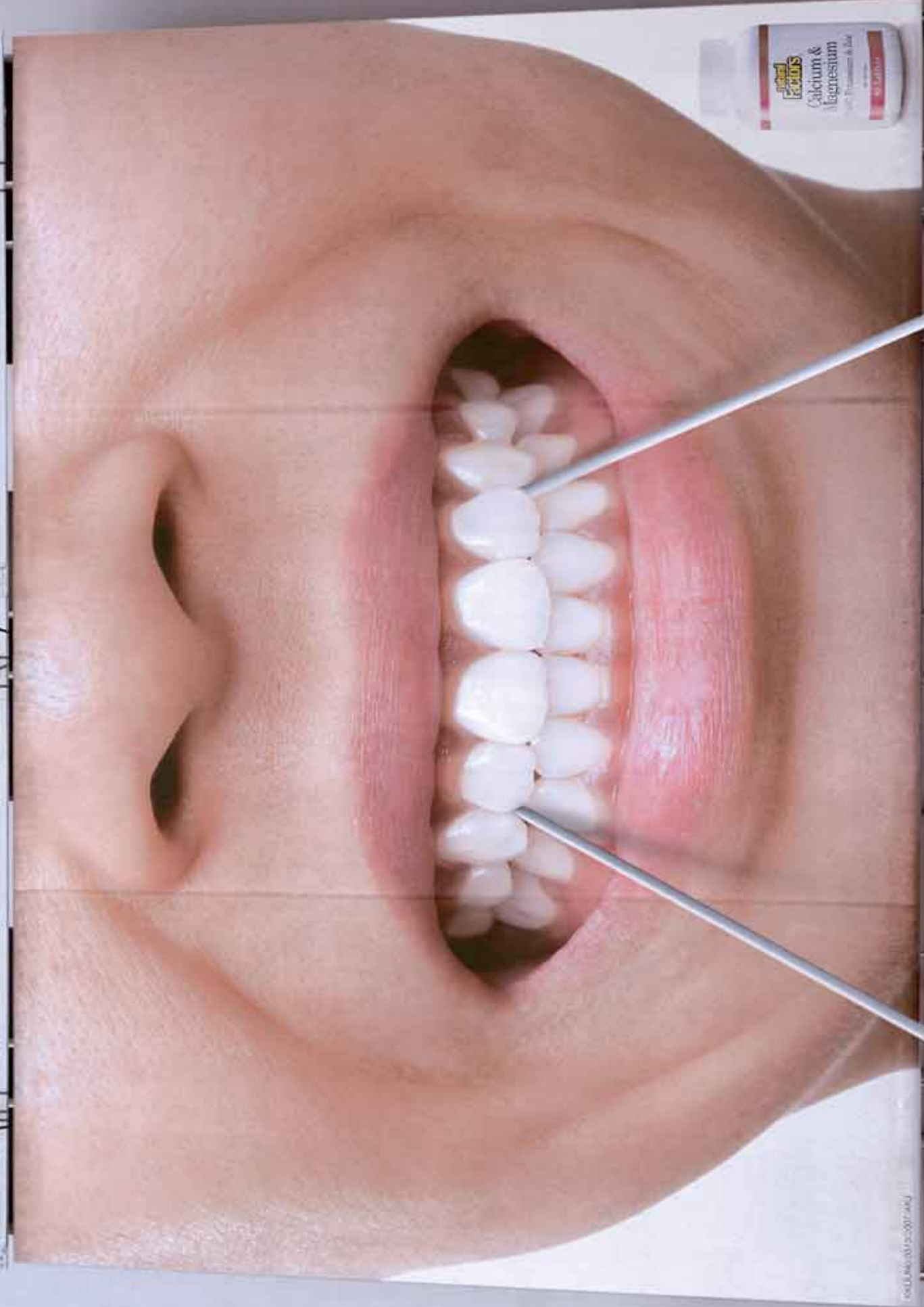
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"W ahead way w Th by r



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**NAZIS ERKENNT MAN
NICHT IMMER
AUF DEN ERSTEN BLICK.
HANDELN GEGEN RECHTS STATT WEGSEHEN.**

JETZT. FÜR MORGEN.



3

NUMBERS

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2007 £000	2006 £000
BILLINGS		412,746	368,645
REVENUE	3	87,620	75,893
OPERATING COSTS	4	(78,006)	(69,639)
OPERATING PROFIT	3	9,614	6,254
Share of results of associates	7	281	5
Finance income	8	1,809	1,540
Finance costs	9	(3,748)	(9,003)
PROFIT / (LOSS) BEFORE TAXATION	3	7,956	(1,204)
Taxation on profit / (loss)	11	(3,530)	(2,857)
PROFIT / (LOSS) AFTER TAXATION		4,426	(4,061)
Attributable to:			
Equity shareholders of the Group	2	3,258	(5,209)
Minority interests		1,168	1,148
PROFIT / (LOSS) FOR THE YEAR		4,426	(4,061)
EARNINGS PER SHARE			
Basic (pence)	2	5.80p	(9.70)p
Diluted (pence)	2	5.59p	(9.70)p
HEADLINE RESULTS			
Headline operating profit	2	10,222	6,274
Headline profit before tax	2	11,926	7,786
Headline profit after tax attributable to equity shareholders	2	7,046	3,781

The notes on pages 46 to 82 form part of these financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 December	2007 £000	2006 £000
PROFIT FOR THE YEAR	4,426	(4,061)
Currency translation differences	689	(410)
Deferred tax on options	–	36
TOTAL RECOGNISED INCOME AND EXPENSES FOR THE YEAR	5,115	(4,435)
Attributable to:		
Equity shareholders of the Company	3,947	(5,583)
Minority interests	1,168	1,148
	5,115	(4,435)

The notes on pages 46 to 82 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Note	2007 £000	2006 £000
CASH GENERATED FROM OPERATIONS	27	8,991	18,716
Tax paid		(4,092)	(3,408)
NET CASH FLOW FROM OPERATING ACTIVITIES		4,899	15,308
CASH CONSUMED BY INVESTING ACTIVITIES			
Acquisitions	28	(24,602)	(635)
Proceeds from sale of plant and equipment		23	16
Purchase of plant and equipment		(1,401)	(1,707)
Purchase of capitalised software		(107)	–
Interest earned by trading entities		1,553	1,085
Interest received on centrally held cash		256	455
NET CASH CONSUMED BY INVESTING ACTIVITIES		(24,278)	(786)
CASH GENERATED FROM FINANCING ACTIVITIES			
Dividends paid to equity holders of the company	12, 25	(1,813)	(1,377)
Dividends paid to minority interests	25	(1,404)	(1,004)
Purchase of own shares		–	(792)
Repayment of finance leases		(39)	(108)
Inception of bank loans		13,000	–
Repayment of bank loans		(4,514)	–
Interest paid		(437)	(20)
Interest on finance leases		(2)	(13)
NET CASH FROM FINANCING ACTIVITIES		4,791	(3,314)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(14,588)	11,208
Cash and cash equivalents at the beginning of the period		31,284	20,457
Effect of exchange rate changes		199	(381)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		16,895	31,284

The notes on pages 46 to 82 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December	Note	2007 £000	2006 £000
NON CURRENT ASSETS			
Intangible assets	13	61,409	15,357
Investments in associates	15	4,086	–
Plant & equipment	16	3,954	3,531
Deferred tax assets	17	2,034	1,676
Other non current assets		565	460
		72,048	21,024
CURRENT ASSETS			
Trade and other receivables	18	74,872	48,321
Current tax assets		519	88
Cash and cash equivalents		16,895	31,284
		92,286	79,693
CURRENT LIABILITIES			
Trade and other payables	19	(86,850)	(66,510)
Current tax liabilities		(1,610)	(1,036)
Other financial liabilities	20	(18)	(34)
Deferred and contingent consideration	21	(9,811)	(67)
Minority shareholder put option liabilities	22	(6,854)	(11,077)
		(105,143)	(78,724)
NET CURRENT (LIABILITIES) / ASSETS			
		(12,857)	969
TOTAL ASSETS LESS CURRENT LIABILITIES			
		59,191	21,993
NON CURRENT LIABILITIES			
Deferred tax liabilities	17	(1,604)	(141)
Other financial liabilities	20	(8,531)	(29)
Deferred and contingent consideration	21	(8,325)	–
Minority shareholder put option liabilities	22	(3,691)	(11,211)
Other non current liabilities	23	(1,142)	(862)
		(23,293)	(12,243)
TOTAL NET ASSETS			
	25	35,898	9,750

The notes on pages 46 to 82 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December	Note	2007 £000	2006 £000
EQUITY			
Equity attributable to shareholders of the parent			
Share capital	24, 25	597	542
Share premium	25	12,758	9,618
Merger reserve	25	20,285	14,756
Treasury reserve	25	(792)	(792)
Minority interest put option reserve	25	(6,876)	(13,318)
Foreign exchange reserve	25	318	(371)
Retained earnings / (loss)	25	9,053	(1,261)
		35,343	9,174
MINORITY INTERESTS			
		555	576
TOTAL EQUITY			
		35,898	9,750

These financial statements were approved and authorised for issue by the board on 1 May 2008 and signed on its behalf by:
Jerry Wales, Finance Director.

The notes on pages 46 to 82 form part of these financial statements.

NOTES

1. ACCOUNTING POLICIES

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

This is the Group's first annual report that is prepared in accordance with IFRS. A reconciliation between UK GAAP and IFRS can be found in note 34.

Headline results

The directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance trends of business to shareholders. In addition, the headline result is used for internal performance management and the calculation of rewards in the Group's Long Term Incentive Plan (LTIP) scheme. The term headline is not a defined term in IFRS.

The items that are excluded from headline results are the fair value gains and losses on liabilities caused by our put option agreements, amortisation of intangible assets acquired in business combinations, amortisation of intangible assets acquired in associates and notional interest from deferred consideration.

Cost convention

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

Basis of consolidation

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

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

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

Subsidiary acquisition

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

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

Goodwill

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

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

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

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

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

The impairment test is based on management's projections for the next 5 years for and regional growth rates thereafter.

Goodwill arising from foreign investments are translated at the year end rate.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in

associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

Intangible assets

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

Intangible assets are stated at historical cost less accumulated amortisation.

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

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

Software	– 3 years
Customer related intangibles	– 1 to 5 years
Brands	– 7 years or indefinite

The need for any intangible asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of value in use and fair value less cost to sell.

Plant and equipment

Tangible fixed assets are stated at historical cost less accumulated depreciation.

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

Depreciation is calculated at the following annual rates:

Leasehold improvements	– over the period of the lease
Furniture & fittings	– 10% in equal instalments
Computer equipment	– 33% in equal instalments
Other equipment	– 25% in equal instalments
Motor vehicles	– 25% in equal instalments

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value and value in use.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and deposits with an original maturity of three months or less, net of overdrafts.

Leased assets

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

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

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

Segmental reporting

Segmental reporting reflects how management controls the business. This is primarily by geography and then by the services being supplied. Sales between business units are on an arms length basis. The assets and liabilities of the segments reflect the assets and liabilities of the underlying companies involved.

Revenue recognition

Billings represents the gross amounts billed to clients in respect of revenue earned and other client recharges, net of discounts and sales taxes.

Revenue comprises commission and fees earned in respect of billings.

NOTES

CONTINUED

Each type of revenue is recognised on the following basis:

- (a) Project fees are recognised over the period of the relevant assignments or agreements, in line with incurred costs.
- (b) Retainer fees are spread over the period of the contract on a straight-line basis.
- (c) Commission on media spend is recognised when the advertisements appear in the media.

EMPLOYEE BENEFITS

Pensions

Contributions to personal pension plans are charged to the income statement in the period in which they are due.

Share-based compensation

Certain employees receive remuneration in the form of share based payments, including shares or rights over shares. The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted excluding the impact of any non-market vesting conditions (for example profitability and sales growth targets). The non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the entity revises its estimates of the number of the options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Where awards depend on future events we assess the likelihood of these conditions being met and make an appropriate charge at the end of each reporting period. The credit for equity settled transactions is taken to the retained earnings.

For cash-settled share based payments, a liability is recognised for the amount payable at the balance sheet date with a corresponding charge being made to the income statement. Where payments depend on future events an assessment is made of the likelihood of these conditions being met in determining the amounts to be recorded. Where cash settled share options are only part of the way through their vesting period, the liability and income statement charge are adjusted to reflect the proportion of the vesting period that has been covered up to the balance sheet date.

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

Taxation

Current tax, including UK and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a right to offset current tax assets against current tax liabilities.

Dividends

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

Earnings per share

The dilutive effect of un-vested outstanding options is calculated based on the number that would vest had the balance sheet date been the vesting date, this dilution is reflected in the computation of diluted earnings per share.

Foreign currency

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

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

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

For overseas operations, results are translated at the average rate of exchange and balance sheets are translated at the closing rate of exchange. The average rate of exchange approximates to the rate on the date that the transactions occurred. Exchange differences which arise from translation of foreign subsidiary results are taken to a separate component of equity.

Financial instruments

Financial assets and financial liabilities principally include the following:

Trade receivables

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

Trade and other liabilities

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

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded as the proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

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

Treasury shares

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

Minority shareholder put option liabilities

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

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

STANDARDS, NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the group has decided not to adopt early. These are:

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009).

Revised IAS 23, Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009), which is still to be endorsed by the EU. This is relevant to the group but it is expected there will be no impact on the financial statements.

Amendment to IFRS 2, Share-based payments; vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. Management is currently assessing the impact of the amendment on the accounts.

Revised IFRS 3, Business Combinations and Complementary Amendments to IAS 27, 'Consolidated and Separate Financial Statements' (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments to it are still to be endorsed by the EU. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts.

IFRIC 14, IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008), which is still to be endorsed by the EU. Management is currently assessing the impact of IFRIC 14 on the financial statements.

Amendments to IAS 32, Financial Instruments: Presentation, and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU.

Revised IAS 1, Presentation of Financial Statements – A Revised Approach (effective for accounting periods beginning on or after 1 January 2009). This revised standard is still to be endorsed by the EU. Management is currently assessing the impact of the amendment on the accounts.

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

IFRIC 11, IFRS 1, Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007), which requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity settled.

IFRIC 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008). This amendment is still to be endorsed by the EU.

IFRIC 13, Customer Loyalty Programmes (effective for accounting periods after 1 July 2008). This amendment is still to be endorsed by the EU.

NOTES

CONTINUED

2. HEADLINE RESULTS AND EARNINGS PER SHARE

The analysis below provides a reconciliation between the Group's reported results and the headline results with the associated earnings per share calculations. Basic and diluted earnings per share is calculated by dividing profit attributable to equity holders of the Group by the average number of shares in issue during the year.

2007	Note	Reported results £000	Amortisation of acquired intangibles £000	Fair value adjustments to minority put option liabilities £000	Notional interest on deferred consideration £000	Headline results £000
REVENUE	3	87,620	–	–	–	87,620
OPERATING PROFIT	3	9,614	608	–	–	10,222
Share of results of associates	7	281	53	–	–	334
Net interest	8, 9	(1,939)	–	3,052	257	1,370
PROFIT BEFORE TAXATION	3	7,956	661	3,052	257	11,926
Taxation	11, 3	(3,530)	(182)	–	–	(3,712)
PROFIT AFTER TAXATION		4,426	479	3,052	257	8,214
Minority interests		1,168	–	–	–	1,168
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		3,258	479	3,052	257	7,046
BASIC EARNINGS PER SHARE						
Weighted average number of shares (thousands)		56,163	–	–	–	56,163
BASIC EPS		5.80p	–	–	–	12.55p
DILUTED EARNINGS PER SHARE						
Weighted average number of shares (thousands) as above		56,163	–	–	–	56,163
Add						
– Sharesave options		159	–	–	–	159
– Options		411	–	–	–	411
– LTIP options		975	–	–	–	975
– Contingent consideration		595	–	–	–	595
Total		58,303	–	–	–	58,303
DILUTED EARNINGS PER SHARE		5.59p	–	–	–	12.09p

The directors believe that the headline results and headline earnings per share provide additional useful information on the underlying performance trends of business to shareholders. In addition the headline result is used for internal performance management and the calculation of rewards in the Group's Long Term Incentive Plan (LTIP) scheme. The term headline is not a defined term in IFRS.

The items that are excluded from headline results are the fair value gains and losses on liabilities caused by our put option agreements, amortisation of intangible assets acquired in business combinations, amortisation of intangible assets acquired in associates and notional interest from deferred consideration.

2006	Note	Reported results £000	Amortisation of acquired intangibles £000	Fair value adjustments to minority put option liabilities £000	Headline results £000
REVENUE	3	75,893	–	–	75,893
OPERATING PROFIT	3	6,254	20	–	6,274
Share of results of associates	7	5	–	–	5
Net interest	8, 9	(7,463)	–	8,970	1,507
(LOSS)/PROFIT BEFORE TAXATION	3	(1,204)	20	8,970	7,786
Taxation	11, 3	(2,857)	–	–	(2,857)
(LOSS)/PROFIT AFTER TAXATION		(4,061)	20	8,970	4,929
Minority interests		1,148	–	–	1,148
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		(5,209)	20	8,970	3,781
BASIC (LOSS)/EARNINGS PER SHARE					
Weighted average number of shares (thousands)		53,677	–	–	53,677
BASIC EPS		(9.70)p	–	–	7.04p
DILUTED (LOSS)/EARNINGS PER SHARE					
Weighted average number of shares (thousands) as above		53,677	–	–	53,677
Add					
– Sharesave options		259	–	–	259
– Options		411	–	–	411
Total		54,347	–	–	54,347
DILUTED (LOSS)/EARNINGS PER SHARE *		(9.70)p	–	–	6.96p

* Due to losses the numerical calculation of diluted earnings per share results in a figure which is more than the basic earnings per share. As such the diluted figure has been reported to equal the basic figure.

NOTES

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3. SEGMENTAL INFORMATION

The Group's primary reporting format for reporting segments is by geographical market, the secondary is by business segment.

SEGMENTAL INCOME STATEMENT

2007	Note	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
REVENUE		52,765	24,663	4,132	6,060	87,620
OPERATING PROFIT		7,761	550	581	722	9,614
ADD						
– Amortisation of intangibles		608	–	–	–	608
HEADLINE OPERATING PROFIT		8,369	550	581	722	10,222
Share of results of associates		25	–	–	309	334
Net interest	8, 9	1,448	10	2	(90)	1,370
HEADLINE PROFIT BEFORE TAXATION		9,842	560	583	941	11,926
LESS						
– Amortisation of intangibles		(608)	–	–	(53)	(661)
– Fair value adjustments to minority put option liabilities		(3,052)	–	–	–	(3,052)
– Notional interest from deferred consideration		(257)	–	–	–	(257)
Total of headline adjustments		(3,917)	–	–	(53)	(3,970)
PROFIT BEFORE TAXATION		5,925	560	583	888	7,956
Taxation		(2,833)	(368)	(207)	(122)	(3,530)
PROFIT FOR THE YEAR		3,092	192	376	766	4,426
Minority interests		997	59	67	45	1,168
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP		2,095	133	309	721	3,258
ADD						
– Headline adjustments above		3,917	–	–	53	3,970
– Deferred tax on amortisation of acquired intangibles		(182)	–	–	–	(182)
HEADLINE PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP		5,830	133	309	774	7,046
HEADLINE BASIC EPS						12.55p

Revenues from external customers by geographical location is the same as the geographical location of assets.

SEGMENTAL INCOME STATEMENT

2006	Note	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
REVENUE		44,352	25,638	3,632	2,271	75,893
OPERATING PROFIT/(LOSS)		6,323	1,496	(261)	(1,304)	6,254
ADD						
– Amortisation of intangibles		–	–	–	20	20
HEADLINE OPERATING PROFIT/(LOSS)		6,323	1,496	(261)	(1,284)	6,274
Share of results of associates		5	–	–	–	5
Net interest	8, 9	1,455	62	7	(17)	1,507
HEADLINE PROFIT/(LOSS) BEFORE TAXATION		7,783	1,558	(254)	(1,301)	7,786
LESS						
– Amortisation of intangibles		–	–	–	(20)	(20)
– Fair value adjustments to minority put option liabilities		(8,970)	–	–	–	(8,970)
– Notional interest from deferred consideration		–	–	–	–	–
Total of headline adjustments		(8,970)	–	–	(20)	(8,990)
(LOSS)/PROFIT BEFORE TAXATION		(1,187)	1,558	(254)	(1,321)	(1,204)
Taxation		(2,373)	(598)	(128)	242	(2,857)
(LOSS)/PROFIT AFTER TAXATION		(3,560)	960	(382)	(1,079)	(4,061)
Minority interests		1,042	31	67	8	1,148
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP		(4,602)	929	(449)	(1,087)	(5,209)
ADD						
– Headline adjustments above		8,970	–	–	20	8,990
HEADLINE PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP		4,368	929	(449)	(1,067)	3,781
HEADLINE BASIC EPS						7.04p

NOTES

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SEGMENTAL BALANCE SHEET

2007	Note	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
Assets		158,041	17,431	2,643	8,393	186,508
Liabilities		(121,071)	(14,511)	(5,676)	(9,352)	(150,610)
Net assets		36,970	2,920	(3,033)	(959)	35,898
Intangibles acquired	13	5,225	–	–	–	5,225
Investment in associates	15	–	–	–	4,086	4,086
Capital expenditure	16	633	545	18	239	1,435
Depreciation	16	(660)	(725)	(44)	(72)	(1,501)

SEGMENTAL BALANCE SHEET

2006	Note	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
Assets		82,824	14,540	1,695	1,658	100,717
Liabilities		(70,953)	(11,445)	(4,727)	(3,842)	(90,967)
Net assets		11,871	3,095	(3,032)	(2,184)	9,750
Capital expenditure	16	602	920	74	50	1,645
Depreciation	16	(571)	(509)	(31)	(33)	(1,144)

SECONDARY SEGMENTAL INFORMATION

2007	Advertising & Media buying £000	PR £000	Consulting £000	Total £000
Revenue	76,037	6,129	5,454	87,620
Total assets	153,569	2,662	13,103	169,334
Capital expenditure	1,325	6	104	1,435

SECONDARY SEGMENTAL INFORMATION

2006	Advertising & Media buying £000	PR £000	Consulting £000	Total £000
Revenue	70,959	4,934	–	75,893
Total assets	97,269	3,448	–	100,717
Capital expenditure	1,630	15	–	1,645

CURRENCY EXPOSURE

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

Had our 2007 results been translated at 2006 exchange rate then our results would have been:

SEGMENTAL INCOME STATEMENT TRANSLATED AT 2006 EXCHANGE RATES

2007	UK £000	Asia and Australia £000	America £000	Europe £000	Total £000
REVENUE	52,765	24,469	4,451	6,041	87,726
Operating profit	7,761	563	616	720	9,660
Add back amortisation of intangible	608	–	–	–	608
HEADLINE OPERATING PROFIT	8,369	563	616	720	10,268
Share of results of associates	25	–	–	308	333
Net interest	1,448	11	3	(90)	1,372
HEADLINE PROFIT BEFORE TAXATION	9,842	574	619	938	11,973
Less amortisation of intangible	(608)	–	–	(53)	(661)
Less fair value adjustments to minority shareholders put option liabilities	(3,052)	–	–	–	(3,052)
Less notional interest from deferred consideration	(257)	–	–	–	(257)
PROFIT ON BEFORE TAXATION	5,925	574	619	885	8,003
Tax expense	(2,833)	(364)	(225)	(122)	(3,544)
PROFIT FOR THE YEAR	3,092	210	394	763	4,459
REPORTED PROFIT FOR THE YEAR	3,092	192	376	766	4,426
Increase/(decrease) in 2007 results caused by translational differences	–	(18)	(18)	3	(33)

The key currencies that effect us and the average exchange rate used was:

	2007	2006
US Dollar	2.0015	1.8440
Australian Dollar	2.3910	2.4458
Euro	1.4621	1.4673

MARKET RISK

The Group does not have a substantial market share in any market. The key risk the Group is exposed to is the loss of clients. The Group has policies to monitor client feed back and act where there are issues.

	2007 %	2006 %
Largest clients as a % of total revenue		
Top 10	35.4	38.7
Top 15	43.3	46.6
Top 30	49.2	61.7

NOTES

CONTINUED

OTHER SEGMENTAL ITEMS INCLUDED IN THE INCOME STATEMENT

	2007	2006
Year ended 31 December	£000	£000
Depreciation		
– UK	644	519
– Asia and Australasia	693	555
– America	45	32
– Europe	81	45
	1,463	1,151

4. OPERATING COSTS

Year ended 31 December	Note	2007	2006
		£000	£000
Total staff costs	5	53,763	47,949
Other costs include:			
Amortisation of intangibles			
– Acquired intangibles		608	20
– Capitalised software		106	61
Depreciation of plant and equipment		1,463	1,151
Losses on disposal of fixed assets		36	4
		2,213	1,246
Year ended 31 December		£000	£000
Operating lease rentals			
Plant		245	185
Property		3,860	2,897
		4,105	3,082
Sublease receipts		(20)	–
		4,085	3,082

Total commitments

Plant and equipment			
In respect of operating leases which will expire:			
– Within one year		228	144
– Within two to five years		532	177
		760	321

Property

In respect of operating leases which will expire:			
– Within one year		4,108	2,339
– Within two to five years		10,275	8,019
– Greater than five years		25,883	27,961
		40,266	38,319

5. STAFF COSTS

Staff costs (including directors) comprise:

Year ended 31 December	2007	2006
	£000	£000
Wages and salaries	45,065	40,690
Social security costs	4,781	3,974
Defined contribution pension scheme costs	1,696	1,696
Other staff benefits	1,322	1,167
	52,864	47,527

Incentive plans

Cash based incentive plans	523	227
Share based incentive plans	376	195
	899	422

Total staff costs	53,763	47,949
Staff cost to revenue ratio	61%	63%

Staff numbers

UK	532	397
Asia & Australasia	414	423
USA	35	31
Europe	58	29
	1,039	880

Advertising & Media	872	827
PR	55	40
Brand consultancy	99	–
Other	13	13
	1,039	880

PENSIONS

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

Payments of £1,696k (2006: £1,696k) were made in the year and charged to the income statement in the period they fall due. At the year end there were unpaid amounts included within accruals totalling £75k (2006: £133k).

KEY MANAGEMENT REMUNERATION

The Group has defined the key management of the Group as the members of the Executive committee (the Plc Board and the Executive Board – see pages 12 and 13).

	2007	2006
	£000	£000
Short term employee benefit	3,368	3,513
Post employment benefit	350	306
Share based payments	318	136
Total	4,036	3,955

6. AUDITORS' REMUNERATION

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

Year ended 31 December	2007	2006
	£000	£000
Audit services		
Audit of the Company and its consolidated accounts	159	70
Audit of the Company's Subsidiaries pursuant to legislation	245	235
	404	305

Other services provided by the auditors

Due diligence of acquisitions including capitalised costs	167	–
Taxation	99	92
Other advice	12	25
	278	117
Total	682	422

7. SHARE OF ASSOCIATES

Year ended 31 December	2007	2006
	£000	£000
Share of associates' profit before taxation	491	7
Share of associates' taxation	(157)	(2)
Amortisation of intangibles	(53)	–
	281	5

8. FINANCE INCOME

Year ended 31 December	2007	2006
	£000	£000
Bank interest receivable	1,771	1,540
Other interest receivable	38	–
Total finance income	1,809	1,540

9. FINANCE EXPENSE

Year ended 31 December	2007	2006
	£000	£000
Bank interest payable	(403)	(3)
Interest payable on finance leases	(2)	(13)
Other interest payable	(34)	(17)
Total interest payable	(439)	(33)
Notional interest on contingent consideration	(257)	–
Fair value adjustments to minority shareholder put option liabilities	(3,052)	(8,970)
Total finance expense	(3,748)	(9,003)

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10. INTEREST RATE RISK

The Group is exposed to interest rate risk on both interest bearing assets and liabilities. The majority of interest paying and earning assets are exposed to UK inter bank rates. An analysis of net interest by our segmented geographic regions is provided in note 3.

If our debt and cash position remain the same as the year end a 1% reduction in interest would reduce our profits by £83k.

In July 2007 the Group took out a £13m bank loan to fund the acquisitions. By 31 December 2007 £4.6m of this loan had been repaid. In 2008 the Group will pay additional amounts to the previous shareholders of Walker Media Holdings Ltd and Clear Ideas Ltd as well as pay for the acquisition of a further 26% of Zapping/M&C Saatchi. As a result of interest payable on the loan facility, interest payable is likely to negate interest earned from positive contributions to cash from trading Company's management of working capital.

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

11. TAXATION

	2007	2006
Year ended 31 December	£000	£000
Current taxation		
Taxation in the year		
– UK	3,223	2,280
– Overseas	1,119	916
Withholding taxes payable	7	–
Utilisation of previously unrecognised tax losses	(128)	–
Adjustment for over provision in prior periods	(138)	(68)
Total	4,083	3,128
Deferred taxation		
Origination and reversal of temporary timing differences	(606)	(271)
Effect of changes in tax rates	53	–
Total	(553)	(271)
Total taxation	3,530	2,857

The difference between the actual tax and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2007	2006
Year ended 31 December	£000	£000
Profit/(loss) before taxation	7,956	(1,204)
Taxation at UK Corporation tax rate of 30%	(2,387)	361
Tax effect of associates	93	1
Expenses not deductible for tax	(212)	(249)
Different tax rates applicable in overseas jurisdictions	(93)	(56)
Effect of changes in tax rates on deferred tax	(53)	–
Withholding taxes	(7)	–
Utilisation of previously unrecognised tax losses	128	–
Adjustment for over provision in prior periods	138	68
Tax losses for which no deferred tax asset was recognised	(145)	(291)
Fair value adjustments on minority shareholder put options	(915)	(2,691)
Notional interest of deferred consideration	(77)	–
	(3,530)	(2,857)

12. DIVIDENDS

	2007	2006
Year ended 31 December	£000	£000
2006 final dividend 2.43p (2005 1.78p)	1,300	965
2007 interim dividend 0.87p (2006 0.77p)	513	412
	1,813	1,377

Proposed 2007 final dividend of 2.75p totalling £1,621k.

Dividends relate to the profit of the following years:

	2007	2006
Year ended 31 December	£000	£000
Interim dividends	513	412
Final dividends	1,642	1,300
	2,155	1,712
Headline dividend cover	3.2	2.2

13. INTANGIBLE ASSETS

	Goodwill	Brand names	Customer relationships	Software	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2006	14,592	–	–	139	14,731
Exchange differences	(71)	–	–	8	(63)
Additions	749	–	20	45	814
Acquired	–	–	–	9	9
At 31 December 2006	15,270	–	20	201	15,491
Exchange differences	445	–	–	10	455
Additions	–	–	–	111	111
Acquired	40,380	2,640	3,193	–	46,213
Disposals	–	–	–	(2)	(2)
At 31 December 2007	56,095	2,640	3,213	320	62,268
Accumulated amortisation and impairment					
At 1 January 2006	–	–	–	52	52
Amortisation charge	–	–	20	59	79
Impairment charge	–	–	–	3	3
At 31 December 2006	–	–	20	114	134
Exchange differences	–	–	–	7	7
Amortisation charge	–	–	608	110	718
At 31 December 2007	–	–	628	231	859
Net book value					
At 1 January 2006	14,592	–	–	87	14,679
At 31 December 2006	15,270	–	–	87	15,357
At 31 December 2007	56,095	2,640	2,585	89	61,409

Goodwill is allocated to the Group's cash-generating units. A segment-level summary of the goodwill allocation is presented below.

	Advertising & Media buying	PR	Consulting	Total
	£000	£000	£000	£000
2007				
UK	27,694	178	22,586	50,458
Asia and Australia	4,401	–	–	4,401
Europe	1,236	–	–	1,236
	33,331	178	22,563	56,095
2006				
UK	10,402	–	–	10,402
Asia and Australia	4,024	–	–	4,024
Europe	844	–	–	844
	15,270	–	–	15,270

NOTES

CONTINUED

Goodwill and other intangibles are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The 2007 review was undertaken in the last quarter of the year in conjunction with our annual business planning process and no impairments were identified (2006 no impairment).

	Residual Growth rates %	Pre-Tax Discount rates %
UK Advertising and Media buying	5	18
UK PR	5	18
UK Consulting	5	18
Asia and Australia Advertising and Media buying	5	17-19
Europe Advertising and Media buying	5	19-21

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

SUBSIDIARIES

The Group's significant subsidiary undertakings are:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at		Nature of business
		2007	2006	
M&C Saatchi (UK) Ltd	UK	100%	100%	Advertising
LIDA Ltd	UK	100%	100%	Direct marketing
Walker Media Ltd	UK	94.5%	75%	Media buying
Clear Ideas Ltd	UK	100%	–	Brand consulting
M&C Saatchi Agency Pty Ltd	Australia	100%	100%	Advertising
M&C Saatchi LA Inc	USA	84%	84%	Advertising
M&C Saatchi GAD SAS	France	75%	76%	Advertising
M&C Saatchi Berlin GmbH	Germany	80%	80%	Advertising

The following subsidiaries were either established or acquired during the year:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at		Nature of business
		2007	2006	
Mark Agency Pty Ltd	Australia	100%	–	Direct marketing
Clear Ideas Ltd	UK	100%	–	Brand consulting
Me&US SAS	France	56.2%	–	Public relations

14. ACQUISITIONS

CLEAR IDEAS LTD

On 12 July 2007 the Group acquired 100% of the share capital of Clear Ideas Ltd (Clear). The acquisition was satisfied with an initial cash payment of £13.2m and an issue of 3,444,791 shares. Deferred contingent consideration will be paid over the period 2008 to 2011 subject to the performance of the business. As at 31 December 2007 the value of contingent consideration is £11.9m (excluding the notional interest charge of £1.4m).

If the acquisition had occurred at the start of the year, Clear would have contributed revenues of £10.8m and an operating profit of £2.4m to the Group. Since the acquisition date Clear's revenues were £5.5m and operating profit of £1.6m.

	Book value £000	Fair value adjustment £000	Fair value £000
Non current assets			
Intangibles	–	5,833	5,833
Property, plant and equipment	423	–	423
	423	5,833	6,256
Current assets			
Trade and other receivables	4,034	–	4,034
Other current assets	864	–	864
Cash and cash equivalents	776	–	776
	5,674	–	5,674
Current liabilities	(2,263)	–	(2,263)
Deferred tax	–	(1,648)	(1,648)
Net assets acquired	3,834	4,185	8,019

M&C SAATCHI BERLIN (2006 ACQUISITION)

On 24 July 2006 the Group acquired 80% of 03 International Projects GmbH (renamed M&C Saatchi Berlin GmbH). In 2007 final consideration of £358k was paid (2006 contingent consideration £67k).

EXERCISE OF PUT OPTIONS

In July 2007 the Group acquired 19.5% of the share capital of Walker Media Holdings Ltd from its minority shareholders satisfied by an initial payment of £8.8m cash and an issue of 1,888,236 shares.

In May 2007 the Group acquired 6.3% of the share capital of Talk PR Ltd from the company's minority shareholders with an issue of 105,956 shares.

ZAPPING/M&C SAATCHI

On 8 March 2007 the Group acquired 25% of the Zapping Publicidad SA group of companies, with a commitment to acquire a further 26% on 1 July 2008 and 24% on 1 July 2009.

ACCOUNTING METHODS

IFRS 3 requires the acquiree's identifiable assets and liabilities to be recognised at fair value at the acquisition date. The acquisition of Clear Ideas Ltd in 2007 and M&C Saatchi Berlin GmbH in 2006 fall within the scope of IFRS 3.

The acquisition of additional shares in Walker Media Holdings Ltd and Talk PR Ltd due to the exercise of put options does not change the nature of our control. The transactions fall outside the scope of IFRS 3 business combinations. Goodwill arose on the exercise of these put options, being the excess of the fair value of the consideration over the Group's interest in the value of the identifiable net assets acquired. The acquisition of 25% of Zapping/M&C Saatchi is accounted for as an associate.

NOTES

CONTINUED

INVESTMENT IN SUBSIDIARIES

	Clear £000	Walker Media £000	Talk PR £000	M&C Saatchi Berlin £000	2007 Total £000	2006 £000
Consideration, satisfied by:						
Cash	13,948	8,799	–	383	23,130	674
Fair value of deferred consideration	–	5,127	–	–	5,127	–
Fair value of contingent consideration	10,535	–	–	–	10,535	67
Shares issued	5,563	2,964	175	–	8,702	–
	30,046	16,890	175	383	47,494	741
Direct costs of acquisition						
	559	123	3	12	697	67
	30,605	17,013	178	395	48,191	808
LESS						
– Fair value of net assets	8,019	–	–	–	8,019	59
– Book value of minority interest	–	(275)	–	–	(275)	–
– Estimate of contingent consideration made in previous year	–	–	–	67	67	–
Goodwill additions	22,586	17,288	178	328	40,380	749

Goodwill represents the value of our staff and our investments in potential future profits.

INVESTMENT IN ASSOCIATES

	2007 £000
Zapping/M&C Saatchi	
Consideration, satisfied by:	
Cash	1,368
Fair value of deferred consideration	2,216
	3,584
Direct costs of acquisition	
	219
	3,803
LESS	
– Fair value of net assets	131
– Intangible assets acquired	95
Goodwill created	3,577

15. ASSOCIATES

The following entities meet the definition of an associate and are included in the consolidated financial statements:

Name	Nature of business	Country of incorporation registration	Proportion of voting rights and ordinary share capital held at 2007	2006
Play London Ltd	Digital marketing	UK	50%	50%
Zapping/M&C Saatchi, S.A. and subsidiaries	Advertising	Spain	25%	–
			2007 £000	2006 £000
At 1 January			–	–
Exchange movements			27	–
Acquisition of associate			3,803	–
Amortisation of intangibles			(53)	–
Share of profit after taxation				
– Zapping/M&C Saatchi			309	–
– Play London Ltd*			–	–
At 31 December			4,086	–

*As at 31 December 2007, Play London Ltd had cumulative losses that are funded by a Group loan.

Investment in associates includes goodwill of £3,577k (2006: Nil).

SUMMARISED FINANCIAL INFORMATION

	2007 Zapping £000	2007 Play £000	2007 Total £000	2006 Total £000
Income statement				
Revenue	4,798	1,212	6,010	1,014
Operating profit	1,798	97	1,895	29
Profit before taxation	1,817	74	1,891	13
Profit after taxation	1,235	52	1,287	9
Our share	309	25	334	5

SUMMARISED FINANCIAL INFORMATION

	2007 Zapping £000	2007 Play £000	2007 Total £000	2006 Total £000
Balance sheet				
Total assets	8,151	291	8,442	390
Total liabilities	(6,477)	(393)	(6,870)	(542)

NOTES

CONTINUED

16. PLANT AND EQUIPMENT

	Leasehold improvements	Furniture fittings & other equipment	Computer equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2006	2,059	3,334	3,826	121	9,340
Exchange differences	(19)	(59)	(128)	–	(206)
Additions	637	417	588	3	1,645
Acquired	–	8	12	–	20
Disposals	–	(23)	(48)	(119)	(190)
At 31 December 2006	2,677	3,677	4,250	5	10,609
Exchange differences	81	103	164	–	348
Additions	364	415	627	29	1,435
Acquired	–	255	335	27	617
Disposals	(40)	(421)	(1,178)	–	(1,639)
At 31 December 2007	3,082	4,029	4,198	61	11,370
Depreciation					
At 1 January 2006	1,537	1,752	2,825	119	6,233
Exchange differences	(2)	(42)	(93)	1	(136)
Depreciation charge	280	302	561	1	1,144
Acquired	–	2	4	–	6
Disposals	–	(8)	(42)	(119)	(169)
At 31 December 2006	1,815	2,006	3,255	2	7,078
Exchange differences	33	62	129	–	224
Depreciation charge	312	461	721	7	1,501
Acquired	–	70	114	9	193
Disposals	(32)	(409)	(1,139)	–	(1,580)
At 31 December 2007	2,128	2,190	3,080	18	7,416
Net book value					
At 1 January 2006	522	1,582	1,001	2	3,107
At 31 December 2006	862	1,671	995	3	3,531
At 31 December 2007	954	1,839	1,118	43	3,954

Net book value of assets, included in the above balances which have been purchased through finance lease arrangements are:

	Leasehold improvements	Furniture fittings & other equipment	Computer equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
At 1 January 2006	33	–	73	–	106
At 31 December 2006	31	–	31	–	62
At 31 December 2007	–	13	23	16	52

17. DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a right to offset current tax assets against current tax liabilities.

	Gross	Offset	Reported
	£000	£000	£000
At 31 December 2007			
Deferred tax assets	2,041	(7)	2,034
Deferred tax liabilities	(1,611)	7	(1,604)
	430	–	430
At 31 December 2006			
Deferred tax assets	1,685	(9)	1,676
Deferred tax liabilities	(150)	9	(141)
	1,535	–	1,535

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

	2007	2006
	£000	£000
At 1 January	1,535	1,256
Exchange difference	21	(20)
Acquisition of subsidiary	(1,679)	–
Income statement charge	553	266
Equity charge in relation to employee costs	–	33
At 31 December	430	1,535

The following is the deferred tax recognised by the Group and movements in 2006 and 2007.

	Capital allowances & amortisation	Tax losses	Options & bonus accruals	Working capital differences	Total
	£000	£000	£000	£000	£000
At 1 January 2006	(7)	–	223	1,040	1,256
Exchange differences	2	–	–	(22)	(20)
Income statement charge/(credit)	(20)	58	147	81	266
Equity charge in relation to employee options	–	–	33	–	33
At 31 December 2006	(25)	58	403	1,099	1,535
Exchange differences	–	3	2	16	21
Acquisition of subsidiary	(1,679)	–	–	–	(1,679)
Income statement charge	189	15	216	133	553
At 31 December 2007	(1,515)	76	621	1,248	430

The Group has £85k (2006: £213k) of unprovided deferred taxation that relates to tax losses.

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18. TRADE AND OTHER RECEIVABLES

	2007 £000	2006 £000
Trade receivables	64,598	40,452
Provision for bad debts	(75)	(85)
Net trade receivables	64,523	40,367
Prepayments and accrued income	9,467	6,366
Amounts due from associates	60	-
Amounts due from other related parties	31	-
VAT and sales tax recoverable	424	423
Other debtors	367	1,165
Total trade and other receivables	74,872	48,321

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

MOVEMENT IN THE BAD DEBT PROVISION

	2007 £000	2006 £000
As at 1 January	(85)	(70)
Exchange movements	1	1
Charged to the income statement	(4)	(34)
Utilisation of provision	13	18
As at 31 December	(75)	(85)

As at 31 December the following trade receivables were past their due date but not impaired. It is local managements' belief that these debts will be fully repaid.

	2007 £000	2007 %	2006 £000	2006 %
3 to 6 months	1,441	2%	1,100	3%
Over 6 months	272	-	-	-
Total net trade receivables	64,523	100%	40,367	100%

For the year ended 31 December 2007, our top 15 clients contributed 43% of total client revenue. The clients comprising our top 15 are blue chip entities and have the following aged receivables profile at the end of the year:

	2007 £000	2007 %	2006 £000	2006 %
Current, less than 30 days	43,950	89%	18,805	87%
30 to 60 days	-	-	2,461	11%
60 to 90 days	5,279	11%	278	2%
Over 90 days	-	-	95	-
Total	49,229	100%	21,639	100%

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

	2007 £000	2007 %	2006 £000	2006 %
Sterling	61,444	82%	38,090	79%
US dollars	1,272	2%	495	1%
Australian dollars	5,405	7%	5,118	11%
Euros	2,925	4%	1,154	2%
Other	3,826	5%	3,464	7%
	74,872	100%	48,321	100%

CREDIT RISK

The Group monitors credit risk at both a local and Group level. Credit terms are set and monitored at a local level according to local business practices and commercial trading conditions. The age of debt is reported regularly. Age profiling is monitored both at local customer level and a consolidated entity level. Whilst the Group has some exposure to foreign currency risk this is limited by the proportion of debt denominated in Sterling. The Group continues to review its debt exposure to foreign currency movements and will review efficient strategies to mitigate risk as the Group's overseas debt increases. Bad debt provisions are determined locally. The Group does not have exposure to debt from their significant global clients.

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

FINANCIAL ASSETS

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

	2007 £000	2006 £000
Loans and receivables		
Trade receivables	64,523	40,367
Accrued income	6,545	2,611
Other receivables	1,024	1,625
Cash and cash equivalents	16,895	31,284
Total	88,987	75,887

19. TRADE AND OTHER PAYABLES

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £000	2006 £000
Trade creditors	(40,982)	(36,699)
Sales taxation and social security payables	(6,557)	(2,919)
Employment benefit accruals	(707)	-
Accruals and deferred income	(33,888)	(22,427)
Other payables	(4,716)	(4,465)
	(86,850)	(66,510)

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

Settlement of trade and other payments are made in accordance with our terms of trade established with our local suppliers.

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

AMOUNTS FALLING WITHIN ONE YEAR

	2007 £000	2007 %	2006 £000	2006 %
Sterling	(70,854)	82	(54,820)	82
US dollars	(578)	1	(647)	1
Australian dollars	(5,683)	6	(5,051)	8
Euros	(3,575)	4	(1,553)	2
Other	(6,160)	7	(4,439)	7
	(86,850)	100	(66,510)	100

FINANCIAL LIABILITIES

The Group's financial liabilities by each financial investment category are as follows.

	2007 £000	2006 £000
Amortised cost		
Trade creditors	(40,982)	(36,699)
Employment benefit accruals	(707)	-
Accruals	(26,488)	(14,892)
Other payables	(5,858)	(5,327)
Finance leases	(27)	(31)
Loans and borrowings	(8,521)	(32)
Deferred and contingent consideration	(18,136)	(67)
	(100,719)	(64,520)
Fair value		
Minority shareholder put option liabilities	(10,545)	(22,288)
	(118,664)	(86,871)

Maturity analysis of the financial liabilities other than loans, borrowings and minority put option liabilities is as follows.

	2007 £000	2006 £000
Up to 3 months	(74,035)	(56,918)
3-6 months	(9,811)	(67)
6-12 months	-	-
Later than 1 year not later than 5 years	(8,352)	(31)
	(92,198)	(57,016)

20. OTHER FINANCIAL LIABILITIES

AMOUNTS FALLING WITHIN ONE YEAR

	2007 £000	2006 £000
Unsecured overdrafts	-	(11)
Obligations under finance leases	(5)	(23)
Other bank loans	(13)	-
	(18)	(34)

AMOUNTS FALLING AFTER ONE YEAR

	2007 £000	2006 £000
Obligations under finance leases	(23)	(8)
Secured bank loans	(8,498)	-
Other bank loans	(10)	(21)
	(8,531)	(29)

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

SECURED BANK LOANS

The secured bank loan is part of a three year £10m facility plus a between one and three year £3m facility. The Group has an un-drawn overdraft facility to borrow a further £3m. Both the secured bank loans and overdraft have floating rates of interest set at 1.1% above LIBOR (2006: N/A). The loans mature in 2010.

	2007 £000	2006 £000
Gross secured bank loans	(8,600)	-
Capitalised finance costs	102	-
Net secured bank loans	(8,498)	-
Future interest payable on secured bank loans at balance sheet date	(1,590)	-
Total secured bank loans and future interest	(10,088)	-

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

	2007 £000	2006 £000
In one year or less, or on demand	(5)	(23)
In more than one year but not more than two years	(23)	(3)
In more than two years but not more than five years	-	(5)
	(28)	(31)

21. DEFERRED AND CONTINGENT CONSIDERATION

	2007 £000	2006 £000
Amounts falling within one year		
- Deferred	(7,311)	-
- Contingent	(2,500)	(67)
	(9,811)	(67)

	2007 £000	2006 £000
Amounts falling after one year		
- Contingent	(8,325)	-
	(18,136)	(67)

	2007 £000	2006 £000
At 1 January	(67)	-
Exchange difference	(6)	-
Acquisitions	(17,879)	(67)
Notional interest charge	(257)	-
Paid	351	-
Adjustment to prior period estimate	(278)	-
At 31 December	(18,136)	(67)

Contingent consideration is estimated based on projections. The projection assumes constant margins and given Clear's international expansion plans, above market growth rates.

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22. MINORITY SHAREHOLDER PUT OPTION LIABILITIES

When the Group sets up new subsidiary businesses with partners, the minority partners acquire the right to a put option. The put options give the minorities a right to exchange their minority holdings in the subsidiary into shares in M&C Saatchi Plc.

	2007 £000	2006 £000
Amounts falling within one year	(6,854)	(11,077)
Amounts falling after one year	(3,691)	(11,211)
	(10,545)	(22,288)

Put options are exercisable from:

Company	Year	% of Company Shares exchangeable
Walker Media Holdings Ltd	2008	5.5
Talk PR Ltd	2008	15.6
The Immediate Sales Company Ltd	2008	14.0
M&C Saatchi LA Inc	2008	16.0
M&C Saatchi Marketing Arts Ltd	2008	50.0
M&C Saatchi (M) SDN BHD	2008	20.0
M&C Saatchi Sports and Entertainment Ltd	2008	22.8
M&C Saatchi Agency Inc	2008	4.0
M&C Saatchi (Thailand) Co Ltd	2008	48.0
Provenance Communication Ltd	2009	35.0
Influence Communications Limited	2009	15.0
M&C Saatchi Europe Holdings Ltd	2010	4.0
M&C Saatchi German Holdings Ltd	2010	4.0
M&C Saatchi GAD SAS	2011	28.0
M&C Saatchi Communications Pty Ltd	2011	23.0
M&C Saatchi Berlin GmbH	2011	20.0
Zapping/M&C Saatchi SA	2013	10.0 ⁽¹⁾
Zapping/M&C Saatchi SA	2015	15.0 ⁽¹⁾

⁽¹⁾ Zapping/M&C Saatchi SA is a group of companies. Early vesting has been granted to two shareholders, whose proportionate ownership of the group varies with the results of the individual companies in the group.

At each period end the fair value of the put options liability is calculated in accordance with the shareholders agreement and any movement is charged to the income statement. Where the agreement gives a right to convert to a variable number of shares (rather than a value), the number of shares is converted to a value by using the period end share price.

The liability will vary with our share price (see note 32), and with the results of companies. Current liabilities are determined by our year end share price and the 2007 results of the companies who can exercise in 2008. Non current liabilities are determined by our year end share price and the projected results of the companies who can exercise after 2008. The projected results show management's best estimate of the growth rates and margin of the companies who can exercise after 2008, given that these companies are small. In start up phase, single account wins can have a significant effect on their results, such account wins are far more significant than changes to exchange rates and underlying economic growth rates.

23. OTHER NON CURRENT LIABILITIES

	2007 £000	2006 £000
Employment benefit provisions	(698)	(133)
Other	(444)	(729)
	(1,142)	(862)

24. AUTHORISED AND ISSUED SHARE CAPITAL

	2007 £000	2006 £000
Authorised		
200,000,000 ordinary shares of 1p each	2,000	2,000

ALLOTTED, CALLED UP AND FULLY PAID

	Number of shares	Ordinary shares £000
At 1 January 2006	54,206,799	542
700,000 1p ordinary shares purchased for 113p per share	-	-
At 31 December 2006	54,206,799	542
Employee share options exercised	15,350	-
Acquisition of 19.5% of Walker Media Holdings Ltd	1,888,236	19
Acquisition of Clear Ideas Ltd	3,444,791	35
Acquisition of 6.3 % of Talk PR Ltd	105,956	1
At 31 December 2007	59,661,132	597

25. RESERVES

	Share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Minority Interest put option reserve £000	Foreign exchange reserve £000	Retained earnings £000	Subtotal £000	Minority interests £000	Total £000
1 January 2006	542	9,618	14,756	-	(13,219)	-	4,800	16,497	549	17,046
Exchange differences	-	-	-	-	-	(371)	-	(371)	(39)	(410)
Capital additions	-	-	-	-	-	-	-	-	90	90
Deferred tax on options	-	-	-	-	-	-	36	36	-	36
Equity settled share based payments	-	-	-	-	-	-	246	246	-	246
New minority shareholder put options issued	-	-	-	-	(99)	-	-	(99)	-	(99)
Transfer between majority and minority reserves	-	-	-	-	-	-	213	213	(213)	-
Dividends	-	-	-	-	-	-	(1,377)	(1,377)	(959)	(2,336)
Purchase of own shares	-	-	-	(792)	-	-	-	(792)	-	(792)
Loss for the year	-	-	-	-	-	-	(5,179)	(5,179)	1,148	(4,031)
31 December 2006	542	9,618	14,756	(792)	(13,318)	(371)	(1,261)	9,174	576	9,750
Issue of shares for										
- acquisitions	55	3,140	5,529	-	-	-	-	8,702	-	8,702
- share save	-	22	-	-	-	-	-	22	-	22
Exchange rate movements	-	-	-	-	-	689	-	689	(1)	688
Exercise of minority put options	-	-	-	-	8,741	-	8,353	17,094	-	17,094
New minority shareholder put options	-	-	-	-	(2,299)	-	-	(2,299)	-	(2,299)
Transfer between majority and minority reserves	-	-	-	-	-	-	(191)	(191)	191	-
Other	-	-	-	-	-	-	275	275	25	300
Equity settled share based payments	-	-	-	-	-	-	432	432	-	432
Dividends	-	-	-	-	-	-	(1,813)	(1,813)	(1,404)	(3,217)
Profit for the year	-	-	-	-	-	-	3,258	3,258	1,168	4,426
31 December 2007	597	12,758	20,285	(792)	(6,876)	318	9,053	35,343	555	35,898

The definitions of the reserves reported in the above note can be found in note 33.

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costs, of which £13k (2006: Nil) was outstanding at the year end. The Group used Travelex foreign currency payment systems to pay £1,457k (2006: £2,826k) of our bills.

During the year the Group made purchases of £536k (2006: £12k) from associated companies. At 31 December 2007, there was £60k due to associates in respect of these transactions (2006: Nil). During the year, £252k (2006: £140k) of overheads were charged by Group companies to associates. At 31 December 2007, associates owed Group companies £60k (2006: £413k), this balance is primarily made up of working capital loans that the Group has made.

32. RISK & RISK MANAGEMENT

M&C Saatchi Plc have identified specific categories of business risk and developed policies for their management and control. These policies are kept under constant review as risk and risk perceptions change.

CURRENCY RISK
(see note 3, 18 & 19)

MARKET RISK
(see note 3)

INTEREST RATE RISK
(see note 10)

CREDIT RISK
(see note 18)

SHARE PRICE RISK

Changes in our year end share price will impact our annual cash and share based incentive plans income statement charge as well as the fair value adjustment to minority shareholders put options. Based on the year end share price of 126p, the 2007 charges would have changed by:

	10% decrease £000	10% increase £000
Cash and share based incentive plans		
Increase/(decrease) in operating profit	81	(59)
Increase/(decrease) in profit before tax	81	(59)
	10% decrease £000	10% increase £000
Fair value adjustment to minority shareholders put options		
Increase/(decrease) in operating profit	–	–
Increase/(decrease) in profit before tax	351	(353)

LIQUIDITY RISK

Centrally the Group ensures that bank facilities are available to meet the Group's liquidity needs. Liquidity is monitored centrally and managed locally. Spare local cash is released to the centre by way of dividends and loan repayments. In managing its liquidity risk, management considers its free cash and its gearing ratio.

CAPITAL RISK

The Group's capital reserves consist of its all its equity reserves with the exclusion of the minority interest put option reserve. The Group maintains its capital reserve to safeguard the Group's going concern, as well as providing adequate return to its shareholders. The Group minimises the amount of debt its uses to finance its activities, to reduce the risk to the shareholders. Excess working capital is used to invest or is returned to shareholders by way of dividend or buying shares into treasury.

33. DEFINITION OF TERMS & ASSUMPTIONS USED

ORDINARY SHARE CAPITAL

Total issued share capital at nominal value.

SHARE PREMIUM

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

MERGER RESERVE

Premium paid for shares above share capital, caused by the acquisition of more than 90% of subsidiaries shares, less any impairment or amortisation of the investment (which is released to retained earnings).

TREASURY RESERVE

Amount paid for own shares acquired.

MINORITY INTEREST PUT OPTION RESERVE

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

FOREIGN EXCHANGE RESERVE

Gains and losses on translating net assets of overseas operations.

RETAINED EARNINGS

Cumulative gains and losses recognised.

PROJECTIONS

In calculating the fair value of minority put options, deferred consideration, LTIP charge, and goodwill impairment, the same projections are used. These projections take account of management's view of the future given expected market growth, the effects of past acquisitions, inflation, exchange rates and rapidly growing markets. The model assumes that minorities with put options do not exercise them. This assumption is only changed when M&C Saatchi Plc receive an exercise notice, as is the case with Walker Media Holdings Ltd.

KEY MANAGEMENT

Key management is defined in IAS 24. The Group's Key Management is the Executive Committee.

34. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

This is the first year that the Group presents its financial statements in accordance with IFRS as adopted by the European Union. The following disclosure is required in the transition year, as the last Group financial statements were for the year ended 31 December 2006 and the date of transition is 1 January 2006.

The 2006 comparatives in the financial statements have been revised so that they are compliant with the IFRS based Group accounting policies in note 1. The following reconciliation shows the impact of the transition from UK GAAP to IFRS.

FIRST TIME ADOPTION EXEMPTIONS TAKEN (IFRS 1)

- We have not restated any business combinations prior to 1 January 2006 (IFRS 3).
- Translation differences on all foreign operations as at 1 January 2006 are treated as nil (IAS 21).

RECONCILIATION FROM UK GAAP TO IFRS

The following reconciliations are presented below in order to explain the effect of the transition to IFRS and to show how the comparative results have been restated:

- Reconciliation of profit for the year ended 31 December 2006;
- Reconciliation of movements in 1 January 2006 balance sheet; and
- Reconciliation of movements in 31 December 2006 balance sheet.

The IFRS adjustments included within these reconciliations are explained below.

RECONCILIATION OF PROFIT FOR THE YEAR ENDED 31 DECEMBER 2006

	UK GAAP (IFRS format) £000	IFRS 3 Acquisitions £000 note a	IAS 32 & IAS 39 Put options £000 note b	IAS 39 Liability recognition £000 note c	Other £000 note d	IFRS £000
Billings	369,490	–	–	–	(845)	368,645
Revenue	75,877	–	–	16	–	75,893
Operating costs	(71,354)	1,735	–	–	(20)	(69,639)
Operating profit	4,523	1,735	–	16	(20)	6,254
Share of results of associates	15	–	–	–	(10)	5
Finance income	1,540	–	–	–	–	1,540
Finance costs	(41)	–	(8,970)	–	8	(9,003)
Profit/(loss) before taxation	6,037	1,735	(8,970)	16	(22)	(1,204)
Taxation on profits	(2,886)	–	–	(5)	34	(2,857)
Profit/(loss) after taxation	3,151	1,735	(8,970)	11	12	(4,061)

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RECONCILIATION OF MOVEMENTS IN 1 JANUARY 2006 BALANCE SHEET

	UK GAAP (IFRS format) £000	IAS 32 & IAS 39 Put options £000 note b	IAS 39 Liability recognition £000 note c	Other £000 note d	IFRS £000
Non current assets					
Plant and equipment	3,194	–	–	–	3,194
Intangible assets	14,592	–	–	–	14,592
Investments in associates	81	–	–	(81)	–
Deferred tax assets	354	–	959	(36)	1,277
Other non current assets	243	–	–	–	243
	18,464		959	(117)	19,306
Current assets					
Work in progress	3,277	–	–	(3,277)	–
Trade and other receivables	49,953	–	–	3,277	53,230
Current tax assets	599	–	–	–	599
Cash and cash equivalents	20,486	–	–	–	20,486
	74,315	–	–	–	74,315
Current liabilities					
Trade and other payables	(56,088)	–	(3,196)	–	(59,284)
Current tax liabilities	(2,760)	–	–	–	(2,760)
Other financial liabilities	(121)	–	–	–	(121)
Minority shareholder put option liabilities	–	(5,540)	–	–	(5,540)
	(58,969)	(5,540)	(3,196)	–	(67,705)
Net current assets	15,346	(5,540)	(3,196)	–	6,610
Total assets less current liabilities	33,810	(5,540)	(2,237)	(117)	25,916
Non current liabilities					
Deferred tax liabilities	(21)	–	–	–	(21)
Other financial liabilities	(36)	–	–	–	(36)
Minority shareholder put option liabilities	–	(7,679)	–	–	(7,679)
Other non current liabilities	(1,215)	–	–	81	(1,134)
	(1,272)	(7,679)	–	81	(8,870)
Total net assets	32,538	(13,219)	(2,237)	(36)	17,046
Equity					
Share capital	542	–	–	–	542
Share premium	9,618	–	–	–	9,618
Merger reserve	14,756	–	–	–	14,756
Minority interest put option reserve	–	(13,219)	–	–	(13,219)
Retained earnings	6,700	–	(1,864)	(36)	4,800
	31,616	(13,219)	(1,864)	(36)	16,497
Minority interests	922	–	(373)	–	549
Total equity	32,538	(13,219)	(2,237)	(36)	17,046

RECONCILIATION OF MOVEMENTS IN 31 DECEMBER 2006 BALANCE SHEET

	UK GAAP (IFRS format) £000	IFRS 3 Acquisitions £000 note a	IAS 32 & IAS 39 Put options £000 note b	IAS 39 Liability recognition £000 note c	Other £000 note d	IFRS £000
Non current assets						
Intangible assets	13,555	1,735	–	–	67	15,357
Investments in associates	81	–	–	–	(81)	–
Plant equipment	3,618	–	–	–	(87)	3,531
Deferred tax assets	693	–	–	954	29	1,676
Other non current assets	460	–	–	–	–	460
	18,407	1,735	–	954	(72)	21,024
Current assets						
Work in progress	2,416	–	–	–	(2,416)	–
Trade and other receivables	45,900	–	–	–	2,421	48,321
Current tax assets	88	–	–	–	–	88
Cash and cash equivalents	31,284	–	–	–	–	31,284
	79,688	–	–	–	5	79,693
Current liabilities						
Trade and other payables	(63,330)	–	–	(3,180)	–	(66,510)
Current tax liabilities	(1,036)	–	–	–	–	(1,036)
Other financial liabilities	(34)	–	–	–	–	(34)
Deferred consideration	(67)	–	–	–	–	(67)
Minority shareholder put option liabilities	–	–	(11,077)	–	–	(11,077)
	(64,467)	–	(11,077)	(3,180)	–	(78,724)
Net current assets	15,221	–	(11,077)	(3,180)	5	969
Total assets less current liabilities	33,628	1,735	(11,077)	(2,226)	(67)	21,993
Non current liabilities						
Deferred tax liabilities	(141)	–	–	–	–	(141)
Other financial liabilities	(29)	–	–	–	–	(29)
Deferred consideration	–	–	–	–	–	–
Minority shareholder put option liabilities	–	–	(11,211)	–	–	(11,211)
Other non current liabilities	(938)	–	–	–	76	(862)
	(1,108)	–	(11,211)	–	76	(12,243)
Total net assets	32,520	1,735	(22,288)	(2,226)	9	9,750
Equity						
Share capital	542	–	–	–	–	542
Share premium	9,618	–	–	–	–	9,618
Merger reserve	13,553	1,203	–	–	–	14,756
Treasury reserve	(792)	–	–	–	–	(792)
Minority interest put option reserve	–	–	(13,318)	–	–	(13,318)
Foreign exchange reserve	–	–	–	–	(371)	(371)
Retained earnings/(loss)	8,437	532	(8,970)	(1,640)	380	(1,261)
	31,358	1,735	(22,288)	(1,640)	9	9,174
Minority interests	1,162	–	–	(586)	–	576
Total equity	32,520	1,735	(22,288)	(2,226)	9	9,750

NOTES

CONTINUED

NOTES TO IFRS ADJUSTMENTS

a) IFRS 3 Business combinations

Under IFRS goodwill is not amortised, instead annual impairment reviews are conducted (see note 13). As the Group has elected not to apply IFRS 3 (business combinations) retrospectively, the only adjustment was to reverse the 2006 amortisation charge.

b) IAS 32 & IAS 39 Minority shareholder put options

IAS 32 & IAS 39 requires a valuation of the liability Group companies have to minority shareholders that have the right to exchange their minority shareholdings in the subsidiary companies for shares in M&C Saatchi Plc (a put option) at their creation (or at the Group's transition to IFRS) and then at each reporting date. The movement in the valuation of the liability is charged to the income statement (there is no revaluation of the reserve) (see note 22).

c) IAS 39 Liability recognition

IAS 39 requires a liability to be recognised based on the legal obligation to pay; UK GAAP recognises a liability where there is a reasonable expectation that the liability will be paid. Many of our contracts are formed verbally and this gives rise to uncertainty which is treated differently by UK GAAP and IFRS.

d) Other

Other adjustments have been made in respect of IAS 38 intangible assets, IAS 1 and IAS 39 presentation of financial statements (associates), IAS 12 deferred tax, IAS 21 creation of a foreign currency reserve and IAS 18 billings recognition.

COMPANY BALANCE SHEET

At 31 December	Note	2007 £000	2006 £000
FIXED ASSETS			
Investments	37	101,084	52,585
CURRENT ASSETS			
Debtors			
– due within one year	38	11,945	11,192
– due after one year	38	121	46
Cash at bank and in hand		65	9,054
		12,131	20,292
Creditors falling due with in one year	39	(10,233)	(1,406)
Net current assets		1,898	18,886
Total asset less current liabilities		102,982	71,471
NON CURRENT ASSETS			
Creditors falling due after more than one year	40	(17,980)	(75)
Provisions for liabilities and charges	42	(264)	(18)
Total net assets		84,738	71,378
CAPITAL AND RESERVES			
Share capital	43	597	542
Share premium	43	12,758	9,618
Merger reserve	43	62,291	56,763
Treasury shares	43	(792)	(792)
Profit and loss account	43	9,884	5,247
Shareholders' funds		84,738	71,378

These financial statements were approved and authorised for issue by the board on 1 May 2008 and signed on its behalf by:

Jerry Wales
Finance Director

As provided by Section 230, Companies act 1985, the profit and loss account for the Company has not been presented. Included within the consolidated income statement for the year ended 31 December 2007 is a profit after tax of £6,017k (2006: £3,758k).

The notes on pages 80 to 82 form part of these financial statements.

NOTES

CONTINUED

35. ACCOUNTING POLICIES

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

The following principal accounting policies have been applied:

(A) VALUATION OF INVESTMENTS

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

(B) PENSIONS

Contributions to personal pension plans are charged to the profit and loss account in the period in which they are due.

(C) DEFERRED TAXATION

Deferred tax balances are recognised for all timing differences that have originated but that have not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

(D) SHARE BASED PAYMENTS

Certain employees receive remuneration in the form of share based payments, including shares or rights over shares. The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted, excluding the impact of any non-market vesting conditions (for example profitability and sales growth targets). The non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the entity revises its estimates of the number of the options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period. Where awards depend on future events we assess the likelihood of these conditions being met and make an appropriate charge at the end of each reporting period. The credit for equity settled transactions is taken to the share option reserve.

For cash-settled share based payments, a liability is recognised for the amount payable at the balance sheet date with a corresponding charge being made to the profit and loss account. Where payments depend on future events an assessment is made of the likelihood of these conditions being met in determining the amounts to be recorded. Where cash settled share options are only part of the way through their vesting period, the liability and profit and loss account charge are adjusted to reflect the proportion of the vesting period that has been covered up to the balance sheet date.

The charge for equity settled share based payments is recognised, together with a corresponding increase in equity, over the vesting period of the related share options. The cumulative expense recognised for equity-settled share based payments at each reporting date reflects the extent to which the directors consider, as at the balance sheet date, that the awards will ultimately vest.

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

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

(E) DIVIDENDS

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

(F) TREASURY SHARES

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

36. STAFF COSTS

Year ended 31 December	2007 £000	2006 £000
Wages and salaries	2,273	2,802
Social security costs	300	280
Defined contribution pension scheme costs	140	184
Other staff benefits	37	52
	2,750	3,318
Incentive plans		
Cash based incentive plans	158	50
Share based incentive plans	122	51
	280	101
Total staff costs	3,030	3,419
Staff numbers	13	16

Share based payment details are provided in note 26.

37. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2007 £000	2006 £000
At 1 January	52,585	52,585
Acquisitions	48,499	–
At 31 December	101,084	52,585

The significant subsidiary undertakings are listed in note 13 to the consolidated financial statements.

38. CURRENT ASSETS

	2007 £000	2006 £000
Amounts due less than one year		
Amounts from subsidiary undertakings	11,546	10,360
Prepayments and accrued income	7	47
Corporation tax recoverable	392	–
Other debtors	–	785
Total trade debtors and other receivables	11,945	11,192
Amount due after more than one year		
Deferred tax	121	46

39. CREDITORS FALLING DUE WITHIN ONE YEAR

	2007 £000	2006 £000
Trade creditors	(156)	(102)
Amounts due to subsidiaries	(1,455)	(306)
Accruals and deferred income	(994)	(996)
Contingent liabilities	(7,628)	–
Other payables	–	(2)
	(10,233)	(1,406)

40. CREDITORS FALLING DUE AFTER ONE YEAR

	2007 £000	2006 £000
Bank loans	(8,498)	–
Contingent liabilities	(9,482)	–
Other payables	–	(75)
	(17,980)	(75)

41. DIRECTORS' REMUNERATION

	2007 £000	2006 £000
Total for seven directors:		
Directors' salaries and benefits	2,042	2,027
Contribution to money purchase pension schemes	140	143
	2,182	2,170

	2007 £000	2006 £000
Highest paid director:		

Directors' salaries and benefits	401	400
Contribution to money purchase pension schemes	38	37
	439	437

Unaudited detail on directors' remuneration is disclosed in the remuneration report on pages 18 and 19. (The remuneration report includes accounting charges for the LTIP scheme which these numbers exclude).

The number of directors with a money purchase pension scheme was 5 (2006: 5)

NOTES

CONTINUED

42. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £000	Share based payments £000	National Insurance £000	Total £000
At 1 January 2006	–	(21)	(5)	(26)
Transfer to creditors	–	21	–	21
Charge to the profit and loss account	(1)	–	(12)	(13)
At 31 December 2006	(1)	–	(17)	(18)
Transfer to creditors	–	–	–	–
Charge to the profit and loss account	–	(219)	(27)	(246)
	(1)	(219)	(44)	(264)

43. RESERVES

	Ordinary share capital £000	Share premium £000	Merger reserve £000	Treasury reserve £000	Profit and loss account £000	Total £000
1 January 2006	542	9,618	56,763	–	2,653	69,576
Equity settled share based payments	–	–	–	–	213	213
Dividends	–	–	–	–	(1,377)	(1,377)
Purchase of own shares	–	–	–	(792)	–	(792)
Profit for the year	–	–	–	–	3,758	3,758
31 December 2006	542	9,618	56,763	(792)	5,247	71,378
Issue of shares	55	8,668	–	–	–	8,723
Merger reserve release	–	(5,528)	5,528	–	–	–
Equity settled share based payments	–	–	–	–	433	433
Dividends	–	–	–	–	(1,813)	(1,813)
Profit for the year	–	–	–	–	6,017	6,017
31 December 2007	597	12,758	62,291	(792)	9,884	84,738

44. RELATED PARTIES

Details of related parties of the Company are provided in note 31.

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

We have audited the group and parent company financial statements (the 'financial statements') of M&C Saatchi Plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company 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 other transactions 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 chairman's report, the chief executive's report, the finance director's report, the directors' report and the report on rewards. 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 International Standards on Auditing (UK and Ireland) 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 and company'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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors
London
2 May 2008

ADDITIONAL INFORMATION

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Country of registration

England and Wales

Company number

05114893

Investor relations website

www.mcsaatchiplc.com

CORPORATE EVENTS

AGM

18 June 2008

Final 2007 dividend paid

7 July 2008

To those on the register on

6 June 2008

Interim 2008 statement

September 2008

Interim 2008 dividend paid

October 2008

To those on the register on

October 2008

Preliminary announcement of 2008 result

Late March 2009

Designed and produced by Addison Corporate Marketing
Printed in the UK by St Ives Westerham Press.

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