

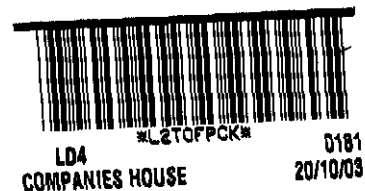
**REGISTRAR OF
COMPANIES**

10

M&C Saatchi Worldwide Limited

Report and Financial Statements

Year Ended
31 December 2002



BDO

BDO Stoy Hayward
Chartered Accountants

M&C Saatchi Worldwide Limited
Annual Report and Financial Statements
Year Ended 31 December 2002

Contents

	Page
Statutory information and advisors	1
Report of the directors	2
Report of the independent auditors	4
Consolidated profit and loss account	6
Consolidated statement of total recognised gains and losses	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated cash flow statement	10
Notes forming part of the financial statements	11

M&C Saatchi Worldwide Limited
Statutory Information and Advisors
Year Ended 31 December 2002

Directors

D Kershaw
W M Muirhead
C Saatchi
The Lord Saatchi
J T Sinclair

Secretary and registered office

J C Wales, 36 Golden Square, London, W1R 4EE.

Company number

2999983

Bankers

National Westminster Bank Plc, 21 Lombard Street, London, EC3P 3AR.

Solicitors

Olswang, 90 Long Acre, London, WC2E 9TT.

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

M&C Saatchi Worldwide Limited

Report of the Directors

Year Ended 31 December 2002

The directors submit their report together with the audited financial statements for the year ended 31 December 2002.

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year.

The directors paid an interim ordinary dividend amounting to **£3,183,000** (2001 - £843,000) in respect of the year. The directors do not recommend the payment of a final dividend.

Principal activity, trading review and future developments

The principal activity of the company and the group during the year was the provision of advertising and marketing services.

The group has maintained gross profit level (revenue) at **£48.7m** (2001 - £48.6m) despite particularly difficult trading conditions. An operating profit of **£5.2m** (2001 - £4.5m) and pretax profit of **£6.1m** (2001 - £5.5m) was achieved in 2002.

M&C Saatchi Worldwide will continue to build on the success of the first 8 years of trading and expects the group to grow further in 2003.

Charitable and political contributions

The group made charitable donations of **£34,000** (2001 - £86,000) during the year.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the holding company at the beginning and end of the year were:

	Ordinary shares of £1 each
D Kershaw	2,500
W M Muirhead	2,500
C Saatchi	2,500
The Lord Saatchi	2,500
J T Sinclair	2,500

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

Events since the end of the year

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

Employees

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

M&C Saatchi Worldwide Limited

Report of the Directors

Year Ended 31 December 2002

Employment of disabled people

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

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

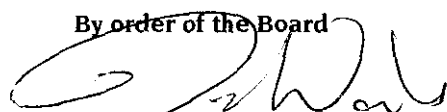
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare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

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

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



J C Wales
Secretary

Date 3 July 2003

M&C Saatchi Worldwide Limited

Report of the Independent Auditors

To the shareholders of M&C Saatchi Worldwide Limited

We have audited the financial statements of M&C Saatchi Worldwide Limited for the year ended 31 December 2002 on pages 6 to 26 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

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

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

M&C Saatchi Worldwide Limited

Report of the Independent Auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 December 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

3 July 2003

M&C Saatchi Worldwide Limited
Consolidated Profit and Loss Account
Year Ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover	2	98,301	95,074
Cost of sales		(49,569)	(46,430)
Gross profit		48,732	48,644
Administrative expenses		(43,596)	(44,165)
Other operating income		34	48
Operating profit	5	5,170	4,527
Share of operating profit of associates		543	481
Interest receivable	6	439	538
Interest payable	7	(54)	(78)
Profit on ordinary activities before taxation		6,098	5,468
Taxation on profits from ordinary activities	8	(1,880)	(1,983)
Profit on ordinary activities after taxation		4,218	3,485
Minority interests		(861)	(991)
Profit for the financial year	20	3,357	2,494
Dividends	9	(3,183)	(843)
Retained profit for the year	19/20	174	1,651

All amounts relate to continuing activities.

The reconciliation of movements in shareholders' funds is shown in note 20 to the financial statements.

The notes on pages 11 to 26 form part of these financial statements.

M&C Saatchi Worldwide Limited

Consolidated Statement of Total Recognised Gains and Losses

Year Ended 31 December 2002

	2002 £'000	2001 £'000
Profit for the financial year		
- Group	2,874	2,013
- Associates	483	481
	<hr/>	<hr/>
	3,357	2,494
Exchange differences on retranslation of opening reserves	254	(100)
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	3,611	2,394
	<hr/>	<hr/>

The notes on pages 11 to 26 form part of these financial statements.

M&C Saatchi Worldwide Limited

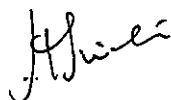
Consolidated Balance Sheet

At 31 December 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed assets					
Tangible assets	10		2,971		3,312
Investments	11		1,137		1,106
			<hr/>		<hr/>
			4,108		4,418
Current assets					
Work in progress	12	1,660		1,555	
Debtors - within one year	13	13,203		14,659	
- greater than one year	13	752		682	
		<hr/>		<hr/>	
		13,955		15,341	
Cash at bank and in hand		12,405		7,279	
		<hr/>		<hr/>	
		28,020		24,175	
Creditors: amounts falling due within one year	14	25,223		21,871	
		<hr/>		<hr/>	
Net current assets			2,797		2,304
			<hr/>		<hr/>
Total assets less current liabilities			6,905		6,722
Creditors: amounts falling due after more than one year	15		953		1,020
Provisions for liabilities and charges	16		178		127
			<hr/>		<hr/>
			5,774		5,575
Capital and reserves			<hr/>		<hr/>
Called up share capital	18		12		12
Profit and loss account	19		4,631		4,200
			<hr/>		<hr/>
Shareholders' funds - equity	20		4,643		4,212
Minority interests - equity			1,131		1,363
			<hr/>		<hr/>
			5,774		5,575
			<hr/>		<hr/>

These financial statements were approved by the Board on 3 July 2003

J Sinclair
Director



The notes on pages 11 to 26 form part of these financial statements.

M&C Saatchi Worldwide Limited

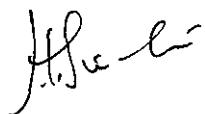
Company Balance Sheet

At 31 December 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed assets					
Investments	11		16		16
Current assets					
Debtors	13	3,561		4,267	
Cash at bank and in hand		327		1	
		<u>3,888</u>		<u>4,268</u>	
Creditors: amounts falling due within one year	14	1,738		3,059	
		<u></u>		<u></u>	
Net current assets			2,150		1,209
			<u>2,166</u>		<u>1,225</u>
Capital and reserves					
Called up share capital	18		12		12
Profit and loss account	19		2,154		1,213
			<u></u>		<u></u>
Shareholders' funds - equity	20		2,166		1,225
			<u></u>		<u></u>

These financial statements were approved by the Board on 2 July 2003

J Sinclair
Director



The notes on pages 11 to 26 form part of these financial statements.

M&C Saatchi Worldwide Limited

Consolidated Cash Flow Statement

Year Ended 31 December 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Cash inflow from operating activities	25		11,338		3,103
Returns on investments and servicing of finance					
Interest received		243		297	
Interest paid		(30)		(20)	
Interest element of finance lease rental payments		(22)		(51)	
Minority interest dividend paid		(946)		(548)	
Net cash outflow from return on investment and servicing of finance			(755)		(322)
Taxation					
UK taxation paid		(1,647)		(912)	
Overseas taxation paid		(144)		(741)	
			(1,791)		(1,653)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(93)		(725)	
Sales of tangible fixed assets		151		265	
Net cash inflow/(outflow) from capital expenditure and financial investment			58		(460)
Acquisitions					
Investment in subsidiary		36		(32)	
Investment in associate		454		-	
			490		(32)
Equity dividends paid			(3,183)		(843)
Net cash inflow/(outflow) before financing			6,157		(207)
Financing					
Shares issued to minorities		19		-	
Inception of bank loans		-		112	
Repayment of bank loans		(34)		(14)	
Capital element of finance lease rental payments		(958)		(532)	
Net cash outflow from financing			(973)		(434)
Increase/(decrease) in cash in the year	26		5,184		(641)

The notes on pages 11 to 26 form part of these financial statements.

M&C Saatchi Worldwide Limited

Notes forming part of the Financial Statements

Year Ended 31 December 2002

I Accounting policies

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

In preparing these financial statements the company has adopted FRS 19 'Deferred Tax' for the first time.

The following principal accounting policies have been applied:

(a) Basis of consolidation

The M&C Saatchi Worldwide Limited consolidated accounts incorporate the financial statements of M&C Saatchi Worldwide Limited and all of its subsidiary and associated undertakings made up to 31 December 2002. The group has used the acquisition method of accounting to consolidate the results of subsidiary undertakings. The results of subsidiary undertakings have been included from the date of acquisition.

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

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

(b) Turnover

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

(c) Work in progress

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

(d) Fixed assets and depreciation

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

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

(e) Valuation of investments

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

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 (Continued)

I Accounting policies (Continued)

(f) Leased assets

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

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

(g) Pensions

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

(h) Deferred taxation

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

Deferred tax balances are not discounted.

(i) Foreign currency

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

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

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

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

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 *(Continued)*

2 Turnover

Turnover arises from the principal activity of the group.

	2002 £'000	2001 £'000
An analysis by geographical market: <i>By origin</i>		
UK	61,933	57,618
Asia and Australia	33,740	32,239
The Americas	2,362	5,100
Other	266	117
	<hr/> 98,301 <hr/>	<hr/> 95,074 <hr/>

3 Employees

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

	2002 Number	2001 Number
Full time	551	552
	<hr/>	<hr/>
Staff costs for all employees, including executive directors, consist of:	£'000	£'000
Wages and salaries	27,756	25,720
Social security costs	2,047	2,074
Pension costs (note 22)	1,090	1,063
	<hr/> 30,893 <hr/>	<hr/> 28,857 <hr/>

4 Directors' emoluments

	2002 £'000	2001 £'000
Remuneration for management services	2,191	1,455
	<hr/>	<hr/>
Emoluments of highest paid director:		
Remuneration	536	397
Pension contribution	29	19
	<hr/>	<hr/>

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 *(Continued)*

5 Operating profit

	2002 £'000	2001 £'000
This is arrived at after charging/(crediting):		
(Profit)/loss on disposal of fixed assets	(37)	530
Depreciation of tangible fixed assets	1,128	1,295
Hire of other assets - operating leases	2,587	2,046
Auditors' remuneration - audit services	140	114
- non audit services	12	145
Exchange differences	(70)	(13)
	<u> </u>	<u> </u>

Depreciation includes **£335,080** (2001 - £326,822) charged on assets held under finance leases and hire purchase contracts.

6 Interest receivable

	2002 £'000	2001 £'000
Group	243	297
Associates	196	241
	<u> </u>	<u> </u>
	439	538
	<u> </u>	<u> </u>

7 Interest payable

	2002 £'000	2001 £'000
Bank overdrafts	30	20
Interest on finance leases	22	51
Associates	2	7
	<u> </u>	<u> </u>
	54	78
	<u> </u>	<u> </u>

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 (*Continued*)

8 Taxation on profits from ordinary activities

	2002 £'000	2001 £'000	2002 £'000	2001 £'000
<i>Current tax</i>				
UK corporation tax on profits of the year	1,221		1,448	
Overseas tax payable	448		549	
Adjustment in respect of previous years		(62)		(186)
Associates	221		234	
Total current tax	<u>1,880</u>	<u>1,828</u>	<u>2,231</u>	<u>2,045</u>
<i>Deferred tax</i>				
Origination and reversal of timing differences	52		(62)	
Movement in deferred tax provision (note 17)		52		(62)
Taxation on profit on ordinary activities	<u>1,880</u>	<u>1,880</u>	<u>2,169</u>	<u>1,983</u>

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

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	6,098	5,468
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 – 30%)	1,829	1,641
Effects of:		
Expenses not deductible for tax purposes	256	309
Capital allowances for year in excess of depreciation	(86)	266
Utilisation of tax losses carried forward	(57)	57
Lower rates of tax on overseas earnings	(52)	(42)
Adjustment to tax charge in respect of previous years	(62)	(186)
Current tax charge for year	<u>1,828</u>	<u>2,045</u>

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 (*Continued*)

9 Dividends

	2002 £'000	2001 £'000
Ordinary - £248 per share (2001 - £60)	3,102	750
'B' shares - £18,400 per share (2001 - £22,426)	74	90
'C' shares - £6,900 per share (2001 - £3,409)	7	3
	<hr/> 3,183 <hr/>	<hr/> 843 <hr/>

10 Tangible assets

Group	Short leasehold improvements £'000	Furniture, fittings and other equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>					
At 1 January 2002	1,913	1,322	1,984	1,115	6,334
Additions	-	423	392	154	969
Disposals	(38)	(1)	(221)	(371)	(631)
Exchange translation differences	(14)	(50)	(19)	41	(42)
	<hr/> 1,861 <hr/>	<hr/> 1,694 <hr/>	<hr/> 2,136 <hr/>	<hr/> 939 <hr/>	<hr/> 6,630 <hr/>
At 31 December 2002	1,861	1,694	2,136	939	6,630
<i>Depreciation</i>					
At 1 January 2002	927	539	1,084	472	3,022
Provision for year	219	214	485	210	1,128
Disposals	(1)	-	(212)	(258)	(471)
Exchange translation differences	(6)	(7)	(27)	20	(20)
	<hr/> 1,139 <hr/>	<hr/> 746 <hr/>	<hr/> 1,330 <hr/>	<hr/> 444 <hr/>	<hr/> 3,659 <hr/>
At 31 December 2002	1,139	746	1,330	444	3,659
<i>Net book value</i>					
At 31 December 2002	<hr/> 722 <hr/>	<hr/> 948 <hr/>	<hr/> 806 <hr/>	<hr/> 495 <hr/>	<hr/> 2,971 <hr/>
At 31 December 2001	<hr/> 986 <hr/>	<hr/> 783 <hr/>	<hr/> 900 <hr/>	<hr/> 643 <hr/>	<hr/> 3,312 <hr/>

The company held no tangible fixed assets during the year to 31 December 2002.

The net book value of tangible fixed assets for the group includes an amount of **£689,000** (2001 - £641,000) in respect of assets held under finance leases and hire purchase contracts. The company had no assets held under such leases.

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 (*Continued*)

11 Fixed asset investments

Group	Associated undertakings £'000		
<i>Cost</i>			
At 1 January 2002	96		
Exchange rate movements	8		
	<hr/>		
At 31 December 2002	104		
	<hr/>		
<i>Share of retained profits</i>			
At 1 January 2002	1,010		
Retained profit for the year	23		
	<hr/>		
At 31 December 2002	1,033		
	<hr/>		
<i>Total</i>			
At 31 December 2002	1,137		
	<hr/>		
At 31 December 2001	1,106		
	<hr/>		
Company	Group undertakings £	Associated undertakings £	Total £
Cost at beginning of year	1,309	15,000	16,309
Disposals	(7)	-	(7)
	<hr/>	<hr/>	<hr/>
Cost at end of year	1,302	15,000	16,302
	<hr/>	<hr/>	<hr/>

M&C Saatchi Worldwide Limited

Notes forming Part of the Financial Statements

Year Ended 31 December 2002 *(Continued)*

11 Fixed asset investments *(Continued)*

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated accounts of M&C Saatchi Worldwide Limited.

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at 31 December 2002	Nature of business
M&C Saatchi Limited	UK	82.1%	Advertising
M&C Saatchi Sponsorship Limited	UK	82.1%	Advertising
M&C Saatchi International Limited	UK	100%	Holding Company
M&C Saatchi (Management) Limited	UK	82.1%	Dormant
LIDA Limited	UK	57.4%	Direct marketing
M&C Saatchi Marketing Arts Limited	UK	50%	Consultancy
The Immediate Sales Company Limited	UK	57.4%	Direct marketing
Talk PR Limited	UK	57.4%	Public relations
M&C Saatchi Agency (ESOP) Limited	Jersey	82.1%	Dormant
M&C Saatchi International Holdings BV	UK Branch	100%	Holding Company
M&C Saatchi Agency Pty Limited	Australia	80%	Advertising
M&C Saatchi Direct Pty Limited	Australia	80%	Direct marketing
Go Studios Pty Limited	Australia	80%	Advertising
EMC Saatchi Pty Limited	Australia	80%	Advertising
Bright Red Oranges Pty Limited	Australia	80%	Advertising
M&C Saatchi (Hong Kong) Limited	Hong Kong	80%	Advertising
M&C Saatchi Agency (S) Pte Limited	Singapore	82%	Advertising
M&C Saatchi Agency Inc	USA	100%	Advertising
M&C Saatchi Limited	New Zealand	82.5%	Advertising
M&C Saatchi Spain	Spain	100%	Advertising
M&C Saatchi Limited	Japan	64%	Advertising
M&C Saatchi Consulting (Shanghai) Limited	China	80%	Consultancy

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 *(Continued)*

11 Fixed asset investments *(Continued)*

The investment in associated undertakings represents investments in the following:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held at 31 December 2002	Nature of business
Walker Media Holdings Limited	UK	50.0%	Holding company
Walker Media Limited	UK	46%	Media buying

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

	Share of net assets £'000	Share of profit £'000
Walker Media Holdings Limited	8	-
Walker Media Limited	1,049	477
	<hr/> 1,057	<hr/> 477

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

	2002 £'000	2001 £'000
Share of turnover	58,972	57,605
Share of profit before tax	738	715
Share of taxation	(261)	(234)
Share of profit after tax	<hr/> 477	<hr/> 481
Share of fixed assets	157	179
Share of current assets	21,350	16,208
Share of current liabilities	(20,450)	(15,358)
Share of net assets	<hr/> 1,057	<hr/> 1,029

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 *(Continued)*

12 Work in progress

	2002 Group £'000	2002 Company £'000	2001 Group £'000	2001 Company £'000
Work in progress	1,660	-	1,555	-

13 Debtors

	2002 Group £'000	2002 Company £'000	2001 Group £'000	2001 Company £'000
Within one year:				
Trade debtors	10,545	-	11,258	-
Amount due from subsidiary undertakings	-	3,102	-	3,496
Other debtors	1,774	459	1,731	771
Prepayments and accrued income	884	-	1,670	-
	<u>13,203</u>	<u>3,561</u>	<u>14,659</u>	<u>4,267</u>
Greater than one year:				
Other debtors	752	-	682	-

14 Creditors: amounts falling due within one year

	2002 Group £'000	2002 Company £'000	2001 Group £'000	2001 Company £'000
Bank loans	34	-	35	-
Trade creditors	5,890	-	4,989	-
Amounts due to subsidiary undertakings	-	888	-	2,732
Corporation tax	731	-	1,372	-
Tax and social security	1,657	51	1,693	-
Other creditors	1,025	799	454	267
Obligations under finance leases and hire purchase contracts	257	-	353	-
Accruals and advanced billings	15,361	-	12,863	60
Dividends payable	268	-	112	-
	<u>25,223</u>	<u>1,738</u>	<u>21,871</u>	<u>3,059</u>

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 *(Continued)*

15 Creditors: amounts falling due after more than one year

	2002 Group £'000	2002 Company £'000	2001 Group £'000	2001 Company £'000
Other creditors	699	-	701	-
Bank loans	25	-	63	-
Obligations under finance leases and hire purchase contracts	229	-	256	-
	<u>953</u>	<u>-</u>	<u>1,020</u>	<u>-</u>

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

	2002 £'000	2001 £'000
Within 1 - 2 years	198	218
Within 2 - 5 years	31	38
	<u>229</u>	<u>256</u>

16 Provisions for liabilities and charges

	2002 £'000	2001 £'000
Deferred taxation (note 17)	<u>178</u>	<u>127</u>

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 (*Continued*)

17 Deferred taxation

The amounts of unprovided deferred taxation and the amounts provided are as follows:

	Deferred taxation £'000
Balance at 1 January 2001	
- As previously reported	127
- Exchange translation differences	(1)
	<hr/>
- As restated	126
Charged to profit and loss account (note 8)	52
	<hr/>
Balance at 31 December 2002	178
	<hr/>
	2002 2001
	£'000 £'000
Accelerated capital allowances	238 187
Sundry timing differences	(60) (60)
	<hr/>
	178 127
	<hr/>

The company has no provided or unprovided deferred taxation.

18 Share capital

	2002 £	2001 £
<i>Authorised</i>		
12,500 ordinary shares of £1 each	12,500	12,500
4 'B' ordinary shares of £1 each	4	4
1 'C' ordinary share of £1 each	1	1
	<hr/>	<hr/>
	2002 2002	2001 2001
	Group Company	Group Company
	£ £	£ £
<i>Allotted, called up and fully paid</i>		
12,500 ordinary shares of £1 each	12,500	12,500
4 'B' ordinary shares of £1 each	4	4
1 'C' ordinary share of £1 each	1	1
	<hr/>	<hr/>
	12,505	12,505
	<hr/>	<hr/>

M&C Saatchi Worldwide Limited

Notes forming Part of the Financial Statements

Year Ended 31 December 2002 *(Continued)*

18 Share capital *(Continued)*

The shares rank pari passu except for:

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

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

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

19 Reserves

	Profit and loss account £'000
Group	
At 31 December 2001	4,200
Accumulated profit for the year	174
Change in holdings of subsidiary	3
Exchange differences on retranslation of opening reserves	254
	<hr/>
At 31 December 2002	4,631
	<hr/>
Company	
At 31 December 2001	1,213
Retained profit for year	941
	<hr/>
At 31 December 2002	2,154
	<hr/>

The company has taken advantage of the dispensation under Section 230(3) of the Companies Act 1985, allowing it not to publish its own profit and loss account.

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 *(Continued)*

20 Reconciliation of movement in shareholders' funds

	2002 Group £'000	2002 Company £'000	2001 Group £'000	2001 Company £'000
Profit for the financial year				
- Group	2,874	4,124	2,013	1,712
- Associates	483	-	481	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,357	4,124	2,494	1,712
Dividend	(3,183)	(3,183)	(843)	(843)
	<hr/>	<hr/>	<hr/>	<hr/>
	174	941	1,651	869
Other recognised gains relating to the year (net)	254	-	(100)	-
Change in holdings of subsidiary	3	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	431	941	1,551	869
Opening shareholders' funds	4,212	1,225	2,661	356
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	4,643	2,166	4,212	1,225
	<hr/>	<hr/>	<hr/>	<hr/>

21 Commitments under operating leases

As at 31 December 2002, the group had annual commitments under non-cancellable operating leases as set out below:

	2002 Land and buildings £'000	2002 Other £'000	2001 Land and buildings £'000	2001 Other £'000
Operating leases which expire:				
Within one year	273	51	286	78
In two to five years	2,781	153	1,841	49
	<hr/>	<hr/>	<hr/>	<hr/>
	3,054	204	2,127	127
	<hr/>	<hr/>	<hr/>	<hr/>

22 Pensions

The group does not operate any company pension schemes. The group makes payments to certain employees to enable them to contribute to their personal pension plans. Payments of **£1,089,883** (2001 - £1,062,905) were made in the year and charged to the profit and loss account in the period they were due.

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 (*Continued*)

23 Related party transactions

During the year, the group entered into the following transactions with companies where there is common control.

	2002 £'000	2001 £'000
Walker Media Limited		
Turnover	644	944
Sundry costs	10	16
Amounts due from Walker Media Limited	2	12
Amounts due to Walker Media Limited	53	276
	<hr/>	<hr/>
eMC Saatchi Limited		
Turnover	20	1,750
Recharged costs	474	259
Amounts due from eMC Saatchi Limited	393	257
	<hr/>	<hr/>

24 Contingent liabilities

The company has guaranteed amounts due to certain suppliers by its associated company Walker Media Limited. At the year end the liabilities covered by these guarantees totalled **£14,761,741** (2001 - £10,089,144).

25 Net cash inflow from operating activities

	2002 £'000	2001 £'000
Operating profit	5,170	4,527
Depreciation	1,128	1,295
(Profit)/loss on sale of tangible fixed assets	(37)	530
(Increase)/decrease in work in progress	(149)	818
Decrease in debtors	762	2,018
Increase/(decrease) in creditors	4,278	(6,085)
Exchange differences	186	-
	<hr/>	<hr/>
	11,338	3,103
	<hr/>	<hr/>

M&C Saatchi Worldwide Limited
Notes forming Part of the Financial Statements
Year Ended 31 December 2002 *(Continued)*

26 Analysis of changes in net funds

	Balance at 1 January 2002 £'000	Cash inflow £'000	Finance leases £'000	Exchange movements £'000	Balance at 31 December 2002 £'000
Cash at bank and in hand	7,279	5,184	-	(58)	12,405
Finance leases	(609)	958	(837)	2	(486)
Bank loans	(98)	34	-	5	(59)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	6,572	6,176	(837)	(51)	11,860
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

27 Reconciliation of net cash flow to movement in net funds

	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Increase/(decrease) in cash in the year	5,184		(641)	
Cash outflow from decrease in lease financing	958		532	
Inception of finance leases	(837)		(762)	
Exchange differences	(51)		(5)	
Cash outflow from repayment of bank loan	34		14	
Inception of bank loan	-		(112)	
	<hr/>		<hr/>	
Movement in net funds in the year		5,288		(974)
Net funds at start of year		6,572		7,546
		<hr/>		<hr/>
Net funds at end of year		11,860		6,572
		<hr/>		<hr/>