

**REGISTRAR OF  
COMPANIES**

**M&C Saatchi Sport & Entertainment Limited**

Report and Financial Statements

Year Ended

31 December 2009

Company Number 3306364

TUESDAY



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COMPANIES HOUSE

**M&C Saatchi Sport & Entertainment Limited**

**Report and financial statements  
for the year ended 31 December 2009**

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**Directors**

D Kershaw  
M A S MacLennan  
J Boardman  
S Martin  
J Wynne-Morgan  
J Hewitt

**Secretary and registered office**

J Hewitt, 36 Golden Square, London, W1F 9EE

**Company number**

3306364

**Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

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## **M&C Saatchi Sport & Entertainment Limited**

### **Report of the directors for the year ended 31 December 2009**

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The directors present their report together with the audited financial statements for the year ended 31 December 2009.

#### **Results and dividends**

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

An interim dividend of £287,000 (2008 - £245,000) was paid during the year.

The directors do not recommend the payment of a final dividend (2008 - £Nil).

#### **Principal activities**

The principal activity of the company is the provision of sponsorship services.

#### **Trading review**

The company has had a good year of trading achieving a gross profit of £3,045,000 (2008 - £2,425,000) and a profit after taxation of £341,000 (2008 - £285,000).

#### **Future developments**

The company is expected to continue to grow throughout 2010. Competitive pressures in the UK sponsorship industry remain strong with significant changes to the allocation of clients' communication budgets.

#### **Business risk**

The principal risk faced by the company is the loss of clients. Our top three clients account for 59% (2008 – 58%) of revenue. However, this profile is not out of line with our competitors, and we continue to attract new clients on the basis of our work, quality of our thinking and range of services.

The other less material risks the company faces are loss of key staff and any legal changes that affect our trading structure.

#### **Key Performance Indicators**

The company uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial and the most significant of these are the key performance indicators (KPI's).

The key financial performance indicators are turnover, gross profit, profit before tax (PBT) and PBT gross profit.

The key non-financial performance indicators are the number of staff employed by the company and gross profit per head.

**M&C Saatchi Sport & Entertainment Limited**  
**Report of the directors**  
**for the year ended 31 December 2009 (Continued)**

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**Key Performance Indicators (Continued)**

The KPI's for the year ended 31 December 2009, with comparatives for the year ended 31 December 2008, are set out below:

	2009	2008
Turnover (£'000)	7,130	5,248
Gross profit (£'000)	3,045	2,425
PBT (£'000)	482	406
PBT:Gross profit (%)	16	17
Staff	27	23
Gross Profit (£'000)/Staff	113	105

The maintenance of good levels of profitability results from significant new business growth along with continued good management of costs.

**Financial risk**

The main financial risk faced by the company is credit risk. It is the company's policy to assess the credit risk of new clients before entering into contracts. The company controls credit risk by setting credit limits and following established credit control policies.

The average debtor days for the company were 97 days (2008 - 71 days)

There have been no events since the balance sheet date which materially affect the position of the company.

**Directors**

The directors of the company during the year were:

D Kershaw  
M A S MacLennan  
J Boardman  
S Martin  
J Wynne-Morgan  
J Hewitt

**M&C Saatchi Sport & Entertainment Limited**  
**Report of the directors**  
**for the year ended 31 December 2009 (*Continued*)**

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**Directors' responsibilities**

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

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

BDO LLP have expressed their willingness to continue in office. An elective resolution was passed in accordance with Section 487 of the Act, to dispense of the obligation to re-appoint the auditors annually.

**By order of the Board**

  
J Hewitt  
Secretary

Date 18 June 2010

## **M&C Saatchi Sport & Entertainment Limited**

### **Independent auditor's report**

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#### **TO THE MEMBERS OF M&C SAATCHI SPORT & ENTERTAINMENT LIMITED**

We have audited the financial statements of M&C Saatchi Sport & Entertainment Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit report has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards required us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### *Scope of the audit of the financial statements*

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

#### *Opinion on financial statements*

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### *Opinion on other matters prescribed by the Companies Act 2006*

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**M&C Saatchi Sport & Entertainment Limited**

**Independent auditor's report (Continued)**

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*Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us: or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

**BDO LLP**

*Richard Heap (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom*

*Date 18 June 2010*

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

**M&C Saatchi Sport & Entertainment Limited**

**Profit and loss account  
for the year ended 31 December 2009**

	Note	2009 £'000	2008 £'000
Turnover	2	7,130	5,248
Cost of sales		4,085	2,823
<b>Gross profit</b>		<b>3,045</b>	<b>2,425</b>
Administrative expenses		2,560	2,019
<b>Operating profit</b>	5	<b>485</b>	<b>406</b>
Interest payable		3	-
<b>Profit on ordinary activities before taxation</b>		<b>482</b>	<b>406</b>
Taxation on ordinary activities	6	(141)	(121)
<b>Profit on ordinary activities after taxation</b>	13,14	<b>341</b>	<b>285</b>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 9 to 16 form part of these financial statements

**M&C Saatchi Sport & Entertainment Limited**

**Balance sheet  
at 31 December 2009**

<i>Company number 3306364</i>		<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>					
Tangible assets	7		24		12
<b>Current assets</b>					
Debtors	8	2,856		1,931	
Cash at bank		16		-	
		<u>2,872</u>		<u>1,931</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>2,537</u>		<u>1,625</u>	
<b>Net current assets</b>			335		306
<b>Provisions for liabilities and charges</b>	10		(5)		(18)
<b>Net assets</b>			<u>354</u>		<u>300</u>
<b>Capital and reserves</b>					
Called up share capital	12		1		1
Profit and loss account	13		353		299
<b>Shareholders' funds</b>	14		<u>354</u>		<u>300</u>

The financial statements were approved by the Board of Directors and authorised for issue on 18/6/10

  
J Hewitt  
Director

The notes on pages 9 to 16 form part of these financial statements.

**M&C Saatchi Sport & Entertainment Limited**

**Cash flow Statement  
as at 31 December 2009**

	Note	2009 £'000	2008 £'000
<b>Net cash inflow from operating activities</b>	16	443	337
<b>Returns on investments and servicing of finance</b>			
Interest paid		(3)	-
<b>Taxation</b>			
UK corporation tax paid		(118)	(82)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(19)	(11)
Disposal of tangible fixed assets		-	1
<b>Dividends paid</b>		(287)	(245)
		<hr/>	<hr/>
<b>Movement In cash</b>		16	-
		<hr/>	<hr/>

The notes on pages 9 to 16 form part of these financial statements

## M&C Saatchi Sport & Entertainment Limited

### Notes forming part of the financial statements for the year ended 31 December 2009

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#### 1 Accounting policies

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

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future

The following principal accounting policies have been applied:

##### *Turnover*

Turnover represents amounts invoiced to clients, excluding sales taxes, for services provided to clients. Fees are recognised over the period of the relevant assignments or agreements

##### *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:

Furniture, fittings and other equipment	-	10% to 25%
Computer equipment	-	33%

##### *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 estimate of the number of 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.

**M&C Saatchi Sport & Entertainment Limited**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2009 *(Continued)***

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**1 Accounting policies *(Continued)***

*Equity with exchange rights*

Exchangeable equity shares were granted in the company on 29 June 2009 to senior employees to accelerate sustained growth within the M&C Saatchi UK group. They will only develop value when the participating company, M&C Saatchi Sport & Entertainment Limited, in which they are held, outperforms its expected growth over three years. The participating company has an expected growth requirement over the next five years. Hence, they are classified as 'Growth Shares'.

The shares make up 35% of the issued share capital of the participating company, 50% of which will be in Growth 'A' shares, and 50% in Growth 'B' shares. These shares are non-voting and non-dividend bearing. Growth 'A' shares have a put / call option right allowing employees to convert their shares into M&C Saatchi plc shares from the start of 2011, for an amount calculated by reference to the value of the company using the actual 2010 profit after tax. Similarly Growth 'B' shares have a put / call option in the following year.

There will also be a further award of 25% of Growth shares, 50% of which will be in Growth 'C' shares, and 50% in Growth 'D' shares. These shares operate the same as the Growth 'A' and Growth 'B' shares but within the consolidated results of the M&C Saatchi UK group, excluding the Agency.

If in the event that 2010 is not a strong year and growth targets are not met the shareholder can delay exercising their sale rights and then review them 12 months later. Shareholders can continue to delay their rights until they feel the results have reached the appropriate level to exercise their rights.

On issue of the Growth shares the participants will subscribe for the par value of the shares and pay cash to the company and this will be accounted for as an increase in share capital.

At each balance sheet date, the company will recognise a charge in the profit and loss account based on the value of the put option rights expected to be exercised, which is dependent upon the likelihood that growth requirements will be met in the future.

*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.

*Pensions*

The company does not operate any company pension schemes. The company 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 they are due.

*Foreign currency*

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

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

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

**M&G Saatchi Sport & Entertainment Limited**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2009** *(Continued)*

**2 Turnover**

All turnover arose from the principal activity of the company which was carried out in the United Kingdom.

**3 Employees**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Staff costs for all employees including directors, consist of.		
Wages and salaries	1,789	1,250
Social security costs	188	128
Other pension costs	38	29
	<u>2,015</u>	<u>1,407</u>
	<b>Number</b>	<b>Number</b>
The average monthly number of employees during the year including executive directors, was as follows:	<u>27</u>	<u>23</u>

**3 Directors' emoluments**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Emoluments for management services	402	331
Pension contributions	<u>19</u>	<u>17</u>
Remuneration of highest paid director.		
Emoluments for management services	254	203
Pension contributions	<u>12</u>	<u>11</u>

One director (2008 – one) accrued benefits under the company pension scheme.

**M&C Saatchi Sport & Entertainment Limited**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2009 (Continued)**

**5 Operating profit**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
This is arrived at after charging:		
Depreciation of tangible fixed assets	7	6
Auditors' remuneration	11	7
	<u>          </u>	<u>          </u>

**6 Taxation on profit from ordinary activities**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
<i>Current tax</i>		
UK corporation tax charge on result for the year	143	116
Adjustment in respect of prior years	(2)	-
<i>Deferred tax</i>		
Tax debit for share based payment provisions (note 11)	-	5
	<u>          </u>	<u>          </u>
Taxation on profit on ordinary activities	<u>141</u>	<u>121</u>

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

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Profit on ordinary activities before taxation	<u>482</u>	<u>406</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28.0% (2008 – 28.5%)	135	116
Effects of		
Expenses not deductible for tax purposes	8	5
Share based payment provisions	-	(5)
Adjustment in respect of prior years	(2)	-
	<u>          </u>	<u>          </u>
Current tax charge for year	<u>141</u>	<u>116</u>

**M&C Saatchi Sport & Entertainment Limited**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2009 (Continued)**

**7 Tangible assets**

	Computer equipment £'000	Furniture, fittings and other equipment £'000	Total £'000
<i>Cost</i>			
At 1 January 2009	16	8	24
Additions	18	1	19
	<hr/>	<hr/>	<hr/>
At 31 December 2009	34	9	43
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2009	7	5	12
Provided for the year	7	-	7
	<hr/>	<hr/>	<hr/>
At 31 December 2009	14	5	19
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2009	20	4	24
	<hr/>	<hr/>	<hr/>
At 31 December 2008	9	3	12
	<hr/>	<hr/>	<hr/>

**8 Debtors**

	2009 £'000	2008 £'000
Trade debtors	1,896	1,014
Amounts owed by group companies	743	662
Other debtors	60	43
Deferred tax asset (note 11)	4	4
Prepayments and accrued income	153	208
	<hr/>	<hr/>
	2,856	1,931
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

**M&C Saatchi Sport & Entertainment Limited**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2009** *(Continued)*

**9 Creditors: amounts falling due within one year**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Trade creditors	399	283
Corporation tax	259	236
Other creditors	12	-
Accruals and deferred income	1,867	1,106
	<hr/> 2,537 <hr/>	<hr/> 1,625 <hr/>

**10 Provisions for liabilities and charges**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Share based payment provision	-	13
National Insurance on employee options	5	5
	<hr/> 5 <hr/>	<hr/> 18 <hr/>

**11 Deferred taxation**

The movement in the deferred taxation asset was

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
At 1 January 2009	4	9
Debit to profit and loss account (note 6)	-	(5)
	<hr/> 4 <hr/>	<hr/> 4 <hr/>
At 31 December 2009	4	4
	<hr/> 4 <hr/>	<hr/> 4 <hr/>
Provision for share based payments	4	4
	<hr/> 4 <hr/>	<hr/> 4 <hr/>

**M&G Saatchi Sport & Entertainment Limited**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2009 (Continued)**

**12 Share capital**

	<b>Allotted, called up and fully paid</b>	
	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>
'A' ordinary shares of £0.01 each	74,376	74,376
'B' ordinary shares of £0.01 each	25,624	25,624
Growth 'A' shares of £0.001 each	26,925	-
Growth 'B' shares of £0.001 each	26,925	-
	<b>153,850</b>	<b>100,000</b>
	<b>£</b>	<b>£</b>
'A' ordinary shares of £0.01 each	744	744
'B' ordinary shares of £0.01 each	256	256
Growth 'A' shares of £0.001 each	27	-
Growth 'B' shares of £0.001 each	27	-
	<b>1,054</b>	<b>1,000</b>

The 'A' and 'B' ordinary shares rank pari passu except as set out in the Articles of Association  
The Growth 'A' and Growth 'B' shares, issued on 29 June 2009, rank pari passu except they hold no rights to dividend and no voting rights.

**13 Profit and loss account**

	<b>£'000</b>
At 1 January 2009	299
Profit for the year	341
Dividends	(287)
	<b>353</b>
At 31 December 2009	

**14 Reconciliation of movements in shareholders' funds**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year	341	285
Dividends	(287)	(245)
	<b>54</b>	<b>40</b>
Net movement in shareholders' funds		
Opening shareholders' funds	300	260
	<b>354</b>	<b>300</b>
Closing shareholders' funds		

**M&C Saatchi Sport & Entertainment Limited**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2009 (Continued)**

**15 Related party transactions**

Travelex Limited and M&C Saatchi Sport & Entertainment Limited's ultimate parent company share a common director. Total sales to Travelex Limited in the year were £Nil (2008 - £20,000) and at the year end the amount owed was £Nil (2008 - £5,000).

The company paid £329,191 (2008 - £329,191) to its immediate parent company as its share of group overhead costs for the year. At the year end the amount owed was £Nil (2008 - £Nil).

**16 Reconciliation of operating profit to net cash outflow from operating activities**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	485	406
Depreciation	7	6
Decrease in work in progress	-	95
(Increase) in debtors	(925)	(589)
Increase in creditors	889	429
(Decrease) in provisions	(13)	(10)
	<hr/>	<hr/>
Net cash inflow from operating activities	443	337
	<hr/>	<hr/>

**17 Immediate and ultimate parent company**

On 17 June 2009, the company's immediate parent company, M&C Saatchi (UK) Limited, acquired a further 20% of the issued share capital of the company. The ultimate parent company and controlling party was M&C Saatchi plc.

The company is a guarantor of, and its assets secured by, a bank loan held by M&C Saatchi Plc. The loan is a part of a three year £18m facility plus a one year £3m overdraft facility. The loans mature in two years on 31 March 2011. The amount of the loan drawn down at 31 December 2009 is £4,525,000. The overdraft facility is undrawn.

Copies of the consolidated financial statements of both companies are available from Companies House.