

M&C Saatchi Sport & Entertainment Limited

Directors' Report and Financial Statements

Year Ended

31 December 2014

Company Number 03306364

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M&C Saatchi Sport & Entertainment Limited

**Directors' report and financial statements
for the year ended 31 December 2014**

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Directors

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

Secretary and registered office

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

Company number

03306364

Auditors

KPMG LLP 15 Canada Square, London, E14 5GL

M&C Saatchi Sport & Entertainment Limited

Directors' report for the year ended 31 December 2014

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

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 £660,000 (2013 - £590,000) was paid during the year.

The directors do not recommend the payment of a final dividend (2013 - £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 revenue of £5,315,000 (2013 - £4,820,000) and a profit after taxation of £896,000 (2013 - £660,000).

Future developments

The company is expected to continue to grow throughout 2015, with a continued focus on expansion in Australia and the USA. Competitive pressures in the UK sponsorship industry remain strong with significant changes to the allocation of clients' communication budgets.

Business risk

The principal risks faced by the company are the loss of clients and key staff.

Our top three clients account for 38% (2013 – 35%) 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.

To retain our staff, we operate an equal opportunities policy and actively encourage open communication at all levels.

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 billings, revenue, profit before tax (PBT) and PBT: Revenue.

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

The KPI's for the year ended 31 December 2014, with comparatives for the year ended 31 December 2013, are set out below:

	2014	2013
Billings (£'000)	10,493	9,007
Revenue (£'000)	5,315	4,820
PBT (£'000)	1,144	868
PBT: Revenue (%)	22	18
Staff	47	43
Revenue (£'000)/Staff	113	112

M&C Saatchi Sport & Entertainment Limited
Directors' report
for the year ended 31 December 2014 *(Continued)*

Charitable and political contributions

The company made charitable and political donations of £3,000 (2013 - £2,000) during the year, of which £Nil were political (2013 - £Nil).

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 40 days (2013 – 24 days).

Directors

The directors of the company during the year were:

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

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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.

During the year, KPMG LLP was reappointed as auditors in accordance with Section 487 of Companies Act 2006

M&C Saatchi Sport & Entertainment Limited

**Statement of directors' responsibilities
for the year ended 31 December 2014 *(Continued)***

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

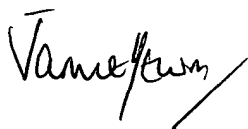
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 period. In preparing these 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board



30/06/15

J Hewitt
Director

36 Golden Square
London
W1F 9EE



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M&C SAATCHI SPORT & ENTERTAINMENT

We have audited the financial statements of M&C Saatchi Sport & Entertainment Limited for the year ended 31 December 2014 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK **Accounting Standards (UK 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 work 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report

A handwritten signature in black ink, appearing to read 'John Bennett'.

John Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

3. JUNE 2015

M&C Saatchi Sport & Entertainment Limited

**Profit and loss account
for the year ended 31 December 2014**

	Note	2014 £'000	2013 £'000
Billings	2	10,493	9,007
Revenue		5,315	4,820
Administrative expenses		(4,175)	(3,952)
Operating profit	5	1,140	868
Interest payable	6	4	-
Profit on ordinary activities before taxation		1,144	868
Taxation on ordinary activities	7	(248)	(208)
Profit on ordinary activities after taxation	14,15	896	660

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 15 form part of these financial statements.

M&C Saatchi Sport & Entertainment Limited

**Balance sheet
at 31 December 2014**

<i>Company number 03306364</i>	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Tangible assets	8		49		11
Current assets					
Debtors	9	2,821		2,636	
Cash at bank		428		-	
		<hr/>		<hr/>	
		3,249		2,636	
Creditors: amounts falling due within one year	10	(2,564)		(2,149)	
		<hr/>		<hr/>	
Net current assets			685		487
Provisions for liabilities	11		(5)		(5)
			<hr/>		<hr/>
Net assets			729		493
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	13		1		1
Profit and loss account	14		728		492
			<hr/>		<hr/>
Shareholders' funds	15		729		493
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on **30/06/15**


 J Hewitt
 Director

The notes on pages 9 to 15 form part of these financial statements.

M&C Saatchi Sport & Entertainment Limited

**Cash flow Statement
as at 31 December 2014**

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	16	1,618	522
Financing activities			
Interest received		4	-
Taxation			
UK corporation tax refunded/(paid)		(487)	72
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(47)	(4)
Dividends paid		(660)	(590)
		<hr/>	<hr/>
Movement in cash		428	-
		<hr/>	<hr/>
 Reconciliation of net cash flow to movement in net debt			
Movement in cash		428	
		<hr/>	
Movement in net debt in the year		428	
Net debt at the start of the year		-	
		<hr/>	
Net debt at the end of the year		428	
		<hr/>	

The notes on pages 9 to 15 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 2014

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Going concern

During the year, the Company set up its own bank account. In prior year, cash receipts and payments are accounted for on the Company's behalf by fellow subsidiaries and are reflected in the movement in amounts owed to/from group undertakings.

At the balance sheet date, the Company has considerable financial resources, and is expected to continue to generate positive cash flows on its own account for the foreseeable future. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Billings and revenue

Billings represents the gross amounts billed to clients in respect of revenue earned and other client recharges, net of discounts and sales taxes. This is a non – GAAP measure.

Revenue comprises commission and fees: commission, is recognised when there is a right to consideration through the performance of duties, usually when advertisements appear in the media, and when production work is completed; fees being the income charged to clients for services provided, are recognised over the period of the relevant assignments or agreements.

Tangible fixed assets and depreciation

Tangible assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost less estimated residual value of each asset by equal instalments over the assets' estimated economic useful lives, as follows:

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

M&C Saatchi Sport & Entertainment Limited
Notes forming part of the financial statements
for the year ended 31 December 2014 (Continued)

1 Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme. Contributions made are charged to the P&L in the period they are made.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Billings

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

3 Staff costs and numbers

	2014 £'000	2013 £'000
Staff costs for all employees including directors, consist of:		
Wages and salaries	2,908	2,743
Social security costs	290	279
Pension costs	107	96
	<u>3,305</u>	<u>3,118</u>
	Number	Number
The average monthly number of employees during the year including executive directors, was as follows:	<u>47</u>	<u>43</u>

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

M&C Saatchi Sport & Entertainment Limited
Notes forming part of the financial statements
for the year ended 31 December 2014 (Continued)

4 Directors' emoluments

	2014 £'000	2013 £'000
Emoluments for management services	621	563
Pension contributions	68	63
	<hr/>	<hr/>
Remuneration of highest paid director:		
Emoluments for management services	347	325
Pension contributions	40	38
	<hr/>	<hr/>

Two directors (2013 – two) accrued benefits under pension schemes, LTIP and growth shares.

5 Operating profit

	2014 £'000	2013 £'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	9	5
Auditor's remuneration	-	8
	<hr/>	<hr/>

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, M&C Saatchi plc.

In the current year the auditors' remuneration £8,000 was borne by the parent company, M&C Saatchi (UK) Limited.

6 Interest

	2014 £'000	2013 £'000
Bank interest received	4	-
	<hr/>	<hr/>

7 Taxation on profit from ordinary activities

	2014 £'000	2013 £'000
<i>Current tax</i>		
UK corporation tax charge on result for the year	249	200
Adjustment in respect of prior years	(1)	3
	<hr/>	<hr/>
Taxation on profit on ordinary activities	248	203
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

M&C Saatchi Sport & Entertainment Limited
Notes forming part of the financial statements
for the year ended 31 December 2014 (Continued)

7 Taxation on profit from ordinary activities (continued)

The current tax charge for the year is higher (2013: higher) than the standard rate of corporation tax in the UK 21.5% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	1,144	868
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	246	202
Effects of:		
Expenses not deductible for tax purposes	3	6
Adjustment in respect of prior years	(1)	-
Current tax charge for year	248	208

8 Tangible assets

	Computer equipment £'000	Furniture, Fittings and other Equipment £'000	Total £'000
<i>Cost</i>			
At 1 January 2014	44	19	63
Additions	14	33	47
At 31 December 2014	58	52	110
<i>Depreciation</i>			
At 1 January 2014	42	10	52
Provided for the year	6	3	9
At 31 December 2014	48	13	61
<i>Net book value</i>			
At 31 December 2014	10	39	49
At 31 December 2013	2	9	11

M&C Saatchi Sport & Entertainment Limited

**Notes forming part of the financial statements
for the year ended 31 December 2014 (Continued)**

9 Debtors

	2014	2013
	£'000	£'000
Trade debtors	1,147	601
Amounts owed by immediate parent company	1,607	1,801
Amounts owed by other group companies	31	14
Other debtors	1	-
Deferred tax asset (note 12)	4	4
Prepayments and accrued income	31	216
	<hr/>	<hr/>
	2,821	2,636
	<hr/>	<hr/>

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

10 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	443	621
Amounts due to other group companies	-	35
Corporation tax	170	409
Other creditors	9	25
Accruals and deferred income	1,942	1,059
	<hr/>	<hr/>
	2,564	2,149
	<hr/>	<hr/>

Amounts due to other group companies are non-interest bearing and not repayable on demand.

11 Provisions for liabilities

	2014	2013
	£'000	£'000
National Insurance on employee options	5	5
	<hr/>	<hr/>
	5	5
	<hr/>	<hr/>

12 Deferred taxation

The movement in the deferred taxation asset was:

	2014	2013
	£'000	£'000
At 1 January 2014 and at 31 December 2014	4	4
	<hr/>	<hr/>

M&C Saatchi Sport & Entertainment Limited
Notes forming part of the financial statements
for the year ended 31 December 2014 (Continued)

13 Share capital

	Allotted, called up and fully paid 2014 Number	2013 Number
'A' ordinary shares of £0.01 each	74,376	74,376
'B' ordinary shares of £0.01 each	25,624	25,624
'Z' ordinary shares of £0.01 each	7,000	7,000
Growth 'A' shares of £0.001 each	26,925	26,925
Growth 'B' shares of £0.001 each	26,925	26,925
	<hr/> 160,850 <hr/>	<hr/> 160,850 <hr/>
	£	£
'A' ordinary shares of £0.01 each	744	744
'B' ordinary shares of £0.01 each	256	256
'Z' ordinary shares of £0.01 each	70	70
Growth 'A' shares of £0.001 each	27	27
Growth 'B' shares of £0.001 each	27	27
	<hr/> 1,124 <hr/>	<hr/> 1,124 <hr/>

The 'A' and 'B' ordinary shares each carry a right to one vote and a right to dividends. The 'Z' Ordinary shares each carry a right to one vote and a minimum dividend.

The Growth 'A' and Growth 'B' shares hold no rights to dividend and no voting rights. Upon winding up of the Company, the assets of the Company are distributed to Ordinary shareholders before Growth shareholders are paid out.

14 Profit and loss account

	£'000
At 1 January 2014	492
Profit for the year	896
Dividends	(660)
	<hr/>
At 31 December 2014	728 <hr/>

M&C Saatchi Sport & Entertainment Limited
Notes forming part of the financial statements
for the year ended 31 December 2014 (Continued)

15 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the year	896	660
Dividends	(660)	(590)
	<hr/>	<hr/>
Net movement in shareholders' funds	236	70
Opening shareholders' funds	493	423
	<hr/>	<hr/>
Closing shareholders' funds	729	493
	<hr/>	<hr/>

16 Reconciliation of operating profit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating profit	1,140	868
Depreciation	9	5
(Increase)/ decrease in debtors	(185)	143
Increase/ (decrease) in creditors	654	(494)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,618	522
	<hr/>	<hr/>

17 Related party transactions

The company paid £659,000 (2013 - £586,000) to its immediate parent company as its share of group overhead costs for the year. At the year end, £1,594,000 was owed by the immediate parent company to M&C Saatchi Sport & Entertainment Limited (2013 - £1,801,000).

18 Immediate and ultimate parent company

The immediate parent company is M&C Saatchi (UK) Limited, which is registered in England and Wales. The ultimate parent company is M&C Saatchi plc, which is registered in England and Wales.

M&C Saatchi plc is the only Group of which the company is a member and for which the group accounts are prepared. Copies of the accounts are available from M&C Saatchi plc, 36 Golden Square, London W1F 9EE.

19 Contingent liabilities

The company is a guarantor of, and its assets are secured by, a bank loan held by M&C Saatchi plc. The loan has a banking facility of up to £30.0m (2013: £14.5m) plus a one year £0.3m (2013: £0.3m) overdraft facility. This facility matures on 30 April 2017. The amount of the loan drawn down at 31 December 2014 is £18.4m (2013: £0.3m). The overdraft facility is undrawn.