

# **M&CSAATCHI**

## **M&C Saatchi plc**

**Preliminary Results for the Year Ended  
31 December 2004**

**M&C Saatchi**  
**Preliminary Results for Year Ended 31 December 2004**

*M&C Saatchi plc, the international advertising agency with offices in 13 locations including London, New York and across the Asia Pacific Regions announces its preliminary results for the year ended 31<sup>st</sup> December 2004.*

*Financial Highlights:*

- Revenues (Gross Profit) up 4.8% to £62.2 million (2003: £59.3 million)
- Operating profit up 5.3% to £7.2 million (2003: £6.9 million)
- Underlying operating margins (excluding plc and one-off float costs of £501k) improved to 12.4%
- Profit before taxation up 8.5% to £8.1 million (2003: £7.5 million)
- Earnings per share up 6.8% to 9.28 pence (2003: 8.69 pence)
- Final dividend of 1.16 pence

*Operational Highlights:*

- Successful admission to AIM in July 2004
- Strong new business performance in the UK, with wins including Privilege Insurance (part of the Royal Bank of Scotland group), US Department of Commerce (Tourism), Krug and Halfords.
- Strong growth in Asia Pacific
- America returned to profit
- Ongoing international expansion, with a new office established in Thailand during the year and currently in negotiations with partners of choice in France

Commenting on the results, Chief Executive David Kershaw said:

“This is the 10<sup>th</sup> successive year of organic revenue growth for the Group. We have had a successful maiden year as a listed company with profit before tax up over 8%. We continue to see good opportunities for organic growth and further international expansion and are encouraged by the new business performance in the current year.”

*Except where otherwise stated, this report refers to the unaudited pro forma profit and loss account for M&C Saatchi plc (The "Group"). This has been prepared to show, for illustrative purposes only, the Group's results as if the reorganisation which occurred immediately prior its admission to trading on AIM on 14 July 2004, has occurred on 1<sup>st</sup> January 2003. The unaudited pro forma profit and loss account excludes the write off of the goodwill & exceptional charges that was created as a result of the reorganisation.*

## Performance Overview

### *Financial Review*

Revenues increased 4.8% to £62.2 million (2003: £59.3 million). This represents the 10<sup>th</sup> successive year of organic revenue growth, driven by revenue from new clients and securing new assignments from existing clients.

Operating profits increased by 5.3% to £7.2 million. This was driven by improved contributions from our Asia Pacific business, which grew operating profits by 39% and our American business, which returned to profit.

Profit before taxation and goodwill amortisation increased by 8.5% to £8.1 million (2003: £7.5 million).

Administrative expenses increased to £54.9 million (2003: £52.4 million). As indicated at the interim results, in the 2<sup>nd</sup> half of 2004 we incurred some one-off IPO-related costs totalling £138k. There was also a slight increase in underlying costs relating to our plc status, totalling £293k. Additionally, during the 2<sup>nd</sup> half of 2004 we incurred some incremental costs relating to exploratory work in Europe amounting to £70k. During 2004 these costs were charged to the UK business. As a result of the restructuring associated with our IPO, in 2005, the costs associated with running the holding company will be reclassified as a group cost and then recharged to the regional businesses (including the additional plc related costs). This will have a positive effect on the UK margin and negative effect on the Asia Pacific and American margins. The reallocation will not have any impact on Group profits in 2005. In 2005, the costs associated with expansion into Europe will be classified within the operating analysis for that region.

Our underlying operating margin grew to 12.4%. However, the impact of additional costs mentioned above kept the operating margin flat at 11.6%.

Group net interest receivable increased to £901k (2003: £630k), principally resulting from interest earned on the cash raised at the IPO.

The Group's tax rate increased slightly to 32.8% (2003: 31.6%) due to the effect of profits taken straight to reserves.

Minority interest increased by 4.0% to £441k (2003: £424k) but as a percentage of profit reduced from 8.3% to 8.1%. The earnings growth of the group's 100% owned subsidiaries have grown at a faster rate than those with a substantial minority, principally Walker Media.

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

## *Segmental Analysis*

### UK

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

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

New client wins in the agency included Privilege Insurance, Halfords, US Department of Commerce (Tourism), Thames Water, and Krug.

Amongst our subsidiaries, Walker Media had a good year and notably won KFC and Halfords. Walker Media extended their service offering through the formation of a new media strategy company 'Spark'. LIDA, our direct and digital marketing subsidiary won new projects from British Airways and Nat West. Talk PR had a strong year with new clients including American Express and Dixons. M&C Saatchi Sponsorship won business from Orange, Coca Cola, Reebok and London 2012 and won the 2004 Sponsorship Agency of the Year from Marketing Magazine.

As part of our strategy of continuing to expand our service offering in the UK, we formed Play, an interactive marketing agency. Since its launch in December 2004 it has already won its first two clients.

## **Asia Pacific**

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

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

## **America**

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

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

Our US business while a small part of the Group, is strategically important. We are encouraged by the early success of our office in Los Angeles and investment in additional creative resource in New York has helped deliver an improved performance in that office. The region has recently undergone a reorganisation and both offices are now being run as a single region, reporting into Tom Dery (Chairman of Asia Pacific). Our strategy is to grow our presence in America and we now have a good platform on which to build.

## **Europe**

Europe remains a key growth area for the Group and we have made encouraging progress with our exploratory work in our target markets, particularly France and Spain.

It is critical that the local management team are 'best in class' in the market and accordingly our key priority is to find the right people to spearhead the establishment of our business in each market. In France, we have conducted a very thorough process and are now in detailed discussions with partners of choice. We remain on track to open two European offices by the end of the year.

## **Outlook**

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

**M&C Saatchi plc**  
**Unaudited Pro Forma Consolidated Profit and Loss Account**  
**Year Ended 31 December 2004**

It is management's view that, given the complexity of the accounting entries required as a result of the reorganisation and flotation on the 14 July 2004, the best way to show the underlying performance of the business this year is to restate our results. The results are restated by showing the business as if the reorganisation occurred on the 1 January 2003, excluding exceptional costs and the amortisation of goodwill.

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



**M&C Saatchi plc**  
**Unaudited Pro Forma Consolidated Profit and Loss Account (continued)**  
**Year Ended 31 December 2004**

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

<sup>(1)</sup> The 2004 UK results include costs associated with one-off non exceptional IPO expenses £138k, additional costs related to our plc status £293k, and the exploratory work in European amounting to £70k. This Totals £501k.

**M&C Saatchi plc**  
**Preliminary Consolidated Profit and Loss Account**  
**Year Ended 31 December 2004**

	Note	Unaudited 2004 £000	Audited 2003 £000
Turnover			
– continuing operations		106,884	101,219
– acquisitions		108,300	-
		<hr/>	<hr/>
Turnover	2	215,184	101,219
Cost of sales	3	(155,807)	(47,608)
		<hr/>	<hr/>
Gross profit		59,377	53,611
Administrative expenses			
– ordinary		(52,907)	(48,159)
– exceptional	4	(2,795)	-
– amortisation of goodwill		(777)	-
		<hr/>	<hr/>
Administrative expenses	3	(56,479)	(48,159)
		<hr/>	<hr/>
Operating profit			
– continuing operations		2,257	5,452
– acquisitions		641	-
		<hr/>	<hr/>
Operating profit		2,898	5,452
Share of operating profit of associates		352	652
Interest receivable	5	800	457
Interest payable	6	(30)	(55)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,020	6,506
Taxation on profits on ordinary activities	7	(2,033)	(2,117)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,987	4,389
Minority interests		(531)	(944)
		<hr/>	<hr/>
Profit for the financial year		1,456	3,445
Dividends	8	(2,942)	(4,641)
		<hr/>	<hr/>
Retained loss for the year	10	(1,486)	(1,196)
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings Per Share</b>	9		
– Basic		<b>3.42p</b>	<b>10.61p</b>
– Diluted		<b>3.41p</b>	<b>10.61p</b>

All amounts relate to continuing activities.

The reconciliation of movements in shareholders' funds is shown in note 11 to the unaudited preliminary financial statements.

**M&C Saatchi plc**  
**Preliminary Consolidated Statement of Total Recognised Gains and Losses**  
**Year Ended 31 December 2004**

	Unaudited 2004 £000	Audited 2003 £000
Profit for the financial year		
- Group	1,140	2,812
- Associates	316	633
	<hr/>	<hr/>
	1,456	3,445
Exchange differences on retranslation of opening reserves	260	526
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	<u>1,716</u>	<u>3,971</u>

**M&C Saatchi plc**  
**Preliminary Consolidated Balance Sheet**  
**At 31 December 2004**

	Note	Unaudited 2004 £000	Unaudited 2004 £000	Audited 2003 £000	Audited 2003 £000
Fixed assets					
Intangible assets			16,158		-
Tangible assets			3,047		3,453
Investments			15		985
			<hr/>		<hr/>
			19,220		4,438
Current assets					
Work in progress		3,368		1,334	
Debtors - due within one year		46,374		16,028	
- due after more than one year		731		1,061	
		47,105		17,089	
Cash at bank and in hand		17,323		5,047	
		<hr/>		<hr/>	
		67,796		23,470	
Creditors - amounts falling due within one year		55,980		21,367	
		<hr/>		<hr/>	
Net current assets			11,816		2,103
			<hr/>		<hr/>
Total assets less current liabilities			31,036		6,541
Creditors - amounts falling due after more than one year			774		950
Provisions for liabilities and charges			218		208
			<hr/>		<hr/>
			30,044		5,383
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Share capital	10		542		12
Share premium account	10		9,618		-
Merger reserve	10		15,959		-
Share option reserve	10		514		-
Profit and loss account	10		2,948		3,961
Shareholders' funds - equity	10		<hr/>		<hr/>
			29,581		3,973
Minority interests - equity			463		1,410
			<hr/>		<hr/>
			30,044		5,383
			<hr/> <hr/>		<hr/> <hr/>

**M&C Saatchi plc**  
**Preliminary Consolidated Cash Flow Statement**  
**Year Ended 31 December 2004**

	Note	Unaudited 2004 £000	Unaudited 2004 £000	Audited 2003 £000	Audited 2003 £000
Cash inflow from operating activities	12		4,953		139
Dividend received from associates			728		810
Returns on investments and servicing of finance					
Interest received		687		261	
Interest paid		(3)		(7)	
Interest element of finance lease rental payments		(27)		(45)	
Minority interest dividend paid		(1,296)		(743)	
Net cash outflow from returns on investment and servicing of finance			(639)		(534)
Taxation					
UK taxation paid		(1,136)		(1,269)	
Overseas taxation paid		(664)		(470)	
Capital expenditure and financial investment			(1,800)		(1,739)
Purchase of tangible fixed assets		(922)		(1,591)	
Sale of tangible fixed assets		417		133	
Sale of a part share of a subsidiary undertaking		527		-	
Net cash inflow/(outflow) from capital expenditure and financial investment			22		(1,458)
Acquisitions and disposals					
Investment in subsidiary		(382)		-	
Cash acquired with subsidiary undertakings		2,243		-	
Investment in associate		-		1	
Equity dividends paid			(2,313)		(4,641)
Net cash inflow/(outflow) before financing			2,812		(7,422)
Financing					
Share placement		10,537		-	
Share placement costs		(835)		-	
Shares issued to minorities		107		6	
Repayment of bank loans		(21)		(34)	
Capital element of finance lease rental payments		(225)		(165)	
Net cash inflow/(outflow) from financing			9,563		(193)
Increase/(decrease) in cash in the year	14		<u>12,375</u>		<u>(7,615)</u>

**M&C Saatchi plc**  
**Notes forming part of the Preliminary Financial Statements**  
**Year Ended 31 December 2004 (Continued)**

1 Statutory Information

The financial information contained in this announcement, for the years ended 31 December 2004 or 2003, does not constitute statutory financial statements within the meaning of section 240 of the Companies act 1985. The financial information for the year ended 31 December 2003 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts was unqualified. The statutory accounts for the year ended 31 December 2004 will be finalised on the basis of the financial information presented by the directors in this unaudited preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting. The audit report for the year ended 31 December 2004 has yet to be signed.

The preliminary announcement was approved by the board of directors on 7 April 2005.

**M&C Saatchi plc**  
**Notes forming part of the Preliminary Financial Statements**  
**Year Ended 31 December 2004 (Continued)**

2 Turnover, profit and net assets

Turnover and profit before taxation are attributable to the provision of advertising and marketing services.

	Unaudited 2004 £000	Audited 2003 £000
Turnover		
Analysis by geographical market:		
<i>By origin</i>		
UK	168,809	56,716
Asia Pacific	41,736	41,928
America	4,639	2,575
	<hr/>	<hr/>
	215,184	101,219
	<hr/>	<hr/>
Gross profit		
Analysis by geographical market:		
<i>By origin</i>		
UK	33,717	31,004
Asia Pacific	23,126	20,805
America	2,534	1,802
	<hr/>	<hr/>
	59,377	53,611
	<hr/>	<hr/>
Operating profit / (loss)		
Analysis by geographical market:		
<i>By origin</i>		
UK	12	3,769
Asia Pacific	2,686	1,934
America	200	(251)
	<hr/>	<hr/>
	2,898	5,452
	<hr/>	<hr/>
Profit / (loss) before taxation		
Analysis by geographical market:		
<i>By origin</i>		
UK	1,085	4,802
Asia Pacific	2,736	1,956
America	199	(252)
	<hr/>	<hr/>
	4,020	6,506
	<hr/>	<hr/>

**M&C Saatchi plc**  
**Notes forming part of the Preliminary Financial Statements**  
**Year Ended 31 December 2004 (Continued)**

2 Turnover, profit and net assets *(Continued)*

	Unaudited 2004 £000	Audited 2003 £000
Net assets		
Analysis by geographical market:		
<i>By origin</i>		
UK	30,574	6,055
Asia Pacific	2,466	1,957
America	(2,367)	(2,629)
	<hr/>	<hr/>
	30,673	5,383
	<hr/>	<hr/>

3 Cost of sales and administrative expenses

	Unaudited 2004 £000	Audited 2003 £000
Cost of sales		
Continuing operations	50,554	47,608
Acquisitions	105,253	-
	<hr/>	<hr/>
	155,807	47,608
	<hr/>	<hr/>
Administrative expenses		
Continuing operations	54,073	48,159
Acquisitions	2,406	-
	<hr/>	<hr/>
	56,479	48,159
	<hr/>	<hr/>



**M&C Saatchi plc**  
**Notes forming part of the Preliminary Financial Statements**  
**Year Ended 31 December 2004 (Continued)**

4 Exceptional items

During the year the Group reorganised and floated on London's AIM market. The resulting cost incurred totalled £3,998k. Of which £2,795k was charged directly to the profit and loss account, £368k included in cost of investments and £835k was charged against share premium.

5 Interest receivable

	Unaudited 2004 £000	Audited 2003 £000
Group	687	261
Associates	113	196
	<hr/>	<hr/>
	800	457
	<hr/>	<hr/>

6 Interest payable

	Unaudited 2004 £000	Audited 2003 £000
Bank overdrafts	1	7
Interest on finance leases	27	45
Associates	-	1
Other	2	2
	<hr/>	<hr/>
	30	55
	<hr/>	<hr/>

**M&C Saatchi plc**  
**Notes forming part of the Preliminary Financial Statements**  
**Year Ended 31 December 2004 (Continued)**

7	Taxation on profits from ordinary activities				
		Unaudited	Unaudited	Audited	Audited
		2004	2004	2003	2003
		£000	£000	£000	£000
	<i>Current tax</i>				
	UK corporation tax on profits for the year	1,204		1,333	
	Overseas tax payable	1,024		611	
	Adjustment in respect of previous years	15		(34)	
	Associates	148		214	
	Total current tax	<hr/>	2,391	<hr/>	2,124
	<i>Deferred tax</i>				
	Origination and reversal of timing differences	(358)		(7)	
	Movement in deferred tax provision		(358)		(7)
	Taxation on profit on ordinary activities		<hr/>	<hr/>	<hr/>
			2,033		2,117

The tax charged for the year differs from that obtained by using the standard rate of corporation tax in the UK (30%). The differences are explained below:

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

**M&C Saatchi plc**  
**Notes forming part of the Preliminary Financial Statements**  
**Year Ended 31 December 2004 (Continued)**

8 Dividends

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

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

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

9 Earnings per share

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

Earnings per share is calculated as follows:

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

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



**M&C Saatchi plc**  
**Notes forming part of the Preliminary Financial Statements**  
**Year Ended 31 December 2004 (Continued)**

11 Reconciliation of movement in shareholders' funds	Unaudited 2004 Group £000	Audited 2003 Group £000
Profit for the financial year		
- Group	1,140	2,812
- Associates	316	633
Dividend	(2,942)	(4,641)
	<hr/>	<hr/>
	(1,486)	(1,196)
Exchange differences		
	260	526
Issue of shares	27,155	-
Share issue cost	(835)	-
Issue of options	514	-
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	25,608	(670)
Opening shareholders' funds	3,973	4,643
	<hr/>	<hr/>
Closing shareholders' funds	29,581	3,973
	<hr/>	<hr/>
12 Net cash inflow from operating activities	Unaudited 2004 £000	Audited 2003 £000
Operating profit	2,898	5,452
Amortisation of intangible fixed assets	777	-
Non cash flow expenses associated with reorganisation	460	-
Depreciation	1,167	1,141
Profit on sale of tangible fixed assets	(34)	(1)
(Increase)/Decrease in work in progress	(2,062)	463
Increase in debtors	(16,233)	(2,998)
Increase/(Decrease) in creditors	17,902	(4,183)
Exchange differences	78	265
	<hr/>	<hr/>
	4,953	139
	<hr/>	<hr/>

**M&C Saatchi plc**  
**Notes forming part of the Preliminary Financial Statements**  
**Year Ended 31 December 2004 (Continued)**

13 Analysis of changes in net funds

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

14 Reconciliation of net cash flow to movement in net funds

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