Corporate statement

Aegis est la société holding de Carat, le plus important groupe de spécialistes médias en Europe. Les filiales opérationnelles de Carat sont leaders dans la plupart des marchés Européens.

Les services fournis par Carat font partie intégrante de la chaîne des activités de marketing des annonceurs et couvrent l'ensemble du spectre des services médias avec, entre autres, la stratégie média, le média planning et l'achat d'espaces.

Les annonceurs obtiennent le meilleur rapport qualité-prix pour leurs budgets médias, grâce à la connaissance approfondie qu'a Carat du marché des médias et à l'importance de son volume d'achat.

Aegis es la compañia holding de Carat que, a su vez, es el mayor grupo europeo de especialistas en medios. Carat es lider en los mercados europeos más importantes.

Los servicios que ofrece Carat son parte integrante del proceso publicitario y engloban la totalidad de los servicios de medios existentes, incluyendo, entre otros, estrategia, planificación y compra de medios.

La experiencia de Carat en el mercado de medios, complementada con su volumen de compra, permite a los clientes obtener el mejor rendimiento de sus inversiones en medios.

Aegis is the holding company for Carat which is Europe's largest group of media specialists. Carat's national operating companies are leaders in most European markets.

Carat's services are an integral part of the advertiser's marketing process and embrace the total range of media services including media strategy, planning and buying, amongst others.

Carat's comprehensive knowledge of the media marketplace combined with the scale of its buying enables advertisers to get the best possible value from their media budgets.

Aegis è la holding finanziaria di Carat, il più grande gruppo di specialisti media in Europa. Carat raggruppa solo agenzie media indipendente, la maggior parte leader nel proprio mercato.

Carat fornisce servizi integrati al processo di marketing delle aziende, e copre il servizio media completo, dalla strategia e pianificazione media all'acquisto degli spazi.

Grazie alla profonda conoscenza del mercato media unita alla grande capacità di acquisto spazi, Carat garantisce ai suoi clienti la più alta efficacia dell'investimento media.

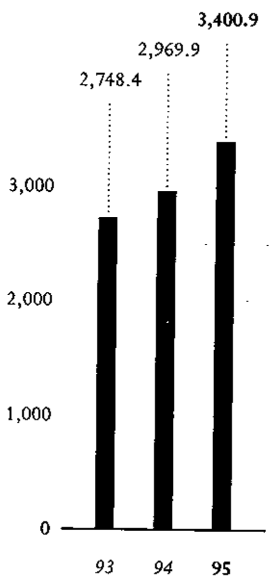
Aegis ist die Holding-Gesellschaft von Carat, Europas zur Zeit mit weitem Abstand größter Agentur-Gruppe von Media-Spezialisten. Die zum Agenturnetz von Carat gehörenden europäischen Gesellschaften sind überwiegend und seit Jahren Marktführer in ihren Ländern.

Carat versteht die Media-Disziplin als wesentlichen Bestandteil im Marketing-Mix und bietet Werbungtreibenden einen umfassenden Service in allen Fragen des Media-Geschäftes, insbesondere in fachkundiger Beratung, qualifizierter Media-Forschung, strategischer Planung und effizientem Einkauf.

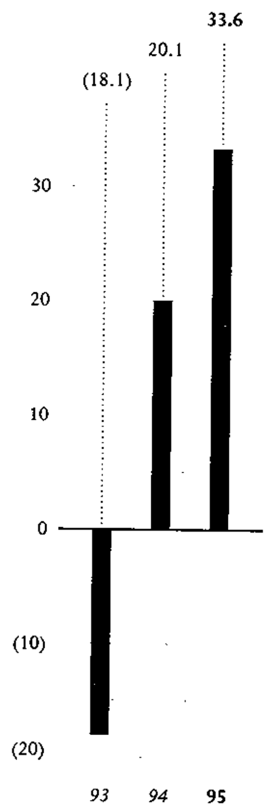
Durch diese hohe Professionalität ist Carat in allen Ländern in der Lage, Werbungtreibenden eine optimale qualitative und quantitative Ausschöpfung ihrer Media-Budgets zu ermöglichen.

Financial highlights

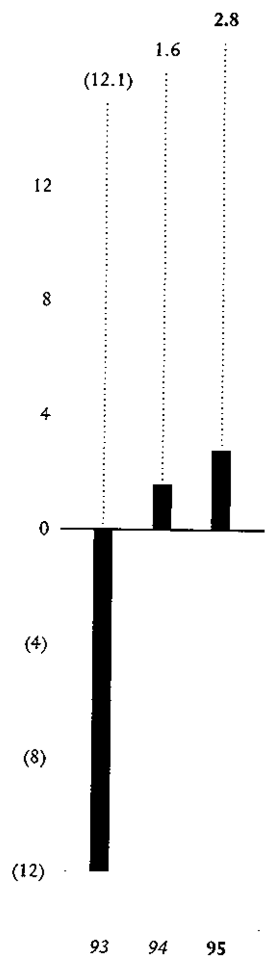
- Strong trading results at all levels
- Impressive new business performance
- Stable margins and further cost efficiencies
- Strong positive cash flow
- Well positioned for continued growth
- Planned resumption of dividend in 1996



Turnover
£'m

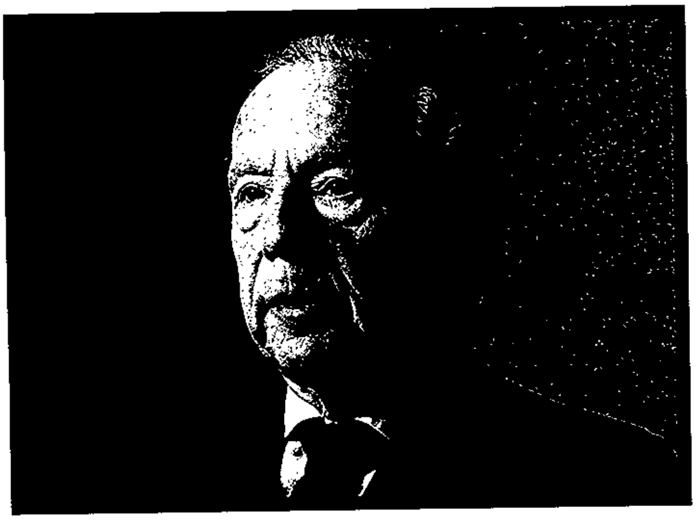


Profit before tax
£'m



Basic earnings per share
pence

Chairman's statement



Frank S Law CBE

I am pleased to report that the results for 1995 show substantial recovery and progress at all levels. With a clear set of objectives and our strong management team we can anticipate further steady growth.

Financial performance

The results for 1995 show continued progress at all levels. Turnover reflects volume growth ahead of the market whilst margins have stabilised at broadly the same level as in 1994. There are further efficiency savings on costs and controlled expenditure on interest. Profit before tax of £33.6 million is 67% ahead of the 1994 results. Excluding one-off charges made in 1994, this is a 23% improvement in the underlying result.

Overall, basic earnings per share shows a 75% improvement over the preceding year. The decrease in net indebtedness of £12 million demonstrates the tangible improvement in treasury management.

Group objectives and progress

We have identified a specific set of strategic objectives which the Group is closely following. These provide a clear statement of our aims. The Group is now clearly focused on what it must achieve in order to enjoy continued success.

Management and board

The central executive team was completed during the year with the appointment of Pat Doble as Group Marketing Director and William Skerrett as Group Personnel Director.

A hallmark of the Group during the period of restructuring has been the strength and stability of the operating management. Most of the Group's businesses have very creative and entrepreneurial leaders

Chairman's statement

and this has assisted in building the strong executive team from which we benefit today. We are now beginning a new phase as our next generation of business leaders is starting to assume senior positions.

There were two changes to the Aegis board during 1995. Fred Meyer, the Chief Financial Officer of Omnicom, was succeeded by Bruce Crawford, Omnicom's Chief Executive, who has since resigned following the disposal of Omnicom's shareholding in Aegis. Also in 1995, Philippe Villin was appointed following the retirement of Gilles Gobin.

In accordance with best practice, I have resigned as Chairman of the Remuneration and Nomination Committee but remain an ordinary member of the Committee. John Vogelstein, the Deputy Chairman, has assumed the Chairmanship and Dominic Shorthouse has become a full member.

Current trading

1996 has started satisfactorily for the Group. Profits are ahead of the levels established in the preceding year. In the first three months of 1996 the annual value of new business wins was approximately US$246 million. Accounts won include Philips and Gaz de France.

Dividend

In line with the policy previously stated and because of the cash cost of the final phase of restructuring, no ordinary dividend will be paid in respect of 1995. However, in light of the much improved financial performance the Board currently intends to resume dividend payments in 1996.

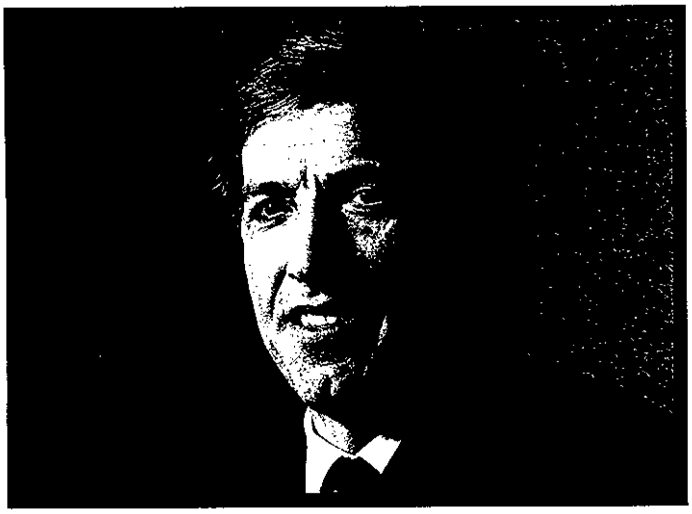
The future

The Group has made significant progress over the past year. Management at all levels has achieved its goals and I would like to take this opportunity to thank everyone in the Company for the considerable efforts they have made to achieve these very satisfactory results.

I am confident we will continue to show steady progress in developing the potential of this Group.

Frank S Law CBE
Chairman

Chief Executive's review



Crispin Davis

1995 has seen Aegis accomplish an important step forward with strong trading results and progress against ambitious strategic objectives.

Group fundamentals are now sound, a clear and focused strategy is in place and business performance is satisfactory. The Group is well positioned for future growth.

Business overview

1995 saw the Group exceed its business and financial objectives.

Billings increased significantly over 1994, up by 11% to US$6.7 billion as compared to an overall market increase of 7%. Our market share strengthened and we are now leaders in most European markets. There were a number of important client gains in 1995 including Beiersdorf, Coca-Cola, Rank Xerox, SmithKline Beecham and Virgin Records. 1996 has commenced with the further gain of Philips, a global leader in consumer goods. We continue to focus on gaining multinational blue chip clients.

Performance in all countries was substantially improved; all businesses traded profitably. Results in Northern Europe, particularly the UK, Scandinavia and Germany, continued to be strong. Two countries where we have experienced difficulties in recent years, France and Spain, achieved encouraging results in 1995 and now look better placed for the future. Major actions implemented over the last two years in these countries are now paying dividends.

As anticipated, margins stabilised at 4.9% in 1995. In part this was due to the increasing value added services we are offering our major clients in addition to basic media planning and buying services. There have also been further improvements in operating and cost efficiency.

Chief Executive's review

Cash generation has become a key focus for the Group and the results of our efforts in 1995 were encouraging. Net cash flow from operating activities was £35.0 million (1994: £1.0 million outflow) and net indebtedness was reduced by £12.1 million after payment for reorganisation and investments. We believe that a strong positive cash flow is sustainable. The positive implications of this for the Group are significant in terms of funding future expansion, returns to shareholders, and future debt reduction.

Overall, the Group achieved a 67% improvement in profit before tax for 1995.

The future

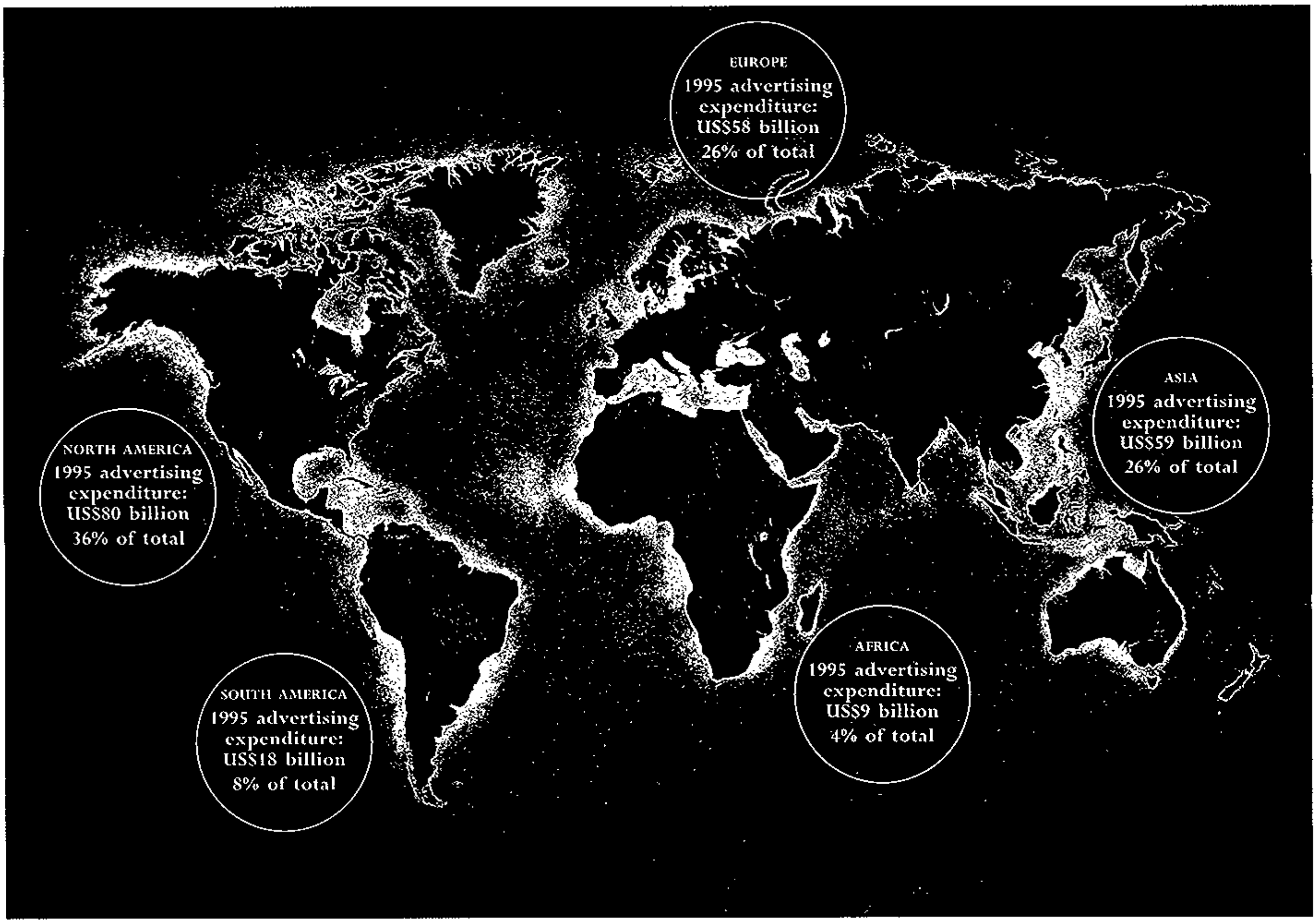
The media communications world is becoming increasingly complex, diverse and international. The proliferation of traditional media vehicles continues, while new technologies are opening almost unlimited new channels of communication. Consumers are becoming more and more difficult to reach effectively. Consolidation amongst major media companies continues as the media arena becomes increasingly global.

These fundamental changes offer substantial long-term opportunities for Aegis. Large national and international clients are seeking greater effectiveness from their marketing budgets in highly competitive and challenging markets. They are demanding a higher level of focus, sophistication and expertise in communicating with their consumers. As they adopt global strategies and brand programmes, they are also moving towards global and regional supplier partnerships.

Fundamental changes offer substantial long-term opportunities for Aegis.

Our vision sees Carat established as the market leader in the media communications field, building from our leading European position into a global group. It sees Carat offering a service that goes well beyond media planning and buying into one that encompasses all aspects of media communication. It sees Carat working in close partnership with its major clients on a global scale, maximising all aspects of their communications programmes.

Global expansion



As clients increasingly adopt global strategies and brand programmes, they are also moving towards global and regional supplier partnerships.

Our vision sees Carat building from our leading European position into a global group. Europe presently accounts for 26% of global advertising expenditure. Expanding the Carat network beyond Europe presents significant opportunities.

Chief Executive's review

Our commitment remains to invest in research and resource to ensure a truly superior service for our clients.

Strategy and objectives

Last year, I outlined to shareholders the Group's strategic priorities for the future. These were:

- Upgrading and expanding our services to clients
- Expansion from a European to a more global network
- Continued strengthening of our international client base
- Organisational development to improve effectiveness
- Sustainable, strong earnings growth and cash generation.

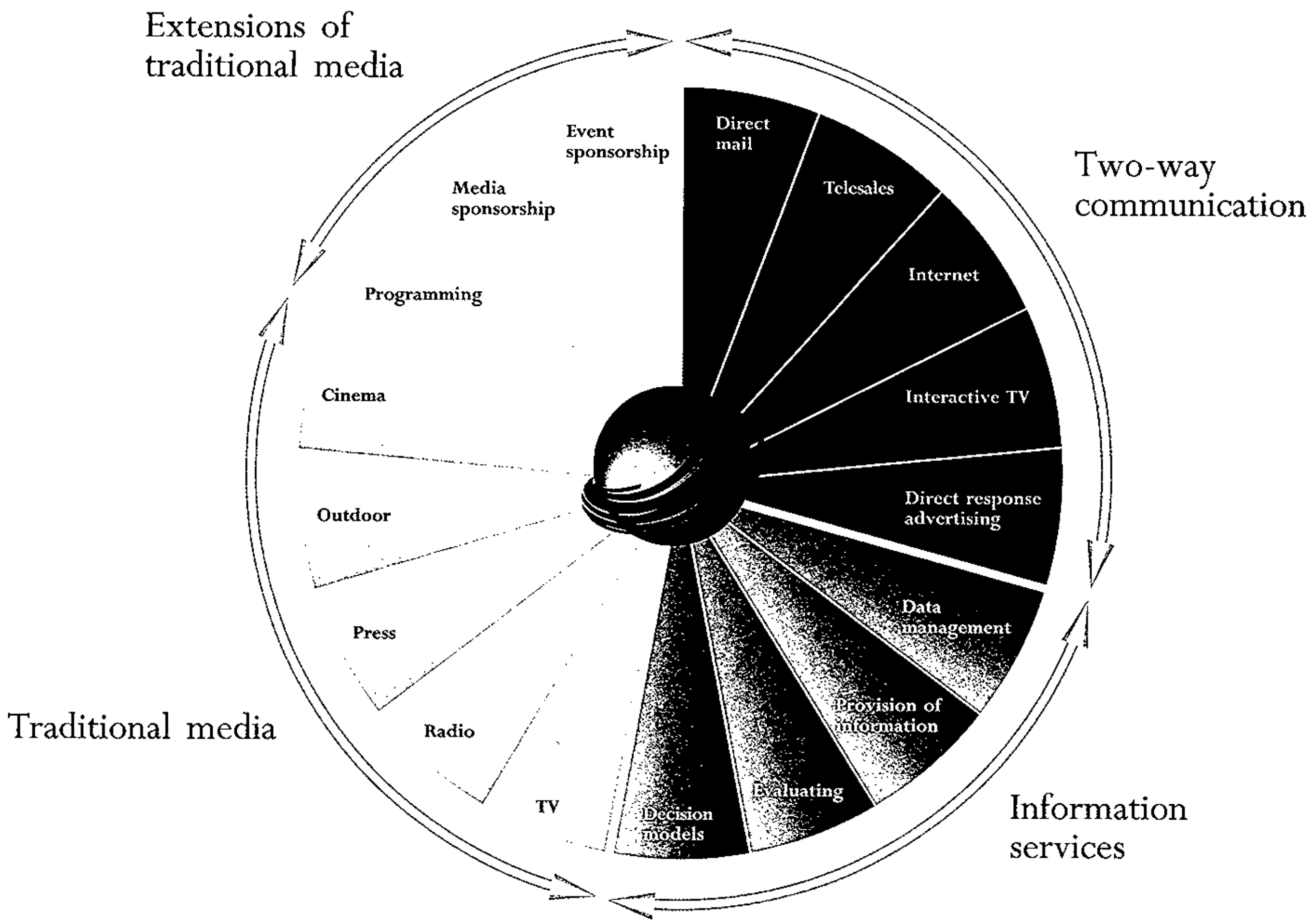
Substantial progress has been made against each of these objectives, providing encouragement for the Group's continued development and growth.

We are upgrading our range of core services, introducing new planning and evaluation tools with greater emphasis on the overall effectiveness of clients' programmes. We are also expanding into direct response and interactive media, monitoring closely the development of commercial opportunities. Our commitment remains to invest in research and resource to ensure a truly superior service for our clients.

We are making steady progress in moving from a European to a more global network. During 1995 Carat operations started in Switzerland, Turkey and the Baltic states and, to date, in 1996 we have opened offices in Russia and Hong Kong. We continue to explore opportunities in other major countries including the USA. Our underlying objective is to build on our powerful leadership position in Europe to make Carat a truly global brand.

The Group's growth has been built around our major national and international client base. We are focused increasingly on those major clients where we are able to provide the most appropriate value added media services. Today, multi-national clients account for over 40% of billings; five years ago it was less than 10%. Over the last 12 months we have continued to gain important new business assignments from our major national and international clients. This provides a significant impetus for us to raise standards further and to drive leading edge services.

Total communications service



The media communications world is becoming increasingly complex, diverse and international. The proliferation of traditional media vehicles continues, while new technologies are opening new channels of communication.

We are expanding our capabilities and services to encompass traditional and new media sources. There is also increased emphasis on introducing new planning and evaluation tools focused on maximising the effectiveness of clients' programmes.

The diagram depicts the full range of our media services, from single channel communication through interactive technologies, including management and evaluation processes.

Chief Executive's review

The recent success of the Group is attributable to the calibre of its people. Our staff's knowledge, skills and experience are unrivalled. Nevertheless we are investing heavily in strengthening the organisation's effectiveness further through a wide range of initiatives. These include the introduction of personal objectives and appraisal systems, a Group-wide share option and bonus scheme, development of corporate training programmes, and enhancing network and client communication systems. The change in organisational effectiveness is marked, with the senior managers increasingly operating as a coherent and motivated team. Although more remains to be done, we have a clear vision of what needs to be accomplished.

Our staff's knowledge, skills and experience are unrivalled.

Prospects

We have seen encouraging progress in the past year, both financially and operationally. Our goals and strategies are clear and the true potential of the Group is starting to emerge. We have entered 1996 with solid momentum and our positive new business performance continues. We anticipate another year of satisfactory development and growth, and important opportunities for the long-term.

Thank you for your support.

Crispin Davis

Crispin Davis
Chief Executive Officer

Organisational development

The recent success of the Group is attributable to the calibre of its people. Our staff's knowledge, skills and experience are unrivalled. Nevertheless we are investing heavily in strengthening the organisation's effectiveness further.

The strength and stability of the operating management is fundamental to the Group.

Aegis Group at a glance

Germany

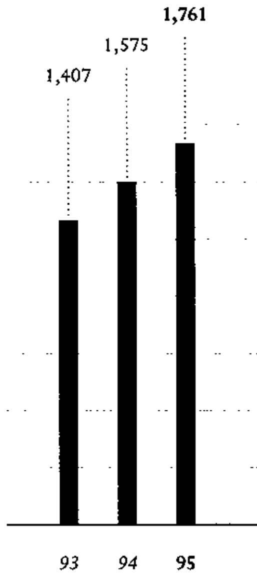
Advertising expenditure by medium

54%	Television
9%	Newspapers
23%	Magazines
8%	Radio
5%	Outdoor
1%	Cinema

Percentage of billings to Group total

26%

Billings US$m



France

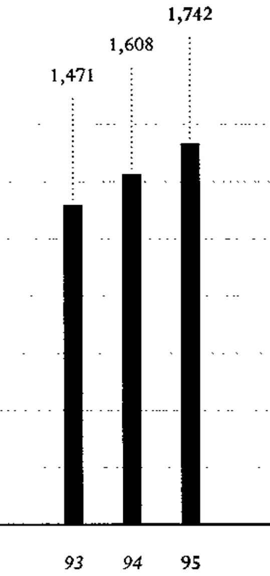
Advertising expenditure by medium

52%	Television
3%	Newspapers
18%	Magazines
13%	Radio
13%	Outdoor
1%	Cinema

Percentage of billings to Group total

26%

Billings US$m



UK

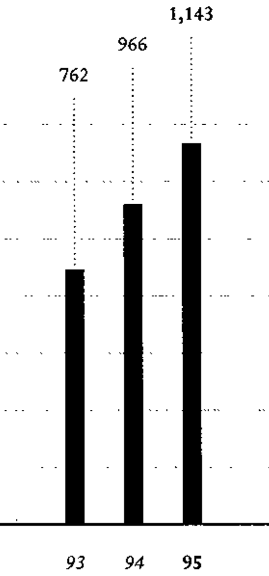
Advertising expenditure by medium

47%	Television
28%	Newspapers
11%	Magazines
2%	Radio
11%	Outdoor
1%	Cinema

Percentage of billings to Group total

17%

Billings US$m



Spain & Portugal

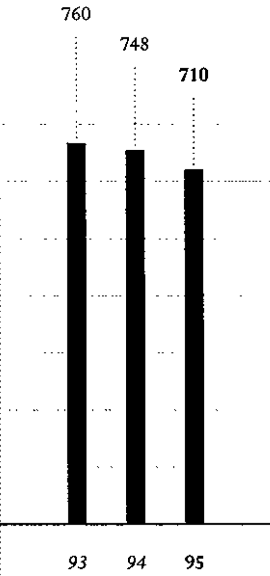
Advertising expenditure by medium

54%	Television
23%	Newspapers
9%	Magazines
10%	Radio
4%	Outdoor
—	Cinema

Percentage of billings to Group total

11%

Billings US$m



Scandinavia

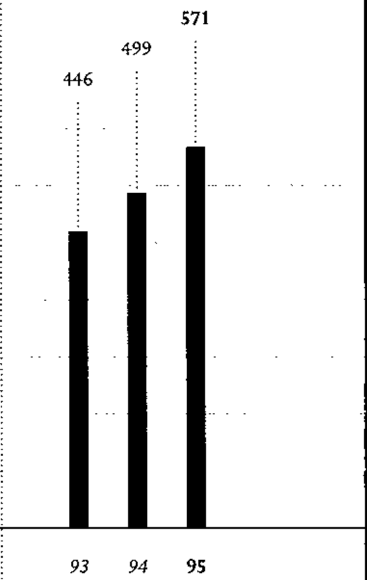
Advertising expenditure by medium

28%	Television
52%	Newspapers
13%	Magazines
3%	Radio
3%	Outdoor
1%	Cinema

Percentage of billings to Group total

8%

Billings US$m



Aegis Group at a glance

Italy

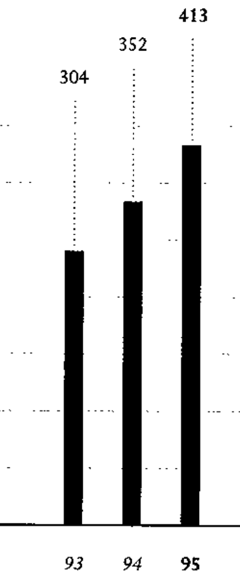
Advertising expenditure by medium

62% Television
11% Newspapers
19% Magazines
4% Radio
4% Outdoor
— Cinema

Percentage of billings to Group total

6%

Billings US$m



Belgium

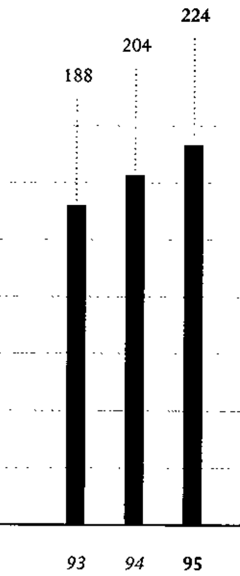
Advertising expenditure by medium

46% Television
15% Newspapers
15% Magazines
10% Radio
12% Outdoor
2% Cinema

Percentage of billings to Group total

3%

Billings US$m



Greece

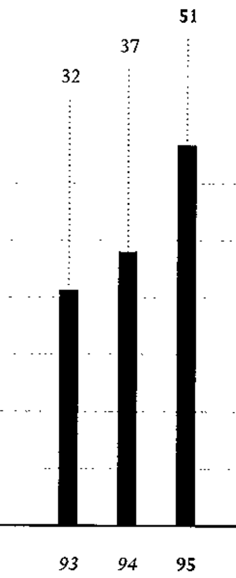
Advertising expenditure by medium

59% Television
15% Newspapers
17% Magazines
7% Radio
2% Outdoor
— Cinema

Percentage of billings to Group total

1%

Billings US$m



Netherlands

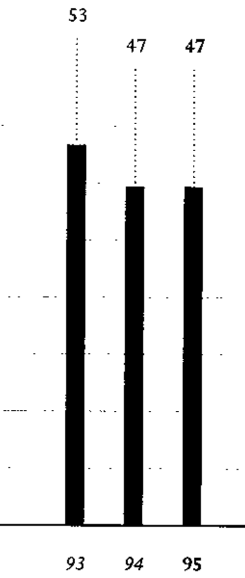
Advertising expenditure by medium

56% Television
13% Newspapers
20% Magazines
6% Radio
5% Outdoor
— Cinema

Percentage of billings to Group total

1%

Billings US$m



Others

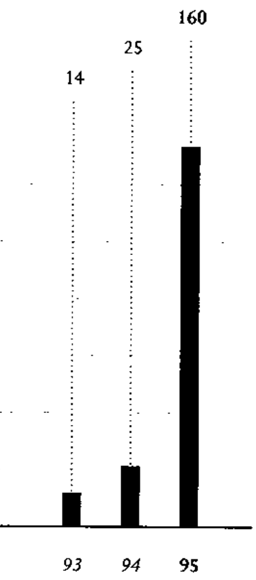
Advertising expenditure by medium

48% Television
19% Newspapers
21% Magazines
5% Radio
1% Outdoor
6% Cinema

Percentage of billings to Group total

1%

Billings US$m



Review of local operations

Anne Bataille

Belgium

In 1995 the Belgian advertising market expanded by approximately 11%. This was principally due to changes in the structure of the television market. Against this background Carat Crystal maintained its leading position with a market share of 15%.

October 1995 saw the fifth anniversary of the establishment of Carat Crystal. In this relatively short period of time the company has built a substantial market position. Its media software and marketing research remain at the forefront of media expertise.

Bruno Kemoun (left)
Eryck Rebbouh (right)

France

Despite the economic environment and an advertising market without real growth, Carat France strengthened its position as the market leader. Gross billings increased by 8%, leading to an increase of its market share which is now more than 18%.

The loss at the beginning of 1995 of Francaise des Jeux and Yves St. Laurent was more than offset by significant new client gains in the year including Coca-Cola, Yves Rocher, Gan TDR, McCain and Beiersdorf.

Following the implementation of the Loi Sapin, Carat France has successfully reorganised its operations.

Kai Hiemstra

Germany, Austria, Switzerland and Eastern Europe

Despite signals of a continuing economic recession in Germany, HMS Carat has increased its billings by 14% over 1994. This is significantly ahead of the local industry average of 5%. HMS' position as a market leader has been further strengthened.

With the acquisition of Micom in Switzerland the objective of rendering high quality service to our key clients within all German-speaking areas of Europe has been attained.

In Eastern Europe our business is developing well with the value of media billings handled in these markets now exceeding US$100 million per annum.

Review of local operations

Anna Hatzissava

Greece

During 1995 the Greek advertising market grew by approximately 15%, whilst Carat Hellas showed a 36% improvement in billings. This was a substantial success and is reflected in the major client gains. These include Delta, Beiersdorf and Virgin Atlantic.

The strategic focus is to concentrate on a small number of larger, more profitable local and international clients.

Substantial legal and regulatory changes are anticipated in 1996 which will present considerable challenges to the advertising industry and Carat. The precise legal requirements are still to be defined, but it is clear that 1996 will require significant flexibility and change.

Giuseppe Conti

Italy

In spite of an increase in local advertising expenditure of only 6%, Carat Italia's billings grew by 17% in 1995. This result was attributable in part to substantial new business activity. Major client gains include Reckitt & Colman, Lego and Filodoro.

Whilst the market remains highly competitive, Carat Italia succeeded in consolidating its leadership position. In a recent survey of media agencies Carat Italia recorded the best scores for awareness and image profile.

Aege Steensma

Netherlands

During 1995 the Dutch advertising market grew substantially. This was principally due to a substantial increase in the number of satellite television channels. In this context Carat Nederland successfully stabilised its position and posted substantially improved results.

Spending by individual clients has increased and there were significant new business wins. Gains in 1995 included Spadel, Quick Restaurants and Beter Bed. 1996 commenced with the Netherlands having an important role in the Group wide win of the Philips account.

Review of local operations

Tage Krogh

Scandinavia

1995 was another record year for Carat Scandinavia with the operations in three of the four regional markets (Denmark, Finland and Norway) exceeding their individual targets. Growth in the number of international clients now involved in Scandinavia and completion of the staff reorganisation programme have been major achievements. New staff are clearly focused on key client service and research activities.

In Denmark, Finland and Norway the local Carat companies all showed volume increases in excess of 20%. Substantial market share was gained. The Swedish market proved more difficult and billings growth was slightly less than the market average although margins remain satisfactory.

Overall billings growth was 14.5%.

Jordi Calvet

Spain and Portugal

The market remains depressed, with private consumption in Spain relatively stagnant. This has been reflected in local advertising expenditure at broadly the same levels as in 1994.

However, by implementing a strict control regime over working capital and client transactions, there has been a considerable improvement in trading results and Spain's contribution to the Group result has increased substantially over 1994. A new management team is in place and this has provided renewed impetus to the business.

Review of local operations

Raymond Kelly

UK

1995 saw Carat UK again produce excellent results. Billings increased by 18% as compared to a 7% growth in total UK advertising expenditure. Over the past three years both the UK economy and total advertising spend have grown relatively slowly. In contrast, Carat UK has increased its billings by more than 70%.

Substantial new business gains in previous years made a significant contribution to our performance. Among new business gains in 1995 were assignments from News International, Littlewoods Pools, Continental Airlines and Swatch.

With a market share of 12%, Carat UK now exerts an important influence on the UK media scene and justly lays claim to being the brand leader. To underpin this position and meet the demands of an increasingly complex marketplace, the Group operating companies now encompass a range of communication skills unequalled by competitors.

Eric Drancourt

Carat International

In 1995 the proportion of the Group's turnover accounted for by international clients grew significantly. As a consequence, the Group client development team has been transformed into a separate business service unit: Carat International.

Built through the merger of several existing units it is specifically designed to serve and develop Carat's growing multinational client base. The company is responsible for developing new and existing multinational clients, handling our clients' ever increasing needs for strategic development and consultancy and co-ordinating their pan-regional planning and buying requirements.

The 40-plus strong team, which is based in London and Paris, helps to manage Group billings for clients such as ICL, Cable & Wireless, The Walt Disney Company, Chanel, Danone, United Distillers, the Volkswagen Group and Reckitt & Colman.

Financial review

Colin Day

A key element of the Group's strategy is sustainable, strong earnings growth and cash generation and this is reflected in the 1995 results. Substantial efforts have been made towards developing margins whilst maintaining volume growth and controlling costs.

The principal objectives for Group Finance in 1995 were to capitalise on the underlying strengths of the operations and to focus on improving the standard of financial control, reporting and treasury management. Substantial progress has been made in each of these areas.

Trading overview

Group turnover in 1995 was £3,401 million, an increase of 15% over 1994. This growth was achieved across most markets and reflects the success of the individual businesses as well as the continued expansion of advertising expenditure in Europe generally. The most significant contributions to this growth were in the UK, Scandinavia and Germany. Volumes in France continue to show progress despite a difficult economic environment.

Our market share strengthened throughout 1995 and we are now the market leaders in nearly all the principal European advertising markets. Our pan-European market share is 12%, more than twice that of our closest competitor.

1995 margins of 4.9% compare to 5.0% in 1994. Excluding one-off items, the year on year comparison shows a stable position. Much effort has been devoted to sustaining margins and identifying new sources of income. This effort will continue in 1996 and beyond.

Operating costs reflect the benefit of charges for restructuring incurred in preceding years. During 1995 we have reduced property exposures and continued other local reorganisation programmes, in particular those in France, Scandinavia and Germany. Operating

Financial review

Financial highlights

		1995	1994	Increase/ (decrease)
Trading results	**Turnover**	**£3,401m**	£2,970m	15%
	% Gross profit to turnover	**4.9%**	5.0%	
	Operating profit	**£36.7m**	£23.2m	58%
	% Operating profit to gross profit	**22%**	16%	
	Profit before tax	**£33.6m**	£20.1m	67%
	Effective tax rate	**25%**	25%	
	Retained profit	**£23.0m**	£13.1m	76%
Shareholder returns	**Earnings per share**			
	– basic	**2.8p**	1.6p	75%
	– fully diluted	**2.6p**	1.4p	86%
Cash flow	**Operating cash flow**	**£35.0m**	£(1.0)m	
	Change in net debt	**£12.1m**	£(23.4)m	
	Net debt at year end	**£17.1m**	£29.2m	(41%)

expenses as a percentage of turnover have reduced from 4.0% to 3.8%, whilst as a percentage of income they have reduced from 79.6% to 77.8%. The number of people employed by the Group increased to 1,864 at 31 December 1995 from 1,771 at 31 December 1994.

As an indication of the efficiencies that are being achieved, underlying operating margins improved from 20% in 1994 to 22% in 1995. This is a substantial improvement and we compare well against other similar companies. The Group will continue to seek further efficiencies going forward.

The 1995 results have benefited from the weakening of sterling against several major currencies, principally the French Franc and the Deutschemark. The net positive impact of foreign exchange on 1995 trading was approximately £1.5 million.

Interest

The charge for net interest, including FRS 4 costs, is stable at £3.1m. This is after including fees incurred on implementing a new UK media guarantee facility. The guarantee was essential to the UK business and was necessitated by the continued strong volume growth. Both improved treasury management and interest rate reductions have had an impact on the 1995 interest cost.

Financial review

Taxation

The tax charge for the year was £8.5 million which represents an effective rate of approximately 25%. The underlying average rate has been reduced because of relief from losses borne in preceding years.

Cash flow and net debt

We continue to generate strong underlying cash flow and emphasise the importance of cash management centrally and in all trading businesses. A new Group Treasurer was appointed during 1995 with the specific objective of enhancing the Group's treasury reporting and management.

The net cash flow from operating activities was £35.0 million (1994: £1.0 million outflow). The Group has reduced its net indebtedness by £12.1 million after payment for non-operating items. The non-operating items principally relate to the cash cost of reorganisation provided for in previous years, investments to acquire outstanding minorities and the cost of the new Swiss operation. The reorganisation programme is now virtually complete and such costs going forward are expected to be minimal.

We continue to generate strong underlying cash flow and emphasise the importance of cash management centrally and in all trading businesses.

Financial structure

Our balance sheet is stronger thanks to improved cash flow from the businesses and enhanced trading results. The improved Group performance means that ongoing investment needs are increasingly being satisfied out of operating cash flow.

Subsequent to 31 December 1995 we have reached agreement in principle with our bankers for the provision of new borrowing facilities. Although our existing facilities do not expire until 1999, the interest rate margins currently available are attractive and the directors therefore consider this to be an appropriate time to arrange longer term finance.

Concurrent with announcing our preliminary results, Omnicom arranged the placing of its investment in Aegis with a number of financial institutions. This has significantly broadened our shareholder base.

Shareholders' funds

Profit for the year attributable to shareholders increased to £23.0 million from £13.1 million. Basic earnings per share improved by 75% to 2.8p and fully diluted earnings per share grew by 86% to 2.6p. This reflects the combined impact of enhanced trading results and the elimination of non-recurring charges.

Financial review

Treasury

Our treasury activities are undertaken with the objective of minimising financial risk and providing adequate liquidity for the Group's activities in an effective manner.

An overall treasury plan has been established together with approved procedures and authority limits within which the treasury department must operate. The department does not enter into speculative arrangements. The Board receives regular reports and the treasury department is subject to regular examination.

Principal currency exposures arise from results and transactions denominated in foreign currencies. These are hedged with a combination of currency loans and forward contracts to reduce substantially the inherent volatility of exchange rates.

Short term cash surpluses are invested in readily realisable instruments with banks and other leading financial institutions. All counterparty limits are reviewed and approved by the Board.

Accounting policies

The accounts have been prepared using the same accounting policies adopted in 1994, as amended to ensure compliance with recent changes in Reporting Standards including UITF 13: Accounting for Employee Share Ownership Plan Trusts ("ESOP"s).

Although not mandatory, we have adopted the recommendations of the Greenbury Report on directors' remuneration disclosures. These are included in the Report of the directors on pages 30 to 32. We have also adopted new guidance on Internal Financial Control and Going Concern (on pages 34 and 35).

Conclusion

The Group's financial position continues to strengthen. Profits have improved substantially with continued volume growth and a sustained focus on margins and costs. Debt has been reduced and positive cash flow achieved. We are clearly focused on improving returns to shareholders through enhanced profits and effective management control.

Colin Day

Group Finance Director

Board of directors

Frank S Law CBE
non-Executive Chairman

Frank S Law CBE was appointed to the Board on 1 November 1987. He is Chairman of the Varta Group of Companies in the UK, a Director of Siemens plc and a number of other international companies.

Crispin Davis
Chief Executive Officer

Crispin Davis was appointed to the Board on 1 September 1994 and became Chief Executive on 15 October 1994. In 1992 and 1993 he was Group Managing Director of United Distillers and a member of the Board of Guinness plc. He previously worked as Vice President of the Foods Division of Procter & Gamble in the USA.

Colin Day
Group Finance Director

Colin Day was appointed to the Board on 13 February 1995. Prior to joining he was Finance Director of ABB Instrumentation Group. He previously held senior financial positions in De La Rue plc and British Gas plc.

Kai Hiemstra
Chairman HMS Group, Germany

Kai Hiemstra was appointed to the Board on 27 July 1994. In April 1972 he founded HMS Media Service GmbH which was subsequently acquired by Aegis. Since 1994 he has been Chairman of HMS Carat Group, Germany and Eastern Europe.

Bruno Kemoun
Joint Chief Executive, Carat France

Eryck Rebbouh
Joint Chief Executive, Carat France

Bruno Kemoun and Eryck Rebbouh were appointed to the Board on 16 September 1992. They founded 2010 Medias in December 1985 in association with Carat France and they sold it in 1991 to become shareholders in Aegis. They were founders and implementors of Carat Group's centres of specialised expertise in France: Carat TV, Carat Presse, Carat Radio, Carat Poster, Carat Cinema and Carat Sponsorship. In 1992 they were appointed joint Chief Executives of Carat France.

Sir Kit McMahon
non-Executive

Sir Kit McMahon was appointed to the Board on 26 May 1993. He is also Chairman of Coutts Consulting Group plc and a director of Taylor Woodrow Plc, FI Group plc and the Royal Opera House. He is a former Deputy Governor of the Bank of England and was Chairman of Midland Bank plc from 1987 to 1991.

Dominic Shorthouse
non-Executive

Dominic Shorthouse was appointed to the Board on 16 September 1992. He is a managing director of E M Warburg, Pincus & Co International Ltd. He is also a director of Argent Group plc, Channel 5 Broadcasting Limited, WEW Group plc and a number of other European companies.

Board of directors

Charles Hochman
non-Executive

Charles Hochman was appointed to the Board on 30 May 1990. He was Chief Executive Officer of Coca-Cola, Japan before joining Carat in April 1981. He was appointed Chief Executive Officer of Aegis and Carat Group in 1992. He retired as Chief Executive Officer of the Group on 15 October 1994. He is "Chevalier de la Legion d'Honneur".

Raymond Kelly
Chairman and Chief Executive, Carat UK

Raymond Kelly was appointed to the Board on 16 September 1992. After thirteen years working in full service advertising agencies he joined TMD in 1979, becoming Managing Director in 1989. In 1990 he was appointed Chief Executive of Carat UK Ltd (formerly TMD Advertising (Holdings) PLC).

Sir Peter Thompson
non-Executive

Sir Peter Thompson was appointed to the Board on 26 May 1993. He is, inter alia, Chairman of Community Hospitals Group plc, FI Group plc, M-33 Publishing and Child Base Ltd. He is a non-executive director of Smiths Industries plc and Brewin Dolphin Holdings plc and President of ProShare Ltd.

Philippe Villin
non-Executive

Philippe Villin was appointed to the Board on 25 October 1995. He is Chairman and founder of Ph. Villin Conseil, senior adviser for Europe of James D. Wolfensohn Inc. and was formerly Publisher of Le Figaro for ten years.

John Vogelstein
non-Executive Deputy Chairman

John Vogelstein was appointed to the Board on 24 July 1991. He is Vice Chairman and President of E M Warburg, Pincus & Co., Inc.

Directors and advisers

Directors of Aegis Group plc

Frank S Law CBE, *non-Executive Chairman*
John Vogelstein, *non-Executive Deputy Chairman*
Crispin Davis, *Chief Executive Officer*
Colin Day, *Group Finance Director*
Kai Hiemstra
Charles Hochman, *non-Executive*
Raymond Kelly
Bruno Kemoun
Sir Kit McMahon, *non-Executive*
Eryck Rebbouh
Dominic Shorthouse, *non-Executive*
Sir Peter Thompson, *non-Executive*
Philippe Villin, *non-Executive*

Secretary

Elizabeth Richardson

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Registered Number

1403668 *England and Wales*

Members of Carat Executive

Crispin Davis
Colin Day
Kai Hiemstra
Raymond Kelly
Bruno Kemoun
Eryck Rebbouh

Executive directors of Aegis Group plc

Jordi Calvet, *Chief Executive, Carat España*
Giuseppe Conti, *Chief Executive, Carat Italia*
Pat Doble, *Group Marketing Director*
Eric Drancourt, *Chief Executive, Carat International*
Tage Krogh, *Chief Executive, Carat Scandinavia*
William Skerrett, *Group Personnel Director*

Eléonore Sauerwein, *Group Legal Director and Secretary to the Carat Executive*

Auditors
Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

Bankers
Samuel Montagu & Co Limited
10 Lower Thames Street
London EC3R 6AE

Financial Advisers
Deutsche Morgan Grenfell & Co Limited
23 Great Winchester Street
London EC2P 2AX

Registrars
The Royal Bank of Scotland plc
P O Box 435, Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Solicitors
Slaughter and May
35 Basinghall Street
London EC2V 5DB

Stockbrokers
Hoare Govett Corporate Finance Limited
4 Broadgate
London EC2M 7LE

Report of the directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 1995.

Results and dividends

The profit and loss account is set out on page 38 and shows a retained profit for the financial year of £23.0 million (1994: £13.1 million) all of which is transferred to reserves.

The directors do not propose to pay a final dividend for the year. There is accordingly no ordinary dividend paid in respect of 1995 (1994: £nil).

Principal activity

The principal activity of the Company is that of a holding company based in London. Its subsidiaries and related companies provide a broad range of services in the areas of media planning and buying.

Review of business and future developments

A review of the business and likely future developments of the Group is given in the Chairman's statement on pages 3 to 4.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 10 to the financial statements.

Research and development

The Group is involved in media research and development in order to offer clients the most advanced media planning and buying methods. During the year the Group spent £12.0 million (1994: £10.7 million) on research and development.

Directors' and officers' liability insurance

During the year the Company has maintained insurance in respect of its directors and officers against certain liabilities that may arise in relation to their positions within the Group.

Donations

The Company made charitable donations of £5,430 (1994: £6,513) during the year in the United Kingdom. There were no political donations during the year in the United Kingdom (1994: £nil).

Report of the directors

Employment policies

It is the policy of the Group that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort is made to provide continued employment.

The directors are committed to maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of their own company and of the Group as a whole. Consultation and involvement policies vary from country to country according to local customs, legal considerations and the size of the business.

Directors and directors' interests

The directors in office at the end of the financial year and their interests in the share capital of the Company are given within the Remuneration Committee's report on page 31.

Sir Kit McMahon, Eryck Rebbouh, Dominic Shorthouse and Sir Peter Thompson retire from the Board by rotation in accordance with the Articles of Association and, being eligible, will be proposed for re-election. Sir Kit McMahon, Dominic Shorthouse and Sir Peter Thompson do not have service contracts with the Company. Eryck Rebbouh has a service contract with Carat France SA which is terminable upon 6 months' notice. In the event that Carat France SA terminates this agreement other than by reason of misconduct, a payment equivalent to 18 months' remuneration must be made.

Philippe Villin, who was appointed to the Board subsequent to the Annual General Meeting held in 1995, becomes eligible for re-election in accordance with the Articles of Association. He was appointed to the Board on 25 October 1995 and has a one year consultancy agreement with Carat France SA. This was entered into on 1 June 1995 at an annual fee of FFr500,000 and is renewable for a further six month period. A three month notice period will apply to this contract after the first year.

On 7 June 1995, Gilles Gobin and Fred Meyer resigned from the Board. On 10 April 1996, Bruce Crawford, who was appointed on 7 June 1995, resigned from the Board.

Substantial shareholdings

In accordance with the requirements of the London Stock Exchange as at 13 May 1996, the following interests in the issued ordinary shares of 5p each of Aegis Group plc are noted:

Affiliates of Warburg, Pincus & Co	32.0%
SFEC II *(Note)*	4.6%
Gilbert Gross	4.5%

Note: SFEC II is a company controlled by Florence Gross, the widow of Francis Gross (the late brother of Gilbert Gross), one of the original vendors of the business which is now Carat France SA.

In addition, funds under the management of Electra Fleming Limited hold 99% of the issued variable rate convertible cumulative redeemable preference shares 2003 of 5p each and Saracen Value Trust plc holds 3% of the warrants to subscribe for ordinary shares.

Report of the directors

Share capital

Details of the movements in authorised and issued share capital during the year are given in note 17 to the financial statements.

At the Annual General Meeting resolutions will be proposed to authorise the directors to allot securities in the Company. Resolution 8 set out in the Notice of Annual General Meeting on pages 56 and 57 provides the directors with authority to allot securities in the Company up to an aggregate nominal value of £10,834,190. If passed, the resolution will enable the directors to allot a maximum of 216,683,800 ordinary shares which represent 26% of the current issued ordinary share capital as at 24 April 1996, one month prior to the date of the notice of the Annual General Meeting. Save for shares to be issued to satisfy existing legal obligations, the directors have no present intention of exercising the authority which would be conferred by resolution 8. Resolution 9 is a special resolution disapplying pre-emption rights and granting authority to the directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues and (b) other issues up to an aggregate nominal value of £2,060,950. The authority conferred by resolution 9 is limited as regards issues of shares other than by way of rights issues to 41,219,000 ordinary shares amounting to approximately 5% of the issued ordinary share capital of the Company as at 24 April 1996. In relation to the exercise of this authority the Company will have regard to the guidelines published by the investment committees of both the Association of British Insurers ("ABI") and the National Association of Pension Funds. The authorities sought by these resolutions are to replace the existing powers of the directors which expire at the conclusion of the Annual General Meeting.

Authority for the Company to purchase its own shares

The existing authority for the Company to purchase its own shares expires at the conclusion of the Annual General Meeting. No purchases have been made to the date of this report and there are no outstanding contracts to purchase shares as of this date. It is proposed to seek a renewal of this authority to purchase up to 41,403,000 ordinary shares (approximately 5% of the present issued ordinary share capital) at the forthcoming Annual General Meeting.

The maximum price at which any share may be purchased is the price equal to 5% above the average of the middle market quotations of such share as derived from the Daily Official List of the London Stock Exchange for the ten business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share. If granted the directors will exercise the authority only if in their judgement it is in the best interests of shareholders generally and where exercise should result in an improvement in earnings per share for the remaining shareholders.

Auditors

A resolution to re-appoint Price Waterhouse as auditors will be proposed at the Annual General Meeting.

Report of the directors

Directors' responsibilities

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out below is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of that financial year and of the profit or loss of the Group for that financial year. The directors consider that in preparing the financial statements on pages 38 to 55, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed, subject to any explanations disclosed in the notes to the financial statements.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Remuneration Committee

The constitution and operation of the Committee complies with the principles within Section A of the Code of Best Practice published by the Study Group on Directors' Remuneration (the "Code") on 17 July 1995, as amended by the Listing Rules of the London Stock Exchange. Full consideration has been given to the best practice provisions set out in Section B, as annexed to the Listing Rules.

Compliance

The Code has been adopted by the Company. The Report of the Auditors on page 36 confirms that they have reviewed those areas of this report specified for audit.

Composition of the Committee

Members of the Committee are disclosed on page 34 within the section on Corporate Governance.

Policy on remuneration of Executive directors

Remuneration packages which are offered by the Company to its Executive directors are designed to be competitive and attract, retain and motivate Executive directors of the right calibre. The Remuneration Committee determines remuneration packages with regard to the prevailing pay and benefits conditions across its European markets. The Remuneration Committee does not believe there are any companies which are directly comparable with Aegis Group plc. However, in determining remuneration packages, the Committee has had regard to packages provided by companies of a similar size and within the same industry and markets.

Report of the directors

The main elements of the remuneration packages offered are:

- *Basic salary*
  Basic salary is determined by the Remuneration Committee by taking into account the performance of the individual against his set objectives and the performance of the Group and local company as a whole.
- *Annual bonus*
  Executive directors are paid bonuses under the Group Bonus Scheme upon achievement of individual objectives and financial targets linked to Group and local company performance. This may result in the payment of bonuses of up to 50% of basic salary. Kai Hiemstra's bonus is a contractual obligation as laid down in the agreement entered into in 1993 for the acquisition of the remaining 50% of HMS Carat.
- *Share options*
  Grants of options are made by the Remuneration Committee under the existing Executive Share Option Schemes which were introduced in 1995. Exercise of options is subject to the achievement of specific conditions. Initially, this will require that the growth in fully diluted earnings per share between the Company's financial year immediately preceding the grant of the option and the Company's financial year immediately preceding the exercise of the option must exceed a European composite retail price index by 3% per annum. The European composite index will be determined by weighting indices calculated for selective countries to approximate the source of Company turnover. The country indices will be calculated from official retail inflation data, adjusted for exchange rate fluctuations against sterling. It is now proposed that certain amendments be made to the schemes, to increase, inter alia, available capacity, details of which are given on pages 32 and 33.

Pensions

UK Executive directors participate in defined contribution Group pension schemes. Pensionable salary is limited to basic salary excluding all bonuses and other benefits. As UK Plan benefits are subject to Inland Revenue limits, where these are exceeded, contributions are made to the Aegis Group plc Unapproved Retirement Benefits Scheme to increase pension benefits to the level which would have applied. Non-UK Executive directors have arrangements in line with market conditions and statutory obligations operating in their own countries.

Notice periods

Those Executive directors based in the UK have notice periods ranging from 12 to 24 months. There are no current plans to reduce these periods which are considered a necessary part of the remuneration package to attract the right calibre of Executive director and which are felt to be in line with current market practice. The Executive directors based in France have contracts with six months' notice. However, in the event that Carat France terminates the agreement other than by reason of misconduct, a payment equivalent to 18 months' remuneration must be made. Kai Hiemstra has a service contract which expires on 31 December 1998.

Report of the directors

Non-Executive directors' fees

Non-Executive directors who represent major shareholders receive no fees from the Company for their services as non-Executive directors. Fees for other non-Executive directors are determined by the Board and are disclosed below.

The tables which follow provide details of directors' remuneration, shareholdings and share options.

Directors' remuneration

		Basic salary £'000	Fees £'000	Benefits £'000	Annual Bonus £'000	Other £'000	**Total 1995 £'000**	Total 1994 £'000	**Pensions 1995 £'000**	Pensions 1994 £'000
Bruce Crawford	(a)	—	—	—	—	—	**—**	n/a	—	n/a
Crispin Davis	(b)	400	—	15	200	—	**615**	193	**184**	58
Colin Day	(c)	144	—	9	79	—	**232**	n/a	**23**	n/a
Gilles Gobin	(d)	—	—	—	—	—	**—**	—	—	—
Kai Hiemstra	(e)	298	—	17	602	—	**917**	304	—	518
Charles Hochman	(f)	241	—	5	—	65	**311**	431	**3**	3
Raymond Kelly	(g)	144	—	16	13	—	**173**	144	**112**	82
Bruno Kemoun	(h)	252	—	5	297	—	**554**	238	**3**	3
Frank S Law CBE		—	100	17	—	—	**117**	291	—	—
Sir Kit McMahon		—	25	—	—	—	**25**	25	—	—
Fred Meyer	(i)	—	—	—	—	—	**—**	—	—	—
Eryck Rebbouh	(h)	252	—	7	297	—	**556**	240	**3**	3
Dominic Shorthouse		—	—	—	—	—	**—**	—	—	—
Sir Peter Thompson		—	25	—	—	—	**25**	25	—	—
Philippe Villin	(j)	—	11	—	—	—	**11**	n/a	—	n/a
John Vogelstein		—	—	—	—	—	**—**	—	—	—
Total 1995		**1,731**	**161**	**91**	**1,488**	**65**	**3,536**	1,891	**328**	667

Notes:

(a) Bruce Crawford was appointed on 7 June 1995 and resigned on 10 April 1996.

(b) A long term bonus, subject to performance criteria including profitability set by the Remuneration Committee, may be paid to Crispin Davis upon publication of the annual report for the year ending 31 December 1997. This amount will not exceed £500,000 and is subject to Mr Davis being in the employment of the Company at 31 December 1997. The payment will be made half in cash and half by the allotment of shares in the Company at the then prevailing market price.

(c) Colin Day was appointed on 13 February 1995.

(d) Gilles Gobin resigned on 7 June 1995.

(e) Kai Hiemstra was appointed on 27 July 1994. Mr Hiemstra received DM1,287,000 (£518,000) in 1994 in respect of pension contributions which had accrued over the previous eight years. Both the bonus paid in 1995 and the pension contributions paid in 1994 formed part of the Company's contractual obligations to Mr Hiemstra under the agreement to purchase the remaining 50% of HMS Carat entered into on 19 October 1993. There is no pension agreement for 1995.

(f) Charles Hochman received £65,000 in respect of a statutory retirement indemnity in accordance with French employment law. Emoluments paid in 1995 fulfil the Company's contractual obligations to Mr Hochman in respect of his retirement from Executive director status. From 1 January 1996 he will receive a fee as a non-Executive director at the rate of £25,000 per annum.

(g) Raymond Kelly elected to receive part of his 1995 salary and bonus as additional pension contributions. This is consistent with practice in previous years.

Report of the directors

(h) Included in the bonus amounts for each of Bruno Kemoun and Eryck Rebbouh is FFr1,500,000 (£190,697) relating to bonuses due from 1993 and 1994.

(i) Fred Meyer resigned on 7 June 1995.

(j) Philippe Villin was appointed on 25 October 1995.

Benefits principally include the provision of company cars and private medical insurance.

Figures shown for pensions are the contributions paid by the Company to both approved and unapproved retirement benefits schemes.

In addition to the amounts disclosed above, emoluments of £1,471,130 (1994: £318,437) were paid to three former directors to finalise their termination arrangements on resigning from office. There are no further payments due. These amounts were fully provided on the acquisition of HBM/Creamer, Inc. in July 1986 and the reorganisation of the US advertising interests in August 1988.

Also excluded from the directors' remuneration table above are emoluments, pension contributions and compensation for loss of office totalling £1.9 million in respect of two directors who held office during 1994 and who resigned in that year. In 1994 Thierry Vial Collet received emoluments of £434,000, pension contributions of £2,000 and compensation for loss of office of £960,000. Also in 1994 Michel Lefebvre received emoluments of £215,000, pension contributions of £2,000 and compensation for loss of office of £318,000.

Kai Hiemstra is the co-owner of an office building which was occupied by HMS Carat during 1995 and for which he received a monthly rental income of DM24,000 plus VAT. The rental agreement was terminated by HMS Carat with effect from 31 December 1995.

Other than as disclosed in the above paragraphs, none of the directors was materially or beneficially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of the financial year ended 31 December 1995.

Directors' interests

The directors of the Company in office at the end of the year, and their interests in the share capital of the Company as at 13 May 1996, all of which are beneficial to the directors and their immediate families, which have been notified to the Company pursuant to Sections 324 or 328 of the Companies Act 1985 (the "Act") or are required to be entered into the Register required to be kept under Section 325 of the Act, and of persons connected (within the meaning of Section 346 of the Act) with the directors, were as follows:

	Ordinary shares of 5p			Variable rate preference shares of 5p		
	13 May 1996	**31 December 1995**	31 December 1994	**13 May 1996**	**31 December 1995**	31 December 1994
Bruce Crawford	**n/a**	**—**	n/a	**n/a**	**—**	n/a
Crispin Davis	**100,300**	**100,300**	—	**—**	**—**	—
Colin Day *(Note)*	**75,866**	**50,000**	n/a	**—**	**—**	n/a
Kai Hiemstra	**41,212**	**41,212**	41,212	**—**	**—**	—
Charles Hochman	**4,361,567**	**4,361,567**	84,712	**10,968**	**10,968**	10,968
Raymond Kelly	**287,188**	**287,188**	287,188	**—**	**—**	—
Bruno Kemoun	**8,786,432**	**8,786,432**	3,411,740	**—**	**—**	—
Frank S Law CBE	**1,026,752**	**1,016,752**	1,024,752	**3,198**	**3,198**	3,198
Sir Kit McMahon	**136,860**	**136,860**	61,860	**9,390**	**9,390**	9,390
Eryck Rebbouh	**8,786,432**	**8,786,432**	3,411,740	**—**	**—**	—
Dominic Shorthouse	**—**	**—**	—	**—**	**—**	—
Sir Peter Thompson	**186,806**	**156,806**	96,806	**4,069**	**4,069**	4,069
Philippe Villin	**—**	**—**	n/a	**—**	**—**	n/a
John Vogelstein	**—**	**—**	—	**—**	**—**	—

Note: As at 13 May 1996, Colin Day also held 20,000 warrants to subscribe for ordinary shares.

Report of the directors

The middle market price of the ordinary shares of 5p each as derived from the Stock Exchange Daily Official List on 29 December 1995 was 37.75p and the range during the year was 22.5p to 38.75p. The share price on 13 May 1996 was 52p. The warrant price on 13 May 1996 was 25p. The variable rate convertible cumulative redeemable preference shares 2003 of 5p are not listed.

Ordinary shares of 5p each for which directors have beneficial options to subscribe are as follows:

Director	Options held at start of year	Granted during year	Expired/ lapsed during year	Options held at end of year	Exercise price	Date from which exercisable	Expiry date
Crispin Davis *(Note)*	9,411,764	—	—	9,411,764	25.5p	26.10.97	25.10.2004
Colin Day	n/a	1,132,075	—	1,132,075	26.5p	21.6.98	20.6.2005
Kai Hiemstra	—	1,014,083	—	1,014,083	26.5p	21.6.98	20.6.2005
Charles Hochman	1,025,641	—	1,025,641	—	—	—	—
Raymond Kelly	230,375	—	—	230,375	29.3p	5.5.96	4.5.2003
	25,000	—	—	25,000	28.5p	25.5.97	24.5.2004
	—	716,981	—	716,981	26.5p	21.6.98	20.6.2005
Bruno Kemoun	256,410	—	—	256,410	27.3p	18.9.95	17.9.2002
	—	963,324	—	963,324	26.5p	21.6.98	20.6.2005
Eryck Rebbouh	256,410	—	—	256,410	27.3p	18.9.95	17.9.2002
	—	963,324	—	963,324	26.5p	21.6.98	20.6.2005

Note: As the Company was not able to issue options to Crispin Davis under the approved Executive Share Option Scheme in October 1994, there is an arrangement between Crispin Davis and the Company whereby he may be compensated for certain adverse aspects of the unapproved options.

Options granted during the year were subject to performance conditions as described in the paragraph headed "Share options" on page 29. No options were exercised by directors during the year or up to 13 May 1996.

Executive share option schemes

Last year shareholders approved the introduction of two new share option schemes which were described in the circular to shareholders dated 12 May 1995. It is the aim of the Remuneration Committee to maintain the momentum of the schemes through a planned programme of annual grants, evenly distributed across the life of the schemes. Unfortunately, the existing limits to the number of options that can be granted constitute an obstacle. The Committee is unable to grant the necessary number of options in the early years of the schemes to enable them properly to motivate executives and align their interests sufficiently closely with those of the shareholders.

The Remuneration Committee therefore proposes to amend the schemes and these amendments have been discussed with the ABI. They are summarised below.

- restriction of option grants to 5% of share capital in first five years lifted;
- options may be granted over a maximum of 10% of the issued ordinary share capital;
- in future performance conditions will apply both to the grant and exercise of options;
- performance criteria will be more stringent; and
- the minimum exercise period will be extended from three to five years.

Further details on these amendments are given below.

Report of the directors

Scheme limits

Currently, only 5% of the issued ordinary share capital is available for share options for the first five years of the schemes. A further 5% is then available provided a second performance condition is met. As explained above, these limits would prevent the Remuneration Committee from maintaining the momentum of the schemes. Instead, the full 10% is to be made available immediately provided the enhanced performance conditions detailed below are met.

Performance conditions

Currently separate performance conditions exist for option exercise and for grant of "super" options. These will now be merged into one, requiring as a condition at the time of grant and at the time of exercise, that Company performance reaches specified targets.

The new performance condition will require that the Company's results over the period from scheme inception to the relevant event (grant or exercise) meets both of the following criteria:

- EPS growth to exceed the existing scheme inflation price index plus 5% per annum; and
- total shareholder return in capital growth plus dividends equivalent to that of companies in the top third of the "FTSE 100".

These conditions are stronger than the existing conditions.

In addition to the above amendments, the market value of future options granted to an individual under the Inland Revenue approved scheme, which will be subject to Capital Gains Tax on sale, will have to be limited to £30,000 due to the recent changes in the UK tax treatment of share options. Options granted in excess of this limit will incur liability to income tax upon exercise.

The Remuneration Committee and the directors as a whole believe that these amendments to the executive share option schemes are both necessary and sufficient to enable them to make efficient use of share options to reward and motivate the Company's executives.

Shareholder consent is required to implement the amendments described above. An ordinary resolution to approve the necessary amendments to the scheme rules will therefore be proposed at the Annual General Meeting, details of which are contained in the Notice of meeting on pages 56 and 57.

Close company status

The directors have been advised that the company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Corporate governance

On 1 December 1992 the Cadbury Committee published its report on the Financial Aspects of Corporate Governance which included a suggested Code of Best Practice. The Board considers that the Company complies with all the recommendations of this Code of Best Practice except the recommendations relating to the appointment of non-Executive directors for a specified term and, in some respects, the selection of non-Executive directors. Two of the Company's non-Executive directors, John Vogelstein and Dominic Shorthouse, have been nominated by a major shareholder, affiliates of Warburg, Pincus & Co. These non-Executive directors do not currently have specified terms of appointment.

Frank S Law CBE, who was appointed to the Board in 1987 and is currently non-Executive Chairman, also has no specific term of appointment.

The Board currently has 13 directors, comprising six Executive directors and seven non-Executive directors and meets regularly throughout the year.

Report of the directors

The Board has appointed the following committees:

Audit Committee

The Audit Committee comprises Sir Peter Thompson (Chairman), Frank S Law CBE, Sir Kit McMahon, Dominic Shorthouse and John Vogelstein and meets at least twice each year. It has particular responsibility for ensuring that the Company's financial statements present a true and fair reflection of the Company's financial position and that appropriate financial controls are in operation. These meetings are attended by the Group Finance Director and the external auditors. The Board considers that, through the Audit Committee, it has an objective and professional relationship with the auditors.

Remuneration and Nomination Committees

The Remuneration and Nomination Committees both comprise John Vogelstein (Chairman), Frank S Law CBE, Sir Kit McMahon, Sir Peter Thompson and Dominic Shorthouse. This is in accordance with the Institute of Directors' recommendations on the constitution of Remuneration Committees. The Remuneration Committee meets as and when necessary to review salaries of Executive directors and senior management together with incentive schemes for the Group as a whole. It is empowered to grant share options under the existing Share Option Schemes. The Nomination Committee meets as and when necessary and has responsibility for nominating to the Board candidates for appointment as directors.

Internal financial control

The Board is responsible for establishing and maintaining the Group's systems of internal financial control. Internal control systems are designed to meet the particular needs of the company concerned and the risks to which it is exposed, and by their nature can provide only reasonable and not absolute assurance against material misstatement or loss. The operating environment and key procedures which the directors have established with a view to providing effective internal financial control are as follows:

- The Board of directors has overall responsibility for the Group's system of internal control. The full Board meets regularly and has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. There are also established procedures for planning and capital expenditure and information and reporting systems for monitoring the Group's businesses and their performance. An Audit Committee, comprising non-Executive directors, reviews the effectiveness of the internal control environment of the Group and receives reports from group finance and the external auditors on a regular basis.
- The directors have delegated to executive management implementation of the system of internal control throughout the Group. This includes financial controls which enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records. The Group's report and accounts, prepared from these records, comply fully with accounting principles generally accepted in the United Kingdom and the Group aims to be amongst the leaders in the field of financial reporting.

Report of the directors

- The internal control system is monitored and supported by a Group Finance function that operates on a global basis and reports to management and the Audit Committee on the Group's operations. The work of Group Finance is focused on areas of greatest risk to the Group. The external auditors are engaged to express an opinion on the Group's report and accounts. They independently and objectively review the performance of management in reporting operating results and financial condition. In co-ordination with Group Finance they also review and test the system of internal financial control and the data contained in the report and accounts to the extent necessary for expressing their opinion.

The directors confirm that they have carried out a review of the effectiveness of the system of internal financial control as it operated during the year.

Going concern

In accordance with The Cadbury Committee's Code of Best Practice it is recommended that the directors make a statement of their assessment of the ability of the Group and the parent company to continue in operational existence as a going concern.

After making enquiries, the directors have a reasonable expectation that the Group and the parent company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the Board

Elizabeth Richardson
Secretary
11A West Halkin Street
London
SW1X 8JL

13 May 1996

Report of the auditors

Report of compliance with the Cadbury Code of Best Practice

Report by the auditors to the Board of directors

In addition to our audit of the financial statements we have reviewed your statements on pages 33 to 35 concerning the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the code which are not disclosed.

Basis of opinion

We carried out our review having regard to the Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures, nor on the ability of the Group to continue in operational existence.

Opinion

In our opinion, your statements on internal financial controls on pages 34 to 35 and on going concern on page 35 have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the Company, and examination of relevant documents, your statements on pages 33 to 35 appropriately reflect the Group's compliance with the other paragraphs of the Code specified for our review.

Price Waterhouse

Price Waterhouse

Chartered Accountants
Southwark Towers
32 London Bridge Street
London SE1 9SY

13 May 1996

Report of the auditors
Audit opinion

To the members of Aegis Group plc
We have audited the financial statements on pages 38 to 55 (including the additional disclosures on pages 30 to 32 relating to the remuneration of the directors specified for our review by the London Stock Exchange) which have been prepared under the historical cost convention, as modified by the revaluation of the Company's fixed asset investments, and the accounting policies set out on pages 44 and 45.

Respective responsibilities of directors and auditors
As described above, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with 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 circumstances of the Company and of the Group, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1995 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

13 May 1996

Consolidated profit and loss account

for the year ended 31 December 1995

	Notes	1995 £'m	1994 £'m
Turnover	2	**3,400.9**	2,969.9
Cost of sales		**(3,235.7)**	(2,820.3)
Gross income		**165.2**	149.6
Operating expenses:			
– normal		**(128.6)**	(119.1)
– reorganisation costs	3	—	(11.4)
– refund of fine levied by the Conseil de la Concurrence	3	—	4.1
Income from interests in associated undertakings		**0.1**	—
Operating profit		**36.7**	23.2
Interest and similar charges:			
– interest receivable		**6.0**	5.7
– interest payable	4	**(8.5)**	(8.2)
– amortisation of refinancing costs	4	**(0.6)**	(0.6)
Net interest payable and similar charges		**(3.1)**	(3.1)
Profit on ordinary activities before taxation	6	**33.6**	20.1
Tax on profit on ordinary activities	7	**(8.5)**	(5.0)
Profit on ordinary activities after taxation		**25.1**	15.1
Minority interests		**(1.6)**	(2.0)
Profit for the financial year		**23.5**	13.1
Dividends:	8		
– preference		**(0.5)**	—
– ordinary		—	—
Retained profit for the financial year		**23.0**	13.1
Earnings per share	9		
– **Basic**		**2.8p**	1.6p
– Reorganisation costs and Conseil fine		—	0.9p
– Underlying		**2.8p**	2.5p
– **Fully diluted basic**		**2.6p**	1.4p

All activities in 1995 and 1994 were continuing.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 1995

	1995 £'m	1994 £'m
Profit for the financial year	**23.5**	13.1
Currency translation differences on foreign currency net investments	**(7.5)**	(4.1)
Total recognised gains and losses relating to the year	**16.0**	9.0

Consolidated reconciliation of movements in shareholders' funds
for the year ended 31 December 1995

	Group		Company	
	1995 £'m	1994 £'m	1995 £'m	1994 £'m
Profit for the financial year	**23.5**	13.1	**13.6**	5.3
Preference dividends	**(0.5)**	—	**(0.5)**	—
	23.0	13.1	**13.1**	5.3
Issue of shares by the Company (net of expenses)	**2.4**	2.1	**2.4**	2.1
Goodwill written off in the year	**(9.9)**	(8.3)	—	—
Currency translation differences on foreign currency net investments	**(7.5)**	(4.1)	—	—
Net increase in shareholders' funds	**8.0**	2.8	**15.5**	7.4
Shareholders' funds at 1 January	**(115.1)**	(117.9)	**131.9**	124.5
Shareholders' funds at 31 December	**(107.1)**	(115.1)	**147.4**	131.9

Goodwill written-off in the year arises principally as a result of the acquisition of an 80% share in Micom SA, Switzerland, the purchase of the remaining 36% in HMS Carat Hamburg and the acquisition of a further 15.22% of Carat España.

Note of historical cost profits and losses
for the year ended 31 December 1995

There is no material difference between the reported results for 1995 and 1994 and the results for those years restated on an unmodified historical cost basis.

Balance sheets

at 31 December 1995

		Group		Company	
	Notes	1995 £'m	1994 £'m	1995 £'m	1994 £'m
Fixed assets					
Tangible assets	10	**15.2**	14.5	**0.4**	0.1
Investments	11	**1.4**	1.9	**123.3**	122.0
		16.6	16.4	**123.7**	122.1
Current assets					
Debtors	12	**528.1**	486.4	**104.0**	84.7
Investments	13	**5.6**	2.3	**—**	—
Cash at bank and in hand		**49.7**	44.4	**1.1**	5.6
		583.4	533.1	**105.1**	90.3
Creditors: amounts falling due within one year	14	**(653.8)**	(592.9)	**(73.8)**	(72.2)
Net current (liabilities)/assets		**(70.4)**	(59.8)	**31.3**	18.1
Total assets less current liabilities		**(53.8)**	(43.4)	**155.0**	140.2
Creditors: amounts falling due after more than one year	15	**(42.5)**	(42.0)	**(2.3)**	(2.0)
Provisions for liabilities and charges	16	**(7.0)**	(25.0)	**(5.3)**	(6.3)
		(103.3)	(110.4)	**147.4**	131.9
Capital and reserves					
Issued, called up and fully paid share capital:	17				
– equity		**41.2**	40.7	**41.2**	40.7
– non-equity		**3.4**	3.4	**3.4**	3.4
		44.6	44.1	**44.6**	44.1
Share premium account:	18				
– equity		**32.0**	30.1	**32.0**	30.1
– non-equity		**11.3**	11.3	**11.3**	11.3
		43.3	41.4	**43.3**	41.4
Capital redemption reserve	18	**0.2**	0.2	**0.2**	0.2
Special reserve	18	**23.4**	25.8	**23.4**	25.8
Goodwill reserve	18	**(506.8)**	(476.0)	**—**	—
Merger reserve	18	**—**	—	**13.0**	13.0
Profit and loss account	18	**288.2**	249.4	**22.9**	7.4
Shareholders' funds		**(107.1)**	(115.1)	**147.4**	131.9
Analysed as:					
– equity		**(121.8)**	(129.8)	**132.7**	117.2
– non-equity		**14.7**	14.7	**14.7**	14.7
		(107.1)	(115.1)	**147.4**	131.9
Equity minority interests		**3.8**	4.7	**—**	—
		(103.3)	(110.4)	**147.4**	131.9

Crispin Davis
Colin Day } Directors

13 May 1996

Consolidated cash flow statement

for the year ended 31 December 1995

	1995 £'m	1994 £'m
Net cash flow from operating activities	**35.0**	(1.0)
Returns on investments and servicing of finance		
Interest received	**6.0**	5.8
Interest paid	**(8.6)**	(8.1)
Interest element of finance lease rental payments	**(0.1)**	—
Dividends paid	**(0.5)**	—
Amounts paid to minority shareholders in subsidiary undertakings	**(0.8)**	(1.4)
Net cash outflow from returns on investments and servicing of finance	**(4.0)**	(3.7)
Taxation		
UK corporation tax (paid)/refunded	**(0.1)**	0.3
Overseas tax paid	**(5.1)**	(6.5)
Total tax paid	**(5.2)**	(6.2)
Investing activities		
Purchase of tangible fixed assets	**(5.4)**	(5.1)
Sale of tangible fixed assets	**1.7**	0.7
Purchase of subsidiary undertakings and minority interests	**(4.1)**	(7.7)
Investments in associated undertakings	**(0.5)**	—
Purchase of investments	**(3.3)**	—
Sale of investments	**0.7**	2.9
Deferred payments on prior period acquisitions	**(1.5)**	(2.3)
Net cash outflow from investing activities	**(12.4)**	(11.5)
Net cash inflow/(outflow) before financing	**13.4**	(22.4)
Financing		
Repayment of amounts borrowed	**(14.6)**	(2.3)
Additional amounts borrowed	**—**	11.4
Capital element of finance lease rental payments	**(0.3)**	—
Movements on offsetting cash balances	**4.4**	3.2
Net cash (outflow)/inflow from financing	**(10.5)**	12.3
Increase/(decrease) in cash and cash equivalents	**2.9**	(10.1)

Notes to the consolidated cash flow statement

for the year ended 31 December 1995

Analysis of net cash flow from operating activities	1995 £'m	1994 £'m
Operating profit	**36.7**	23.2
Share of profit from associated undertakings	**(0.1)**	—
Depreciation of tangible fixed assets	**4.5**	6.1
Profit on sale of tangible fixed assets	**(0.3)**	(0.1)
Increase in debtors	**(45.9)**	(58.8)
Increase in creditors	**40.1**	28.6
Net cash flow from operating activities	**35.0**	(1.0)

Analysis of changes in cash and cash equivalents	1995 £'m	1994 £'m
At 1 January	**11.6**	20.6
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange	**2.9**	(10.1)
Effect of foreign exchange rate changes	**3.4**	1.1
At 31 December	**17.9**	11.6

Reconciliation of net indebtedness	1995 £'m	1994 £'m	Change in year £'m
Cash at bank and in hand	**49.7**	44.4	**5.3**
Bank loans and overdrafts due within three months	**(31.8)**	(32.8)	**1.0**
Cash and cash equivalents	**17.9**	11.6	**6.3**
Bank loans due after three months but within one year	—	(5.9)	**5.9**
Bank loans due after more than one year	**(35.0)**	(34.9)	**(0.1)**
Net indebtedness	**(17.1)**	(29.2)	**12.1**

Prior year comparative amounts for bank loans and overdrafts due within three months have been restated to transfer £5.9 million to bank loans due after three months but within one year. Comparative amounts have also been restated to disclose separately the effect of foreign exchange rate changes.

Notes to the consolidated cash flow statement

for the year ended 31 December 1995

Analysis of changes in financing	**Finance leases 1995 £'m**	Finance leases 1994 £'m	**Bank loans due after more than 3 months 1995 £'m**	Bank loans due after more than 3 months 1994 £'m	**Share capital (including premium) 1995 £'m**	Share capital (including premium) 1994 £'m
At 1 January	**0.8**	0.8	**40.8**	26.4	**85.5**	316.7
Issue of shares in respect of prior period acquisitions for non-cash consideration	**—**	—	**—**	—	**2.4**	2.1
Reduction in share premium account allocated to:						
– profit and loss account	**—**	—	**—**	—	**—**	(205.4)
– special reserve	**—**	—	**—**	—	**—**	(27.9)
Repayment of amounts borrowed	**—**	—	**(14.6)**	(2.3)	**—**	—
Additional amounts borrowed	**—**	—	**—**	11.4	**—**	—
Movements on offsetting cash balances	**—**	—	**4.4**	3.2	**—**	—
Capital element of finance lease rental payments	**(0.3)**	—	**—**	—	**—**	—
New finance lease obligations	**0.3**	—	**—**	—	**—**	—
Effect of foreign exchange rate changes	**—**	—	**4.4**	2.1	**—**	—
At 31 December	**0.8**	0.8	**35.0**	40.8	**87.9**	85.5

Notes forming part of the financial statements

for the year ended 31 December 1995

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention as amended for the revaluation of the Company's fixed asset investments and in accordance with applicable accounting standards adopting the following principal accounting policies:

UITF 13: Accounting for employee share ownership plan trusts ("ESOP"s)

On 8 June 1995 UITF 13 was issued governing the treatment of employee share ownership plan trusts ("ESOP"s). This standard is applicable to accounting periods ending on or after 22 June 1995. In accordance with UITF 13 the financial statements disclose £0.4 million (1994: £0.4 million) of own shares held by the ESOP as a fixed asset investment (note 11). This amount was previously included within other debtors and the prior year comparative amount has been amended accordingly.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Aegis Group plc and its subsidiary undertakings from the date of acquisition up to 31 December 1995. All significant inter-company balances and transactions are eliminated. The financial statements also include the Group's attributable share of associated undertakings' results up to 31 December 1995.

Goodwill

Goodwill on consolidation represents the excess of fair value of the purchase consideration over the fair value of the separate net assets acquired. Goodwill, including any additional goodwill arising from the contingent capital payments set out in note 20, is written off against reserves in the year in which it arises.

Foreign currencies

Profit and loss accounts and cash flows in foreign currencies are translated into sterling at average rates. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Unrealised exchange adjustments, arising on the translation of the net assets of subsidiaries and associated undertakings, are taken direct to reserves in the consolidated financial statements. All other gains and losses on translation are dealt with in the profit and loss account.

Turnover

For statutory purposes turnover represents the value of media handled on behalf of clients, except for Italy where we act as agents for many clients who pay media invoices directly. Turnover is recognised when charges are made to clients, principally when advertisements appear in the media. Fees are recognised over the period of the relevant assignments or agreements.

Research and development

Research and development expenditure, including purchased software licences and development costs, is charged to the profit and loss account in the year in which it is incurred.

Associated undertakings

Companies in which the Group has an interest comprising not less than 20 per cent of the voting capital and over which it exerts significant influence are treated as associated undertakings.

Fixed assets and depreciation

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

Depreciation is provided to write off the cost of all fixed assets, except freehold land, to their residual value over their expected useful lives. It is calculated on the historic cost of the assets at the following rates:

Freehold buildings	1% – 5% per annum
Leasehold buildings	Over the period of the lease
Leasehold improvements	10% – 20% per annum
Office furniture, fixtures, equipment & vehicles	10% – 50% per annum

Investments in subsidiaries are stated at directors' valuations, representing historical cost less any amounts written off. Investments in related companies are included in the consolidated balance sheet at cost less goodwill plus attributable post-acquisition retained profits.

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 during the lease term. 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 split between capital and interest using the actuarial method. The interest is charged to the profit and loss account. The capital element reduces the amounts payable to the lessor.

All other leases are treated as "operating leases". These annual rentals are charged to the profit and loss account over the lease term.

Notes forming part of the financial statements

for the year ended 31 December 1995

1. Principal accounting policies *continued*

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Pension costs

Retirement benefits for employees of certain companies in the Group are provided by defined contribution schemes which are funded by contributions from Group companies and employees.

With minor exceptions these funds are placed with separate trustee administered schemes or insurance companies. The Group's contributions are charged against profits.

2. Net (liabilities)/assets and operating performance

	Net (liabilities)/assets		Profit/(loss) on ordinary activities before taxation		Turnover	
	1995 £'m	1994 £'m	1995 £'m	1994 £'m	1995 £'m	1994 £'m
Geographical analysis:						
UK	**(152.8)**	(156.6)	**(4.5)**	0.6	**517.0**	416.4
Mainland Europe	**58.6**	55.7	**41.1**	29.9	**2,883.9**	2,553.5
USA and Pacific Basin	**(9.1)**	(9.5)	**—**	—	**—**	—
	(103.3)	(110.4)	**36.6**	30.5	**3,400.9**	2,969.9
Reorganisation costs			**—**	(11.4)		
Refund of fine levied by Conseil de la Concurrence			**—**	4.1		
Income from interests in associated undertakings			**0.1**	—		
Operating profit			**36.7**	23.2		
Net interest payable and similar charges			**(3.1)**	(3.1)		
Profit before taxation			**33.6**	20.1		

The result in the UK is stated after central costs. The UK operating companies traded profitably.

A further analysis of turnover by geographical area is set out below:

	1995 £'m	1994 £'m
Germany	**1,027.8**	865.6
France	**829.0**	755.2
UK	**517.0**	416.4
Spain	**366.8**	373.5
Scandinavia	**360.3**	308.0
Italy	**99.5**	84.3
Rest of Europe	**200.5**	166.9
	3,400.9	2,969.9

A further analysis of profits has not been given since, in the opinion of the directors, this would be seriously prejudicial to the interests of the Group.

The Group operates in only one business sector; media planning and buying.

There is no material difference between turnover determined by origin and that determined by destination.

Notes forming part of the financial statements

for the year ended 31 December 1995

3. Comparative amounts

The profit/(loss) on ordinary activities before taxation for the year ended 31 December 1994 was analysed as follows:

	Underlying £'m	Reorganisation and Conseil fine refund £'m	Total £'m
Turnover	2,969.9	—	2,969.9
Cost of sales	(2,820.3)	—	(2,820.3)
Gross income	149.6	—	149.6
Operating expenses:			
– normal	(119.1)	—	(119.1)
– reorganisation costs	—	(11.4)	(11.4)
– refund of fine levied by the Conseil de la Concurrence	—	4.1	4.1
Share of profit from associated undertakings	—	—	—
Operating profit/(loss)	30.5	(7.3)	23.2
Interest payable and similar charges:			
– interest receivable	5.7	—	5.7
– interest payable	(8.2)	—	(8.2)
– amortisation of refinancing costs	(0.6)	—	(0.6)
Net interest payable and similar charges	(3.1)	—	(3.1)
Profit/(loss) on ordinary activities before taxation	27.4	(7.3)	20.1

Underlying operations represent ordinary activities excluding reorganisation and Conseil fine refund.

4. Interest payable and similar charges

	1995 £'m	1994 £'m
Interest payable:		
On bank loans, overdrafts and other loans repayable within five years	**6.6**	7.2
Other	**1.9**	1.0
	8.5	8.2
Amortisation of refinancing costs	**0.6**	0.6
	9.1	8.8

5. Employees

	1995 £'m	1994 £'m
Staff costs consist of:		
Wages and salaries	**62.1**	53.5
Social security costs	**13.4**	12.8
Other pension costs	**1.0**	0.7
	76.5	67.0

The average number of full-time employees of the Group during the year, all of whom were employed in media planning and buying, was 1,846 (1994: 1,764).

Directors' remuneration is disclosed in the Report of the directors at pages 30 to 31. The total amount of directors' remuneration in 1995 was £3.9 million (1994: £4.5 million).

Notes forming part of the financial statements

for the year ended 31 December 1995

6. Profit on ordinary activities before taxation

	1995 £'m	1994 £'m
This is stated after charging:		
Depreciation of owned fixed assets	**4.5**	6.1
Operating lease rentals:		
– hire of plant and machinery	**0.6**	0.5
– other	**6.3**	6.1
Auditors' remuneration and expenses	**0.4**	0.7
Other fees and expenses to the Group's auditors	**0.1**	0.1
Profit on sale of tangible fixed assets	**(0.3)**	(0.1)

7. Tax on profit on ordinary activities

	1995 £'m	1994 £'m
UK corporation tax at 33% (1994: 33%) based on profit for the year	**—**	—
Overseas taxation	**8.5**	5.0
	8.5	5.0

8. Dividends

	1995 £'m	1994 £'m
Non-equity: Preference		
Variable rate convertible cumulative redeemable preference shares 2003 of 5p each	**0.5**	—
Equity: Ordinary		
Interim dividend of £nil (1994: £nil)	**—**	—
Final proposed dividend of £nil (1994: £nil)	**—**	—
	—	—

In accordance with the terms of issue, dividends on the variable rate convertible cumulative redeemable preference shares 2003 of 5p each were paid at the rate of 3%. Further details on non-equity preference share rights are set out in note 17.

The directors have decided that it is not appropriate to pay a final ordinary dividend for the current year.

9. Earnings per ordinary share

The calculation of earnings per ordinary share is based on a profit of £23.0 million (1994: £13.1 million) net of tax, minority interests and preference dividends and an average number of ordinary shares in issue of 821.0 million (1994: 810.1 million).

The calculation of earnings per share on a fully diluted basis is based on a profit of £25.1 million (1994: £13.9 million) net of tax and minority interests and an average number of ordinary shares outstanding of 968.6 million (1994: 964.4 million). The amount for fully diluted earnings is stated after adjustment for preference dividends and imputed income, net of tax, on exercise of warrants and options.

The profit in 1994 of £13.1 million includes net charges of £7.3 million in respect of reorganisation costs and the Conseil fine.

Notes forming part of the financial statements

for the year ended 31 December 1995

10. Tangible fixed assets

	Freehold land & buildings £'m	Long leasehold £'m	Leasehold improvements £'m	Office furniture, fixtures, equipment & vehicles £'m	Total £'m
Group:					
Cost at 1 January 1995	6.0	0.1	7.6	20.1	33.8
Additions	0.1	—	0.9	4.7	5.7
Disposals	(1.7)	(0.1)	(1.3)	(2.8)	(5.9)
Exchange adjustments	0.5	—	0.2	1.7	2.4
At 31 December 1995	**4.9**	**—**	**7.4**	**23.7**	**36.0**
Depreciation at 1 January 1995	1.1	0.1	6.7	11.4	19.3
Provided for the year	—	—	0.2	4.3	4.5
Disposals	(0.6)	(0.1)	(0.9)	(2.9)	(4.5)
Exchange adjustments	—	—	0.1	1.4	1.5
At 31 December 1995	**0.5**	**—**	**6.1**	**14.2**	**20.8**
Net book value					
At 31 December 1995	**4.4**	**—**	**1.3**	**9.5**	**15.2**
At 31 December 1994	4.9	—	0.9	8.7	14.5
Company:					
Cost at 1 January 1995	—	—	—	0.1	0.1
Additions	—	—	0.1	0.3	0.4
At 31 December 1995	**—**	**—**	**0.1**	**0.4**	**0.5**
Depreciation at 1 January 1995	—	—	—	—	—
Provided for the year	—	—	—	0.1	0.1
At 31 December 1995	**—**	**—**	**—**	**0.1**	**0.1**
Net book value					
At 31 December 1995	**—**	**—**	**0.1**	**0.3**	**0.4**
At 31 December 1994	—	—	—	0.1	0.1

The net book value of the Group's tangible fixed assets includes an amount of £0.8 million (1994: £0.7 million) in respect of assets held under finance leases. The net book value of the Company's tangible fixed assets includes no amount (1994: £nil) in respect of assets held under finance leases.

	Group		Company	
	1995 £'m	1994 £'m	1995 £'m	1994 £'m
Capital commitments:				
Contracted for but not provided	—	0.1	—	—

For both Group and Company, there were no amounts (1994: £nil) authorised but not contracted for.

Notes forming part of the financial statements
for the year ended 31 December 1995

11. Fixed asset investments

	Associated undertakings' share of tangible net assets £'m	Unlisted investments £'m	Own shares (as restated) £'m	Total investments £'m
Group:				
At 1 January 1995	0.3	1.2	0.4	1.9
Additions	0.5	—	—	0.5
Retained income from interests in associated undertakings	0.1	—	—	0.1
Disposals	—	(0.7)	—	(0.7)
Provisions	(0.5)	—	—	(0.5)
Exchange movements	—	0.1	—	0.1
At 31 December 1995	**0.4**	**0.6**	**0.4**	**1.4**
Company:				
Valuation at 1 January 1995	—	121.6	0.4	122.0
Additions	—	1.3	—	1.3
Valuation at 31 December 1995	**—**	**122.9**	**0.4**	**123.3**

The Company's fixed asset investments principally relate to shares in subsidiary undertakings. The directors have valued fixed asset investments of the Company at 31 December 1995 on an earnings basis and this valuation has been incorporated in the financial statements. The directors have chosen this basis as they feel that it is most appropriate to the nature of the underlying assets. The historical cost of the Company's fixed asset investments is £228.8 million.

The Group and Company have UK listed fixed asset investments with a market value at 31 December 1995 of £3,000 (1994: £3,000).

A list of the Group's principal subsidiary and associated undertakings is disclosed in note 21. All shareholdings are of ordinary shares and all activities are media planning and buying. The subsidiary undertakings listed, all of which are consolidated in the accounts of the Group, are those which, in the opinion of the directors, principally affected the results or financial position of the Group during or at the end of the financial year.

With the exception of a 72.2% shareholding in Carat UK Limited, a 100% shareholding in Carat International Limited and a 100% shareholding in Carat Limited, all of the principal subsidiary and associated undertakings disclosed in note 21 are indirectly held. The effective interest in the issued share capital is equivalent to the percentage of voting rights held by the Group. A full list of all subsidiary undertakings, and the information shown above with respect to them, is filed with the Company's annual return.

As disclosed in note 1 and, in accordance with UITF 13, prior year comparative amounts for the Group and for the Company have been amended to disclose separately owned shares held under an ESOP of £0.4 million at 31 December 1994. This amount was previously included within other debtors. The nominal value of these shares at 31 December 1995 was £0.1 million (1994: £0.1 million).

12. Debtors

	Group		Company	
	1995 £'m	1994 (see note 11) £'m	**1995 £'m**	1994 (see note 11) £'m
Trade debtors	**469.5**	422.8	**—**	—
Amounts due from Group undertakings	**—**	—	**99.8**	84.2
Amounts due from associated undertakings	**2.8**	3.2	**—**	—
Other debtors	**35.7**	38.6	**4.1**	0.5
Prepayments and accrued income	**20.1**	21.8	**0.1**	—
	528.1	486.4	**104.0**	84.7

Notes forming part of the financial statements

for the year ended 31 December 1995

13. Current asset investments

	Group		Company	
	1995 £'m	1994 £'m	1995 £'m	1994 £'m
Other investments	5.6	2.3	—	—

Current asset investments principally comprise unlisted investments.

14. Creditors: amounts falling due within one year

	Group		Company	
	1995 £'m	1994 £'m	1995 £'m	1994 £'m
Bank loans and overdrafts	31.8	38.7	65.9	56.5
Less deferred FRS 4 costs to be amortised	(0.5)	(0.6)	(0.5)	(0.6)
	31.3	38.1	65.4	55.9
Trade creditors	531.9	478.9	—	—
Finance leases and hire-purchase contracts	0.4	0.4	—	—
Amounts due to Group undertakings	—	—	0.6	0.4
Taxation and social security	18.4	19.1	0.1	—
Corporation tax	6.4	2.9	—	1.4
Other creditors	45.4	39.2	6.8	13.3
Accruals and deferred income	20.0	14.3	0.9	1.2
	653.8	592.9	73.8	72.2

Bank loans and overdrafts are secured by a fixed and floating charge on certain Group assets.

15. Creditors: amounts falling due after more than one year

	Group		Company	
	1995 £'m	1994 £'m	1995 £'m	1994 £'m
Bank loans	35.0	34.9	—	—
Less deferred FRS 4 costs to be amortised	(1.2)	(1.7)	(1.2)	(1.7)
	33.8	33.2	(1.2)	(1.7)
Finance lease and hire purchase contracts	0.4	0.4	—	—
Other creditors	8.3	8.4	3.5	3.7
	42.5	42.0	2.3	2.0

Bank loans and overdrafts are represented by a multi-currency term loan and revolving credit facility which are secured by a floating charge over the shares of certain subsidiary undertakings. The term loan is repayable in varying instalments up to December 1999. £10.0 million (1994: £6.9 million) is repayable between one and two years. £25.0 million (1994: £28.0 million) is repayable between two and five years. No amount (1994: £nil) is repayable after more than five years. Interest is payable on the term loan at 1½ % over the cost of funds for each currency.

There are no amounts in other creditors (1994: £nil) repayable in instalments more than five years from the date of the balance sheet.

Notes forming part of the financial statements

for the year ended 31 December 1995

16. Provisions for liabilities and charges

	Property £'m	Other reorganisation £'m	Total £'m
Group:			
At 1 January 1995	12.2	12.8	25.0
Utilised in the year	(8.1)	(9.9)	(18.0)
At 31 December 1995	**4.1**	**2.9**	**7.0**
Company:			
At 1 January 1995	4.2	2.1	6.3
Utilised in the year	(0.2)	(0.8)	(1.0)
At 31 December 1995	**4.0**	**1.3**	**5.3**

Group and Company:
No provision for deferred taxation is recorded due to the availability of tax losses carried forward which offset the full potential effect of timing differences between the treatment of certain items for taxation and accounting purposes.

17. Share capital

	1995 Equity £'m	1995 Non-equity £'m	1995 Total £'m	1994 Equity £'m	1994 Non-equity £'m	1994 Total £'m
Authorised:						
1,200,000,000 (1994: 1,200,000,000) ordinary shares of 5p each	**60.0**	—	**60.0**	60.0	—	60.0
68,181,820 (1994: 68,181,820) variable rate convertible cumulative redeemable preference shares 2003 of 5p each	—	**3.4**	**3.4**	—	3.4	3.4
	60.0	**3.4**	**63.4**	60.0	3.4	63.4
Issued, allotted, called up and fully paid:						
824,389,892 (1994: 814,494,853) ordinary shares of 5p each	**41.2**	—	**41.2**	40.7	—	40.7
67,588,752 (1994: 68,181,818) variable rate convertible cumulative redeemable preference shares 2003 of 5p each	—	**3.4**	**3.4**	—	3.4	3.4
	41.2	**3.4**	**44.6**	40.7	3.4	44.1

Notes forming part of the financial statements

for the year ended 31 December 1995

17. Share capital *continued*

Ordinary shares

The ordinary shares of 5p each have full voting rights.

On 1 January 1995, 184,506 ordinary shares of 5p each were issued for a total of FFr415,167 as part consideration for the acquisition of Media Gestion.

On 1 February 1995, 3,114,123 ordinary shares of 5p each were issued for a total of FFr7,000,000 as part consideration for the acquisition of Cyclades SA.

On 7 June 1995, 3,899,175 ordinary shares of 5p each were issued for a total of FFr7,175,000 in connection with the acquisition of MCI.

On 2 August 1995,

(a) 436,955 ordinary shares of 5p each were issued for a total of FFr995,000 as part consideration for the acquisition of the minority interest in Grands Espaces Conseil.

(b) 389,526 ordinary shares of 5p each were issued for a total of FFr887,000 as part consideration for the acquisition of Carat Developpement.

(c) 1,036,394 ordinary shares of 5p each were issued for a total of FFr2,360,000 as part consideration for the acquisition of Halogene.

(d) 164,682 ordinary shares of 5p each were issued for a total of FFr375,000 in accordance with an arbitrator's ruling regarding the aborted joint venture, Magnitude.

(e) 169,848 ordinary shares of 5p each were issued upon conversion of 169,848 variable rate convertible cumulative redeemable preference shares 2003 of 5p each.

On 5 September 1995, 411,643 ordinary shares of 5p each were issued upon conversion of 411,643 variable rate convertible cumulative redeemable preference shares 2003 of 5p each.

On 25 October 1995, 11,106 ordinary shares of 5p each were issued upon conversion of 11,106 variable rate convertible cumulative redeemable preference shares 2003 of 5p each.

On 11 December 1995, 469 ordinary shares of 5p each were issued upon conversion of 469 variable rate convertible cumulative redeemable preference shares 2003 of 5p each.

On 20 December 1995, 76,612 ordinary shares of 5p each were issued upon exercise of share options held under the executive share option scheme.

Under the executive share option scheme there were outstanding at 31 December 1995, options over 36,209,547 ordinary shares of 5p each for which the participants have the right to exercise their options at prices ranging from 25.5p to 165.8p. These options are exercisable between 1 January 1996 and 12 November 2005.

Preference shares

The variable rate convertible cumulative redeemable preference shares 2003 of 5p each have limited voting rights as specified in the Company's Memorandum and Articles of Association. The variable rate cumulative convertible redeemable preference shares 2003 of 5p each are convertible into fully paid ordinary shares of 5p each at any time from 1 July 1995 on the basis of one ordinary share for each variable rate cumulative convertible redeemable preference share 2003 of 5p each so converted. Unless otherwise converted or redeemed, the Company shall redeem on 31 December 2003 all of the variable rate cumulative convertible redeemable preference shares 2003 of 5p each at par plus any premium paid thereon. The rate of preferential dividend is 3% per annum for the year to 31 December 1995, 4% per annum for the year to 31 December 1996 and 5% per annum for financial years thereafter. In the event of winding up or otherwise, these shares rank in priority to the ordinary shares of 5p each.

Warrants

Warrants to subscribe for 50 million ordinary shares of 5p each were granted in 1993. These warrants have an exercise price of 30p and are exercisable until 9 December 1998. The warrants do not rank for any dividends which may be paid to the holders of ordinary shares. Warrant holders also have no rights to participate in a liquidation of Aegis Group plc.

Notes forming part of the financial statements

for the year ended 31 December 1995

18. Reserves

	Share premium account (equity) £'m	Share premium account (non-equity) £'m	Capital redemption reserve £'m	Special reserve £'m	Goodwill reserve £'m	Profit & loss account £'m
Group:						
At 1 January 1995	30.1	11.3	0.2	25.8	(476.0)	249.4
Retained profit for the financial year	—	—	—	—	—	23.0
Issue of shares by the Company (net of expenses)	1.9	—	—	—	—	—
Goodwill arising in the year written-off	—	—	—	—	(9.9)	—
Transfers	—	—	—	(2.4)	—	2.4
Currency translation differences on foreign currency net investments	—	—	—	—	(20.9)	13.4
At 31 December 1995	**32.0**	**11.3**	**0.2**	**23.4**	**(506.8)**	**288.2**

The cumulative amount of goodwill arising from acquisitions during the year ended 31 December 1995 and prior years, net of goodwill attributable to subsidiary undertakings disposed of prior to 31 December 1995, amounted to £506.8 million (1994: £476.0 million).

	Share premium account (equity) £'m	Share premium account (non-equity) £'m	Capital redemption reserve £'m	Special reserve £'m	Merger reserve £'m	Profit & loss account £'m
Company:						
At 1 January 1995	30.1	11.3	0.2	25.8	13.0	7.4
Retained profit for the year	—	—	—	—	—	13.1
Issue of shares by the Company (net of expenses)	1.9	—	—	—	—	—
Transfers	—	—	—	(2.4)	—	2.4
At 31 December 1995	**32.0**	**11.3**	**0.2**	**23.4**	**13.0**	**22.9**

Following the issue of shares during the year a further £2.4 million has been transferred from the special reserve to the profit and loss reserve account in accordance with a court approved share premium account reduction implemented in 1994.

The Company has not presented its own profit and loss account as permitted by Section 230 (1) of the Companies Act 1985. The profit dealt with in the accounts of the Company for the 12 months to 31 December 1995 was £13.1 million (12 months to 31 December 1994: £5.3 million).

19. Acquisitions

On 1 January 1995, the Group acquired an 80% holding in Micom SA, Lausanne and an effective 48% holding in Micom AG, Zurich. The total consideration, all paid in the year, was SFr1.9 million (£1.0 million).

During 1995 the Group made additional payments to acquire further interests in certain of its subsidiary undertakings from minority shareholders. These payments arose principally in respect of the acquisition of a further 15.22% in Carat España and the remaining minorities in HMS Carat Hamburg. As the payments were made in respect of undertakings already included in the Group accounts, the consideration rendered, net of minority interests extinguished, has been taken to goodwill arising in the year.

The acquisition of the additional minority interest in Carat España was made on 15 December 1995 for cash consideration of Ptas958 million (£5.1 million). Of the total consideration, Ptas30 million (£0.2 million) was paid in 1995, Ptas523 million (£2.8 million) is payable on 1 October 1996 and Ptas405 million (£2.1 million) is payable on or after 1 July 1997. The minority interests were acquired from Mr Francisco Gonzalez Hidalgo (the Chairman of Carat España) and Mrs Carmen Ensesa Vinas (wife of Mr Francisco Gonzalez Hidalgo).

The Group acquired the outstanding 36% interest in HMS Carat Hamburg on 1 January 1995. Consideration for this acquisition was DM6.5 million (£2.9 million). These interests were acquired from Mr Peter Behrens, Mrs Regine Behrens (wife of Mr Peter Behrens), Mr Jens-Uwe Steffens and Mr Enno Thiermann. Mr Peter Behrens, Mr Jens-Uwe Steffens and Mr Enno Thiermann are managing directors of HMS Carat Hamburg.

Notes forming part of the financial statements

for the year ended 31 December 1995

20. Contingent liabilities and other commitments

Capital payments:

Additional capital payments, which have been fully provided for, may be made to the vendors of certain subsidiary undertakings in the years to 1999. Such payments are either fixed under the terms of the acquisition or are contingent on the future levels of profits achieved by the undertakings. The directors estimate that, at the rates of exchange ruling at the balance sheet date, the maximum liability at 31 December 1995 for payments that may be due is as follows:

	£'m
Within one year	5.4
Between one and five years	4.2
After more than five years	—
	9.6

All of the contingent capital payments noted above are dischargeable in cash.

In addition to the items set out above, there are certain put options exercisable between 1995 and 2005 within Carat companies in Greece, Switzerland and the United Kingdom. The value of the put options is based upon the profitability of the individual companies. The directors estimate the value of these contingent liabilities to be approximately £4.9 million, payable in a combination of cash and ordinary shares.

Guarantees of £13.6 million (1994: £12.3 million) have been given by the Company on behalf of its subsidiaries together with other guarantees and contingencies arising in the normal course of business.

Litigation:

In April 1991, the Company was served with a complaint brought in a New York Federal Court against the Company and various of its subsidiaries and officers by C&W Associates Inc. and others. The plaintiffs claim that various improprieties by Aegis and others took place in connection with negotiations regarding, and the formation of, entities for the purpose of promoting and marketing the sport of soccer in the USA. The basis of the complaint is fraud and breach of fiduciary duties. It is expressed to be for US$86 million plus triple and punitive damages, although this sum is nowhere quantified in the complaint and evidence has neither been put forward by the plaintiffs nor seen by the defendants to justify this sum.

In January 1994, the plaintiffs in the federal case commenced a similar action in a New York State Court. Although the Company is not a defendant in this action, certain defendants therein have called upon the Company to defend the claims under a contractual indemnity. It is not expected that the outcome of the state action will materially increase any potential liability of the Company. This litigation has continued through 1995 without any substantial developments.

The directors, having taken legal advice, remain of the opinion that the impact of this claim will not have a substantial effect on the Group's results.

Conseil de la Concurrence:

The proceedings against Carat France by the Conseil de la Concurrence have been recommenced with a decision expected in the latter half of 1996. The Board has considered these proceedings and remains confident that the outcome will not adversely affect Group results.

Lease commitments:

At 31 December 1995, there were the following annual commitments in respect of non-cancellable operating leases for the following year:

	Group		Company
	Land and buildings £'m	Other £'m	Land and buildings £'m
Operating leases that expire:			
Within one year	2.3	0.4	0.1
Between one and five years	4.0	0.6	—
After more than five years	2.0	0.1	0.1
	8.3	1.1	0.2

Notes forming part of the financial statements

for the year ended 31 December 1995

21. Principal subsidiary and associated undertakings

Principal subsidiary undertakings:	Office	Country of incorporation and operation	Effective interest in issued ordinary share capital at 31 December 1995
HMS Carat	Vienna	Austria	100.0%
Carat Crystal	Brussels	Belgium	100.0%
HMS Carat	Prague	Czech Republic	100.0%
Carat Danmark	Copenhagen	Denmark	100.0%
Carat UK	London	England and Wales	100.0%
BBJ Media Services	London	England and Wales	75.0%
Carat Business	London	England and Wales	100.0%
Carat Research	London	England and Wales	100.0%
Posterscope	London	England and Wales	100.0%
Posterscope in the North	Manchester	England and Wales	100.0%
TMD Carat Advertising	London	England and Wales	100.0%
TMD Direct	London	England and Wales	100.0%
TMD Carat (Manchester)	Manchester	England and Wales	100.0%
TMD Direct (Manchester)	Manchester	England and Wales	100.0%
YMG Carat	London	England and Wales	100.0%
Carat International	London	England and Wales	100.0%
Carat Limited	London	England and Wales	100.0%
Carat Finland	Helsinki	Finland	100.0%
Carat France	Paris	France	100.0%
Cyclades	Paris	France	100.0%
Carat Expansion	Paris	France	50.0%
Carat 2010	Paris	France	100.0%
Carat Expert	Paris	France	100.0%
Carat MCI	Paris	France	100.0%
Carat Prospective	Paris	France	74.9%
Carat SPFD	Paris	France	100.0%
Carat Sponsorship	Paris	France	85.0%
HMS Carat Media-Service	Wiesbaden	Germany	100.0%
HMS Carat Hamburg	Hamburg	Germany	100.0%
Panmedia	Eschborn	Germany	74.6%
Carat Hellas	Athens	Greece	51.0%
HMS Carat Perlaki Média	Budapest	Hungary	100.0%
Carat Italia	Milan, Turin, Bologna, Florence, Padua, Rome	Italy	100.0%
Carat Expert	Milan	Italy	100.0%
Eurospace	Milan	Italy	100.0%
Maxmedia	Milan	Italy	100.0%
Carat Nederland	Amsterdam	Netherlands	100.0%
Carat Inter-Media	Oslo	Norway	100.0%
Carat Media and Research	Oslo	Norway	100.0%
Carat Mediakanalen	Oslo	Norway	100.0%
HMS Carat Polska	Warsaw	Poland	100.0%
Carat Portugal	Lisbon	Portugal	60.0%
HMS Carat Slovakia	Bratislava	Slovak Republic	100.0%
Carat España	Madrid, Barcelona, Valencia	Spain	97.7%
Boomerang	Madrid	Spain	51.0%
Carat Galicia	Madrid	Spain	67.0%
Carat Scandinavia	Copenhagen	Sweden	100.0%
Carat Sverige	Stockholm, Gothenburg, Malmo, Vasteras	Sweden	100.0%
Micom	Lausanne	Switzerland	80.0%
Micom	Zurich	Switzerland	48.0%
Principal associated undertakings:			
Consodata	Paris	France	35.0%
Europa Programmes	Paris	France	50.0%
PAP	Eschborn	Germany	40.0%
HHF	Hamburg	Germany	30.0%
Publisal Carat	Bilbao	Spain	39.8%
Publiexclusivas	Madrid	Spain	40.0%

All shareholdings are of ordinary shares.

Notice of meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 3.00 p.m. on 19 June 1996 at 11A West Halkin Street, London SW1X 8JL for the purpose of transacting the ordinary business of the Annual General Meeting set out in resolutions 1 to 7, and special business, when resolutions 8 and 11 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions.

Ordinary business

1. To receive the statement of accounts for the financial year ended 31 December 1995 and the reports of the directors and auditors thereon.
2. To re-elect as a director of the Company, Sir Kit McMahon who retires by rotation and, being eligible, offers himself for re-election.
3. To re-elect as a director of the Company, Eryck Rebbouh who retires by rotation and, being eligible, offers himself for re-election.
4. To re-elect as a director of the Company, Dominic Shorthouse who retires by rotation and, being eligible, offers himself for re-election.
5. To re-elect as a director of the Company, Sir Peter Thompson who retires by rotation and, being eligible, offers himself for re-election.
6. To re-elect as a director of the Company, Philippe Villin who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for re-election.
7. To re-appoint Price Waterhouse as auditors of the Company and to authorise the directors to fix their remuneration.

Special business

8. That the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £10,834,190 provided that this authority shall expire (unless previously revoked or varied by the Company in general meeting) 15 months after the date of passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
9. That subject to the passing of resolution 8 above, the directors be and are hereby empowered, pursuant to section 95 of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by the said resolution 8 above as if section 89(1) of the said Act did not apply to any such allotment, provided that this power shall be limited:
   (a) to the allotment of equity securities in connection with or pursuant to an offer by way of rights in favour of holders of ordinary shares and in favour of holders of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interests of all such persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities, subject in all cases to such exclusions or other arrangements as the directors deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws of, or the requirements of any regulatory body or stock exchange in, any territory or otherwise howsoever; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £2,060,950,

   and shall expire (unless previously revoked or varied by the Company in general meeting) 15 months after the passing of this resolution, or, if earlier, at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of meeting

10. The Company be and is hereby unconditionally authorised to make market purchases (as defined in section 163 of the Companies Act 1985) of its ordinary shares of 5p each on the International Stock Exchange of the United Kingdom and Republic of Ireland Limited upon and subject to the following conditions:
    (a) the maximum number of shares which may be purchased is 41,403,000 ordinary shares;
    (b) the maximum price at which any share may be purchased is the price equal to 5% above the average of the middle market quotations of such share as derived from the London Stock Exchange Limited Daily Official List for the ten business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share; and
    (c) the authority conferred by this resolution shall expire on 19 December 1997 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, save that the Company may before such expiry make a contract to purchase shares which would or might be completed or executed wholly or partly after such expiry and may make a purchase of shares pursuant to such contract as if the authority conferred by this resolution had not expired.
11. That the amendments to the Aegis Group plc 1995 Executive Share Option Scheme and the Aegis Group plc 1995 No 2 Executive Share Option Scheme which are described in the report of the directors on the statement of accounts for the financial year ended 31 December 1995, be and are hereby authorised and that the directors of Aegis Group plc be and are hereby authorised to do all acts and things necessary to establish them and carry them into effect.

By order of the Board

Elizabeth Richardson
Secretary
11A West Halkin Street
London SW1X 8JL

24 May 1996

Notes

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A proxy form is enclosed for your use and, if used, should be deposited with the Company's Registrars (The Royal Bank of Scotland plc, P O Box 457, Owen House, 8 Bankhead North, Edinburgh EH11 OXG) not less that 48 hours before the time appointed for the holding of the meeting. Return of the proxy form will not affect the right of a member to attend and vote at the meeting.

Holders of the variable rate convertible redeemable preference shares 2003 of 5p each, while entitled to receive notice of and to attend the meeting, are not entitled to vote thereat either in person or by proxy, unless they are also holders of ordinary shares.

Copies of all directors' service contracts with the Company or its subsidiaries of more than one year's duration and the register of directors' interests, together with copies of the amended rules of the share option schemes, will be available for inspection at 11A West Halkin Street, London SW1X 8JL during normal business hours on any business day from the date of this notice until the conclusion of the meeting.

Group directory

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CARAT SPFD
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Group directory

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CARAT MEDIA & RESEARCH

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Shareholder information and financial history

Daily share and warrant price listing in London

System	Share type	Access code	Share type	Access code
TOPIC 3 (mid prices)	ordinary	205	warrant	205
SEAQ (level 2)	ordinary	50032	warrant	50040
REUTERS	ordinary	AGS.L	warrant	AGS$^{W}_{S}$.L

Financial calendar

27 March 1996
Preliminary announcement of full year results

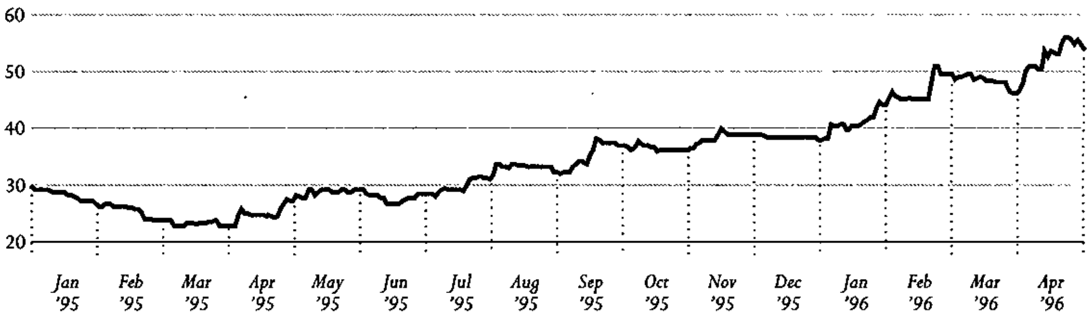
24 May 1996
Publication of annual report

19 June 1996
Annual General Meeting

September 1996
Announcement of interim results

Share price

From 2 January 1995 to 30 April 1996 (pence per ordinary share)



Total number of shares traded in 1995: 456,833,720
Average monthly volume of shares traded in 1995: 38,069,477

Five year record

	1991 (as restated) £'m	1992 (as restated) £'m	1993 £'m	1994 £'m	**1995 £'m**
Turnover	2,109.3	2,845.3	2,748.4	2,969.9	**3,400.9**
Operating profit/(loss)	60.0	27.1	(0.6)	23.2	**36.7**
Profit/(loss) before taxation	54.4	(10.9)	(18.1)	20.1	**33.6**
Taxation	(20.9)	(12.6)	(5.5)	(5.0)	**(8.5)**
Profit/(loss) after taxation	33.5	(23.5)	(23.6)	15.1	**25.1**
Retained profit/(loss)	14.8	(30.6)	(29.3)	13.1	**23.0**
Earnings/(loss) per ordinary share – basic	19.9p	(20.8)p	(12.1)p	1.6p	**2.8p**
– fully diluted	17.0p	—	—	1.4p	**2.6p**
Dividends per ordinary share	5.85p	1.375p	nil	nil	**nil**

Notes to five year record

The five year record has been restated to give effect to:

(i) The adoption of FRS 4 in 1993 as explained in note 1 to the 1993 Group Accounts (1992 amounts restated only); and

(ii) The bonus element inherent in the rights issue of shares during 1993 upon earnings per share (all prior years restated).

The comparative amounts for 1991 have not been restated for FRS4 as the directors consider that the adjustment required cannot be reasonably quantified.