dentsu AEGIS network

Dentsu Aegis Network Ltd

Report and Financial Statements

31 December 2013

Dentsu Aegis Network Ltd

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Dentsu Aegis Network Ltd

Directors
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Tadashi Ishii
Yuzuru Kato
Kunihiro Matsushima
Nigel Morris
Shoichi Nakamoto
Nick Priday
Nicholas Rey
Valerie Scoular
Nicholas Waters

Company secretary
Andrew Moberly

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Auditors
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Solicitors
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The Directors present their Strategic Report on the Group for the year ended 31 December 2013.

Principal activity

The principal activity of Dentsu Aegis Network Ltd ("the Company") is that of a holding company based in London. Its subsidiaries and related companies provide a broad range of customer solutions across Media and Digital including planning and buying, creative solutions and communication strategies through its branded businesses across the global markets in which it operates. The Company along with its subsidiaries, collectively the consolidated Dentsu Aegis Network Ltd Group, are referred to as the "the Group".

Strategic Objectives

The strategic objectives of the Group are:

- Increasing our exposure to faster-growing regions;
- Growing our digital profile and capability;
- Broadening our service offering across all of our clients;
- Growing our international client and new business profile; and
- Strengthening our leading position in the top 20 markets, in particular China and the US.

Key Performance Indicators

During 2013 the Group excluding discontinued operations ("the Continuing Group") has continued to perform well, with the following performance against major Key Performance Indicators, which align to the Group's strategic objectives:

- Organic revenue growth of 4.2% (2012: 7.4%)
- Digital revenue up to 42% of the Group's revenue in 2013 (2012: 38%)
- Businesses in faster-growing regions and North America continue to perform well, generating 55.5% of the Group's revenue (2012: 52.8%)
- Good progress made in formation and development of Dentsu Aegis Network – integration progress evidenced by a number of revenue synergy wins during the year.
- Around £70m invested in 14 acquisitions and investments.

Operating Review

In 2013, the Group delivered organic revenue growth of 4.2% (2012: 7.4%), representing a strong performance in a challenging economic environment in a number of markets. This sector-leading performance is driven by a continued focus on the fast-growing sectors of media and digital, supported by the benefits of now being part of the Dentsu Inc. group.

Our businesses across EMEA delivered a creditable performance, compared to the European peer group, but Southern European markets remain very challenging. Our businesses in the Americas performed well, supported by a number of significant new business wins. Our performance in APAC was driven by strong performances from our businesses in China and Australia.

Following the acquisition of Aegis Group plc by Dentsu Inc in March 2013, Dentsu Aegis Network was established as a governance body overseeing the operations of Aegis Media and Dentsu Network, Dentsu Inc's legacy international business. In collaboration with Dentsu Network businesses, the Group made excellent progress in 2013 in maintaining its new business momentum from previous years and in driving functional integration projects across its global operations. New business wins during the year included Mondelez, BPI Shiseido, International Airlines Group, Staples, Sony Mobile, Sony PlayStation and Burberry. Total net new business for 2013 was US$3 billion in billings (compared to US$3.7 billion in 2012, which included US$2.2 billion from the GM win).

The Group continued to increase the proportion of revenue generated through its digital capabilities to 42% from 38% in 2012, through a combination of targeted acquisitions and a focus on placing digital media at the centre of our client offering.

Operating review (continued)

In 2013, the Group generated revenue of £1,322.5m from continuing operations, an increase of 10.9% or 10.2% at constant currency. Continuing growth is supported by 55.5% of revenue generated in faster-growing regions and North America.

The Group continues to invest in targeted acquisitions, with around £70m spent in initial consideration on 14 bolt-on acquisitions and investments in 2013, to supplement the Group's footprint in faster growing regions and broaden the Group's service offerings in more markets.

In 2013, there was an increase in Group underlying headcount, excluding the addition of employees brought into the business via acquisition, of 6.0%, from the end of 2012.

EMEA

EMEA revenue increased by 8.2% at reported rates and by 5.8% at constant currency to £704.7m, and delivered organic revenue growth of 1.7%. Our businesses in EMEA delivered a satisfactory performance, in the context of a challenging macro-environment. Our businesses in Russia, Germany and the UK delivered particularly strong organic performances in 2013.

Americas

Americas revenue increased by 10.2% at reported rates and by 10.5% at constant currency to £314.0m, and delivered organic revenue growth of 6.4%. The profile and capability of our business in the Americas have been strengthened significantly following the establishment of Dentsu Aegis Network in the region. As a result of a wider product offering and additional, high quality appointments to our management team in the region, the business performed very well in 2013. This was evidenced by a number of major new business wins across the Americas during 2013.

APAC

APAC revenue increased by 18.4% at reported rates and by 21.4% at constant currency to £303.8m, and delivered organic revenue growth of 7.6%. Our businesses in China, Australia and our other South East Asian businesses produced further strong performances during the year. The regional performance was supported by the integration of the various businesses across Dentsu Aegis Network within APAC, which was in turn bolstered by a number of important acquisitions made during the year.

Financial review

The Group generated revenue from continuing operations of £1,322.5m (2012: £1,192.6m), and operating profit of £158.6m (2012: £62.7m). Profit from continuing operations before tax was £157.4m (2012: loss of £(26.5)m).

The Group completed the disposal of Aztec, its scan data services business, based on an enterprise value of £110.0m. The gain on disposal after tax was £51.7m. The profit before tax for the Group including the results of the Aztec business for the period of ownership ("Total Group"), was £212.7m (2012: Loss of £28.8m).

No dividends were declared or paid for the year 2013. In 2012, £23.1m was paid in respect to dividends declared in 2011.

The initial investment in the IT Transformation project reduced margins throughout the Group, with anticipated future benefit.

The balance sheet shows a strong funding position, and net assets of £626.4m (2012: £379.2m). We ended the year comfortably within our financial covenants, with undrawn available credit facilities of £450.0m (2012: £450.0m). Cash inflows from operating activities during the year were primarily used to invest in new acquisitions, settle deferred acquisition payments and invest in capital assets.

All convertible bonds, and a portion of the private placement debt were settled following the acquisition of the Group by Dentsu Inc., which triggered change of control provisions within these facilities.

Future Developments

The directors continue to focus on achieving the strategic targets of the Group, including organic revenue growth, exposure to faster growing regions and Digital. In 2014 the Group joins the Dentsu Aegis Network and integration activities continue.

Principal risks and uncertainties

Risk management approach

The Group recognises the importance of effective risk management processes and systems. The Board is ultimately responsible for risk management and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. It delegates day to day risk management to its Risk Committees, which report into the Dentsu Aegis Network Audit Committee. There are currently two Risk Committees, the Dentsu Aegis Network Operational Risk Committee, chaired by the Group CEO, which focuses primarily on strategic and trading risks, and the Dentsu Aegis Network Functional Risk Committee, chaired by the Group CFO, which focuses on corporate and group function risks. The work of the Risk Committees was regularly reviewed by the Audit Committee during 2013.

The Group strategy aims to deliver continued growth whilst managing strategic risk by diversifying client base, country and media. To back this, the Group maintains a strong, flexible balance sheet and ensures that it remains comfortably within its financial covenants.

A summary of our principal risks is as follows:

Risk	Risk description	Potential risk impact	Risk management strategy	Risk mitigation actions
Maintaining strong client relationships	We might lose key clients and fail to win new ones	Lost profit Subsequent loss of key managers	Ensuring we remain a highly competitive organisation to help us win new clients and continue to provide a high quality service to our existing clients.	We have dedicated client relationship teams in place, as well as global client management teams established in regional offices. We develop multiple services, with an emphasis on innovation for our clients.
Managing counterparty risk	Counterparty risks include the loss of income from clients who have cash flow or insolvency problems and potential media buying liabilities in markets where we act as principal	Lost profit due to bad debt	Maintaining and developing robust financial and operating systems to ensure we minimise any potential loss of income from third parties.	Due diligence, including credit risk, is undertaken for all new clients and written contracts must be in place before starting any significant work. Ongoing monitoring of existing clients. Group policy requires credit limits to be imposed for all new commercial clients. Global credit insurance policy in place covering the vast majority of our clients.

Principal risks and uncertainties (continued)

Risk	Risk description	Potential risk impact	Risk management strategy	Risk mitigation actions
Managing competitive risk	The agency sector is highly competitive	Lost profit Subsequent loss of key managers	Attracting and retaining high quality people who can deliver high quality service to clients. The Group's global network brands operate through one P&L and one operating model per country with a full range of integrated, and specialist, services, providing competitive differentiation	We put major focus on maintaining and building long term client relationships, investing in major clients. We seek to maintain a cost base at least as efficient as any of our competitors. We place emphasis on innovation.
Ensuring strong talent management	Loss of key employees and failure to attract high quality people	Lost profit	Talent management is a key priority to ensure we have a strong pipeline of people to develop as our future leaders. We also aim to ensure we are well placed to continue to attract high quality people.	We made significant investment in 2013 to make the Group an attractive place to work. We make developing our future leaders by career planning and training a priority. In particular our Route 500 is a programme for high-potential employees.
Weak economic conditions	Weak economies can lead clients to cut back on media investment and squeeze margins	Lost profit	The Group is a diversified business with a strategy to grow our exposure to areas that are less likely to be affected by macro-economic challenges, including faster-growing geographic regions and digital.	Diversify our business into faster-growing product areas and markets. Regular monthly detailed reporting by business units to senior management ensures that senior executives understand local performance. There are regular reforecasts of financial performance presented to the Board. Were sales to slow, controls over costs and working capital would be tightened further to mitigate the loss of profit.

Principal risks and uncertainties (continued)

Risk	Risk description	Potential risk impact	Risk management strategy	Risk mitigation actions
Maintaining a sound financial position	Insufficient liquidity and funding requirements to support the Group's liabilities and manage the growth of the business.	Lack of funds for current operations and future growth	Maintaining sufficient funding, with secure access to banking facilities, to meet our liabilities and to fund the growth of the business. From a cost perspective, ensuring a cost management culture is integrated throughout the organisation.	We have cash pooling arrangements in place for larger businesses with relationship banks. We maintain daily cash reporting for all operations. We have minimum headroom limits and monitor these regularly. We maintain regular communication with relationship banks and noteholders.
Managing the targeting and pursuit of acquisition opportunities	Acquisitions need to be value creating and support the Group strategy	Loss of profit Management distraction	Targeting acquisitions which are aligned with the Group's strategy and culture, as well as ensuring they meet specific financial criteria.	We maintain a pipeline of potential targets across a diverse range of geographies and product offerings. All acquisitions require approval by an internal acquisitions committee chaired by the Group CEO. Larger acquisitions have to be agreed by the Board. We aim to limit the initial consideration and pay the consideration over time through earn-out payment structures. There is a Group M&A team in place to support local management in sourcing and acquiring targets. Acquisitions need to promise to deliver a rate of return of at least 30% above our weighted average cost of capital and need to achieve earnings enhancement in the first full year of ownership.
Ensuring acquisitions are fully integrated	Unsuccessful integration of acquired companies	Loss of profit Management distraction	Post acquisition integration plans in place for all newly acquired entities to ensure they are properly integrated into the Group.	We monitor and report on the integration process tracked at three months and one year, providing additional assistance to those entities requiring more support. We aim to re-brand acquired businesses in the first full year of ownership.

Principal risks and uncertainties (continued)

Risk	Risk description	Potential risk impact	Risk management strategy	Risk mitigation actions
Managing the security of data	Unauthorised access to, or inappropriate use of client, employee or other confidential data	Lost profit, loss of clients and potential reputational damage	Ensuring robust IT and financial reporting systems in place, in line with best practice data security and compliance regulations, and based on strict internal policies and procedures.	External access to information is protected by the IT security framework which is regularly assessed through vulnerability testing and IT security audits. We insist on confidentiality clauses in employee and supplier contracts.
Ensuring legal and regulatory compliance	The Group may be unprepared for legislative and regulatory changes	Lost profit Loss of license to operate and/or market damage to management reputation and credibility.	Ensuring compliance with a range of legal and contractual requirements around the world.	Group Legal team continually monitors changes in regulation with a view to changing group policies and communicating the changes before they come into force. This team includes a specialist compliance lawyer. Online compliance training packages have been developed to supplement face-to-face training. We have established a regulatory intranet which is utilised as a tracking tool for new and updated regulation and an internal newsletter which updates employees on developments in the area of compliance.
Managing corporate responsibility risks	The Group is unable to respond to the changing regulatory environment around environmental and community responsibility, unable to meet its clients' and employees' sustainability requirements or unable to fulfil stakeholder expectations	Lost profit Reputational damage	Integrating Corporate Responsibility considerations in Group policies and procedures and developing ambitious targets and programmes to turn Corporate Responsibility risks into opportunities.	Development of a network of Corporate Responsibility champions in each market to ensure local compliance through standardised reporting, to develop local action plans to achieve our targets, and to raise awareness.

By order of the Board

Andrew Moberly
Company Secretary
13 March 2014

The Directors present their report and the audited financial statements of the Company (registered number 1403668) for the year ended 31 December 2013.

Acquisition by Dentsu Inc.

On 26 March 2013, Aegis Group plc was acquired by Dentsu Inc. The listing and admission to trading of the Company's shares on the London Stock Exchange was cancelled on 27 March 2013. On the same day, Aegis Group plc changed its name to Dentsu Aegis Network Ltd.

Disposal of Aztec

On 3 September 2013, the Group sold Aztec, its scan data services business, to Information Resources, Inc based on an enterprise value of £110.0m. The gain on disposal after tax was £51.7m. The results of Aztec are shown as 'discontinued operations' in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

Branches outside the UK

The Company has a branch in Luxembourg.

Future Developments

The discussion of future developments of the Company has been included in the Strategic Report.

Dividend

No dividends were declared or paid for the year 2013. In 2012, £23.1m was paid in respect to dividends declared in 2011.

Financial instruments

Information about the use of financial instruments by the Company and its subsidiaries is given in Note 19 to the financial statements and in the Principal Risks and Uncertainties section above.

Post-balance sheet events

The Directors are not aware of any significant post-balance sheet events that require disclosure in the financial statements other than those disclosed in Note 33 to the financial statements.

Donations

The Group made charitable donations of £0.5m during the year (2012: £1.0m). No political donations were made during the year.

Corporate Governance

The Group is governed by the Dentsu Aegis Network Board, which is made up of 11 directors who are collectively responsible for the overall success of the Group and for the creation of long-term shareholder value. The Board meets at least 4 times a year and more frequently if business needs require. The list of matters reserved to the Board for decision includes:
Group strategy, annual budget and operating plans

- Reporting to shareholders
- Dividend policy
- Matters relating to share capital
- Major capital projects, investments and commitments

The governance of the Group is supported by the Audit Committee, which reviews the internal control framework of the Group, working as necessary with the external auditors, internal auditors and the Company's risk committees and reviewing both internal and external reporting. The Committee, whose members are drawn from the Board, meets 3 or 4 times a year. Meetings are generally attended by the Group Chairman, CEO and Chief Financial Officer, the external auditors, the Director of Risk and Audit and others including the former chairman of the Aegis Group plc Audit Committee, who acts as a consultant to the Committee. The Committee also meets privately with the internal and external auditors on a number of occasions.
The Board is also supported by the Compensation Committee in matters related to remuneration within the Group. The Committee, whose members are drawn from the Board, meets 4 times a year and its meetings are generally attended by the Group Chairman, CEO and Chief Financial Officer.

Directors

The Directors in office during the year were as set out below. In addition, one director was appointed in 2014.

Name	Title	Appointment or Resignation date
Jerry Buhlmann	CEO, Dentsu Aegis Network (previously CEO, Aegis Group plc and Aegis Media)	
Nick Priday	CFO, Dentsu Aegis Network (previously CFO, Aegis Group plc and Aegis Media)	
John Napier	Non-executive Chairman	Resigned 26 March 2013
Harold Mitchell	Executive Chairman, Aegis Media Pacific	Resigned 26 March 2013
John Brady	Non-executive	Resigned 26 March 2013
Simon Laffin	Non-executive	Resigned 26 March 2013
Martin Read	Non-executive	Resigned 26 March 2013
Charles Strauss	Non-executive	Resigned 26 March 2013
Lorraine Trainer	Non-executive	Resigned 26 March 2013
Nigel Morris	CEO Americas and EMEA, Dentsu Aegis Network	Appointed 28 March 2013
Valerie Scoular	Global HR Director, Dentsu Aegis Network	Appointed 28 March 2013
Nicholas Waters	CEO Asia Pacific, Dentsu Aegis Network	Appointed 28 March 2013
Timothy Andree	Executive Chairman, Dentsu Aegis Network and Executive Vice President, Dentsu Inc.	Appointed 28 March 2013
Tadashi Ishii	President & CEO, Dentsu Inc.	Appointed 28 March 2013
Kunihiro Matsushima	Senior Vice President, Dentsu Inc.	Appointed 28 March 2013
Shoichi Nakamoto	Senior Executive Vice President, Dentsu Inc.	Appointed 28 March 2013
Nicholas Rey	Member of the Board, Dentsu Aegis Network	Appointed 28 March 2013
Yuzuru Kato	Executive Vice President, Dentsu Inc.	Appointed 17 February 2014

Directors' indemnities

A qualifying third party indemnity ("QTPI"), as permitted by the Articles of Association and sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of its directors. Under the QTPIs the Company undertakes to indemnify each director against liability to third parties (excluding criminal and regulatory penalties) and to pay directors' costs as incurred, provided that they are reimbursed to the Company if the director is convicted or, in an action that is brought by the Company, judgement is given against the director. Directors resigning from the Board continue to have the benefit of the QTPI for potential liability to third parties that occurred prior to their resignation.

Employment policies

The Group operates throughout the world and therefore has developed employment policies that meet local conditions and requirements. These policies are based on the best traditions and practices in any given country in which it operates.

Human rights, diversity and disability

The Group has a series of human resources policies that require its employees to act respectfully and responsibly at all times. These policies include policies on human rights, diversity and disability.

We are committed to treating each employee and applicant fairly and equitably. Employment decisions are based on merit, experience and potential, without regard to race, nationality, sex, marital status, age, religion or sexual orientation. We are committed to following the applicable labour and employment laws in all of the jurisdictions in which we operate.

We believe that disabled people have the same rights as anyone else to become, and continue to be, employees of the Group. Wherever possible, we provide the same opportunities for disabled people as for others. If any of our employees become disabled we make every effort to keep them in the Group's employment, with appropriate training where necessary.

Employee involvement

We have employee consultation processes throughout our business in accordance with local laws. In addition, we update all of our employees on a regular basis with Group developments and progress through newsletters, internal publications, senior management notes and face-to-face meetings.

Information related to financial and economic factors affecting the group performance is shared with employees. This information is obtained and prepared by the Group.

Auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditor of the company.

Directors' confirmation

Each of the Directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and financial position and commentary on the Group's financial results, its cash flows, liquidity requirements and borrowing facilities are set out in the Directors' Report and the Strategic Report and in the accompanying Financial Statements.

The Board is satisfied that the Group balance sheet remains strong. The Group remains well-financed with considerable cash and covenant headroom following successful fund raising in recent years. The Group has sufficient liquidity to meet its obligations with its £450m revolving credit facility remaining undrawn.

During 2013 the Group has continued to generate positive operating cash inflows from operations before tax, acquisitions and capital expenditure.

The main factors contributing to these cash inflows are the retention and growth of the customer base, terms of trade with customers and suppliers and the continuing management of working capital within the Group. The Board has concluded that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, indicate that the Group has sufficient funding to operate within the terms of its available facilities.

The Board has considered various alternative operating and funding strategies should these be necessary and is satisfied that a range of actions including cost reduction activities could be adopted if and when necessary.

After making these enquiries, the Board is satisfied that the Group has sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for 2013. Furthermore, no material uncertainties related to events or conditions that may cast a significant doubt about the ability of the Group to continue as a going concern have been identified by the Directors.

By order of the Board

Andrew Moberly
Company Secretary
13 March 2014

Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period.

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Directors' Report and the Strategic Report taken together include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Jerry Buhlmann
Chief Executive Officer
13 March 2014

Nick Priday
Chief Financial Officer
13 March 2014

Independent Auditor's Report to the Members of Dentsu Aegis Network Ltd

For the year ended 31 December 2013

We have audited the group financial statements of Dentsu Aegis Network Ltd for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Independent Auditor's Report to the Members of Dentsu Aegis Network Ltd (continued)
For the year ended 31 December 2013

Matters on which we are required to report by exception

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Dentsu Aegis Network Ltd for the year ended 31 December 2013.

Richard Addison

Richard Addison (Senior statutory auditor)
for and on behalf of Ernst &Young LLP, Statutory Auditor
London
14 March 2014

Dentsu Aegis Network Ltd

Consolidated income statement

For the year ended 31 December 2013

	Notes	31 December 2013 £m	31 December 2012 Restated £m
Turnover from continuing operations		13,577.2	12,256.4
Revenue from continuing operations	4	1,322.5	1,192.6
Operating expenses		(1,163.9)	(1,129.9)
Operating profit from continuing operations	4	158.6	62.7
Share of results of associates		(1.4)	(10.4)
Profit from continuing operations before interest and tax		157.2	52.3
Investment income	7	6.5	5.1
Finance costs	8	(6.3)	(83.9)
Net finance income / (costs)		0.2	(78.8)
Profit / (loss) from continuing operations before tax		157.4	(26.5)
Tax	9	(54.8)	(20.8)
Profit / (loss) for the period from continuing operations		102.6	(47.3)
Discontinued operations			
(Loss) / gain for the period from discontinued operations	10	(4.7)	0.7
Gain on disposal of discontinued operations after tax	10	51.7	-
Profit / (loss) for the financial year		149.6	(46.6)
Attributable to:			
Equity holders of the parent (continuing group)		100.4	(49.3)
Non-controlling interests (continuing group)		2.2	2.0
Equity holders of the parent (discontinued operations)		49.2	2.0
Non-controlling interests (discontinued operations)		(2.2)	(1.3)
		149.6	(46.6)

The accompanying notes form an integrated part of the consolidated financial statements

Dentsu Aegis Network Ltd
Consolidated statement of comprehensive income
For the year ended 31 December 2013

	2013 £m	2012 £m
Profit / (Loss) for the period	149.6	(46.6)
Other comprehensive income that may be subsequently reclassified to profit or loss:		
Currency translation differences on foreign operations:		
- Group	(80.8)	(29.8)
- Non-controlling interests	(0.3)	(0.5)
Net investment hedges of foreign operations	1.3	9.1
Available-for-sale investments: movements taken to equity	0.6	0.4
Cash flow hedges: movements taken to equity	25.8	(2.8)
Tax movements taken to equity	(4.6)	2.7
Net other comprehensive income that may be subsequently reclassified to profit or loss	(58.0)	(20.9)
Other comprehensive income that will not subsequently be reclassified to profit or loss:		
Re-measurement losses on defined benefit plans	(0.6)	(0.5)
Net other comprehensive income that will not subsequently be reclassified to profit or loss	(0.6)	(0.5)
Other comprehensive expense for the year, net of tax	(58.6)	(21.4)
Total comprehensive income / (expense) for the financial year, net of tax	91.0	(68.0)
Attributable to:		
Equity holders of the parent	91.3	(68.2)
Non-controlling interests	(0.3)	0.2
	91.0	(68.0)

Dentsu Aegis Network Ltd
Consolidated balance sheet
At 31 December 2013

		2013	2012
		£m	£m
Non-current assets	Notes		
Goodwill	12	1,311.0	1,324.3
Intangible assets	13	208.4	210.3
Property, plant and equipment	14	83.8	71.9
Interests in associates and joint ventures	15	41.2	40.6
Deferred tax assets	20	21.8	53.6
Available-for-sale financial assets	16	2.5	2.2
Derivative financial assets	19	8.3	17.9
Other financial assets	19	5.0	0.9
		1,682.0	1,721.7
Current assets			
Work in progress		16.5	8.4
Trade and other receivables	17	3,200.0	2,622.2
Derivative financial assets	19	1.1	0.5
Other financial assets	19	1.7	-
Cash and short-term deposits	19,28	677.3	403.1
		3,896.6	3,034.2
Total assets		5,578.6	4,755.9
Current liabilities			
Trade and other payables	18	(3,698.5)	(3,262.1)
Borrowings	19	(265.5)	(124.0)
Derivative financial liabilities	19	(3.0)	(3.6)
Provisions	21	(1.0)	(17.5)
Current tax liabilities		(26.3)	(15.0)
		(3,994.3)	(3,422.2)
Net current liabilities		(97.7)	(388.0)
Non-current liabilities			
Borrowings	19	(608.2)	(611.0)
Other non-current liabilities	19,26	(237.0)	(270.4)
Derivative financial liabilities	19	(45.8)	(11.6)
Provisions	21	(1.4)	(2.3)
Deferred tax liabilities	20	(65.5)	(59.2)
		(957.9)	(954.5)
Total liabilities		(4,952.2)	(4,376.7)
Net assets		626.4	379.2
Equity			
Share capital	22	72.2	64.5
Own shares	23	-	(27.4)
Share premium account	24	404.3	400.9
Other equity reserves		0.2	11.3
Foreign currency translation reserve		(100.1)	(20.6)
Retained earnings		278.3	(39.4)
Potential acquisition of non-controlling interests		(40.8)	(14.4)
Equity attributable to equity holders of the parent		614.1	374.9
Non-controlling interests		12.3	4.3
Total equity		626.4	379.2

Company number 1403668 England and Wales

These financial statements were approved by the Board of Directors on 13 March 2014 and were signed on its behalf by:

Jerry Buhlmann (Chief Executive Officer)

Nick Priday (Chief Financial Officer)

Dentsu Aegis Network Ltd
Consolidated cash flow statement
At 31 December 2013

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Cash inflow from operations	28	103.1	180.4
Income taxes paid		(43.5)	(46.3)
Net cash inflow from operating activities		59.6	134.1
Investing activities			
Interest received		6.5	5.7
Dividends received from associates		2.5	1.6
Net cash paid on purchase of subsidiaries		(45.5)	(148.1)
Net cash (paid) / received on disposal of subsidiaries		73.8	(0.1)
Net cash invested in associates and joint ventures		(2.9)	(0.5)
Net cash received on disposal of associates and joint ventures		-	1.0
Payments of deferred consideration on current and prior period acquisitions		(58.2)	(57.3)
Purchase of property, plant and equipment and intangible assets		(59.2)	(59.0)
Proceeds from disposal of property, plant and equipment and intangible assets		2.1	0.9
Other investing activities		(1.5)	(0.1)
Net cash (outflow) / inflow from investing activities		(82.4)	(255.9)
Financing activities			
Dividends paid to equity holders of the parent		-	(23.1)
Dividends paid to non-controlling shareholders		(2.9)	(1.7)
Net cash paid on purchase of additional stakes in existing subsidiaries		(5.4)	(5.2)
Interest and other financial charges paid		(65.0)	(36.1)
Proceeds from borrowings		652.7	98.4
Repayments of loans		(279.8)	(119.5)
Proceeds on issue of ordinary share capital		3.5	2.3
Purchase of own shares		-	(6.5)
Other financing activities		(3.0)	(3.3)
Net cash outflow from financing activities		300.1	(94.7)
Net (decrease) / increase in cash and cash equivalents	28	277.3	(216.5)
Translation differences		(18.0)	(18.4)
Cash and cash equivalents at beginning of financial year	28	382.3	617.2
Cash and cash equivalents at end of financial year		641.6	382.3
Represented by:			
Cash and short-term deposits		677.3	403.1
Bank overdrafts	28	(35.7)	(20.8)
Cash and cash equivalents at end of financial year		641.6	382.3

	1 January 2013 £m	Cash flow £m	Other non-cash movements £m	Exchange movements £m	31 December 2013 £m
Analysis of net debt					
Cash and cash equivalents	382.3	277.3	-	(18.0)	**641.6**
Gross debt net of issue costs	(714.2)	(336.4)	169.2	43.4	**(838.0)**
Total	(331.9)	(59.1)	169.2	25.4	(196.4)

Dentsu Aegis Network Ltd
Consolidated statement of changes in equity
For the year ended 31 December 2013

	Share Capital	Own shares	Share premium account	Other equity reserves*	Foreign currency translation reserve	Retained earnings	Potential acquisition of non-controlling interests	**Sub-total**	Non-controlling interests	**Total equity**
	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
At 1 January 2012	64.4	(31.2)	398.7	16.0	0.1	27.6	(18.5)	**457.1**	5.6	**462.7**
Profit / (loss) for the period	-	-	-	-	-	(47.3)	-	**(47.3)**	0.7	**(46.6)**
Currency translation differences on foreign operations	-	-	-	-	(29.8)	-	-	**(29.8)**	(0.5)	**(30.3)**
Net investment hedges of foreign operations	-	-	-	-	9.1	-	-	**9.1**	-	**9.1**
Available-for-sale investments: movements taken to equity	-	-	-	-	-	0.4	-	**0.4**	-	**0.4**
Cash flow hedges: movements taken to equity	-	-	-	-	-	(2.8)	-	**(2.8)**	-	**(2.8)**
Re-measurement loss recognised on defined benefit pension schemes	-	-	-	-	-	(0.5)	-	**(0.5)**	-	**(0.5)**
Tax movements taken to equity	-	-	-	-	-	2.7	-	**2.7**	-	**2.7**
Total comprehensive income and expense	-	-	-	-	(20.7)	(47.5)	-	**(68.2)**	0.2	**(68.0)**
New share capital subscribed	0.1	-	2.2	-	-	-	-	**2.3**	-	**2.3**
Purchase of shares by ESOP	-	(6.5)	-	-	-	-	-	**(6.5)**	-	**(6.5)**
Shares awarded by ESOP	-	10.3	-	-	-	(10.3)	-	**-**	-	**-**
Credit for share-based incentive schemes	-	-	-	-	-	17.0	-	**17.0**	-	**17.0**
Reclass of convertible bond imputed interest	-	-	-	(4.7)	-	4.7	-	**-**	-	**-**
Transactions with NCI	-	-	-	-	-	(7.8)	4.1	**(3.7)**	0.2	**(3.5)**
Dividends	-	-	-	-	-	(23.1)	-	**(23.1)**	(1.7)	**(24.8)**
At 1 January 2013	64.5	(27.4)	400.9	11.3	(20.6)	(39.4)	(14.4)	**374.9**	4.3	**379.2**
Profit for the period	-	-	-	-	-	149.6	-	**149.6**	-	**149.6**
Currency translation differences on foreign operations	-	-	-	-	(80.8)	-	-	**(80.8)**	(0.3)	**(81.1)**
Net investment hedges of foreign operations	-	-	-	-	1.3	-	-	**1.3**	-	**1.3**
Available-for-sale investments: movements taken to equity	-	-	-	-	-	0.6	-	**0.6**	-	**0.6**
Cash flow hedges: movements taken to equity	-	-	-	-	-	25.8	-	**25.8**	-	**25.8**
Actuarial loss recognised on defined benefit pension schemes	-	-	-	-	-	(0.6)	-	**(0.6)**	-	**(0.6)**
Tax movements taken to equity	-	-	-	-	-	(4.6)	-	**(4.6)**	-	**(4.6)**
Total comprehensive income and expense	-	-	-	-	(79.5)	170.8	-	**91.3**	(0.3)	**91.0**
New share capital subscribed	0.2	-	3.4	-	-	-	-	**3.6**	-	**3.6**
Shares awarded by ESOP	-	27.4	-	-	-	(26.3)	-	**1.1**	-	**1.1**
Reclass of convertible bond imputed interest	-	-	-	(1.9)	-	1.9	-	**-**	-	**-**
Convertible Bond	7.5	-	-	(9.2)	-	181.3	-	**179.6**	-	**179.6**
Transactions with NCI	-	-	-	-	-	(10.0)	(26.4)	**(36.4)**	11.2	**(25.2)**
Dividends	-	-	-	-	-	-	-	**-**	(2.9)	**(2.9)**
At 31 December 2013	72.2	-	404.3	0.2	(100.1)	278.3	(40.8)	**614.1**	12.3	**626.4**

*The other equity reserves include the capital redemption reserve and the equity component of the convertible bond.

1. General information

Dentsu Aegis Network Ltd (previously known as Aegis Group plc) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in note 4 and in the Strategic Report.

These financial statements are presented in pounds sterling (GBP) because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union. The financial statements have been prepared on the going concern basis of accounting for the reasons set out in the Directors' Report.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out in note 3.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year:

Standard	Date issued	Date endorsed by EU
IAS 27 (revised), 'Separate financial statements' for EU entities	May-11	Endorsed and effective for periods beginning on or after 1 January 2014
IAS 28 (revised), 'Associates and joint ventures' for EU entities	May-11	Endorsed and effective for periods beginning on or after 1 January 2014
IFRS 9, 'Financial instruments' - classification of financial assets and financial liabilities	Nov-13	Yet to be endorsed
IFRS 10, 'Consolidated financial statements', for EU entities	May-11	Endorsed and effective for periods beginning on or after 1 January 2014
IFRS 11, 'Joint arrangements', for EU entities	May-11	Endorsed and effective for periods beginning on or after 1 January 2014
IFRS 12, 'Disclosure of interest in other entities', for EU entities	May-11	Endorsed and effective for periods beginning on or after 1 January 2014
Amendments to IFRS 10, 11, 12 - Transition guidance for EU entities	Jun-12	Yet to be endorsed
Amendment to IFRS 10, 12 and IAS 27, 'Investment entities'	Oct-12	Yet to be endorsed
Amendment to IAS 32, 'Offsetting financial instruments asset and liability'	Dec-11	Endorsed and effective for periods beginning on or after 1 January 2014
2011 annual improvements in relation to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34	May-12	Yet to be endorsed

The Group plans to adopt the above standards when they are endorsed by the EU. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

2. Basis of preparation (continued)

Adoption of standards

In the current financial year, the Group has adopted the following standards and interpretations. The impact of adoption of these standards is outlined below.

New standard adopted in the year	Impact on financial statements
IFRS 7 Disclosures – Offsetting of Financial Assets and Liabilities; including amendment to IFRS 7	Additional disclosure included in note 19 of the gross amounts of financial assets and liabilities that are presented net in the financial statements.
IFRS 13 Fair Value Measurement	No material impact.
IAS 1 Amendments to IAS 1 (revised 2011)	New requirements led to presentational changes in the statement of comprehensive income.
IAS 19 Amendments to IAS 19 (revised 2011)	No material impact.

Discontinued operations

The Group completed the disposal of Aztec, its scan data services business, to Information Resources, Inc. on 3 September 2013, based on an enterprise value of £110.0m on a cash free / debt free basis. The transaction was subject to the normal finalisation of completion date actual levels of working capital, cash and debt. Therefore the results of Aztec for the year ended 31 December 2013 and 31 December 2012 are shown as 'discontinued operations' in accordance with IFRS 5 Non-current assets held for sale and discontinued operations. Throughout these financial statements, "Aztec" is the disposed scan data services business.

Unless otherwise stated, income statement comparatives are restated on a continuing basis. In other words income statement comparatives show the figures of the 'Retained Group' being Total Group less the Aztec discontinued operations.

In line with the requirements of IFRS 5, the balance sheet comparatives are not restated.

Further information is given in note 10.

3. Accounting policies

Principal accounting policies

The principal accounting policies set out below have been consistently applied to all the periods presented in this Annual Report.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the results, cash flows and net assets of Dentsu Aegis Network Ltd and the entities controlled by it (its subsidiaries) drawn up to 31 December each year after eliminating internal transactions and recognising any non-controlling interests in those entities. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities. Where subsidiaries are acquired or disposed of in the year, their results and cash flows are included from the effective date of acquisition or up to the effective disposal date.

Where a consolidated company is less than 100% owned by the Group, the non-controlling interest share of the results and net assets are recognised at each reporting date. The interests of non-controlling shareholders are ordinarily measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets, but may alternatively be initially measured at fair value. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where a business combination is achieved in stages, on the date control is achieved the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, with any resulting gain or loss presented in profit or loss. Any amounts previously deferred in other comprehensive income are recognised on the same basis as if the Group had directly disposed of the equity interest.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of the reclassified investment.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in the notes to the Company's separate financial statements.

The company, Mediaagentur Dr. Pichutta GmbH & Co.KG, Wiesbaden, is included in the consolidated financial statements of Dentsu Aegis Network Ltd; as such we apply S264b HGB of the German Commercial Code.

3. Accounting policies (continued)

Basis of consolidation (continued)

(b) Associates
Associates are entities in which the Group has a participating interest, over whose operating and financial policies it exercises significant influence and which are neither subsidiaries nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The accounting policies used by the Group's associates are the same as those used by the Group, as are the reporting dates in the majority of cases. Where reporting dates for local accounts do not match the Group dates, the Group obtains additional reporting to ensure the figures included in the consolidated accounts are current.

The Group's associates are accounted for using the equity method of accounting. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill within the associate's carrying amount and is assessed for impairment as part of that investment. The Group's share of its associates' post-acquisition profits or losses and any impairment of goodwill is recognised in the income statement and as a movement in the Group's share of associates' net assets in the balance sheet. Its share of any post-acquisition movements in reserves is recognised either directly in equity or in other comprehensive income as appropriate. Losses of the associates in excess of the Group's interest in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(c) Joint ventures
Joint ventures are investments over which the Group exercises joint control with a third party. Such investments are equity-accounted, using the same method of equity accounting as described in associates above.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes contingent consideration, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration are adjusted against the cost of the acquisition when they qualify as measurement period adjustments (see below), or otherwise are accounted for as fair value changes in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Revised (2010) are recognised at their fair value at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts. Provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

For acquisitions completed prior to 1 January 2010, the revaluation of contingent consideration does not result in an entry to profit or loss, but is adjusted against the carrying amount of associated goodwill. Such contingent consideration liabilities are discounted and an imputed interest charge is recognised in profit or loss.

3. Accounting policies (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

Following initial recognition, goodwill is not amortised but is carried at cost less any accumulated impairment losses. Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at net book value as at that date less any subsequent accumulated impairment losses.

Goodwill is allocated to disposals on a CGU basis where entire CGU's are disposed, or otherwise on a relative value basis.

Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill impairment

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The Group's CGUs are given in note 12.

Intangible assets

Separately acquired intangible assets are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition. Fair value is calculated based on the Group's valuation methodology, using discounted cash flows, charges avoided or replacement costs as appropriate.

An internally-generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where these criteria are met, the development expenditure is capitalised at cost. Where they are not met, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

3. Accounting policies (continued)

Intangible assets (continued)

Intangible assets (both internally generated and separately acquired) are amortised to residual values on a straight-line basis over the useful economic life of the asset as follows:

Software	20% to 50% per annum
Customer relationships	20% per annum
Patents and trademarks	Nil to 20% per annum
Non compete agreements	14% to 50% per annum
Intellectual property	33% per annum
Other	10% to 50% per annum

Once acquired intangible assets have exceeded their useful economic lives, the cost and accumulated amortisation of the assets are removed from the balance sheet as an asset retirement.
Where an asset's useful life is considered indefinite, an annual impairment test is performed (see below).

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment losses. Depreciation is charged to write off the cost of these assets to their residual value over their expected useful lives, using the straight-line method, on the following basis:

Freehold buildings	1% to 5% per annum
Leasehold buildings	Over the period of the lease
Leasehold improvements	10% to 20% per annum or over the period of the lease, if shorter
Office furniture, fixtures, equipment and vehicles	10% to 50% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (both internally generated and separately acquired) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Work in progress

Work in progress comprises directly attributable costs deferred to align with the timing of revenue recognition. Work in progress is held in the balance sheet at the lower of cost and net realisable value.

3. Accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where leasehold properties remain unutilised by the Group or where the Group is demonstrably committed to a period of non-utilisation, and such properties have not been sublet, provision is made in full for the outstanding rental payments together with other outgoings for the remaining period of the lease. This provision takes into account any future sublet income reasonably expected to be obtained. Future rental payments are charged against this provision in the period in which they are made.

From time to time the Group is exposed to claims which the Group vigorously defends. Provision for costs is made when the likelihood of a case proceeding is adjudged as probable. Disclosure is made of potentially material matters where, on the basis of legal advice, an adverse outcome cannot currently be judged as remote.

Turnover and revenue

Turnover represents amounts billable for media handled by the Group on behalf of clients, together with fees earned for media and research services provided, net of discounts, VAT and other sales-related taxes.

Revenue is the value of media and research fees and commission earned by the Group.

Media revenue arises in the form of fees and commissions for media services and performance related incentives. Fee and commission revenue is recognised when earned, principally when advertisements appear in the media over the period of the relevant assignments or agreements. Performance related income is recognised when it can be reliably estimated whether, and the extent to which, the performance criteria have been met.

For market research and media project businesses, revenue is recognised based on the stage of completion of each project, which is indicated by the satisfactory completion of a specific phase of a project. Provision is made for losses on a project as soon as it becomes clear that a loss will arise. Invoices raised during the course of a project are booked as deferred income in the balance sheet until such a time as the related revenue is recognised in the income statement.

Investment income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Share-based payment transactions

In the prior year, the Group had a share-based payment scheme. This was discontinued in 2013 upon acquisition of the Group by Dentsu Inc. and replaced by a long term incentive bonus scheme.
In the prior year, the Group applied the requirements of IFRS 2 Share-based payment. In accordance with the transitional provisions, IFRS 2 had been applied to all grants of equity instruments after 7 November 2002 that remained unvested as of 1 January 2005.

Certain employees received remuneration in the form of share-based payments, including shares or rights over shares. The cost of equity-settled transactions with employees was measured by reference to the fair value of the instruments concerned at the date at which they are granted. The fair value was determined by an external valuer using a stochastic model. The fair value determined at the grant date of the equity-settled share-based payments was expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that would eventually vest. At each balance sheet date, the Group revised its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, was recognised in profit and loss such that the cumulative expense reflected the revised estimate, with a corresponding adjustment to equity.

3. Accounting policies (continued)

Deferred cash

Liabilities are held in respect of deferred payments of cash to certain employees in relation to the Group's long term bonus incentive scheme. This replaces the share schemes following the acquisition of the Group by Dentsu Inc. The payment of these incentives is conditional on employee performance and continued employment for specific periods.

Retirement benefits

Retirement benefits for employees are principally provided by defined contribution schemes which are funded by contributions from Group companies and employees. The amount charged to the income statement is the contribution payable in the year by Group companies.

In addition, the Group has a small number of other retirement benefit schemes, principally where required by statute in certain jurisdictions. These schemes are not considered by management to represent standard defined contribution schemes and do not vary significantly in terms of the Group's liability. However, IAS 19 requires that these schemes be disclosed as defined benefit schemes.

The re-measurement gains and losses of these schemes are recognised immediately in equity. The service cost to the Group and interest expense is recognised in the income statement in the period that they arise.

The liability recognised in the balance sheet in respect of defined benefit obligations is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme. The defined benefit obligation is calculated using the project unit credit method with actuarial valuations being carried out at each balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds approximating to the terms of the related liability.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The consolidated financial statements are reported in Sterling, which is the functional currency of Dentsu Aegis Network Ltd and the presentational currency for the Group's consolidated financial statements.

In group companies, the term 'foreign currencies' refers to currencies other than the entity's functional currency. Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Upon settlement, monetary assets and liabilities denominated in foreign currencies are re-translated at the rate ruling on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the year end are re-translated at the exchange rate ruling at the balance sheet date. Exchange differences arising upon re-translation at the settlement date or balance sheet date are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the re-translation of foreign currency borrowings used to provide a hedge against foreign currency investments, including goodwill, are recognised in other comprehensive income as long as the hedge remains effective.

For consolidation purposes, the trading results and cash flows arising in operations with non-Sterling functional currencies are translated into Sterling at average exchange rates for the period. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Exchange differences arising upon consolidation are recognised in other comprehensive income. In the event of the disposal of an operation the cumulative effect of such translation is reclassified to the income statement.

3. Accounting policies (continued)

Leased assets

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to the income statement over the lease term on a straight-line basis. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight-line basis.

Taxation

The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax nor accounting profit.

Deferred tax is calculated for all business combinations in respect of intangible assets and properties. A deferred tax liability is recognised to the extent that the fair value of the assets for accounting purposes exceeds the value of those assets for tax purposes and will form part of the associated goodwill on acquisition.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, including interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities under current legislation and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Accounting policies (continued)

Financial instruments

Financial assets

Classification
Management determines the classification of its financial assets at initial recognition. The classifications include.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. The Group's financial assets at fair value through profit or loss comprise derivatives financial assets in the balance sheet.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and short term deposits' in the balance sheet.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group's available-for-sale financial assets are referred to as such in the balance sheet.

Held to maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held to maturity investments are measured at amortised cost. The group's held to maturity financial assets are referred to as such in note 19a).

Recognition and measurement
The Group's financial assets principally include the following.

a) Cash and short-term deposits
Included within the loans and receivables classification, cash and short-term deposits include cash at bank and in hand and highly liquid deposits with an original maturity of three months or less which are subject to an insignificant risk of changes in value. In the Consolidated Cash Flow Statement, bank overdrafts are deducted from cash and short-term deposits to give cash and cash equivalents.

b) Trade receivables
Included within the loans and receivables classification, Trade receivables are initially recorded at the invoiced value and subsequently reduced by appropriate allowances for estimated irrecoverable amounts. Current trade receivables do not carry any interest charge. Interest may be charged on overdue balances.

c) Available-for-sale financial assets
Available-for-sale financial assets are initially measured at cost, including transaction costs, and at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the net profit or loss for the period. Impairment losses recognised in the income statement for equity instruments classified as available-for-sale are not subsequently reversed through profit or loss.

3. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets
Financial assets, other than those at FVTPL 'Fair Value Through Profit and Loss', are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Offsetting of balances within financial assets
In line with IAS 32, the Group offsets cash deposits and overdrafts that are in cashpool arrangements with relationship banks. There are legal agreements in place and are legally enforceable. The Group does not offset other financial assets and liabilities. The amounts offset are presented gross in note 19.

Financial liabilities and equity

Classification
Management determines the classification of its financial liabilities at initial recognition according to the substance of the contractual arrangements entered into. The classifications include:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are either designated in this category; or they are held for trading, such as an obligation for securities borrowed in a short sale which have to be returned in the future. Derivatives are also categorised as held for trading unless they are designated as hedges. The group's financial liabilities at fair value through profit or loss comprise derivatives financial assets in the balance sheet.

Other financial liabilities measured at amortised cost using the effective interest method
Other financial liabilities measured at amortised cost using the effective interest method are non-derivative financial liabilities which are not designated on initial recognition as liabilities at fair value through profit or loss.

a) Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the value of proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption are charged to the income statement as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

b) Trade Payables
Trade payables are initially stated at fair value and subsequently at amortised cost.

c) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity instruments. Equity instruments issued by the Company are recorded at the value of proceeds received, net of direct issue costs.

Within the opening balances for the year, there are investments in own shares, held through the Aegis Group Employee Share Trust ("the Trust"). These were settled upon acquisition of the Group by Dentsu Inc. Within the opening balance, they are shown as a deduction from shareholders' equity at cost. The costs of administration of the Trust are included in the income statement as they accrue.

3. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

d) Compound instruments

The Group issued £190.6m of convertible bonds in April 2010. The convertible bonds were settled upon acquisition of the Group by Dentsu Inc. on 24 May 2013.

Initial recognition
The convertible bonds were regarded as compound financial instruments. The component parts of compound instruments issued by the Group were classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

At the date of issue, in the case of a convertible bond denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component was estimated using the prevailing market interest rate that the Group could achieve for a similar non-convertible instrument. This amount was recorded as a liability on an amortised cost basis using the effective interest method. The equity component was determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This was recognised and included within equity in the Other Equity Reserves and was not subsequently re-measured.

Issue costs were apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component was charged directly against equity. The non-cash element of the interest charge was reclassified within equity at each period end to exclude the impact of the accounting charge from Retained Earnings. This element of the charge was recognised within the Other Equity Reserves.

Treatment on conversion
In line with IAS 32 upon conversion of the convertible bond, the Group derecognised the liability component and recognised it as equity. The same treatment applies on early conversion, in which case the carrying value of the liability at the date of conversion is transferred to equity.

Derivative financial instruments
The Group's activities expose it to certain financial risks including changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures where they are considered to be significant. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are held at fair value at the balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecast transactions are recognised in the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Where such changes are intended to provide a natural hedge of a particular risk, the income statement classification reflects this.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income are retained until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement for the period. Note 19 includes further information on hedge accounting as applied by the Group.

3. Accounting policies (continued)

Financial instruments (continued)

Liabilities in respect of option agreements with non-controlling shareholders
The Group is party to a number of put and call options over the remaining non-controlling stakes in its subsidiaries. In accordance with IAS 39, put options are treated as derivatives over equity instruments and the amounts that are potentially to be paid for the stakes are recorded as financial liabilities at fair value on initial recognition, with a corresponding decrease in reserves. Fair value is calculated based on the discounted value of expected future payments.

Subsequent changes in the fair value of the liability are recognised as movements in the income statement. On exercise and settlement of a put option liability the cumulative amounts are removed from reserves, along with the de-recognition of non-controlling interests.

Fair value measurement
The Group applies the requirements of IFRS 13 Fair Value Measurement. In accordance with its provisions, all assets and liabilities which are measured at fair value are classified within the hierarchy levels of 1,2,3 as defined in note 19.

The Group assesses whether there have been any transfers between the hierarchy levels through an annual review. In this review, there is an assessment of whether there have been any changes to the nature of the inputs in each level.

Credit value adjustments and debt value adjustments are derived by the group and applied to the valuation of the respective financial instruments in order to reflect the credit risk of the derivative counter-party.

Accounting estimates and uncertainties

The Group makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the related actual results. The Directors consider the critical accounting estimates and judgements to be:

- Revenue recognition
  Judgement is required in selecting the appropriate timing and amount of revenue recognised, particularly where the Group recognises performance related income. Revenue is only recognised when it can be reliably estimated using customer specific information and, where there is a performance related element, to the extent to which the performance criteria have been met.

  The likelihood of collection of trade receivables also requires judgement to be applied. The Group monitors the levels of provisioning required based on historical trends and by detailed review of individually significant balances.

- Contingent deferred consideration and put option payments in respect of acquisitions
  The Group determines the amount of deferred consideration to be recognised according to the formulae agreed at time of acquisition, normally related to the future earnings of the acquired entity. Estimates of the expected future earnings of the acquired entity therefore affect the valuation of deferred consideration. The liability for deferred consideration is reviewed at each balance sheet date and revaluation entries are applied, if required, to deferred consideration and either goodwill or profit or loss in accordance with the Group's accounting policy for business combinations, discussed above.

  Deferred consideration liabilities are discounted to their fair value in accordance with IFRS 3 and IAS 37. The difference between the fair value of these liabilities and the actual amounts payable is charged to the income statement as a notional finance cost.

  Key areas of judgement in calculating the fair value of the put option liabilities are the expected future cash flows and earnings of the acquired entity and the discount rate.

- Valuation of intangible assets
  The Group exercises judgement in determining the fair value of identifiable assets, liabilities and contingent liabilities assumed in business combinations. In calculating the fair values of intangibles the Group makes assumptions on the timing and amount of future cash flows generated by the assets it has acquired, the appropriate discount rates and the useful economic lives of the assets purchased.

3. Accounting policies (continued)

Financial instruments (continued)

- Impairment
  In determining whether an impairment loss has arisen on goodwill or intangible assets the Group makes judgements over the value in use of its CGUs. In calculating the value in use of a CGU the Group makes estimates of future forecast cash flows and discount rates to derive a net present value of these cash flows and determine if an impairment has occurred. Key areas of judgement include the determination of the long term growth rate applicable to each CGU and the determination of the CGUs themselves. See note 12 for further details.

- Taxation
  Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Group are regularly monitored and the requirement for recognition of any liabilities assessed where necessary.

  Being a multinational Group with tax affairs in many geographic locations inherently leads to a highly complex tax structure which makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and is often dependent on the efficiency of legal processes. Such issues can take several years to resolve. The Group takes a conservative view of unresolved issues, however the inherent uncertainty regarding these items means that the eventual resolution could differ significantly from the accounting estimates and therefore may impact the Group's results and future cash flows.

- Deferred tax
  The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

4. Operating segments

Under IFRS 8 Operating segments, the Group is required to identify reportable segments on the basis of the information reported to its chief operating decision-maker, the Board of Directors, for the purposes of resource allocation and assessment of segment performance. The Group is primarily organised into three regional divisions. The discontinued operation Aztec was a separate operating segment in the prior year. Intersegment trading is not significant to any operating segment and no intersegment trading information is included in reports to the Board of Directors. Therefore all information reported below relates to external trade.

The accounting policies of the reportable segments are the same as the Group's accounting policies, which are described in note 3. All assets and liabilities are allocated to reportable segments with the exception of centrally-managed financial instruments, tax and other centrally-managed balances. Goodwill is allocated to the segments as described in note 12.

Statutory Results	2013 Revenue £m	2013 Operating profit £m	2012 Revenue £m	2012 Operating profit £m
Aegis Media EMEA	704.7	102.7	651.1	78.7
Aegis Media Americas	314.0	40.8	284.9	29.5
Aegis Media Asia Pacific	303.8	44.4	256.6	36.9
Aegis Media	1,322.5	187.9	1,192.6	145.1
Corporate costs	-	(29.3)	-	(82.4)
Continuing operations	1,322.5	158.6	1,192.6	62.7
Discontinued operations	54.7	(1.8)	79.5	(2.1)
Gain on disposal of discontinued operations	-	58.7	-	-
Total Group	1,377.2	215.5	1,272.1	60.6

Segment assets and other segment information

2013	Assets £m	Liabilities £m	Depreciation and amortisation £m	Additions to non-current assets £m	Impairment £m
Aegis Media EMEA	2,467.8	(1,871.5)	(36.4)	147.5	-
Aegis Media Americas	1,412.6	(1,251.1)	(20.2)	21.5	-
Aegis Media Asia Pacific	1,452.4	(1,004.1)	(27.6)	69.0	-
Reportable segment total	5,332.8	(4,126.7)	(84.2)	238.0	-
Borrowings not allocated to reportable segments	-	(651.0)	-	-	-
Other items not allocated to reportable segments	245.8	(174.5)	(2.9)	4.8	-
	5,578.6	(4,952.2)	(87.1)	242.8	-
Discontinued operations	-	-	(1.2)	0.8	-
Consolidated Total	5,578.6	(4,952.2)	(88.3)	243.6	-

4. Operating segments (continued)

2012	Assets £m	Liabilities £m	Depreciation and amortisation £m	Additions to non-current assets £m	Impairment £m
Aegis Media EMEA	2,074.2	(1,661.1)	(32.0)	92.3	-
Aegis Media Americas	1,199.8	(958.4)	(15.8)	215.1	-
Aegis Media Asia Pacific	1,350.6	(877.0)	(23.2)	147.8	13.4
Reportable segment total	4,624.6	(3,496.5)	(71.0)	455.2	13.4
Borrowings not allocated to reportable segments	-	(583.8)	-	-	-
Other items not allocated to reportable segments	53.8	(242.1)	(2.6)	4.1	-
	4,678.4	(4,322.4)	(73.6)	459.3	13.4
Discontinued operations	77.5	(54.3)	(3.5)	1.3	7.6
Consolidated Total	4,755.9	(4,376.7)	(77.1)	460.6	21.0

Revenue from major products and services

The Group's business comprises the provision of a number of integrated media services, which are considered to represent a single group of closely-related services. Therefore, no further analysis by service is necessary.

Geographical information

The Group operates in numerous countries throughout the world. Management has determined that revenues from external customers attributed to an individual foreign country are material if they make up more than 10% of consolidated Group revenue, and in such cases the revenue arising in these countries is disclosed separately. The Group's country of domicile is the UK. The following table is given for the Total Group, including Aztec in the comparative figures for non-current assets. It includes assets required for segmental analysis being Goodwill, Intangibles, Property, Plant and equipment, and investments in Associates.

	Revenue		Non-current assets	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
UK	**185.9**	174.4	**194.5**	185.7
USA	**240.2**	220.8	**337.4**	349.6
Australia	**158.3**	177.4	**264.0**	361.3
Other	**792.8**	699.5	**848.7**	750.5
Consolidated total	**1,377.2**	1,272.1	**1,644.6**	1,647.1

Major customers

The Group does not have a single external customer that contributes 10% or more to Group revenue.

5. Operating profit

Operating profit for the Group has been arrived at after charging/(crediting):

	Year ended 2013	Year ended 2012
	£m	£m
Net foreign exchange (gains) / losses	(1.5)	(0.1)
Depreciation of property, plant and equipment	21.2	17.6
Amortisation of intangible assets included in operating expenses	65.9	56.0
Operating lease expense	63.1	54.8
Staff costs	769.3	723.9

All comparatives exclude discontinued operations.

A detailed analysis of auditors' remuneration charged to operating profit from continuing operations is provided below

	2013	2013	2012	2012
	£m	%	£m	%
Audit fees				
Fees payable to the Company's auditors for the audit of the company's annual accounts	0.2	6.1%	0.2	6.7%
Fees payable to the Company's auditors and their associates for other services to the group:				
- The audit of the Company's subsidiaries pursuant to legislation	2.2	66.6%	2.3	76.7%
Total audit fees	2.4	72.7%	2.5	83.4%
Non audit fees				
- Other services pursuant to legislation (interim review)	0.1	3.1%	0.1	3.3%
- Tax services	0.4	12.1%	0.1	3.3%
- Other services	0.4	12.1%	0.3	10.0%
Total non-audit fees	0.9	27.3%	0.5	16.6%
Total fees paid to the Company's auditors	3.3	100.0%	3.0	100.0%

6. Staff costs

The average monthly number of employees was:

	2013	2012
	Number	Number
Aegis Media	15,079	13,200
Corporate	59	53
	15,138	13,253

Comparatives exclude discontinued operations. The average monthly number of employees for the Total Group in the year was 15,662 (2012: 13,742).

6. Staff costs (continued)

Staff costs consist of:

	2013 £m	2012 £m
Wages, salaries, bonus and benefits	666.2	627.4
Social security costs	87.4	82.1
Other pension costs	15.7	14.4
	769.3	723.9

Wages, salaries, bonus and benefits for the continuing group includes a share-based payment charge of nil (2012: £18.7m). Following the acquisition of the Group by Dentsu Inc. on 26 March 2013, the Group no longer operates a share scheme, see note 30. Long term incentive bonus schemes are in place in the current year as a replacement to the previous share schemes and the charge associated with this for year end 31 December 2013 is £8.9m (2012: nil). There was no share-based payment charge in the current or prior year in relation to the discontinued operation Aztec.

Comparatives exclude discontinued operations. Staff costs for the Total Group in the year totalled £787.1m (2012: £750.1m)

Remuneration of key management personnel

The following is the compensation of key management personnel of the Group, being the Directors.

	Aggregate		Highest paid director	
	2013 £m	2012 £m	2013 £m	2012 £m
Salaries and fees	6.6	3.3	3.1	1.8
Social security costs	1.0	0.5	0.5	0.3
Other short term employee benefits	0.2	0.1	0.1	0.1
Post-employment benefits	0.5	0.3	0.2	0.2
Termination benefits	0.4	-	-	-
Share-based payment	-	4.0	-	3.0
Amounts (excluding shares) receivable under long-term incentive schemes	3.8	-	1.7	-
	12.5	8.2	5.6	5.4

Post-employment benefits were accrued for two directors (2012: one director) under a defined contribution scheme. In addition, the Company remitted part of the sum payable in respect of pensions for the Directors as a separate pension allowance, which was paid to them in cash. The amount shown above against post-employment benefits includes the aggregate value of company contributions paid to a pension scheme in respect of money purchase benefits as well as the allowances paid to the Directors in cash.

During the year two directors (2012: nil) exercised share options in the Company, including the highest paid director, and two directors (2012: two) received shares in respect of their qualifying service, including the highest paid director in both years.

7. Investment income

	Year ended 2013	Year ended 2012
	£m	£m
Interest receivable	6.5	5.1

All comparatives exclude discontinued operations.

8. Finance costs

	Year ended 2013	Year ended 2012
	£m	£m
Interest payable on bank loans and overdrafts	(0.8)	(1.0)
Interest payable on loan notes, other loans and pension scheme liabilities	(25.3)	(34.9)
	(26.1)	(35.9)
Exchange movements on financing items	(0.3)	(0.1)
Amortisation of financing costs and fees	(5.3)	(5.5)
Fair value movements on deferred consideration	7.0	22.1
Fair value movements on acquisition put options	-	0.6
Fair value movements on non-hedge derivatives	2.9	0.4
Fair value movement arising on derivatives in a designated fair value hedge	0.9	2.6
Adjustment to hedged items in a designated fair value hedge	(0.8)	(2.6)
Impairment of available-for-sale financial assets	-	(3.4)
Dentsu related costs on close out of loans and swaps and exchange gains / (losses)	15.4	(62.2)
Finance costs	(6.3)	(84.0)

Exchange movements on financing items includes fair value movements in derivative instruments intended to provide a natural hedge of exchange rate risk. Information on the Group's designated fair value hedges is given in note 19. All comparatives exclude discontinued operations.

The Group's Private Placement Debts include change of control provisions which led to partial prepayment of the notes shortly after change of control in 2013.

9. Tax on profit on ordinary activities

The tax charge for continuing operations is made up of the following:

	2013	2012
	£m	£m
Current tax	44.5	37.1
Adjustments in respect of prior years	0.4	2.9
	44.9	40.0
Deferred tax (note 20)	9.9	(19.2)
	54.8	20.8

The tax charge for the year ended 31 December 2013 is £54.8m (2012: £20.8m) representing an effective tax rate (including deferred tax on goodwill) on statutory profits of 34.8% (2012: (78.5)%). The tax charge for the year ended 31 December 2013 includes a deferred tax expense of £6.0m (2012: £5.8m) for tax deductions in respect of goodwill. IFRS requires that such deferred tax is recognised even if a liability would only unwind on the eventual sale.

9. Tax on profit on ordinary activities (continued)

Additionally, the tax charge does not recognise a tax credit of £2.8m in respect of deductions for share schemes which vested during 2013. As required under IFRS 2 this credit has been shown in the Consolidated Statement of Comprehensive Income.

UK Corporation tax is calculated at 23.25% (2012: 24.50%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The UK Government enacted legislation which reduced the main rate of corporation tax to 23% from 1 April 2013. Further reductions in the main rate of corporation tax are proposed to reduce the rate to 21% from 1 April 2014 and 20% from 1 April 2015. The net UK deferred tax asset has been calculated using the substantially enacted rates applicable when the temporary difference is expected to reverse. The impact on the Group's net assets is not expected to be material.

The total charge for the year for the Total Group can be reconciled to the accounting profit as follows:

	2013 £m	2012 £m
Profit / (Loss) before tax from continuing operations	157.4	(26.5)
Profit / (Loss) before tax from discontinuing operations	55.3	(2.3)
Profit / (Loss) before income tax	212.7	(28.8)
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	49.5	(7.1)
Adjustments in respect of prior years	0.4	2.9
Tax effect of income/expenditure that is not taxable/deductible	2.4	16.7
Rate differences on overseas earnings	5.7	0.9
Movement in tax losses not recognised	5.9	0.4
Tax payable on gain on sale of discontinued operations	7.0	-
Differences arising from discontinued operations	(9.0)	(2.4)
Impact of short term temporary difference not recognised for deferred tax	1.2	6.4
Tax expense for the year	63.1	17.8
Effective rate of statutory tax charge on statutory profits	29.7%	(61.8)%

IAS 1 requires income from associates to be presented net of tax on the face of the income statement and not in the Group's tax charge. Associates' tax included within 'share of results of associates' for the year ended 31 December 2013 is £0.4m (2012: £0.2m).

The tax charge for the continuing group for the year is reconciled to the Total Group charge below:

	2013 £m	2012 £m
Tax expense for the year from continuing operations	54.8	20.8
Tax expense for the year from discontinued operations	1.3	(3.0)
Tax charge arising on gain on disposal	7.0	-
	63.1	17.8

10. Discontinued operations

The Group completed the disposal of Aztec, the scan data services business, to Information Resources, Inc. on 3 September 2013. Therefore the results of Aztec are shown as 'discontinued operations' in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

The financial performance of Aztec in the eight months to the disposal date is shown below:

	Eight months to date of disposal £m	Year ended 31 December 2012 £m
Revenue	54.7	79.5
Cost of sales	(32.3)	(35.7)
Gross profit from discontinued operations	22.4	43.8
Operating expenses	(24.2)	(45.9)
Operating loss from discontinued operations before interest and tax	(1.8)	(2.1)
Investment income	0.1	0.3
Finance costs	(1.7)	(0.5)
Net finance costs	(1.6)	(0.2)
Loss from discontinued operations before tax	(3.4)	(2.3)
Tax	(1.3)	3.0
Loss for the period from discontinued operations	(4.7)	0.7

The statutory financial performance disclosed above includes pre-tax amortisation of purchased intangibles of £0.4m (2012: £1.9m).

The net cash flows attributable to the operating, investing and financing activities of Aztec prior to disposal are presented below.

This excludes the cash flows on divestment.

Net cash flows	Eight months to date of disposal £m	Year ended 31 December 2012 £m
Operating cash flow	18.0	14.0
Investing cash flow	(0.7)	(3.7)
Financing cash flow	(15.2)	(7.4)
Net cash flow	2.1	2.9

The Group completed the disposal of Aztec based on an enterprise value of £110m on a cash free/debt free basis. The transaction is subject to the normal finalisation of completion date actual levels of working capital, cash and debt. The gain on disposal is £51.7m based on the carrying value of assets disposed, including the reclassification of related cumulative exchange movements, required by IAS 21 Foreign Exchange, and taxation charges related to the disposal.

Gain on disposal	2013 £m
Gain on disposal before tax	58.7
Tax	(7.0)
Gain on disposal after tax	51.7

10. Discontinued operations (continued)

On the date of disposal, the Group disposed of the following net assets:

	£m
Non-current assets	
Goodwill	43.1
Intangible assets	1.3
Property, plant and equipment	2.2
Other non-current assets	5.0
	51.6
Current assets	
Work in progress	0.1
Trade and other receivables	19.1
Cash and short term deposits	12.7
	31.9
Total assets	83.5
Current liabilities	
Trade and other payables	(37.7)
Borrowings	(6.0)
Other current liabilities	(0.9)
	(44.6)
Non-current liabilities	
Non-current liabilities	(12.8)
	(12.8)
Total liabilities	(57.4)
Net assets	26.1

11. Dividends

Following the announcement of the offer for Aegis Group plc (later renamed Dentsu Aegis Network Ltd) by Dentsu Inc. on 12 July 2012, no further dividends were proposed.

No dividends were declared or paid in 2013.

12. Goodwill

Cost	£m
At 1 January 2012	**1,105.6**
Additions	285.7
Other acquisition adjustments	10.8
Adjustments to prior period estimates of deferred consideration	1.3
Exchange differences	(35.6)
At 31 December 2012	**1,367.8**
Additions	117.1
Other acquisition adjustments	(6.4)
Adjustments to prior period estimates of deferred consideration	(0.9)
Disposal of subsidiaries	(52.0)
Exchange differences	(71.1)
At 31 December 2013	**1,354.5**

Accumulated impairment losses	
At 1 January 2012	**35.9**
Impairment losses for the year	7.6
At 31 December 2012	**43.5**
Impairment losses for the year	-
At 31 December 2013	**43.5**

Carrying amount	**£m**
At 31 December 2013	**1,311.0**
At 31 December 2012	1,324.3

The adjustments to prior period estimates of deferred consideration shown above relate to acquisitions completed prior to 1 January 2010, which continue to be accounted for under IFRS 3 (2004). Therefore such changes in estimate affect goodwill rather than profit or loss.

Other acquisition adjustments of £(6.4)m include adjustments made during the measurement period to the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date in accordance with IFRS 3.

12. Goodwill (continued)

Goodwill is allocated for impairment testing purposes to cash generating units (CGUs) which reflects how it is monitored for internal management purposes. This allocation largely represents the geographic areas of operation for the Group as set out below.

	2013 £m	2012 £m
Aegis Media EMEA	512.8	461.4
Aegis Media Americas	464.3	338.2
Aegis Media Asia Pacific	333.9	474.0
Total continuing group	1,311.0	1,273.6
Discontinued operations	-	50.7
Total Group	1,311.0	1,324.3

The recoverable amount of a CGU is determined based on value-in-use calculations. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and management forecasts for the subsequent three years. These calculations reflect management's experience and future expectations of the markets in which the CGU operates. Long term average growth rates used in the projections range between 3.0% (for mature markets) and 5.0% (for higher growth markets) and vary with management's view of the CGU's market position and maturity of the relevant market. The pre-tax rate used to discount the forecast cash flows is 12.9%.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as market growth, discount rates and currency exchange rates.

13. Intangible assets

	Software	Customer Relationships	Non-compete Agreements	Intellectual Property	Other	Total
Cost	£m	£m	£m	£m	£m	£m
At 1 January 2012	42.4	133.1	37.2	19.1	34.7	266.5
Additions						
- separately acquired	6.7	-	-	-	1.2	7.9
- internally generated	10.9	-	-	-	0.9	11.8
Acquired on acquisition of a subsidiary	0.3	88.5	15.3	5.5	4.7	114.3
Disposals and assets retired	(4.4)	(12.1)	(13.1)	(2.3)	(20.6)	(52.5)
Transfers and other movements	0.9	-	-	-	(0.4)	0.5
Exchange differences	(1.0)	(4.2)	(1.3)	(0.6)	(1.0)	(8.1)
At 31 December 2012	55.8	205.3	38.1	21.7	19.5	340.4
Additions						
- separately acquired	17.9	-	-	-	0.3	18.2
- internally generated	0.2	-	-	-	2.3	2.5
Acquired on acquisition of a subsidiary	0.2	47.7	2.0	1.8	3.6	55.3
Disposals and assets retired	(1.1)	(2.0)	(2.0)	(0.2)	(0.2)	(5.5)
Disposal of subsidiaries	(0.8)	(2.1)	-	(2.2)	(1.1)	(6.2)
Transfers and other movements	(0.2)	(1.4)	-	-	0.3	(1.3)
Exchange differences	(0.1)	(10.9)	(1.0)	(2.3)	(1.2)	(15.5)
At 31 December 2013	71.9	236.6	37.1	18.8	23.5	387.9
Amortisation						
At 1 January 2012	31.6	49.8	18.8	9.5	17.4	127.1
Acquired on acquisition of a subsidiary	0.1	-	-	-	0.2	0.3
Charge for the year	5.4	33.6	5.8	6.0	7.2	58.0
Disposals and assets retired	(4.5)	(12.1)	(13.1)	(2.3)	(20.5)	(52.5)
Transfers and other movements	0.9	(2.4)	-	-	2.4	0.9
Exchange differences	(0.8)	(1.7)	(0.5)	(0.4)	(0.3)	(3.7)
At 31 December 2012	32.7	67.2	11.0	12.8	6.4	130.1
Acquired on acquisition of a subsidiary	0.1	-	-	-	-	0.1
Charge for the year	6.8	41.1	6.1	6.0	6.1	66.1
Disposals and assets retired	(0.7)	(0.5)	(0.4)	(0.1)	(0.1)	(1.8)
Disposal of subsidiaries	(0.8)	(1.3)	-	(2.0)	(0.7)	(4.8)
Impairment, transfers and other movements	-	(1.4)	-	-	0.1	(1.3)
Exchange differences	0.1	(5.9)	(0.6)	(2.2)	(0.3)	(8.9)
At 31 December 2013	38.2	99.2	16.1	14.5	11.5	179.5
Carrying amount						
At 31 December 2013	33.7	137.4	21.0	4.3	12.0	208.4
At 31 December 2012	23.1	138.1	27.1	8.9	13.1	210.3

The carrying amount of other intangible assets includes patents and trademarks of £4.5m (2012: £5.0m) and other intangibles of £7.6m (2012: £8.1m). All intangible assets included above have been subject to amortisation in the year.

14. Property, plant and equipment

	Freehold land and buildings	Long leasehold and leasehold improvements	Office furniture, fixtures, equipment and vehicles	Total
Cost	£m	£m	£m	£m
At 1 January 2012	1.1	58.5	94.4	154.0
Additions	-	19.5	19.8	39.3
Acquired on acquisition of a subsidiary	0.1	0.9	2.0	3.0
Disposals and assets retired	-	(7.1)	(9.5)	(16.6)
Transfers and other movements	(0.3)	0.8	(1.0)	(0.5)
Exchange differences	-	(1.5)	(2.4)	(3.9)
At 31 December 2012	0.9	71.1	103.3	175.3
Additions	-	8.5	30.0	38.5
Acquisitions of subsidiaries	2.1	0.9	3.0	6.0
Disposals and assets retired	(0.9)	(4.2)	(11.4)	(16.5)
Disposal of subsidiaries	-	(1.4)	(7.2)	(8.6)
Transfers and other movements	(0.1)	(0.2)	(0.2)	(0.5)
Exchange differences	-	(1.5)	(3.7)	(5.2)
At 31 December 2013	2.0	73.2	113.8	189.0
Accumulated depreciation				
At 1 January 2012	0.1	34.2	67.0	101.3
Acquisitions of subsidiaries	-	0.3	0.9	1.2
Charge for the year	-	6.0	13.1	19.1
Disposals and assets retired	-	(6.9)	(8.8)	(15.7)
Impairment, transfers and other movements	0.1	0.5	(0.6)	-
Exchange differences	0.1	(0.9)	(1.7)	(2.5)
At 31 December 2012	0.3	33.2	69.9	103.4
Acquisitions of subsidiaries	0.7	0.4	1.8	2.9
Charge for the year	-	8.2	14.0	22.2
Disposals and assets retired	(0.3)	(3.7)	(10.7)	(14.7)
Disposal of subsidiaries	-	(0.9)	(5.2)	(6.1)
Impairment, transfers and other movements	-	(0.3)	-	(0.3)
Exchange differences	-	(0.6)	(1.6)	(2.2)
At 31 December 2013	0.7	36.3	68.2	105.2
Carrying amount				
At 31 December 2013	1.3	36.9	45.6	83.8
At 31 December 2012	0.6	37.9	33.4	71.9

At 31 December 2013, the Group had £3.7m capital commitments contracted, but not provided, for the acquisition of property, plant and equipment (2012: £8.2m). These commitments arise primarily in relation to leasehold improvements and office furniture and fittings in new premises. Proceeds from the disposal of property, plant and equipment, excluding assets disposed as part of the disposal of subsidiaries, are £1.8m (2012: £0.8m).

15. Interests in associates and joint ventures

a) Carrying amount

	Associates £m	Joint ventures £m	Total £m
At 1 January 2013	**40.3**	**0.3**	**40.6**
Share of results after tax	(1.5)	0.1	(1.4)
Additions	6.0	-	6.0
Disposals	(0.5)	-	(0.5)
Dividends received	(2.5)	-	(2.5)
Exchange differences	(1.0)	-	(1.0)
At 31 December 2013	**40.8**	**0.4**	**41.2**

Investments in associates at 31 December 2013 include goodwill of £7.3m (2012: £7.2m).

At 31 December 2013, the Group's investment in Charm represented 15.2% (2012: 16.2%) ordinary shareholding. The Group's direct operating relationship with Charm, including active Board membership, led to significant influence over the operating and financial policies of Charm.

Losses of nil arising in certain associates have been excluded from the Group share of the result of associates in the current year (2012: £0.1m) since the carrying amount as presented above has been reduced to nil in previous years. The cumulative total of the unrecognised share of losses is £0.7m (2012: £0.7m).

b) Investments in associates

The following represents the aggregate amount of the Group's interests in associated companies' assets, liabilities, revenue and profit / (loss):

Group's interests	2013 £m	2012 £m
Total assets	57.0	69.6
Total liabilities	(27.2)	(34.2)
	29.8	35.4
Goodwill	7.3	7.2
	37.1	42.6
Total revenue	31.6	26.0
Total (loss) / profit	(1.6)	(0.7)

The following represents the summarised financial information of the Group's associated companies' assets, liabilities, revenues and profit

	2013 £m	2012 £m
Total assets	255.7	321.1
Total liabilities	(110.2)	(140.0)
Total revenue	156.0	133.5
Total profit	5.6	4.4

16. Available-for-sale financial assets

	2013	2012
	£m	£m
Equity investments	2.5	2.2

The equity investments held at the 2013 year end represent a stake of approximately 2.0% in Harris Interactive Inc., a company listed on the NASDAQ exchange, along with a number of smaller unlisted securities. The unlisted securities are held by a number of Group companies and represent numerous small investments in private companies.

17. Trade and other receivables

	2013	2012
	£m	£m
Trade receivables and accrued income	3,030.9	2,429.7
Prepayments	62.4	64.2
Other receivables	106.7	128.3
	3,200.0	2,622.2

The average credit period taken for trade receivables is 41 days (2012: 40 days). The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade receivables for the Group are stated net of an allowance for doubtful receivables of £86.9m (2012: £79.4m).

	£m
At 1 January 2012	**76.9**
Provided in the year	10.2
Acquisition of subsidiaries	0.1
Release of allowance	(1.3)
Utilisation of allowance	(4.3)
Exchange differences	(2.2)
At 1 January 2013	**79.4**
Provided in the year	5.3
Acquisition of subsidiaries	6.5
Disposal of subsidiaries	(0.7)
Release of allowance	(2.2)
Utilisation of allowance	(3.2)
Exchange differences	1.7
At 31 December 2013	**86.9**

As of 31 December 2013, trade receivables of £573.0m (2012: £533.1m) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2013	2012
	£m	£m
Under 3 months	514.1	470.8
Over 3 months	58.9	62.3
	573.0	533.1

18. Trade and other payables

	2013 £m	2012 £m
Trade payables and accruals	3,108.1	2,692.5
Deferred income	56.2	61.1
Taxation and social security	107.4	109.6
Deferred consideration and put options	91.1	59.5
Other payables	335.7	339.4
	3,698.5	3,262.1

The average credit period taken for trade payables is 37 days (2012: 39 days). The Directors consider that the carrying amount of trade payables approximates their fair value.

19. Financial instruments

The Group has established objectives concerning the holding and use of financial instruments which are discussed in the Directors' Report. The key objective is to manage the financial risks faced by the Group, which are discussed below. Formal policies and guidelines have been set to achieve these objectives and it is the responsibility of Group Treasury to implement these policies using the strategies set out below.

The Group manages its capital to enable the entities in the Group to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the Group's borrowings, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital and reserves and retained earnings.

The Group does not trade in financial instruments nor engage in speculative arrangements and it is the Group's policy not to use any complex financial instruments, unless, in exceptional circumstances, it is necessary to cover defined risks.

Management of financial risk

The Group considers its major financial risks to be currency risk, liquidity risk, interest rate risk and credit risk. The Group's policies with regard to these risks and the strategies concerning how financial instruments are used to manage these risks are set out below.

Currency risk

A significant portion of the Group's activities takes place overseas. The Group therefore faces currency exposures on transactions undertaken by subsidiaries in foreign currencies and upon consolidation following the translation of the local currency results and net assets / liabilities of overseas subsidiaries.

The Group's foreign currency management policy requires subsidiaries to hedge all transactions and financial instruments with material currency exposures. The Group is party to a number of foreign currency forward contracts in the management of exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets. These are held at fair value at the balance sheet date. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted rates matching the maturities of the contracts. Movements in the fair value of forward foreign exchange contracts are taken to the income statement. The total notional amounts of outstanding forward foreign exchange contracts that the Group has committed are shown below.

	2013 £m	2012 £m
Forward foreign exchange contracts - notional principal	138.4	297.7

19. Financial instruments (continued)

Currency risk (continued)

It is the Group's policy not to hedge exposures arising from the translation of profits or net assets as these represent an accounting rather than cash exposure.

When it is aligned with the Group's overall funding strategy, the Group's policy is to borrow locally wherever possible to act as a natural hedge against the translation risk arising from its net investments overseas. Where major borrowings are denominated in a currency other than Sterling, the Group may enter into cross-currency swaps to reduce currency risk, as explained later in this note. A currency analysis of borrowings and other financial liabilities is given in section g) of this note.

Liquidity risk

The Group's objective of ensuring that adequate funding is in place is achieved by having agreed sufficient committed bank facilities. The Group also seeks to manage its working capital requirement by requiring clients to pay for media in advance whenever possible.

At 31 December 2013, the Group had net debt (before issue costs of new debt) of £198.0m (2012: £335.9m). The Group had cash and short term deposits of £677.3m at 31 December 2013 (2012: £403.1m) and gross borrowings of £875.3m (2012: £739.0m). The Group's principal debt instruments are subject to certain financial covenants.

The following unsecured loan notes and bank loans are included within gross borrowings:

Description	Date of issue	Date repayable	2013 $m	2013 £m	2012 $m	2012 £m
Private placement debt	July 2005	2015	35.0	21.1	183.0	112.7
Private placement debt	September 2007	2014 - 2017	125.0	75.5	125.0	77.0
Private placement debt	December 2009	Repaid	-	-	-	25.0
Private placement debt	December 2009	2019	15.0	9.1	183.0	112.7
Dentsu debt	April 2013	2018	400.0	241.5	-	-
Mitsubishi debt	April 2013	2020	400.0	241.5	-	-

At 31 December 2013, the Group has undrawn committed facilities of £450.0m (2012: £450.0m).

Interest rate risk

The Group's unsecured loan notes, referred to above, are at fixed rates. All other borrowings are at floating rates. Certain portions of the Group's unsecured loan notes are subject to interest rate swaps, as explained later in this note.

The Group has in place cash pooling arrangements in a number of territories. These enable the Group to minimise the interest paid on short-term borrowings and overdrafts, whilst allowing net surplus funds to be invested in interest bearing accounts.

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables and cash balances. The amounts presented in the balance sheet in respect of trade receivables are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Trade credit risk is managed in each territory through the use of credit checks on new clients and individual credit limits, where considered necessary. In some instances clients are required to pay for media in advance.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

19. Financial instruments (continued)

Credit Risk (continued)

Current receivables and payables and currency disclosures

Due to the nature of the operations of the business, Group companies are able to match current receivables and payables in currencies other than their functional currency and therefore do not have material, unhedged monetary assets and liabilities. Current receivables and payables are therefore excluded from currency analyses provided in this note.

Private Placement Debt – July 2005

On 28 July 2005, the Group issued US$342m of unsecured loan notes, repayable in 2012, 2015 and 2017. The interest rates applicable on these loan notes range from 5.25% to 5.65%. During 2012, US$159m of the loan notes were repaid. During 2013, the change of control provision on this debt agreement was triggered by the acquisition of the Group by Dentsu Inc. As a result, US$148m of loan notes were repaid. The Group has outstanding loan notes of US$35m, repayable in 2015, with an applicable interest rate of 5.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries.

From 25 April2013, US$35m of the loan note was designated as a net investment hedge against US dollar-denominated investments. To the extent that this hedging relationship was effective, exchange differences arising on the re-translation of the US$35m of debt was taken to reserves.

Private Placement Debt – September 2007

On 17 September 2007, the Group issued US$125m of unsecured loan notes repayable between 2014 and 2017. The interest rates applicable on these loan notes range from 6.06% to 6.29%. These loan notes are guaranteed by the Company and certain of its subsidiaries.

This debt agreement has a change of control provision which was triggered by the acquisition of the Group by Dentsu Inc. However, this was not exercised by the note holders.

From 25 April 2013, US$125m of the loan note was designated as a net investment hedge against US dollar-denominated investments. To the extent that this hedging relationship was effective, exchange differences arising on the re-translation of the US$125m of debt was taken to reserves.

Term loan – July 2009

In July 2009 the Group secured a loan of £45m available until July 2011 at a variable interest rate. In July 2011, the facility was extended to be repaid in 2015 and increased to £60m with a fixed interest rate.

Private Placement Debt – December 2009

On 17 December 2009, the Group issued US$183m and £25m of unsecured loan notes repayable between 2017 and 2019. The interest rates applicable on these loan notes range from 6.07% to 6.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries. On 17 November 2009, an interest rate swap was entered into for US$50m of the loan notes due in 2019 to convert the US$ fixed rate debt to US$ floating rate debt. On 17 November 2009, cross currency interest rate swaps were entered into for US$18m of the loan notes due in 2017 and US$115m of the loan notes due in 2019 to convert the US$ fixed rate debt to GBP floating rate debt.

During 2013, the change of control provision of this debt agreement was triggered by the acquisition of the Group by Dentsu Inc. This led to US$168m and £25m of the loan notes being repaid. All swaps except for a US$15m cross currency interest rate swap due 2019 were terminated upon this repayment.

19. Financial instruments (continued)

Multi-currency credit facility – July 2010

In July 2010, the Group re-financed the five year £450m multi-currency credit facility with a group of international banks, which was originally entered into in June 2006. The facility is committed and revolving and allows drawings under a variety of currencies. Pricing is based on the inter-bank rate of the relevant currency for the corresponding period of the drawing with the interest margin determined by reference to a grid based on the consolidated net borrowings to consolidated net EBITDA ratio. The facility is unsecured but guaranteed by the Company and certain of its subsidiaries until July 2015.

Dentsu Loan – April 2013

In April 2013, following the acquisition of the Group by Dentsu Inc., the Group obtained an unsecured five year term loan of US$400m (£241.5m) with Dentsu Inc. Pricing is based on the 6 month US$ Libor interest rate.

On 24 April 2013, cross currency interest rate swaps were entered into for US$30m of the loan to convert US$ floating rate debt to EUR fixed rate debt. From 24 April 2013, this EUR fixed rate debt was designated as a net investment hedge against certain of the Group's Euro-denominated investments. To the extent that this hedging relationship was effective, exchange differences arising on the re-translation of the swapped Euro debt was taken to reserves.

On 24 April 2013, cross currency interest rate swaps were entered into for US$370m of the loan to convert US$ floating rate debt to GBP fixed rate debt.

Mitsubishi Loan – April 2013

In April 2013, following the acquisition of the Group by Dentsu Inc., the Group obtained a seven year term loan of US$400m (£241.5m) with Mitsubishi. Pricing is based on the 3 month US$ Libor interest rate. The loan is unsecured and guaranteed by Dentsu Inc. for the duration of the loan.

On 24 April 2013, an interest rate swap was entered into for US$256m of the loan to convert the US$ floating rate debt to US$ fixed rate debt. This debt forms a natural hedge against US$ denominated intercompany loans.

On 24 April 2013, cross currency interest rate swaps were entered into for US$144m of the loan to convert the US$ floating rate debt to EUR fixed rate debt. From 24 April 2013, this EUR fixed rate debt was designated as a net investment hedge against certain of the Group's Euro-denominated investments. To the extent that this hedging relationship was effective, exchange differences arising on the re-translation of the swapped Euro debt was taken to reserves.

Convertible bond

As part of the acquisition of the Group, Dentsu made an offer to the Convertible Bondholders on 14 March 2013 and was successful in acquiring 100% of the bonds. The Bonds were converted to Dentsu Aegis Network Ltd equity on 24 May 2013. At this date £179.6m of debt was converted to equity resulting in £7.5m increase in share capital and £172.1m taken to reserves.

The cumulative balance taken to equity in relation to the convertible bond is the face value of the debt of £190.6m less the amount of transaction costs paid of £4.4m being £186.2m.

The original equity component remains as equity, as such the balance in the capital redemption reserve of £9.2m is transferred to the retained earnings.

The Group qualifies for merger relief under Companies Act 2006 therefore the amount brought to the merger reserve is distributable. As such they have been presented within retained earnings in the balance sheet and the statement of changes in equity.

19. Financial instruments (continued)

Cross currency swap

Cross currency swaps entered into by the Group were terminated during the year. The fair value of the cross currency swap at 31 December 2012 was £(3.3)m. The fair value was based on a discounted cash flow model and market interest yield curves applicable and represented movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields. The cross currency swap was synthetically split, for accounting purposes, to reflect the Group's presentational currency of Sterling. The US$/Sterling leg of the swap was designated and effective as a cash flow hedge against the Group's US$ loan notes. Movements in the fair value of the US$/Sterling leg of the swap were taken to reserves and released to the income statement when the underlying portion of US$ loan notes interest was recognised in the income statement every six months. The Euro/Sterling leg of the swap was designated as net investment hedge in respect of certain of the Group's Euro-denominated investments. To the extent that this hedging relationship was effective, exchange differences arising on the re-translation of the swapped Euro debt were taken to reserves.

In July 2012, one tranche of the unsecured loan notes of US$159m and the associated US$142m cross currency swap matured and was settled. As a result, hedge accounting for this portion of the swap was applied up to the date of settlement of the swap.

Interest rate swaps

The fair value of the interest rate swaps at 31 December 2013 is £7.5m (2012: £4.4m). The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised gains which the Group expects to realise as a result of lower or higher variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan notes.

US$ 256m floating to fixed interest rate swap
These interest rate swaps are designated and effective as a cash flow hedge against changes in the fair value of US$ debt caused by changes in interest rates. Movements in the fair value of the interest rate swap are recognised in other comprehensive income and subsequently reclassified to the income statement to offset against changes in the cash flows of the US$ debt relating to interest.

Cross currency interest rate swaps

The fair value of the cross currency interest rate swaps at 31 December 2013 is £12.0m (2012: £13.5m). The fair value is based on a discounted cash flow model and market yield curves applicable and represents movements in the Sterling/US$ foreign exchange spot rate and in Sterling and US$ interest rate yields.

US$/Sterling cross currency interest rate swaps – US$15m notional maturing 2019
Movements in the fair value of the this cross currency interest rate swaps excluding the credit spread are taken to the income statement where they offset against opposite movements in the fair value of the US$ loan notes caused by changes in interest rates and foreign exchange spot rates. Movements in the fair value of the cross currency interest rate swaps relating to the credit spread are taken to reserves and released to the income statement when the underlying portion of US$ loan notes interest is recognised in the income statement.

19. Financial instruments (continued)

US$/Euro cross currency interest rate swaps – US$174m maturing 2018 and 2020
The US$174m cross currency swaps is synthetically split, for accounting purposes, to reflect the Group's presentational currency of Sterling. The US$/Sterling legs of the swaps are designated and effective as cash flow hedges against the Group's US$ debt. Movements in the fair value of the US$/Sterling legs of the swaps are recognised in other comprehensive income and the effective portion is subsequently released to the income statement so as to offset against the changes in the cash flows of the US$ debt. The Euro/sterling legs of the swaps are designated as net investment hedges in respect of certain of the Group's Euro-denominated investments. To the extent that this hedging relationship is effective, exchange differences arising on the re-translation of the swapped Euro debt are taken to reserves.

US$/Sterling cross currency interest rate swaps – US$370m maturing 2018
Movements in the fair value of the these cross currency interest rate swaps are recognised in other comprehensive income and the effective portion is subsequently released to the income statement so as to offset against the changes in the cash flows of the US$ debt.

Covenants

The Group's leverage covenant (net debt/EBITDA) was 0.8 times (compared to a covenant requirement of <3 times) (2012: 1.3 times) and interest cover covenant (EBITDA/net interest) was 10.5 times (compared to a covenant requirement >4 times) (2012: 8.3 times) at 31 December 2013.

a) Categories of financial instruments

	Carrying value 2013 £m	Carrying value 2012 £m
Financial Assets		
Fair value through profit and loss (FVTPL)		
- Held for trading	1.1	0.5
Held to maturity investments	0.1	0.1
Derivative instruments in designated hedge accounting relationships	8.3	17.9
Available-for-sale financial assets	2.5	2.2
Cash and short-term deposits	677.3	403.1
Trade receivables and other financial assets	2,295.3	1,969.9
Total financial assets	2,984.6	2,393.7
Financial Liabilities		
Fair value through profit and loss (FVTPL)		
- Held for trading	1.5	1.5
- Acquisition put option derivatives	34.6	10.4
Derivative instruments in designated hedge accounting relationships	12.7	3.3
Borrowings	873.7	735.0
Deferred consideration	306.5	314.3
Trade payables and other financial liabilities	2,118.1	2,264.8
Total financial liabilities	3,347.1	3,329.3

Trade receivables and other financial assets are held at amortised cost and include these items of trade and other receivables that meet the definition of financial assets.

Trade payables and other financial liabilities are held at amortised cost and include these items of trade and other payables that meet the definition of financial liabilities.

19. Financial instruments (continued)

b) Maturity profile of Group financial assets and liabilities

Financial assets

2013	Less than 1 year	1-2 years	2-5 years	More than 5 years	No fixed maturity	Total
	£m	£m	£m	£m	£m	£m
Current						
Cash and short-term deposits	677.3	-	-	-	-	677.3
Derivative financial assets:						
- Forward foreign exchange contracts	1.1	-	-	-	-	1.1
	678.4	-	-	-	-	678.4
Trade receivables and other financial assets	2,290.4	-	-	-	-	2,290.4
Total current	**2,968.8**	-	-	-	-	**2,968.8**
Non-current						
Available for sale financial assets	-	-	-	-	2.5	2.5
Derivative financial assets:						
- Interest rate swap	-	-	-	7.5	-	7.5
- Cross currency interest rate swaps	-	-	-	0.8	-	0.8
Other financial assets	-	-	-	0.1	4.9	5.0
Total non-current	-	-	-	**8.4**	**7.4**	**15.8**
Total	**2,968.8**	-	-	**8.4**	**7.4**	**2,984.6**

2012	Less than 1 year	1-2 years	2-5 years	More than 5 years	No fixed maturity	Total
	£m	£m	£m	£m	£m	£m
Current						
Cash and short-term deposits	403.1	-	-	-	-	403.1
Derivative financial assets:						
- Forward foreign exchange contracts	0.5	-	-	-	-	0.5
	403.6	-	-	-	-	403.6
Trade receivables and other financial assets	1,969.1	-	-	-	-	1,969.1
Total current	2,372.7	-	-	-	-	2,372.7
Non-current						
Available for sale financial assets	-	-	-	-	2.2	2.2
Derivative financial assets:						
- Interest rate swap	-	-	-	4.4	-	4.4
- Cross currency interest rate swaps	-	-	1.5	12.0	-	13.5
Other financial assets	-	-	-	0.1	0.8	0.9
Total non-current	-	-	1.5	16.5	3.0	21.0
Total	2,372.7	-	1.5	16.5	3.0	2,393.7

There are no material differences between the recorded and fair values of the Group's financial assets at 31 December 2013. The fair values of financial assets reflect market values or are based upon readily available market data.

19. Financial instruments (continued)

b) Maturity profile of Group financial assets and liabilities (continued)

Financial liabilities

2013	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	35.7	-	-	-	35.7
Bank loans	65.7	-	-	-	65.7
Loan notes	47.1	-	-	-	47.1
Other external loans	117.8	-	-	-	117.8
	266.3	-	-	-	266.3
Less: Issue costs of debt to be amortised	(0.8)	-	-	-	(0.8)
	265.5	-	-	-	265.5
Derivative financial liabilities:					
- Forward foreign exchange contracts	1.5	-	-	-	1.5
- Cross currency interest rate swaps	-	-	-	-	-
- Put option liabilities	1.5	-	-	-	1.5
	268.5	-	-	-	268.5
Deferred consideration	89.6	-	-	-	89.6
Trade payables and other financial liabilities	2,105.3	-	-	-	2,105.3
Total current	2,463.4	-	-	-	2,463.4
Non-current					
Bank loans	-	64.9	0.1	241.5	306.5
Loan notes	-	21.1	30.2	9.8	61.1
Other external loans	-	-	241.4	-	241.4
	-	86.0	271.7	251.3	609.0
Less: Issue costs of debt to be amortised	-	(0.5)	(0.2)	(0.1)	(0.8)
	-	85.5	271.5	251.2	608.2
Derivative financial liabilities:					
- Cross currency interest rate swaps	-	-	10.0	2.7	12.7
- Put option liabilities	-	4.0	17.1	12.0	33.1
Deferred consideration	-	69.7	147.1	0.1	216.9
Other non-current liabilities	-	3.2	3.9	5.7	12.8
Total non-current	-	162.4	449.6	271.7	883.7
Total	2,463.4	162.4	449.6	271.7	3,347.1

19. Financial instruments (continued)

b) Maturity profile of Group financial assets and liabilities (continued)

Financial liabilities

2012	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	20.8	-	-	-	20.8
Bank loans	100.5	-	-	-	100.5
Loan notes	4.3	-	-	-	4.3
	125.6	-	-	-	125.6
Less: Issue costs of debt to be amortised	(1.6)	-	-	-	(1.6)
	124.0	-	-	-	124.0
Derivative financial liabilities:					
- Forward foreign exchange contracts	1.5	-	-	-	1.5
- Cross currency interest rate swaps	-	-	-	-	
- Put option liabilities	2.1	-	-	-	2.1
	127.6	-	-	-	127.6
Deferred consideration	59.5	-	-	-	59.5
Trade payables and other financial liabilities	1,941.8	-	-	-	1,941.8
Total current	2,128.9	-	-	-	2,128.9
Non-current					
Bank loans	-	73.1	18.4	-	91.5
Loan notes	-	46.2	180.6	115.2	342.0
Convertible bond	-	-	179.9	-	179.9
	-	119.3	378.9	115.2	613.4
Less: Issue costs of debt to be amortised	-	(1.7)	(0.7)	-	(2.4)
	-	117.6	378.2	115.2	611.0
Derivative financial liabilities:					
- Cross currency interest rate swaps	-	-	3.3	-	3.3
- Put option liabilities	-	0.3	5.4	2.6	8.3
Deferred consideration	-	66.6	187.5	0.7	254.8
Other non-current liabilities	-	1.5	1.3	5.9	8.7
Total non-current	-	186.0	575.7	124.4	886.1
Total	2,128.9	186.0	575.7	124.4	3,015.0

c) Valuation of financial assets and liabilities

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values. The following items of financial liabilities are within the fair value hierarchy levels 1 and 2.

	2013 Fair value £m	2013 Carrying value £m	2012 Fair value £m	2012 Carrying value £m
2005 loan notes	22.6	21.6	112.7	115.3
2007 loan notes	82.0	76.8	77.0	78.3
2009 loan notes	10.9	9.1	137.7	138.0
Mitsubishi debt	245.7	241.7	-	-
Total	361.2	349.2	327.4	331.6

In 2013, the acquisition of the Group by Dentsu Inc. led to repayments of parts of the 2005 and 2009 loan notes. See narrative at the start of this note for further details.

19. Financial instruments (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise held-to-maturity investments and quoted available-for-sale investments.
- The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Instruments included in Level 2 comprise derivative instruments, other than put options over acquisition of minorities, these are calculated using quoted prices and yield curves derived from these quoted prices.

  Specific valuation techniques used to value financial instruments include:

  - Quoted market prices or dealer quotes for similar instruments;
  - The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
  - The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value
  - Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments
- The fair values of put option liabilities and deferred consideration are calculated as the best estimate of the gross cash expected to be paid discounted to present value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset of liability that are not based on observable market data (unobservable inputs).

Changes in Level 3 instruments for the year ended 31 December 2013 are presented in part d) of this note.

19. Financial instruments (continued)

c) Valuation of financial assets and liabilities (continued)

2013	Level 1	Level 2	Level 3	Carrying value 2013
	£m	£m	£m	£m
Financial assets				
Fair value through profit and loss (FVTPL)				
- Held for trading	-	1.1	-	1.1
Derivative instruments in designated hedge accounting relationships	-	8.3	-	8.3
Held to maturity investments	0.1	-	-	0.1
Available-for-sale financial assets	1.3	-	-	1.3
Total financial assets measured at fair value	1.4	9.4	-	10.8
Financial liabilities				
Fair value through profit and loss (FVTPL)				
- Held for trading	-	(1.5)	-	(1.5)
- Acquisition put option derivatives	-	-	(34.6)	(34.6)
Derivative instruments in designated hedge accounting relationships	-	(12.7)	-	(12.7)
Deferred consideration	-	-	(306.5)	(306.5)
Total financial liabilities measured at fair value	-	(14.2)	(341.1)	(355.3)

2012	Level 1	Level 2	Level 3	Carrying value 2012
	£m	£m	£m	£m
Financial assets				
Fair value through profit and loss (FVTPL)				
- Held for trading	-	0.5	-	0.5
Derivative instruments in designated hedge accounting relationships	-	17.9	-	17.9
Held to maturity investments	0.1	-	-	0.1
Available-for-sale financial assets - quoted	0.8	-	-	0.8
Total financial assets measured at fair value	0.9	18.4	-	19.3
Financial liabilities				
Fair value through profit and loss (FVTPL)				
- Held for trading	-	(1.5)	-	(1.5)
- Acquisition put option derivatives	-	-	(10.4)	(10.4)
Derivative instruments in designated hedge accounting relationships	-	(3.3)	-	(3.3)
Deferred consideration	-	-	(314.3)	(314.3)
Total financial liabilities measured at fair value	-	(4.8)	(324.7)	(329.5)

There were no transfers between levels during 2013 or 2012.

19. Financial instruments (continued)

d) Analysis of derivative financial instruments

A reconciliation of the movements in the calculated fair value of put option derivatives is provided below

	2013	2012
	£m	£m
Balance at 1 January	(10.4)	(14.4)
Put options issued	(28.2)	(1.1)
Put options settled and lapsed	2.4	3.4
Put options extinguished on disposal of subsidiaries	0.2	-
Revisions of estimated fair value recognised in the income statement	0.2	0.8
Discounting	(0.2)	(0.2)
Exchange differences	1.4	1.1
Balance at 31 December	(34.6)	(10.4)

An increase of 1% in the rate used to discount the expected gross value of payments would lead to a decrease in the recorded liability of £1.1m.

A reconciliation of the movements in the calculated fair value of deferred consideration is provided below:

	2013	2012
	£m	£m
Balance at 1 January	(314.3)	(182.3)
Deferred consideration created	(77.6)	(215.1)
Deferred consideration settled	58.2	59.2
Disposal of subsidiaries	9.4	-
Revisions of estimated fair value	24.9	6.5
Discounting recognised in the income statement	(7.0)	10.4
Exchange differences	(0.1)	7.0
Balance at 31 December	(306.5)	(314.3)

An increase of 1% in the rate used to discount the expected gross value of payments would lead to a decrease in the recorded liability of £4.5m.

Fair value is calculated based on the discounted value of expected future payments. Subsequent changes in the fair value of the liability are recognised in the income statement.

19. Financial instruments (continued)

	Current 2013 £m	Non current 2013 £m	Current 2012 £m	Non current 2012 £m
Derivative liabilities that are designated and effective as hedging instruments carried at fair value				
Cross currency interest rate swaps	-	(12.7)	-	(3.3)
Derivative liabilities carried at fair value through profit and loss				
Forward foreign currency contracts	(1.5)	-	(1.5)	-
Put option liabilities	(1.5)	(33.1)	(2.1)	(8.3)
Derivative assets that are designated and effective as hedging instruments carried at fair value				
Cross currency interest rate swaps	-	0.7	-	13.5
Interest rate swap	-	7.5	-	4.4
Derivative assets carried at fair value through profit and loss				
Forward foreign currency contracts	1.1	-	0.5	-
	(1.9)	(37.5)	(3.1)	6.3

Loans and receivables are discussed in this note and note 17, and available-for-sale financial assets are disclosed in note 16. All other financial instruments are held at amortised cost except for derivative financial instruments which are held for trading at fair value through profit and loss.

e) Analysis of hedge effectiveness

Fair value hedges

	2013 £m	2012 £m
Fair value movement arising on derivatives in a designated fair value hedge	0.8	2.6
Adjustment to hedged items in a designated fair value hedge	(0.8)	(2.6)
	-	-

Ineffectiveness recognised in the income statement that arises from fair value hedges was nil in both the current and prior years.

Cash flow hedges

The hedged forecast interest payments in GBP and foreign currency are expected to occur at various dates over the duration of the Mitsubishi Loan, the Dentsu Loan and the 2009 private placement debt. The portion of the gain or loss on the hedging instrument determined to be an effective hedge is recognised in OCI. This amount is held in the hedging reserve in equity and is subsequently reclassified to the income statement in the same periods during which the forecasted interest payments affect the income statement. The net gain taken to equity in respect of cash flow hedges is £25.8m

Ineffectiveness recognised in the income statement that arises from cash flow hedges and fair value hedges was £0.1m and nil in the current and prior year respectively.

Net investment hedges

No ineffectiveness arises from the Group's hedges of net investments in foreign operations.

19. Financial instruments (continued)

f) Maturity analysis

The maturity profile of the anticipated future cash flows (including interest but excluding trade and other payables meeting the definition as financial liabilities are excluded) in relation to the Group's non-derivative financial liabilities, on an undiscounted basis and which, therefore, differ from both the carrying value and fair value, is as follows:

	2013 External loans £m	2013 Other liabilities £m	2013 Total £m	2012 External loans £m	2012 Other liabilities £m	2012 Total £m
Less than 1 year	282.4	88.2	370.6	153.8	60.7	214.5
1-2 years	94.6	68.6	163.2	146.8	70.1	216.9
2-5 years	285.0	155.6	440.6	430.1	206.1	636.2
More than 5 years	252.6	(5.6)	247.0	114.5	6.9	121.4
	914.6	306.8	1,221.4	845.2	343.8	1,189.0
Effect of discount / financing rates	(322.9)	(14.5)	(337.4)	(267.4)	(19.5)	(286.9)
	591.7	292.3	884.0	577.8	324.3	902.1

The maturity profile of the Group's financial derivatives (which include interest rate and foreign exchange swaps), using undiscounted cash flows, is as follows:

	2013 Payable £m	2013 Receivable £m	2012 Payable £m	2012 Receivable £m
Less than 1 year	(146.1)	142.5	(303.4)	306.9
1-2 years	(7.5)	3.9	(5.4)	9.0
2-5 years	(20.0)	10.2	(12.8)	22.8
More than 5 years	(5.0)	2.2	(7.1)	13.0
	(178.6)	158.8	(328.7)	351.7

The maturity profile of the Group's put option liabilities, using undiscounted cash flows, is as follows:

	2013 £m	2012 £m
Less than 1 year	(1.5)	2.1
1-2 years	(3.9)	0.3
2-5 years	(18.7)	5.8
More than 5 years	(14.2)	3.0
	(38.3)	11.2
Effect of discount / financing rates	3.7	(0.8)
	(34.6)	10.4

The Group had the following undrawn, committed bank borrowing facilities available at 31 December in respect of which all conditions precedent had been met at that date:

	2013 £m	2012 £m
Expiring between two and five years	450.0	450.0
	450.0	450.0

19. Financial instruments (continued)

g) Interest rate and currency profile

The following interest rate and currency profile of the Group's financial assets and liabilities is after taking into account any interest rate and cross currency swaps entered into by the Group.

Financial assets

The table below summarises current financial assets by interest type. The Group's non-current financial assets do not bear interest.

	Floating rate	Non-interest bearing	2013 Total	Floating rate	Non-interest bearing	2012 Total
	£m	£m	£m	£m	£m	£m
GBP	(68.9)	0.2	(68.7)	6.7	0.5	7.2
USD	309.9	2.3	312.2	119.1	1.8	120.9
EUR	193.1	1.2	194.3	49.3	3.6	52.9
Other currencies	226.3	13.2	239.5	213.5	8.6	222.1
	660.4	16.9	677.3	388.6	14.5	403.1
Trade receivables and other financial assets			2,295.3			1,969.9
Derivative financial assets			9.4			18.4
Available-for-sale financial assets			2.5			2.2
Held to maturity investments			0.1			0.1
			2,984.6			2,393.7

The majority of cash is invested in short term fixed rate deposits of less than one month with the balance in interest bearing current accounts. It is management's view that the short term nature of these deposits means they effectively act as floating rate assets.

The floating rate financial assets above are represented by cash at bank and in hand and short-term deposits.

Financial liabilities

	Fixed rate	Floating rate	Non-interest bearing	2013 Total	Fixed rate	Floating rate	Non-interest bearing	2012 Total
	£m	£m	£m	£m	£m	£m	£m	£m
GBP	283.4	9.8	1.2	294.4	264.9	92.4	0.9	358.2
USD	251.1	117.3	2.0	370.4	158.8	35.1	4.3	198.2
EUR	105.2	0.4	0.1	105.7	30.9	-	-	30.9
Other currencies	1.2	103.6	-	104.8	9.6	142.1	-	151.7
Gross borrowings	640.9	231.1	3.3	875.3	464.2	269.6	5.2	739.0
Issue costs of debt	(0.4)	(1.2)	-	(1.6)	(2.0)	(2.0)	-	(4.0)
	640.5	229.9	3.3	873.7	462.2	267.6	5.2	735.0
Trade payables and other financial liabilities				2,118.1				2,264.8
Deferred consideration				306.5				314.3
Derivative financial liabilities				48.8				15.2
				3,347.1				3,329.3

19. Financial instruments (continued)

g) Interest rate and currency profile (continued)

The weighted average interest rates paid were as follows:

	2013 %	2012 %
Bank overdrafts	4.1	4.6
Bank loans	3.5	5.3
Loan notes	4.5	4.3
Other external loans	1.1	n/a

The Group's borrowings, excluding the US$35m of unsecured loan notes issued in 2005, US$125m of unsecured loan notes issued in 2007 and US$15m of the unsecured loan notes issued in 2009 incur interest at floating rates.

At 31 December 2013, it is estimated that a general simultaneous parallel uplift of 1% in interest rates would increase the Group's reported profit by approximately £3.0m (2012: £1.4m increase).

h) Sensitivity analysis

The following table details the Group's sensitivity to a 1% increase in Sterling against the significant foreign currencies of the Group. The sensitivity analysis was performed taking outstanding foreign currency denominated monetary items as at year end and adjusting their translation at the period end for a 1% change in foreign currency rates. The sensitivity analysis includes external loans. For a 1% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Euro currency impact		US dollar currency impact	
	2013 £m	2012 £m	2013 £m	2012 £m
Potential profit increase/(decrease)	1.1	0.3	0.9	0.3
Other equity	-	-	-	-

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as certain financial instruments are used to hedge exposures on retranslation of the Group's operations denominated in currencies other than Sterling, which are outside the scope of IFRS7. This sensitivity analysis excludes the foreign currency translation risk of the foreign operations, and had this been included the sensitivities would have been disclosed as follows:

Sensitivity analysis including hedging instruments that are outside the scope of IFRS 7	Euro currency impact		US dollar currency impact	
	2013 £m	2012 £m	2013 £m	2012 £m
Potential profit increase/(decrease)	-	-	-	-
Other equity	1.1	0.3	1.0	0.3

20. Deferred tax

	Recognition of financial liabilities £m	Purchased intangibles £m	Deductions in respect of goodwill £m	Losses £m	Other short term temporary differences £m	Total £m
At 1 January 2012 - asset/(liability)	**0.6**	**(31.8)**	**(19.9)**	**32.3**	**24.3**	**5.5**
Deferred tax on intangibles	-	(36.1)	-	-	-	(36.1)
Deferred tax on acquisitions	-	-	-	-	0.4	0.4
Amounts credited to equity	-	-	-	-	2.7	2.7
Amounts credited/(charged) to the income statement	0.7	14.7	(5.8)	6.1	3.5	19.2
Deferred tax on discontinued operations	-	0.4	-	(0.8)	4.4	4.0
Transfers	1.0	-	-	-	(1.0)	-
Exchange rate differences	-	1.1	-	-	(2.4)	(1.3)
At 1 January 2013 - asset/(liability)	**2.3**	**(51.7)**	**(25.7)**	**37.6**	**31.9**	**(5.6)**
Deferred tax on intangibles	-	(16.6)	-	-	-	(16.6)
Deferred tax on acquisitions	-	-	-	-	1.3	1.3
Amounts credited/(charged) to equity	-	-	-	-	(7.4)	(7.4)
Deferred tax on discontinued operations	-	0.3	-	-	(5.1)	(4.8)
Amounts credited/(charged) to the income statement	(1.0)	17.1	(6.0)	1.7	(21.7)	(9.9)
Exchange rate differences	(0.1)	1.7	-	0.1	(2.4)	(0.7)
At 31 December 2013 - asset/(liability)	**1.2**	**(49.2)**	**(31.7)**	**39.4**	**(3.4)**	**(43.7)**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset).

	2013 £m	2012 £m
Deferred tax liability	(65.5)	(59.2)
Deferred tax asset	21.8	53.6
	(43.7)	(5.6)

The Group has the following temporary differences in respect of which no deferred tax asset has been recognised.

	2013 £m	2012 £m
Losses - revenue	115.4	144.3
Losses - capital	178.4	182.2
Other temporary differences	14.4	27.3
	308.2	353.8

20. Deferred tax (continued)

Included in losses - revenue, are losses of £6.3m that will expire by 2014, £1.0m that will expire by 2017, £2.6m that will expire by 2018, £0.7m that will expire by 2020, £21.6m that will expire after 2021 and £83.2m of losses that may be carried forward indefinitely.

Included in losses - capital, are capital losses of £81.9m (2012: £85.6m) that have a tax expiry of 3 years (2012: 4 years). The total amount of tax losses and other temporary differences for which no deferred tax was recognised was £308.2m (2012: £353.8m).

Balances in the subsidiary entities are shown on a 100% basis, regardless of ownership percentage. Balances in associates and joint ventures are not included.

No deferred tax liability is recognised on temporary differences of £209.1m (2012: £160.8m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

The temporary differences at 31 December 2013 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate. Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

21. Provisions

	2013 £m
At 1 January 2013	19.8
Additional provision in the year	1.9
Utilisation	(17.4)
Disposal of subsidiaries	(0.2)
Released	(1.7)
At 31 December 2013	2.4

Provisions include onerous leases on property. Provision was made for the costs of the Group's various restructuring and transformation programmes utilised in the year. The Group's vacant leasehold properties are located in the UK and the US. Provision has been made for the residual lease commitments for the remaining period of the leases, which at 31 December 2013 is approximately 1.7 years (2012: 2.2 years).

Contingent liabilities

The Group and its subsidiaries are subject to legal challenges and claims from time to time, and such claims are vigorously defended. The Directors do not anticipate that the outcome of pending legal proceedings, either individually or in aggregate, will have a material adverse effect on the consolidated accounts or on the operations of the Group.

22. Share capital

	2013 Number of ordinary shares	2013 £m	2012 Number of ordinary shares	2012 £m
Authorised:				
Ordinary shares of 5.5p each	1,363,636,364	75.0	1,363,636,364	75.0
Issued, allotted, called up and fully paid:				
At 1 January	1,173,108,511	64.5	1,170,985,598	64.4
Issue of shares by the Company	2,902,664	0.2	2,122,913	0.1
Convertible bond conversion	137,004,025	7.5	-	-
At 31 December	1,313,015,200	72.2	1,173,108,511	64.5

The Company has one class of ordinary shares which carry no right to fixed income. The ordinary shares each have full voting rights.

23. Own shares

Prior to 2013 the Aegis Group Employee Share Trust (the "Trust") purchased a number of Aegis Group plc shares in the open market using funds provided by Aegis Group plc (which has since been renamed Dentsu Aegis Network Ltd). The shares were bought to satisfy future share awards granted under the Group's share-based payment schemes. On the acquisition of Aegis Group plc by Dentsu Inc in March 2013 all share awards then outstanding vested.

At 31 December 2012, the Aegis Group Employee Share Trust held 19,764,130 Ordinary Shares in the Company with a nominal value of £1.1m and a market value of £46.4m. At 31 December 2013, no shares were held by the Trust.

24. Share premium account

	2013 £m	2012 £m
At 1 January	400.9	398.7
Issue of shares by the Company	3.4	2.2
At 31 December	404.3	400.9

25. Acquisition of subsidiaries

Summary of acquisitions

During the period, the Group acquired subsidiaries as detailed below:

Company	Country of incorporation	Network brand	% Acquired (Total Group holding)	% Non-controlling interests recognised	Month of acquisition
Lucidity	Ireland	Other	100%	-	January
Carat Columbia	Columbia	Carat	51%	49%	January
WonderAd	China	Carat	100%	-	April
NVI Canada	Canada	iProspect	100%	-	May
NewWorld	Belgium*	psLIVE	97%	3%	May
Kinecto	Romania	Isobar	100%	-	May
Social Embassy	Netherlands	Isobar	100%	-	June
Simple Agency	Italy	iProspect	70%	30%	August
Y Media	Spain	Vizeum	51%	49%	August
Trio	China	Isobar	100%	-	September
Traffic	Russia	Isobar	100%	-	October
Mediavision	UK	Carat	100%	-	November
Oddfellows	Australia	Other	51%	49%	December
Verawom	China	Isobar	100%	-	December

* NewWorld's main operations are in Belgium but it is also incorporated in Luxembourg and Netherlands

Acquisitions that have not been rebranded to the existing network brands are referred to as 'Other' above.

In January 2013, the Group acquired the entire share capital of Lucidity, an Online Marketing company based in Dublin in Ireland, thereby obtaining control of Lucidity. The acquisition was entered into as a platform for the Group's Isobar brand in Ireland.

In January 2013, the Group acquired 51% of the share capital of Carat Colombia, Carat's affiliate company based in Bogota in Colombia, thereby obtaining control of Carat Colombia. The acquisition was entered into to pursue growth opportunities in Latin America.

In April 2013, the Group acquired the entire share capital of WonderAd, thus obtaining control of a digital planning and buying agency specialising in China's fast growing online gaming industry, with eCRM and performance marketing capabilities. Based in Beijing, WonderAd also has offices in Shanghai and Shenzhen. The acquisition was entered into as a platform for the Group's Carat brand in China.

In May 2013, the Group acquired the entire share capital of NVI Canada, thus obtaining control of a specialist performance marketing agency whose focus is on search marketing and digital performance media, with offices in Montreal and Toronto. The acquisition was entered into as a platform for the Group's iProspect brand in Canada.

In May 2013, the Group acquired 97% of the share capital of NewWorld group, one of the leading brand activation and events specialists in the Benelux region, thereby obtaining control of NewWorld. Based in Mechelen, Belgium, NewWorld also has offices in the Netherlands and Luxembourg. NewWorld specializes in experiential marketing, live communication and field marketing. The acquisition is consistent with the Group's strategy of acquiring businesses which enhance the breadth of products and services within its networks in order to provide clients with a greater range of opportunities for consumers to interact with clients' brands.

25. Acquisition of subsidiaries (continued)

In May 2013, the Group acquired the entire share capital of Kinecto, one of the top-tier digital agencies in Romania, with headquarters in Bucharest, thereby obtaining control of Kinecto. The acquisition of Kinecto will give the Group's clients access to a full set of digital creative and production services and will strengthen our position and the diversity of our capabilities in the Romanian market.

In June 2013, the Group acquired the entire share capital of Social Embassy, a specialist social media agency whose focus is on community management and consulting and is based in Amsterdam, thereby obtaining control of Social Embassy. The acquisition of Social Embassy will give the Group's clients access to a full set of digital creative and production services and will strengthen our position and the diversity of our capabilities in the Dutch market. The acquisition was entered into to enhance the Group's prospects of our business in the Dutch market.

In August 2013, the Group acquired 70% of the share capital of Simple Agency, a digital marketing services provider with headquarters in Milan, thereby obtaining control of Simple Agency. The acquisition was entered into as a platform for the Group's iProspect brand in Italy.

In August 2013, the Group acquired 51% of the share capital of Y Media, a digital marketing services provider in Spain, thereby obtaining control of Y Media. Y Media is an independent Spanish agency, with a long history of success and, will continue to pursue growth opportunities in the Spanish market with the backing and support of a network like Dentsu Aegis.

In September 2013, the Group acquired the entire share capital of Trio, thus obtaining control of one of the most successful full-service digital agencies in China. The acquisition was entered into as a platform for the Group's Isobar brand in China.

In October 2013, the Group acquired the entire share capital of Traffic, thus obtaining control of a leading full-service digital agency in Russia, with offices in St. Petersburg and Moscow. The acquisition was entered into as a platform for the Group's Isobar brand in Russia.

In November 2013, the Group acquired the entire share capital of Mediavision, thus obtaining control of one of Scotland's leading media agencies, with offices in Edinburgh. The acquisition was entered into as a platform for the Group's Carat brand in Scotland.

In December 2013, the Group acquired 51% of the share capital of Oddfellows, thus obtaining control of the group who provide integrated advertising communication services including media, digital, strategy, production, CRM and promotions. The goodwill obtained as part of the Oddfellows acquisition is a provisional estimate, due to the acquisition taking place very close to the year end date, purchased intangibles have not yet been separately identified. A full assessment of the fair value of net assets including capitalisation of purchased intangibles will be considered in 2014. The acquisition was entered into to further expansion of the Group's business in the Australian market and an enhanced range of services, particularly in the creative field.

In December 2013, the Group acquired the entire share capital of Verawom, a social creative company based in China, thereby obtaining control of Verawom. Bringing Verawom into Isobar adds another dimension to the Group's digital capabilities in China.

The acquisitions were entered into to strengthen the Group's operations and increase its market share around the world, especially in faster growing regions; and to enhance its servicing capabilities in media and digital.

25. Acquisition of subsidiaries (continued)

During the period, the Group also acquired additional stakes in existing subsidiaries as detailed below:

Company	Country of incorporation	% Acquired (Total Group holding)	Month of acquisition
AgenciaClick	Brazil	1.9% (100%)	May
Age Brazil	Brazil	1.9% (100%)	May
Isobar Brazil (formerly iProspect Brazil / MidiaClick)	Brazil	1.4% (100%)	May
Datacom Spain	Spain	20.0% (100%)	May

If the acquisitions above (excluding additional stakes in existing subsidiaries) had been completed on the first day of the financial year, Continuing Group revenues for 2013 would have been £1,344.2m and Continuing Group profit before interest and tax would have been £166.7m. Post acquisition revenue and profit before interest and tax on 2013 acquisitions was £31.9m and £13.3m respectively.

Goodwill capitalised in the period represents the expected future benefits of improving the breadth of the Group's service offering and anticipated operational synergies. No goodwill capitalised in the period is deductible for income tax purposes. All non-controlling interests are measured at the non-controlling interest share of the carrying value of net assets.

Consideration paid for acquisitions, excluding acquisition costs, totalled £145.5m with estimated deferred consideration, as calculated at acquisition date, of £75.5m payable between 2013-2020, subject to performance criteria. In those cases where the Group achieved control of subsidiaries for the first time, the acquisitions are not individually material to the Group and therefore the following disclosures are provided in aggregate.

A provisional summary of the net assets acquired and goodwill arising in respect of all acquisitions made in the year is given below:

Provisional assessment of net assets acquired:	Carrying amount acquired	Accounting policy and Fair value adjustments	Fair value of net assets
	£m	£m	£m
Intangible assets	0.1	55.1	55.2
Property, plant and equipment	3.1	-	3.1
Deferred tax assets	1.3	-	1.3
Other non current assets	1.1	-	1.1
Trade and other receivables	68.9	(0.4)	68.5
Other financial assets	0.1	-	0.1
Work in progress	4.0	-	4.0
Cash and cash equivalents	26.7	-	26.7
Trade and other payables	(98.7)	(0.6)	(99.3)
Other liabilities	(2.9)	-	(2.9)
Borrowings	(2.2)	-	(2.2)
Current tax liabilities	(6.3)	-	(6.3)
Deferred tax liabilities	-	(16.6)	(16.6)
Net assets	**(4.8)**	**37.5**	**32.7**
Non-controlling interest on current period acquisitions			(4.3)
			28.4
Goodwill capitalised in the period			117.1
Consideration			**145.5**
Satisfied by:			
Cash consideration			70.0
Deferred cash consideration			75.5
			145.5

26. Other non-current liabilities

	2013	2012
	£m	£m
Deferred consideration	216.9	254.8
Pensions (see note 31)	7.3	6.9
Other	12.8	8.7
At 31 December	237.0	270.4

Deferred consideration

Deferred consideration, which has been included within trade and other payables to the extent that it is due within one year (note 18), may be paid to the vendors of certain subsidiary undertakings in the years to 2020. Such payments are either fixed under the terms of the acquisition or are contingent on future financial performance. Deferred consideration arising on acquisitions completed prior to 1 January 2010 is presented at the Directors' best estimate of the total payable. Changes in such estimates in the current period have led to an increase in the liability of £0.9m. Following the adoption of IFRS 3 (revised), deferred consideration arising on acquisitions completed from 1 January 2010 is recorded at fair value on acquisition, with subsequent changes reflected in the income statement.

Deferred consideration is discounted at the Group's weighted average cost of borrowing. The Directors estimate that, at the rates of exchange ruling at the balance sheet date, the discounted liability at the balance sheet date for payments that may be due is as follows:

	2013	2012
	£m	£m
Within one year	89.6	59.5
Between one and two years	69.7	66.6
Between two and five years	147.1	187.5
Greater than five years	0.1	0.7
At 31 December	306.5	314.3

The minimum potential liability is £51.8m (2012: £8.8m) and the maximum potential liability is £725.3m (2012: £600.4m). The maximum potential liability is only payable if the post-acquisition profit performance of the acquisition meets stretching profit targets in the post-acquisition period.

Liabilities in respect of put options granted to non-controlling interests are disclosed as derivative liabilities. Their expected maturities and a reconciliation of movements in the year are given in note 19.

27. Contingent Asset

As reported in prior years, during 2006 the Group became aware of a fraud perpetrated against Aegis Media Germany. The Group has successfully recovered a portion of the monies expected to be due. Further recoveries are anticipated in future years but the value to be received is not sufficiently certain to be recognised as an asset.

28. Notes to the cash flow statement

	2013	2012
	£m	£m
Operating profit from continuing operations	158.6	62.7
Operating loss from discontinued operations	(1.8)	(2.1)
Total Group operating profit	156.8	60.6
Adjustments for:	-	
Depreciation of property, plant and equipment	22.2	19.1
Amortisation of intangible assets	66.1	58.0
Impairment of intangibles and property, plant and equipment	0.1	0.9
Impairment of goodwill	-	7.6
Loss on disposal of subsidiaries	0.7	0.2
Net loss on disposal of intangibles and property, plant and equipment	1.0	0.1
Share-based payment expense	-	18.7
Increase / (decrease) in provisions	(17.7)	14.3
	229.2	179.5
Increase in receivables	(628.7)	(240.6)
Decrease / (increase) in work in progress	(4.9)	0.2
Increase in payables	507.5	241.3
	(126.1)	0.9
Cash generated from operations	103.1	180.4

The loss on disposal of subsidiaries as shown in the comparatives above excludes the gain on disposal relating to the discontinued operations of Aztec in 2013, as this is also excluded from Total Group operating profit.

	1 January 2013	Cash flow	Other non-cash movements	Exchange movements	31 December 2013
	£m	£m	£m	£m	**£m**
Analysis of net debt					
Cash and short-term deposits	403.1	293.2	-	(19.0)	**677.3**
Overdrafts	(20.8)	(15.9)	-	1.0	**(35.7)**
Cash and cash equivalents	382.3	277.3	-	(18.0)	**641.6**
Debt due within one year	(104.8)	(57.5)	(78.5)	10.1	**(230.7)**
Debt due after more than one year	(613.4)	(279.4)	250.6	33.3	**(608.9)**
Net debt before issue costs of debt	(335.9)	(59.6)	172.1	25.4	**(198.0)**
Issue costs of debt	4.0	0.5	(2.9)	-	**1.6**
Total	(331.9)	(59.1)	169.2	25.4	**(196.4)**

29. Operating lease arrangements

	2013 £m Land and buildings	2013 £m Other	2013 £m Total	2012 £m Land and buildings	2012 £m Other	2012 £m Total
Lease payments under operating leases recognised in operating expenses from continuing operations	61.1	2.0	63.1	52.2	2.6	54.8

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Net minimum lease commitments	2013 £m Land and buildings	2013 £m Other	2013 £m Total	2012 £m Land and buildings	2012 £m Other	2012 £m Total
Within one year	49.7	2.3	52.0	46.6	3.0	49.6
In the second to fifth years inclusive	127.0	2.1	129.1	126.1	2.8	128.9
After five years	129.4	-	129.4	147.9	0.1	148.0
	306.1	4.4	310.5	320.6	5.9	326.5

Operating lease payments principally represent rentals payable by the Group for certain of its office properties. Outstanding leases have an average term of 3.2 years and rentals are fixed for an average of 2.0 years.

30. Share-based payments

Following the acquisition of the Group by Dentsu Inc. on 26 March 2013, the Group no longer operates any share schemes. On the acquisition, all share awards then outstanding vested and all share options then outstanding were exercised.

31. Retirement benefit schemes

Defined contribution schemes

Retirement benefits for employees are principally provided by defined contribution schemes which are funded by contributions from Group companies and employees. The amount charged to the profit and loss account of £16.3m (2012: £14.5m) represents contributions payable in the year to these schemes at rates specified in the rules of the plans. As at 31 December 2013, contributions of £2.5m (2012: £1.8m) due in respect of the current reporting period had not been paid over to the schemes.

Other retirement benefit schemes

The Group operates a small number of retirement benefit schemes that do not fall under the definition of defined contribution schemes, principally where required by local statutory regulations. The principal schemes are located in Germany, Italy, France and Norway. Under these schemes, the Group's liabilities in respect of past service are fixed as a percentage of past salaries, but the schemes do not meet the definition of defined contribution schemes because contributions have not been paid to a separate entity. These schemes are not considered by management to represent standard defined benefit schemes and do not vary significantly in terms of the Group's liability. However, IAS 19 requires that these schemes be disclosed as defined benefit schemes. The numbers below are in respect of all material Group defined benefit schemes, unless otherwise stated.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2013. The present value of the defined benefit obligation, the related service cost and the past service cost were measured using the projected unit credit method.

The principal defined benefit schemes in Germany and Norway are funded. The assets of these schemes are held separately from those of the Group in independently administered funds, in accordance with scheme rules and statutory requirements. The unfunded defined benefit schemes are principally in Italy and France.

The table below shows the amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes.

	2013 £m	2012 £m
Fair value of pension scheme assets	6.1	5.1
Present value of defined benefit obligations	(13.5)	(11.3)
Deficit in scheme	(7.4)	(6.2)
Related deferred tax liability	-	(0.2)
Net pension liability net of deferred tax liability	(7.4)	(6.4)

The deficit in scheme includes non-current net defined benefit obligations of £7.5m and net scheme assets of £0.1m. The plan assets do not include any of the Group's own financial assets, nor any property occupied by, or other assets used by, the Group.

32. Related party transactions

The group's ultimate controlling party and ultimate parent is Dentsu Inc. (incorporated in Japan), which owns 100% of the company's shares.

Disclosure on remuneration of key management personnel is included within note 6 - staff costs.

Transactions with associated undertakings

In 2013, Group subsidiary companies purchased media space from associated undertakings totalling £0.1m (2012: £14.6m). The balance due from Group companies to associated undertakings at the end of 2013 was £1.0m (2012: £9.3m). The balance due from associated undertakings to Group companies at the end of 2013 was £3.5m (2012: £3.6m).

Transactions and balances with Dentsu Inc. and Dentsu Group companies

Counterparty	Gross Media Billings £m	Gross Media Buying £m	Other purchases £m	Receivables £m	Payables £m	Borrowings £m	Total £m
Dentsu Inc.	4.7	16.8	0.2	1.4	6.2	241.9	**271.2**
&c. Inc.	6.2	5.0	-	2.3	3.8	-	**17.3**
Beijing Dentsu Advertising Co., Ltd.	4.4	-	-	0.9	-	-	**5.3**
Dentsu Australia Pty Ltd	1.4	-	-	0.1	-	-	**1.5**
Dentsu Kuohua Inc.	1.4	-	-	0.1	-	-	**1.5**
Netmining LLC	-	1.4	-	-	0.3	-	**1.7**
Dentsu Holdings USA Ltd.	-	-	-	-	-	117.3	**117.3**
Dentsu McGarry Bowen UK Ltd	-	-	-	-	-	1.5	**1.5**
Dentsu McGarry Bowen GmbH	-	-	-	-	-	1.2	**1.2**
Other related parties	2.2	0.6	0.5	1.1	0.3	-	**4.7**
Total	**20.3**	**23.8**	**0.7**	**5.9**	**10.6**	**361.9**	**423.2**

The loan balance relates to a funding loan from Dentsu Inc. with a principal value of US$800.0m (£482.9m) and accumulated interest of US$1.1m (£0.6m). Following Dentsu Inc.'s acquisition of the Group, this loan was arranged to provide the Group with sufficient funds to restructure its external loan facilities.

The loan balance is comprised of a US$400.0m loan with Dentsu and a US$400.0m loan with Mitsubishi which was arranged with preferential rates by Dentsu Inc.

Other related party disclosures

Harold Mitchell was a director of the Company for part of the year, resigning on 26 March 2013. During the period 1 January to 26 March 2013 he was also a director of Mitchell Land Pty Ltd, which leased premises to Aegis Media Pacific Management Services Pty Limited under a 10-year lease expiring in 2020. During that period Aegis Media Pacific Management Services Pty Limited also leased premises under a monthly tenancy from a company controlled by another member of Harold Mitchell's family. The combined rental charge during that period, which constitutes a related party transaction, was £0.4m.

During the period 1 January to 26 March 2013 Harold Mitchell was also a director of Mitchell Air Pty Ltd, which owned a jet aircraft and on-charged Aegis Media Australia at arm's length rates for the cost of travel by employees using the jet for business purposes. Mitchell Air Pty Ltd was the trustee of the Mitchell Air Trust, to whom Harold Mitchell was a nominated beneficiary.

33. Subsequent events

Acquisitions completed after the balance sheet date

In January 2014, the Group announced an agreement to acquire the entire share capital of Socializer S.A., a leading social media group in Poland. Socializer will be integrated into the Isobar brand, part of Dentsu Aegis Network in Poland.

In February 2014, the Group announced an agreement to acquire 51% of the share capital of TFF Quattro, to move the company from Carat/Vizeum affiliation to owned business in a fast growing market. TFF Quattro will be integrated into the Carat and Vizeum brands, part of Dentsu Aegis Network in Kazakhstan.

In February 2014, the Group announced an agreement to acquire the entire share capital of Lesmobilizers, a mobile creative and marketing group in France. Lesmobilizers will be integrated into Dentsu Aegis Network's Isobar brand in France to service this growing market.

In February 2014, the Group announced an agreement to acquire 63% of the share capital of OpenOutdoor, who are out of home media specialists in the UK, thus obtaining control of the company. OpenOutdoor will be integrated into Dentsu Aegis Network's Posterscope brand in the UK.

The additional IFRS3 (2008) disclosures are not given because the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue.

Dentsu Aegis Network Ltd

Five-year summary

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Income statement					
Revenue	1,322.5	1,192.6	1,068.8	886.8	825.2
Profit before tax excluding Dentsu transaction costs	157.4	79.8	299.0	23.8	112.4
Profit attributable to equity holders of the parent excluding Dentsu transaction costs	100.4	52.9	299.0	23.8	112.4
Profit before tax	157.4	(26.5)	299.0	23.8	112.4
Profit attributable to equity holders of the parent	100.4	(49.3)	271.1	3.9	68.4
Balance sheet					
Non-current assets	1,682.0	1,721.7	1,396.0	1,628.1	1,200.7
Net current (liabilities)/assets	(97.7)	(388.0)	(111.0)	(198.4)	(6.5)
Non-current liabilities	(957.9)	(954.5)	(822.3)	(761.3)	(749.7)
Net assets	626.4	379.2	462.7	668.4	444.5
Financed by:					
Equity	614.1	374.9	457.1	654.9	431.9
Non-controlling interests	12.3	4.3	5.6	13.5	12.6
	626.4	379.2	462.7	668.4	444.5

The amounts disclosed for all years have been prepared under IFRS.

Profit before tax is restated on a continuing group basis for prior years as discussed in note 2.

Independent Auditor's Report to the Members of Dentsu Aegis Network Ltd

We have audited the parent company financial statements of Dentsu Aegis Network Ltd for the year ended 31 December 2013 which comprise the Parent Company Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

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

Independent Auditor's Report to the Members of Dentsu Aegis Network Ltd (continued)

Other matter

We have reported separately on the group financial statements of Dentsu Aegis Network Ltd for the year ended 31 December 2013.

Richard Addison

Richard Addison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 March 2014

Dentsu Aegis Network Ltd
Company Balance Sheet
at 31 December 2013

	Notes	2013	2012
Non-current assets		£m	£m
Tangible assets	4	14.6	12.1
Investments	5	738.6	1,393.4
Derivative financial assets	10	0.7	17.9
		753.9	1,423.4
Current assets			
Debtors			
- due within one year	6	1,660.9	2,192.5
- due after more than one year	7	7.4	16.4
Cash at bank and in hand		-	10.8
		1,668.3	2,219.7
Creditors: Amounts falling due within one year	8	(282.5)	(1,528.3)
Derivative financial liabilities	10	(0.9)	-
Net current assets		1,384.9	691.4
Total assets less current liabilities		2,138.8	2,114.8
Creditors: Amounts falling due after more than one year	9	(60.6)	(341.2)
Derivative financial liabilities	10	-	(3.3)
Net assets		2,078.2	1,770.3
Called up share capital	11	72.2	64.5
Share premium account	12	404.3	400.9
Capital redemption reserve	12	-	0.2
Other reserve	12	-	19.2
Merger reserve	12	13.0	13.0
ESOP reserve	12	-	(27.4)
Capital reserve	12	301.4	301.4
Profit and loss account	12	1,287.3	998.5
Equity shareholders' funds		2,078.2	1,770.3

Company number 1403668 England and Wales

These financial statements were approved by the Board of Directors on 13 March 2014 and were signed on its behalf by:

Jerry Buhlmann (Chief Executive Officer) **Nick Priday** (Chief Financial Officer)

1. **Basis of preparation and accounting policies**

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.
The Strategic Report and Directors' Report disclosures have been made in the Group section of this annual report.
The Company has utilised the exemptions provided under FRS 1 (Revised) and has not presented a cash flow statement. The Group's cash flow statement has been presented in the Group financial statements.
In accordance with FRS 8 Related Party Disclosures, the Company has taken advantage of the exemption from disclosing transactions with other wholly owned Group Companies and where the Group accounts contain these disclosures.

As the parent Company of a group drawing up consolidated financial statements that meet the requirements of IFRS 7, it is exempt from disclosures that comply with its UK GAAP equivalent, FRS 29 Financial Instruments Disclosures.

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Employee benefits

The retirement benefits for employees are provided by defined contribution schemes which are funded by contributions from the Company and employees. The amount charged to profit and loss is the contribution payable in the year.

Share-based payments

In the prior year, the Company operated a share-based payment scheme. This was discontinued in 2013 upon acquisition of the Company by Dentsu Inc.

In the prior year, the Company applied the requirements of FRS 20 Share-based payment. In accordance with the transitional provisions, FRS 20 was applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

Certain employees received remuneration in the form of share-based payments, including shares or rights over shares. The cost of equity-settled transactions with employees was measured by reference to the fair value of the instruments concerned at the date at which they are granted. The fair value was determined by an external valuer using a stochastic model. The fair value determined at the grant date of the equity-settled share-based payments was expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that would eventually vest. At each balance sheet date, the Company revised its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, was recognised in profit and loss such that the cumulative expense reflected the revised estimate, with a corresponding adjustment to equity.

Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, UITF 44 requires the subsidiary to record an expense for such compensation in accordance with FRS 20 Share-based payment, with a corresponding increase recognised in equity as a contribution from the parent.

1. **Basis of preparation and accounting policies (continued)**

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign exchange

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Upon settlement, monetary assets and liabilities are re-translated at the rate ruling on the settlement date. Monetary assets and liabilities at the year end are re-translated at the exchange rate ruling at the balance sheet date.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leased assets

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to income statement over the lease term on a straight-line basis. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight-line basis.

Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation.
Depreciation is provided to write off the cost of all fixed assets to their residual value over their expected useful lives using the straight-line method. It is calculated on the historic cost of the assets at the following rates:

Leasehold buildings	Over the period of the lease
Leasehold improvements	10% to 20% per annum or over the period of the lease, if shorter
Office furniture, fixtures, equipment and vehicles	10% to 50% per annum
Software	20% to 50% per annum
Other	10% to 50% per annum

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments in subsidiaries, associates and joint ventures, are held in the Company balance sheet at cost less any provisions for impairment.

1. Basis of preparation and accounting policies (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption are charged to profit and loss as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Company's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Company's financial statements.

Changes in the fair value of the derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

2. Profit for the year

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

Dentsu Aegis Network Ltd reported a profit, before the payment of dividends, for the financial year ended 31 December 2013 of £118.2m (2012: £885.0 m).

The profit for the year of £118.2m includes dividends received of £78.4 (2012: £234.2m) from group companies.

The auditor's remuneration for audit services to the Company amounted to £0.2m (2012: £0.2m) and for non-audit services amounted to £0.5m (2012: £0.5m).

3. Staff costs

The monthly average number of persons employed by the Company (excluding directors) during the year was 62 (2012: 52). Their aggregate remuneration comprised:

	2013	2012
	£m	£m
Wages, salaries, bonus and benefits	6.3	18.0
Social security costs	0.6	0.7
Pension costs	0.6	0.4
Staff Costs	7.5	19.1

Wages, salaries, bonus and benefits for the continuing group includes a share-based payment charge of nil (2012: £12.8m). Following the acquisition of the Group by Dentsu Inc. on 26 March 2013, the company no longer operates a share scheme. A long term incentive bonus scheme is in place in the current year as a replacement to the previous share schemes and the charge associated with this for year end 31 December 2013 is £0.6m (2012: nil).

Directors' remuneration is disclosed in the staff costs disclosure note of the consolidated financial statements.

4. Tangible assets

	Long leasehold and leasehold improvements	Equipment, fixtures and fittings	Computer software	Other	Total
Cost	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2013	10.3	2.3	4.6	2.0	19.2
Additions	0.4	3.6	1.2	0.3	5.5
At 31 December 2013	**10.7**	**5.9**	**5.8**	**2.3**	**24.7**
Accumulated depreciation					
At 1 January 2013	2.5	2.3	1.2	1.1	7.1
Charge for the year	1.3	-	1.5	0.2	3.0
At 31 December 2013	**3.8**	**2.3**	**2.7**	**1.3**	**10.1**
Carrying value					
At 31 December 2013	**6.9**	**3.6**	**3.1**	**1.0**	**14.6**
At 31 December 2012	7.8	-	3.4	0.9	12.1

Additions to leasehold improvements relate primarily to the UK office re-location.

The net book value of other tangible assets includes trademarks of £1.0m (2012: £0.9m).

5. Investments

	Interests in associates	Shares in subsidiary undertakings	Total
Cost	£m	£m	£m
At 1 January 2013	0.2	1,568.6	1,568.8
Additions	-	-	-
Disposals	-	(654.2)	(654.2)
At 31 December 2013	**0.2**	**914.4**	**914.6**
Accumulated Impairment Losses			
At 1 January 2013	-	175.4	175.4
Additions	-	0.6	0.6
At 31 December 2013	**-**	**176.0**	**176.0**
Carrying Amount			
At 31 December 2013	**0.2**	**738.4**	**738.6**
At 31 December 2012	0.2	1,393.2	1,393.4

A listing of principal subsidiary and associated undertakings is included in note 15.

Disposals of investments principally relates to the wind up of Portman Square Luxembourg S.a.r.l. and Aegis Finance Guernsey and the sale of Aegis Information Services Limited as part of the disposal of the Aztec business explained further in note 10 of the consolidated group accounts.

6. Debtors due within one year

	2013	2012
	£m	£m
Amounts owed by subsidiary undertakings	1,659.0	2,190.2
Other debtors	-	0.1
Prepayments and accrued income	1.9	2.2
	1,660.9	2,192.5

Amounts owed by subsidiary undertakings are on-demand and interest-bearing.

Decrease in amounts owed by subsidiary undertakings principally relate to repayments on intercompany loans with Aegis Group Participations Limited, a subsidiary of the Company.

7. Debtors due after more than one year

	2013	2012
	£m	£m
Deferred tax asset	7.4	16.4
	7.4	16.4

8. Creditors: amounts falling due within one year

	2013	2012
	£m	£m
Bank overdrafts	40.8	-
Loans	47.1	4.6
Less issue costs of debt to be amortised	(0.8)	(1.0)
	87.1	3.6
Trade creditors	2.7	2.4
Amounts owed to subsidiary undertakings	171.3	1,414.5
Other creditors	8.7	0.5
Provision for liabilities	-	0.5
Accruals and deferred income	12.7	106.8
	282.5	1,528.3

Amounts owed to subsidiary undertakings are on-demand and interest-bearing.

Increase in loans principally relates to the ageing of private placement debt.

Reduction in amounts owed to subsidiary undertakings relate to the repayment of intercompany loans with Aegis Group Holdings Limited, a direct subsidiary of the Company.

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

	2013	2012
	£m	£m
Borrowings	61.1	342.8
Less issue costs of debt to be amortised	(0.5)	(2.1)
	60.6	340.7
Provision for liabilities	-	0.5
	60.6	341.2

Private Placement Debt – July 2005

On 28 July 2005, the Group issued US$342m of unsecured loan notes, repayable in 2012, 2015 and 2017. The interest rates applicable on these loan notes range from 5.25% to 5.65%. During 2012, US$159m of the loan notes were repaid. During 2013, the change of control provision on this debt agreement was triggered by the acquisition of the Group by Dentsu Inc. As a result, US$148m of loan notes were repaid. The Group has outstanding loan notes of US$35m, repayable in 2015, with an applicable interest rate of 5.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries.

Private Placement Debt – September 2007

On 17 September 2007, the Group issued US$125m of unsecured loan notes repayable between 2014 and 2017. The interest rates applicable on these loan notes range from 6.06% to 6.29%. These loan notes are guaranteed by the Company and certain of its subsidiaries.

This debt agreement has a change of control provision which was triggered by the acquisition of the Group by Dentsu Inc. However, this was not exercised by the note holders.

9. Creditors: amounts falling due after more than one year (continued)

Private Placement Debt – December 2009

On 17 December 2009, the Group issued US$183m and £25m of unsecured loan notes repayable between 2017 and 2019. The interest rates applicable on these loan notes range from 6.07% to 6.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries. On 17 November 2009, an interest rate swap was entered into for US$50m of the loan notes due in 2019 to convert the US$ fixed rate debt to US$ floating rate debt. On 17 November 2009, cross currency interest rate swaps were entered into for US$18m of the loan notes due in 2017 and US$115m of the loan notes due in 2019 to convert the US$ fixed rate borrowing to GBP floating rate borrowing.
During 2013, the change of control provision of this debt agreement was triggered by the acquisition of the Group by Dentsu Inc. This led to US$168m and £25m of the loan notes being repaid.

Multi-currency credit facility – July 2010

In July 2010, the Group re-financed the five year £450m multi-currency credit facility with a group of international banks, which was originally entered into in June 2006. The facility is committed and revolving and allows drawings under a variety of currencies. Pricing is based on the inter-bank rate of the relevant currency for the corresponding period of the drawing with the interest margin determined by reference to a grid based on the consolidated net borrowings to consolidated net EBITDA ratio. The facility is unsecured but guaranteed by the Company and certain of its subsidiaries until July 2015.

Loans repayable, included within creditors, are analysed as follows:

	2013 £m	2012 £m
Repayable within one year	47.1	4.6
Repayable between one and two years	21.2	46.4
Repayable between two and five years	30.2	181.2
Repayable after more than five years	9.8	115.4
Issue cost of debt	(1.3)	(3.1)
	107.0	344.5

Details of gross borrowings not wholly repayable within five years as follows:

6.50% fixed rate 2009 US$165m private placement debt repayable 17 December 2019	9.1	101.6
	9.1	101.6

10. Derivative financial instruments

	2013 £m	2012 £m
Current		
Derivative financial assets	-	-
Derivative financial liabilities	(0.9)	-
Non-current		
Derivative financial assets	0.7	17.9
Derivative financial liabilities	-	(3.3)

The derivative financial assets and liabilities represent the fair value of the external and intra-group foreign exchange contracts and cross currency interest rate swaps which are accounted for as fair value through profit and loss. The prior year balance also includes cross currency swaps and an interest rate swap which were terminated during the year.

10. Derivative financial instruments (continued)

Cross currency swap

The Group held cross currency swaps in the prior year which were terminated during the year. The fair value was based on a discounted cash flow model and market interest yield curves applicable and represented movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields. The cross currency swaps were synthetically split to reflect the Company's functional currency of Sterling. The US$/Sterling legs of the swaps were designated and effective as cash flow hedges against the Company's US$ loan notes. The Euro/Sterling legs of the swaps had been designated as fair value through profit and loss.

Interest rate swap

The Group held interest rate swaps in the prior year which were terminated during the year. The fair value was based on a discounted cash flow model and market interest yield curves applicable and represented unrecognised movements which the Company expected to realise as a result of lower or higher variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan note. The interest rate swap was designated and effective as fair value hedge against changes in the fair value of the debt caused by changes in interest rates. Movements in the fair value of the interest rate swap were taken to profit and loss where they offset against similar but opposite movements in the fair value of the debt caused by movement in interest rates.

Cross currency interest rate swaps

The fair value is based on a discounted cash flow model and market yield curves applicable and represents movements in the GBP/US$ foreign exchange spot rate and in GBP and US$ interest rate yields. Movements in the fair value of the cross currency interest rate swaps excluding the credit spread are taken to profit and loss where they offset against opposite movements in the fair value of the US$ loan notes caused by changes in interest rates and foreign exchange spot rates. Movements in the fair value of the cross currency interest rate swaps relating to the credit spread are taken to reserves and released to the profit and loss when the underlying portion of US loan notes interest is recognised in profit and loss.

Details of the fair value of the Company's derivative financial instruments are set out in note 19 of the Group's financial statements.

11. Share capital

	2013 Number of ordinary shares	2013 £m	2012 Number of ordinary shares	2012 £m
Authorised:				
Ordinary shares of 5.5p each	1,363,636,364	75.0	1,363,636,364	75.0
Issued, allotted, called up and fully paid:				
At 1 January	1,173,108,511	64.5	1,170,985,598	64.4
Issue of shares by the Company	2,902,664	0.2	2,122,913	0.1
Convertible bond conversion	137,004,025	7.5	-	-
At 31 December	1,313,015,200	72.2	1,173,108,511	64.5

Movements in called up share capital

The Company has one class of ordinary shares which carry no right to fixed income. The ordinary shares each have full voting rights.

The Company issued a total of 139,906,689 shares (2012: 2,122,913) in the year with an aggregate nominal value of £7,694,868 (2012: £116,760), 2,902,664 (2012: 2,122,913) of which were due to the exercise of share options. The total share premium arising on the issue of shares in the year was £3,371,801 (2012: £2,166,669).

The Company formerly operated a share option scheme. There were no outstanding options at 31 December 2013 (2012: 2,997,664).

12. Share premium account and reserves

	Share premium account	Capital Redemption reserve	Other reserve	Merger reserve	ESOP reserve	Capital reserve	Profit and loss account	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January	400.9	0.2	19.2	13.0	(27.4)	301.4	998.5	1,705.8
Retained profit for the year	-	-	-	-	-	-	118.2	118.2
Cash flow hedge reserve	-	-	-	-	-	-	5.5	5.5
Share capital subscribed	3.4	-	-	-	-	-	-	3.4
Purchase of shares by ESOP	-	-	-	-	-	-	-	-
Shares awarded by ESOP	-	-	-	-	27.4	-	(26.3)	1.1
Transactions related to convertible bonds conversion	-	(0.2)	(19.2)	-	-	-	191.3	171.9
Other movements	-	-	-	-	-	-	0.1	0.1
Dividends to shareholders	-	-	-	-	-	-	-	-
At 31 December	404.3	-	-	13.0	-	301.4	1,287.3	2,006.0

At 31 December 2012, the Aegis Group Employee Share Trust (the "Trust") held 19,764,130 Ordinary Shares in the Company with a nominal value of £1.1m and a market value of £46.4m. At 31 December 2013, no shares were held by the Trust.

The capital redemption reserve represents the conversion, issue and redemption of shares by the Company, less expenses.
The other reserve contains the equity component of the convertible bond.
The ESOP reserve represents the cost of shares in Dentsu Aegis Network Ltd acquired in the open market by the Trust using funds provided by Dentsu Aegis Network Ltd. The Trust had purchased the shares to satisfy future share awards under the Company's share-based payment schemes.

13. Share-based payments

Following the acquisition of the Group by Dentsu Inc. on 26 March 2013, the Group no longer operates any share schemes. On acquisition, all share awards then outstanding vested and all share options then outstanding were exercised.

14. Operating lease arrangements

At 31 December 2013, there were the following annual commitments in respect of non-cancellable operating leases:

	2013	2012
	£m	£m
Operating lease payments recognised in expense for the year	1.8	2.3
Operating leases that expire		
Between two and five years	-	0.5
After 5 years	1.8	1.8
	1.8	2.3

15. Principal subsidiary and associate undertakings

All shareholdings are of ordinary shares.

All of the principal subsidiary and associated undertakings are disclosed below. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Principal subsidiary undertakings	Country of incorporation and operation	Effective interest in issued share capital at 31 Dec 2012
Aegis Media France S.A.S	France	100%
Aegis Media Iberia S.L	Spain	100%
Aegis Media (Central Europe & Africa) GmbH	Germany	100%
Carat Nordic AB	Sweden	100%
Aegis Media Italia Srl	Italy	100%
Aegis Media Ltd	England and Wales	100%
Eaton Gate Inc	US	100%
Aegis Media Pacific Limited	England and Wales	100%
Aegis Australia Holdings Pty Ltd	Australia	100%
Aegis Finance (Guernsey) Limited	Guernsey	100%
Portman Square US Holdings Limited	US	100%
Principal associate undertakings		
Carat Philippines Inc	Philippines	30%
Charm Communications Inc	China	16.2%