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Aegis Group plc Annual Report and Accounts 1990

Aegis is the holding company for the world's largest group of media specialists. The main operating company is *Carat*, Europe's leading media planning and buying group.

The amount of media time and space available to advertisers has grown dramatically and, as a result, audiences have fragmented with viewers and readers becoming more difficult to reach.

Aegis operating companies are dedicated to providing their clients with the most cost-effective access to carefully targetted audiences to ensure their advertising and sponsorship messages have maximum impact.

To this end *Carat* combines its power as Europe's largest specialist buyer of advertising with an unprecedented investment in audience research and analysis to create competitive advantage for its clients.

Services offered to clients range from media research, strategy, planning and buying; sponsorship; event marketing and the syndication of television programming; to the barter of programming for advertising time.

The Group has more than 4,000 clients who are served through 50 operating companies in 17 countries.

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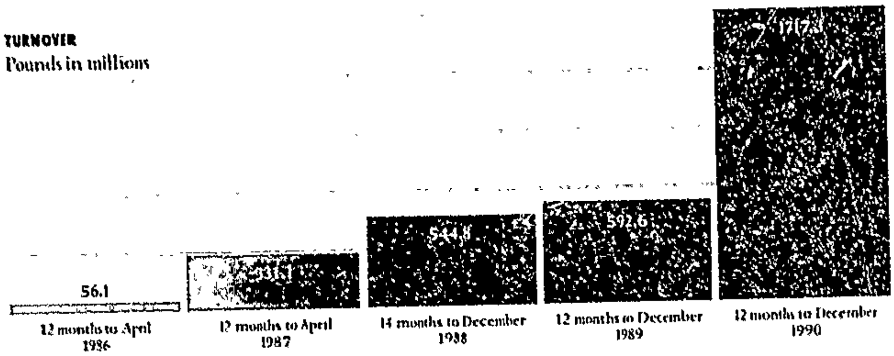
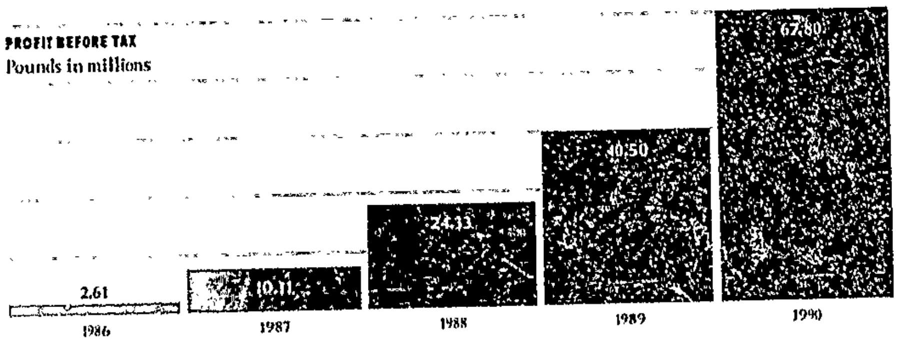
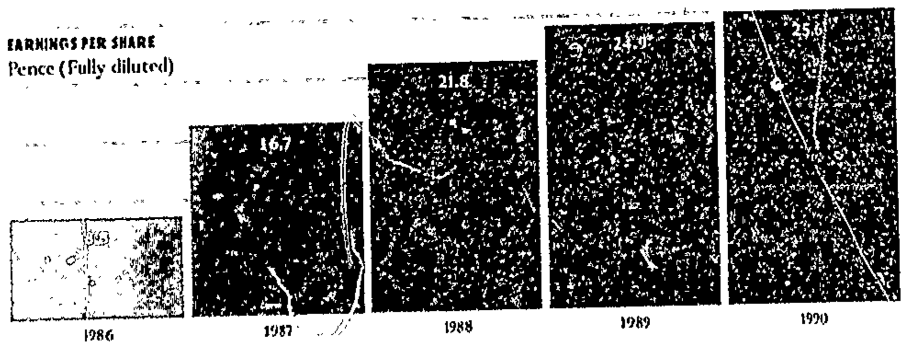
FINANCIAL HIGHLIGHTS







Despite an increasingly troubled political and economic environment the year fulfilled the strategic and financial expectations established by your Board at the time of the Group's restructuring in December 1989. Growth in turnover, profits and earnings per share, coupled with a much improved cash flow, have combined to justify our decision to pull out of broader marketing services to focus single-mindedly on specialist media services.

In the first full year since the restructuring, pre-tax profits grew to £67.8 million. Basic earnings per share increased by 33 per cent to 37.4 pence. Fully diluted earnings per share – taking into account future share issues that may occur in respect of the acquisition of Carat – are up by 3 per cent at 25.6 pence.

The Board is recommending a final dividend of 3.10 pence making 5.85 pence for the full year. This compares with 2.5 pence for the 6 month period to December 1989 and 5.0 pence for the 14 month period to June 1989. The adoption of a cautious dividend policy is in line with the Board's decision to conserve cash and accelerate the reduction of debt.

Organic growth The Group's turnover for the year was £1,717 million – an increase of 190 per cent. Whilst much of this increase resulted from the restructuring of 1989 and subsequent acquisitions, it is encouraging that almost all the companies within the Group enjoyed substantial organic growth. The rate of new business gains during the year has been particularly gratifying confirming that in today's complex media market advertisers are turning to the only pan-European media specialist to provide them with better value for money.

Growing market Whilst the UK and USA have suffered an economic downturn which has severely depressed advertising expenditure the European position has been altogether healthier with real growth of 3.9 per cent in 1990. In part this buoyancy has resulted from the continued increase in the amount of television airtime available to advertisers throughout Europe. In Spain, for example, three new private television stations have opened, in Germany 2.4 million new households became able to receive one of the private television channels, in Scandinavia a dramatic removal of state controls seems imminent and in the UK the future for satellite television looks more assured following the merger of Sky with BSB.

Structural change At the beginning of the 1970s independent media buying companies – such as Carat – were treated with disdain by full service advertising agencies. Today the situation is very different. The era of the "traditional" full service advertising agency in Europe is coming to an end as more and more clients turn to media specialists to solve the problems of increased media complexity and audience fragmentation. The response of the larger agencies who have banded together to create the so-called "buying clubs" will only serve to accelerate the "unbundling" the services of the traditional advertising agency with the separation of media planning and buying from creative work. Today media specialists and buying clubs account for more than 40 per cent of the European market for display advertising.

The structural changes which have occurred in Europe appear fundamental and irreversible. It remains to be seen whether, over time, the traditional full service agency will be able to maintain its position in North America where many of the same broad media trends are becoming visible.

Carat's strong position Carat is in a unique position as the only pan-European media planning and buying specialist. In 1990 Carat achieved an estimated European market share of 9 per cent which equates to gross billings of US$ 5.3 billion at rate card prices.

Carat plans to invest US$18 million in media research across Europe during 1991 and this combined with the experience and skills of its specialist staff means it can offer clients services of much greater depth and value than the agency "buying clubs" which offer little more than a volume-driven buying service.

This has been the first year in which the Carat group has had coverage in all the major European markets: our local partners from Scandinavia to Spain are leaders in their own markets and all have devoted significant investment and management resources to building an international organization to ensure that the most advanced media planning and buying methods within each company can be identified and transferred into other markets.

Sponsorship Our sponsorship group is involved in an increasing number of major world events ranging from the Commonwealth Games, the European Athletic Championships, Major League Baseball and soccer in the USA building up to the 1994 World Cup. The core UK sponsorship businesses continue to thrive as clients look for new communications opportunities to supplement conventional media advertising.

Other activities The Group retains a 40 per cent interest in the international advertising network *EWDB* and management control has passed to Eurocom who hold the remaining 60 per cent. Our advertising interests now account for a fraction of Group's profit.

In September we completed the sale of our public relations division - CDI - to Eurocom for the sum of £10.75 million. Public Relations no longer fitted with our core businesses and the disposal raised funds for the further development of the Group.

Debt – much reduced Whilst the Group's interest cover in 1990 was a comfortable 6 times (including, as interest, the fixed dividend payable on our Euro-convertible preference shares) debt reduction has been adopted as a core management objective. As a result of asset sales and improved control over working capital we have made substantial progress in reducing debt.

At the year end net external bank debt stood at approximately £37 million, compared with £72 million last year. This debt, and all future cash liabilities related to acquisitions and provided for in the balance sheet, was reduced to £106 million from £141 million at the end of 1989. Interest payable in 1990 on most of this debt is capped so we have been relatively unaffected by recent high interest rates.

We have significant cash commitments in 1991 and would expect little progress in debt reduction this year. However the strongly cash generative nature of our businesses indicates that external debt will be reduced rapidly from 1992 onwards.

Expansion – strategic investments Despite substantial progress in reducing debt we have continued to invest in the expansion and development of the Group. During the year we acquired businesses in Scandinavia, Finland and the Netherlands and launched new operations in Portugal, Greece, Austria and the USSR. Beyond this, we acquired the remaining 25 per cent of the shares of a major subsidiary in Paris and made significant investment in the development of our Eastern European businesses.

Future liabilities At the end of 1990 the Group had future liabilities to the vendors of Carat of £100 million. £38 million of this total can, at the Company's discretion, be settled either in shares or in cash. The fixed cash payment of £62 million is due to be satisfied in four instalments payable in each of January 1991, 1992, 1993 and 1994. The 1991 payment of £13.7 million has now been made.

An additional £10 million is payable to the Carat vendors in September 1991 contingent on performance. This relates to the acquisition of the first half of Carat in 1988.

Your Board remains confident that these future cash payments can be met from internal cash flow.

Future Share Issues There has been a decline in the Company's share price since July 1990 which appears to have been precipitated by loss of investor confidence in the marketing services sector – caused in part by the trading difficulties faced by many of the UK publicly quoted marketing services companies. This price fall has focussed attention on the number of shares to be issued in the future to the vendors of Carat.

In response to this concern the Board has decided to include these future share issues in the total number of shares used for the purposes of calculating fully diluted earnings per share. To do this we have to assume a future share issue price.

Our previous internal calculations had been based on an average share issue price of 250 pence (the price was 274 pence at the time of announcing our interim results in July 1990). This indicated the issue of 15 million ordinary shares between now and December 1993. However, given the volatility of the share price in the second six months of the year the Board have adopted a cautious approach and we have therefore used the 1990 year-end share price of 131 pence for future issues giving what we believe is a conservative fully diluted earnings per share figure. Shares will be issued to the Carat vendors at the market price prevailing in the December of 1991, 1992 and 1993.

Group changes During the year we restructured the holding company Board to reflect the new focus of the Group. The new executive directors joining the Board were Charles Hochman, Chairman of Carat; David Reich, Chief Executive of Carat International and Chairman of our UK partner TMD Holdings; and Gilles Gobin, a strategic advisor to Carat.

The new non-executive directors were Barbara Manfrey of E.M. Warburg Pincus and Jacques Hérail, the Chief Financial Officer of Eurocom. Warburg Pincus and Eurocom both have significant shareholdings in the Group.

The directors who resigned were Adele Biss, George Magan, Simon Olswang, Pierre de Plas, Andrew Rutherford and Robin Wight. With the exception of Pierre de Plas, who represented Eurocom's interests for a short period in the summer, all have been on the Board for some years. On behalf of shareholders, I would like to thank all of them for their invaluable past work in building the Group. Andrew and Robin, two of the Company's founders, continue their association with the Group as chairmen of the two London advertising agencies FCO and WCRS in which we now hold minority stakes.

In terms of the Group itself our change of name in May from "The WCRS Group" was made to reflect the restructuring we completed at the end of 1989 and to remove any confusion with the London-based advertising business.

Outlook The development of the Group, our new business successes across Europe, our success in transferring information and technology between companies coupled with a satisfactory financial performance in terms of both profit and debt reduction combine to underline t' strength of our business.

The early weeks of 1991 brought considerable political and economic disruption which has had a negative impact on advertising expenditure across Europe. However early resolution of the Gulf War together with the implied stability for future oil prices encourages the view that European advertising volume will recover to meet forecasts of 3.3 per cent real growth. Whatever happens to the market we are certain that advertisers will continue to search for greater efficiency in media planning and buying and we believe that the Carat group of companies is uniquely placed to continue to win market share.

This has been a year of major change for the Group. The fact that the change has been such a success is a tribute to the hard work of our employees, partners and advisors - on your behalf I would like to thank them all.

Peter Scott
Chairman and Chief Executive

EUROPEAN MEDIA: CONTINUING GROWTH

The 1980s was a decade of unprecedented boom in advertising across Western Europe. Between 1980 and 1990 display advertising spending more than doubled, partly because of the rapid increase in the number of commercial television stations.

Although the UK and the USA are experiencing a recession-led slow-down in advertising expenditure, the picture for Western Europe as a whole remains positive.

Carat's latest forecasts predict an increase in advertising spending in real terms in Western Europe and the Nordic countries of 3.3 per cent in 1991 and 6.8 per cent in 1992. This compares favourably with recent economic forecasts of real GDP growth totalling 1.7 per cent and 2.4 per cent respectively.

TELEVISION

Television has grown rapidly as a result of deregulation. It is now a fully competitive commercial medium in most major markets.

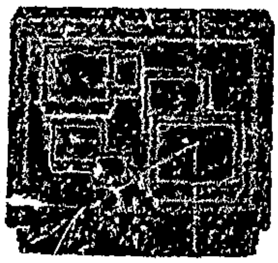
Spain, the fastest growing major television market in the late 1980s, is set to keep expanding. 1990 saw the end of the state monopoly on national commercial television with the launch of three private channels.

In Germany the growth of two private broadcasters RTL Plus and Sat 1 broke a symbolic barrier in 1990 when they overtook the state-owned, highly-regulated broadcasters as the leading advertising channels.

In Scandinavia the success of satellite-delivered TV3 has led to the launch of new satellite services and faster changes in Swedish and

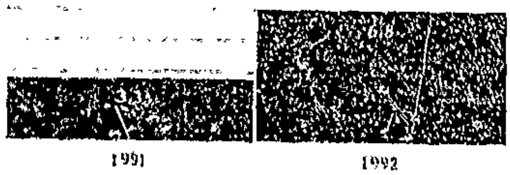
FRAGMENTING AUDIENCES

Television viewers in the Madrid area have moved from a choice of two channels to six channels in less than two years. Until October 1989 they only received TVE-1 or TVE-2, both owned and operated by the state. The recent launch of a separate regional channel, *RTVM*, and of three new private channels, *Antena 3*, *Telecinco* and *Canal Plus*, has transformed the situation. Viewers, previously obliged to watch only the TVE channels, now spend nearly 50 per cent of their time watching the new stations.



GROWTH OF DISPLAY ADVERTISING IN EUROPE
US $ billions

EUROPEAN ADVERTISING FORECASTS 1991/1992
% real growth, year on year



DEREGULATION OF TELEVISION

TV3 is a privately owned commercial channel which is distributed by satellite to viewers in Scandinavia. To get around local laws which prevent television advertising, the channel is broadcast from the UK. It has proved very popular, capturing an audience share of almost 50 per cent amongst those able to receive it and causing a radical rethink of Scandinavian domestic regulations.

Norwegian regulations for the licensing of commercial terrestrial broadcasters.

NEWSPAPERS

In the face of new competition from a dynamic and hungry television medium, newspapers have responded with their own innovation, improving the quality of their product through design as well as through editorial changes.

Colour is now common in the UK and French press, as is the division of newspapers into sections, covering, for example, sport, leisure and business.

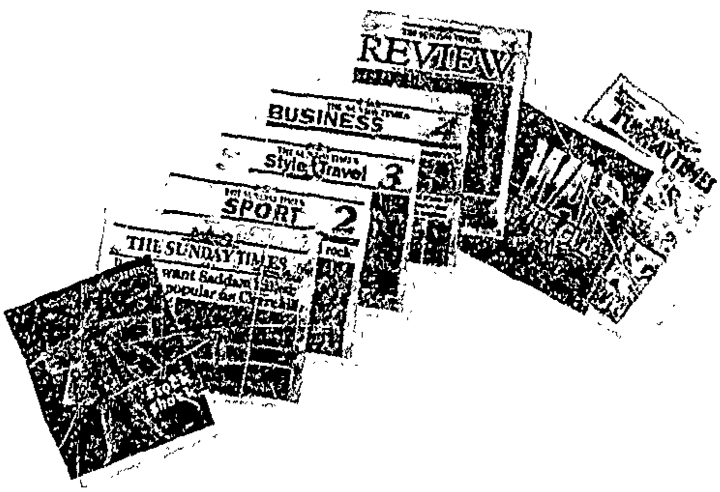
Newspapers are also battling for readers by offering magazine supplements – notably in the UK Sunday market, but also in many Continental titles such as Le Figaro in France with its three Saturday magazines and La Repubblica and Il Corriere della Sera in Italy at weekends.

New titles continue to be launched: Sunday papers in the Netherlands and Norway, daily papers in Spain and, of course, Robert Maxwell's "European".

MAGAZINES

In the magazine market place, new general consumer titles have been successfully launched, even in areas already considered saturated like the women's market. Single titles like Elle, Hello and Esquire are increasingly being sold across several national markets. The two best-selling women's magazines in France both originate in Germany.

Consumer specialist magazines continue to be launched in areas such as personal finance and

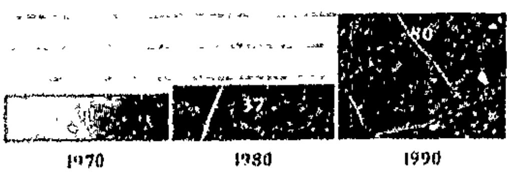


SECTIONING OF NEWSPAPERS

The Sunday Times typifies the trend to divide newspapers into sections to provide advertisers with a more targetted approach to readers.

COMMERCIAL TELEVISION IN EUROPE

Number of stations



CONSUMER MAGAZINES: GROWTH IN NUMBER OF TITLES

% change 1990 vs 1980

television listings, offering advertisers even more closely targetted readers.

NEW MEDIA

Direct-to-home satellite television, after many false starts, is now a serious contender in the UK where the 35-year-old commercial monopoly of ITV is over. Satellite dishes have also spread in Germany and Scandinavia due to the attractiveness of the new television channels.

Cable has enabled broadcasters to reach new customers for both private television and radio. Nearly a quarter of the 33 million German households are now connected to cable. In Britain and in France the availability of new satellite channels has also pushed up the number of cable subscriptions.

The old medium of posters has been revitalised by shorter campaigns, faster posting and a much improved presentation of poster sites.

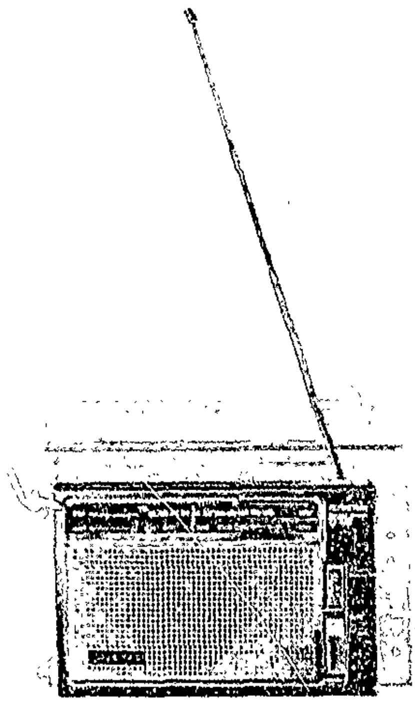
NEW MARKETS

After the great political changes in Eastern Europe the reshaping of the area's economic and media landscape is now under way, with the involvement of Western investors and media groups.

Hungary became, in less than a year, perhaps the most "international" media market place in Europe: Bertelsmann, Springer, Bonnier, Manzoni, Hersant, Maxwell and Murdoch all have stakes in the daily press alone. There is now hardly any major international group without a foothold in Budapest.

RADIO: A RE-EMERGING MEDIUM

Radio in many markets seems like a newly discovered medium. Its share of European media advertising has increased steadily from 3.9% in 1980 to 5.1% in 1989. The rapid expansion seen in Italy and France a decade ago is now being experienced in much of Northern Europe. Franchises for new national stations are to be awarded in the UK. In Sweden, private operators have decided to fight their government ban on radio advertising. All this is likely to stimulate the use of radio by advertisers, especially when more local stations link up in national networks.




RAI
rtve
mazda
CNN
MTV
NRJ
CORRIERE DELLA SERA
EL PAIS
LE FIGARO
Süddeutsche Zeitung

The 1980s advertising boom was fuelled by three key factors:

- strong economic growth
- increased competition between brands
- the deregulation of government controls on broadcasting.

The advertising industry benefitted from strong demand from advertisers for media time and space and, at the same time, from a relaxation in the controls that had restricted the growth of commercial media.

However two clear concerns emerged out of this boom period. First, the cost of advertising was escalating much faster than other prices, and second the media market was becoming dramatically more complex.

PRICE RISES

Although more media were being made available as new radio and television stations opened and new magazines and newspapers were launched, it was not enough to satisfy advertisers' demand. In some cases scarce supply caused prices to rise, in others it was easy for media owners, some of whom enjoyed a virtual monopoly, to raise prices just to cover their own spiralling costs. In some countries the transfer of television stations from state to private ownership resulted in price rises as the new owners brought previously artificially low prices into line with other commercial media.

COMPLEXITY

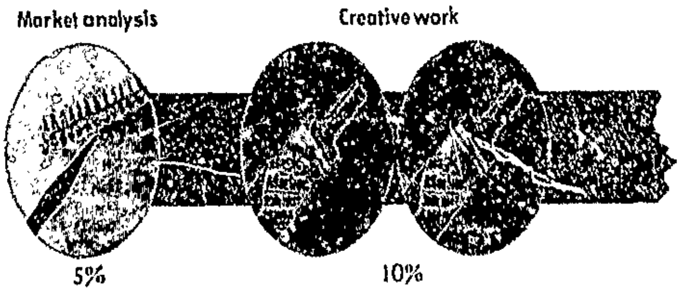
The 1980s saw a transition in many European countries from a situation where the number of media was relatively limited to one where media proliferated. For the consumer – the advertisers' target audience – all the extra choice in which television channel to watch, which radio station to listen to and which magazine to read, meant that habits changed. Target audiences became far more dispersed and difficult to reach.

UNBUNDLING

With the escalation in the cost of media, and the increased complexity of finding the right audience, advertisers' attention has increasingly focused on the approximately 85 per cent of their

FULL SERVICE AGENCY: UNBUNDLING

The activities of the traditional full service agency are increasingly being "unbundled" as clients find it more effective to have the planning and buying of media (which represents the bulk of their advertising budgets) done by specialists.



% of advertising budget (approximate)

budgets which are spent on purchasing media.

This new focus called into question the role of the "full-service" advertising agency which had traditionally worked with clients on market analysis, created advertisements and then planned and negotiated the purchase of media time and space.

During the 1970s, departments of full service agencies such as market research, sales promotion, public relations and direct mail which had once been regarded as integral parts, became separated out as stand-alone businesses. During the 1980s this same trend was reflected in the growth of media specialists which were only involved in the planning and purchase of media.

This trend to "unbundle" the activities of the full-service agency looks set to continue during the 1990s with many new agencies being set up without conventional media departments.

THE MEDIA TASK

To place advertising in commercial media in a way that ensures clients get value for money, media specialists must have a complete understanding of their clients' marketing and communications objectives and of the ever changing relationship between the various media and their increasingly fragmented audiences. The specialists must excel at four tasks.

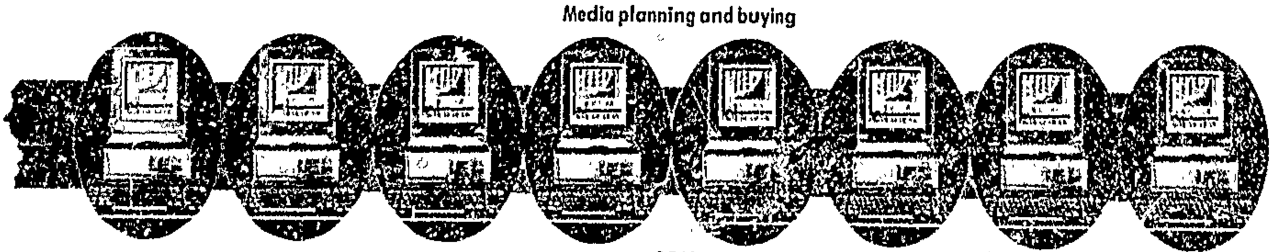
Media Strategy

First, the media strategy needs to be determined. What is the advertising objective? Should we use display advertising at all? Who do we want the advertising to reach – the whole population, younger people, people in certain geographical regions? How much should we spend to achieve the objective? Which media should we use – television, radio, magazines, posters etc? What is the ideal timing for a campaign?

Media Research

What do we know about the people the client is trying to reach? What is the relationship between these people and the media they watch and read? Can we answer the questions from existing research or must we commission research of our own?

Media planning and buying



85%

MEDIA SPECIALISTS: GAINING MARKET SHARE

(continued)

Media Planning

Having agreed a strategy to complement the client's overall marketing objectives, a media plan must be constructed to be consistent with that strategy. The most effective print titles, broadcasting spots, poster sites etc. are selected on the basis of media research.

Media Buying and Optimisation

Finally the space and time has to be purchased at the best possible price. This requires negotiations based on past performance, research information and audience forecasts. A good media buyer will combine skill and buying power and will monitor the market and client needs on a daily basis. Optimising the use of the client's budget means looking for deals and opportunities to fine tune the media plan to get the best value for money consistent with the clients marketing objectives.

MEDIA SPECIALISTS: FOCUS AND SIZE

A very large media specialist like Carat offers its clients the combined benefits of focus and size which cannot be matched by full service advertising agencies.

Focus

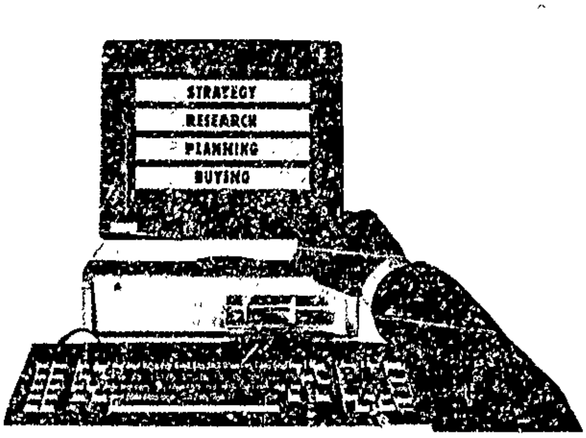
The management of specialists can concentrate all their efforts, operating systems, recruitment, training and business development on providing clients with media services without the distraction of having to manage creative work and other aspects of advertising.

A specialist company devotes 100 per cent of its resources to the media function. This is in dramatic contrast to the conventional full service agency, which is unlikely to spend more than 20 per cent of its budget on media servicing, even though the purchase of media time and space represents by far the largest proportion of the clients' budgets.

Size

The biggest specialists, like Carat, handle large volumes of advertising on behalf of many clients. This, combined with knowledge and experience, enables them to negotiate the best possible rates with media owners. It also permits the specialist to invest heavily in more sophisticated media research with the costs shared across many clients. This research provides the analytical underpinning for the development of media plans and negotiations based on superior knowledge.

Size brings clients the twin benefits of buying power and economies of scale.



MEDIA SPECIALISTS. A CLEAR FOCUS

A media specialist devotes all of its resources to the selection and purchase of media without the distraction of being involved in other aspects of advertising such as creative work. A specialist is dedicated to achieving the best value for the client.

In 1990 the Group extended its geographic spread and strengthened the links between its operating businesses.

CARAT: MEDIA PLANNING AND BUYING

The Carat group unites the leading media planning and buying specialist in each European country. Each company is focused on serving its local market but they combine to provide international clients with buying volume and research benefits across Europe.

Carat has enjoyed a spectacular year of growth. Overall Carat companies won new business with an annual billings value of US$675 million du..ng 1990. This figure is net of any business lost and any acquisitions. It is organic growth and represents a 13 per cent increase on the annual billings at the start of 1990.

This growth, which is well above the growth rate of the market itself, reflects the trend towards the use of media specialists and away from using conventional agencies for media buying.

In June David Reich was appointed as Chief Executive of *Carat International*, the division which manages all the Carat activities outside France. He has the responsibility for completing our European network, developing international clients and helping the individual national businesses to work more closely together. Eric Drancourt, the former Managing Director of *Media Europe*, has been appointed as Deputy Chief Executive of Carat International. Stephen White, the former Media Director of WCRS, has been appointed as Deputy Chief Executive of the London office of Carat International.

Bruno Kemoun and Eryck Rebbouh were appointed as joint Chief Executives of *Carat Espace* in France. They together with David Reich and Charles Leguide, Chief Financial Advisor to Carat, form the Carat Executive Committee chaired by Charles Hochman which manages the whole group.

Our drive for international clients has enjoyed an early success with Carat being appointed to oversee the media strategy for the launch of the new "3" series BMW throughout Europe. BSN, Benkiser, Fiat, Henkel and Seiko have all appointed Carat to work with them in three or more countries.

Carat group companies are also co-operating increasingly closely and sharing techniques. In Greece, *Carat Hellas* for example has joined forces with the Paris based *Carat TV* on developing local research systems and *Carat Radio* in France is working with *TMD/Carat* in the UK.

In 1990 we started to harmonise the various computer-based techniques developed by Carat companies so that a consistent approach, using the best technology, is available to clients throughout Europe. These systems include *Diamant* (media buying) *Quartz* (analysis of data) and *Estimat* and *Forctel* (forecasting).

Carat is now recognised as a leading authority on developments in the European media. Detailed analyses have been published on Television, Radio and Newspapers and special reports produced on the media scene in Eastern Europe and the Soviet Union.

In November Carat organised a conference on developments in the Eastern European media which was attended by more than 80 people.

The first group of 25 laureates (students) of the *Academie Carat Espace* completed their ten month long projects in October. The Academie, which is funded by Carat and based in Paris, has been established as a centre of excellence where young professionals involved in all aspects of broadcasting can work on projects aimed at further improving the quality of European television. This year's projects include a study of interactive television and an investigation of the market for European programmes in the USA.

France The advertising market in France grew by 9 per cent in 1990. *Carat Espace* showed strong organic growth with annual gross billings up by 16 per

CARAT OFFICES

leading French poster buying company and started two new businesses – *Carat Presse* which researches into the newspaper and magazine markets and *Carat Graphique* which creates computer based presentations for internal needs and external clients. *Carat Espace* now has special expertise companies covering every major advertising medium and is investing far more in media research than any other buying group.

The success of *Carat Espace* with its clients was demonstrated by the annual independent survey of 200 leading French advertisers conducted by IPSOS in November 1990 which reported that Carat scored a spontaneous awareness of 55 per cent – four times that of its nearest competitor – and that on the nine measures of performance such as professionalism and negotiating ability Carat scored higher than its competitors on every single criterion.

In May 1990 the remaining 25 per cent of the shares of *Carat Espace's* largest subsidiary, *MCI*, were purchased and its Chief Executive Jean-Claude Machefert-Tassin signed a new five year service agreement.

Germany The West German market grew by just over 6 per cent in 1990 but there was also increased spending by Western advertisers in the East following unification.

Television continues to increase its share of the advertising market at the expense of consumer magazines and newspapers. TV now represents 25 per cent of advertising expenditure – up from 17 per cent three years ago.

HMS (in which we hold a 50 per cent stake) has increased its annual gross billings by 12 per cent and has added many new clients including Ferrero, Kelloggs, Wrigley, and Calvin Klein.

During 1990 *HMS* set up an office in Vienna – *HMS/Carat Mediazentrum Gmbh* – to serve the Austrian and Eastern European markets. A significant investment has been made to establish a centre in Wiesbaden to research the media in Eastern European markets and to provide a reliable entry point for Carat clients who wish to advertise in these emerging markets.

United Kingdom The UK advertising market suffered from a decline of 7 per cent in real terms during 1990 and this has caused problems for many conventional full service advertising agencies and has reduced income to media owners.

TMD Holdings (in which we have a 29.9 per cent stake) is a public company which groups together five specialist media businesses. Despite the weak market *TMDH* had a good year reporting turnover, for the year to August, up by 39 per cent and profits up by 36 per cent to £3 million.

TMDH has benefited from its operational links with Carat: a new company *Carat Research UK* has been set up to add to the UK research capabilities and adapt techniques from other Carat companies. Two of the *TMDH* subsidiaries have changed their names to reflect the new links: *TMD Ltd* has become *TMD/Carat* and *MJP* is now *MJP/Carat International.*

During 1990 a joint venture called *Esprit* was established by *TMDH* to service the media requirements of *WCRS* and *FCO*, the two London based agencies of *Eurocom*.

BBJ Media Services, in which Aegis has a 75 per cent holding and which operates independently from *TMDH*, also had a good year with gross billings up by 100 per cent to £36 million. *BBJ* was established in 1989 to work on a range of brands for Bass plc. In 1990 the company has expanded its client list being appointed to work with Premier Brands, Cadbury's, Britvic and Walt Disney Pictures.

Spain Television in Spain continues to grow rapidly with more stations, more broadcast hours and more minutes of advertising. The success of the regional television channels on the one hand and the new private, national channels on the other has caused a dramatic fragmentation of audiences making media planning and buying more complex. Overall the advertising market grew by 26 per cent last year.

Media Europe Espana has been actively changing its client mix seeking to serve a larger number of direct clients with a reduced amount of buying on behalf of advertising agencies. As a result of the changed mix during the year gross billings have only increased slightly but major new clients include Bayer, Danone, Fiat, Lancia, Henkel, Sanyo, United Distillers, and Yves St Laurent.

During the year we opened a new office in Seville bringing the total of offices in Spain up to five which reflects the strongly regional nature of the market. José Sirvent was appointed Managing Director of the fast growing Barcelona office in October.

Scandinavia and Finland In October we completed the acquisition of Scandinavia's largest media specialist *MHI* – a group of seven companies in four countries – which has now changed its name to *Carat Scandinavia*. During 1990 the billings of *MHI* rose by 12 per cent in a market which grew by less than 7 per cent.

The Scandinavian market has been dominated by print media which accounted for some 85 per cent of the total in 1990 but television is now growing in importance and that trend will be accelerated following the announcement by Sweden's governing party that it supports commercial television and the decision by Norway's Government that commercial television will start there in 1992.

Italy Our Italian company *Carat Italia* was renamed in January 1990 (previously called Media Europe Italy) and has had a spectacularly successful year increasing its market share to more than 7 per cent up from 3 per

CARAT PUBLICATIONS
Carat's analyses of European media are regularly updated and are available to shareholders from Carat International in London. Telephone 071 730 0010.

cent in 1989 in a market which grew by 8 per cent.

The trade magazine "Pubblico" published a survey in November ranking *Carat Italia* as the country's leading media specialist reporting that it nearly trebled its billings from US$180 million in 1989 to US$510 million in 1990.

The dramatic increase was partly a result of setting up a buying operation with Eurocom called *Maxmedia* and partly through new business wins including Galbani, Reckitt & Colman, Saiwa and Seiko.

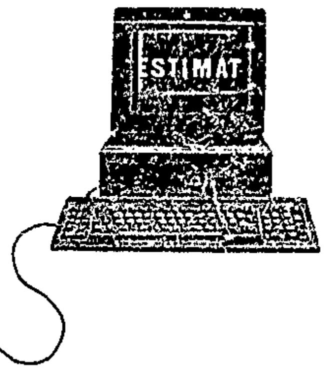
The increased size of billings has allowed *Carat Italia* to make significant investments in research and it has set up a new research department – *Carat Expert* – with 15 staff which is now providing clients with greatly improved audience measurement techniques.

Netherlands In September 1990 we purchased *Media Matters*, now the largest media specialist in the Netherlands. Significant new international business including BSN-Gervais Danone, Henkel, Oral-B and Osram has been won partly through referral from other parts of the Carat group.

There has been a rapid growth in both media specialists and agency buying clubs in the Netherlands. By the end of 1990 all the main international buying groups were present in the market. It is expected that central buyers and media specialists will account for 60 per cent of all advertising buying in 1991 and 70 per cent by 1992.

Belgium The Belgian media are heavily influenced by broadcasting and publishing from France and the Netherlands.

The overall market is relatively slow growing, only 4 per cent in 1990, but there has been a marked switch from spending in magazines to advertising on television which grew by 29 per cent in 1990. The market has historically been dominated by strong media



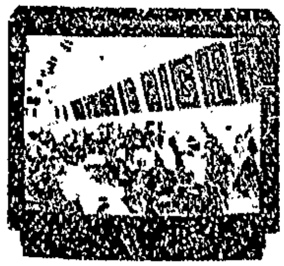
ESTIMAT

In the volatile French television marketplace the price of television commercials is largely fixed and the main factor in making good media buys is the accuracy of audience predictions. One of the key television forecasting tools used by Carat in France is *Estimat*. A panel of 1,000 adult viewers is asked, weekly, about which programmes they plan to watch in three weeks time. These answers are then modelled by *Estimat* to reflect observed past differences between viewer intentions and recorded behaviour. Carat then makes its own adjustments to achieve a predictive accuracy of 80 to 90 per cent. *Estimat* was launched in Spain in March 1991.

FORETEL

In markets where viewing trends are reasonably stable there is also a need to forecast the audiences for certain specific programmes. *Foretel*, which was launched in the UK in 1990, asks about viewing intentions for selected programmes. Using a panel of 1,000 adult viewers, it also seeks to learn more about television viewing by questioning people's motivation for watching and assesses the basis of their enjoyment of certain programmes.

Foretel will be operational in eight countries during 1991. In this way Carat companies are building a knowledge and understanding of the television audience that goes beyond sheer head-counting.



owners but this is now changing and some observers expect the European Commission may soon investigate the conduct of the Belgian media.

Media Europe Belgium increased its annual gross billings by 19 per cent in 1990 winning new clients including Yves Rocher, Fiat, Henkel and Philip Morris. The company has invested to improve the sophistication of its TV planning and buying reflecting the changes in the market.

Greece After the year-end we announced the formation of *Carat Hellas*, a joint venture with the leading independent Greek advertising agency Leoussis.

Carat Hellas combines the local strength of our Greek partner with access to the central Carat resources. Milton Papadakis has been appointed as Chief Executive.

The media market in Greece has been transformed by the rapid introduction of new television channels with five new stations starting in the past two years. Television advertising revenues were up by 46 per cent in 1990 compared with 1989. TV now represents 41 per cent of the advertising market.

Portugal We opened our office in Lisbon in January 1990 with José Freitas as Chief Executive of the Portuguese company which is already trading at a profit.

The media market is growing rapidly, 19 per cent up in 1990, with two new television stations planned for 1991.

USSR The Soviet Union has three national and 120 regional television stations which reach 97 per cent of the population. Television is, by far, the most powerful medium in the USSR although, as yet, advertising is very underdeveloped.

Carat USSR opened in Moscow in the summer under the management of Edouard Moradpour. It is a joint venture with the Soviet State committee for TV and radio – Gosteleradio, and the state committee for cinema Goskino.

The initial task of *Carat USSR* is to build an understanding of the Soviet market but it is already planning and buying media – the first campaigns were a series of magazine inserts for IBM and TV commercials for the French railways, SNCF, promoting the TGV.

SPONSORSHIP AND EVENT MARKETING

Our sponsorship and event marking group has continued to develop major international projects of interest to sponsors and broadcasters and has strengthened its position in the UK particularly in perimeter advertising through its acquisition of *Bermitz Farmer*.

International In the early part of the year the group raised NZ$57 millions for the Commonwealth Games in New Zealand.

In June we organized the sponsorship by Canon of the European broadcast of the "Three Tenors" concert – the Pavarotti, Domingo, Carreras recital which was staged the night before the World Cup Final in Rome. The concert has subsequently been a best seller on compact disc and video and it is estimated more than 240 million people have seen the broadcast.

The group arranged sponsorship for the very successful European Athletics championships held in August in Split in Yugoslavia. The events were widely broadcast throughout Europe and included many outstanding performances culminating in the French relay team breaking the world record.

In partnership with NBC and Major League Baseball (the sport's governing body) we have formed a joint venture to market the sport of Baseball worldwide outside North America. Central and South America have been areas showing a strong interest in the sport and a successful tour of Japan was organised for an "all-star" team which was supported by sponsorship.

Another joint venture is developing the sport of Soccer in the USA in the run-up to the 1994 World

Cup. A number of major contracts have already been agreed, including Anheuser-Busch and we anticipate that after a difficult start this project will advance rapidly in 1991.

In January 1991 a legal action was started against companies in the group by a sports sponsorship company called C&W and others which alleges damages resulting from an involvement in the US Soccer venture. The company's lawyers are investigating this claim in the USA and UK. Preliminary legal advice has been obtained and has indicated that this action is unlikely to succeed.

UK *Alan Pascoe Associates (APA)*, our main UK sponsorship company, has had an excellent year winning new clients including Vauxhall, Panasonic, Radio Rentals, Scottish Provident, Lucozade Sport, Woolworths, Castlemaine XXXX and National Power.

Major events organized during the year include Land Rover's sponsorship of Cowes Week and National Power's support for the rugby match at Twickenham between England and the Barbarians who were celebrating their 100th anniversary. In addition *APA* organized The Daily Telegraph's Junior Golfer of the Year Competition which attracted a record participation of more than 20,000 youngsters.

APA continued its long association with British athletics. In 1990 the hunt for commercial sponsorship was aided by the outstanding performances of the British team and its leading athletes.

Grand Slam Sports is an independent television production company which specialises in the television presentation of major events, principally in sport.

In 1990 it was awarded the prestigious contract to produce highlights of all English First Division football matches each weekend which are broadcast to more than 65 countries. In total *Grand Slam Sports* produced more than 200 hours of television in 1990.

Sports Management is a televised sports perimeter media group. In 1990 it acquired *Bernitz Farmer* and *CKG Signs*, making it, by far, the largest perimeter media group in the UK. The company has contracts with 85 per cent of English First Division soccer clubs and all rugby league clubs. The company has begun to expand internationally and worked extensively at the World Cup in Italy as well as for World Championship athletics events throughout Europe.

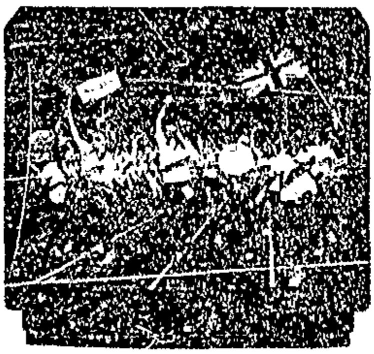
Bagenal Harvey Organisation (BHO) is our personality management company. Its clients including Michael Aspel, Richard Baker, Bobby Charlton, David Coleman, Cliff Morgan and Gerald Williams continue to appear regularly on British Radio and Television presenting programmes including "Grandstand", "Sportsnight", "Aspel and Company" and "A Question of Sport".

COMMONWEALTH GAMES

Record sponsorship of NZ$57 million was raised for the highly successful 1990 Commonwealth games in New Zealand. Following this success the contract has now been signed for the sponsorship rights to the 1994 Games in Victoria, Canada.

The original sponsorship target set by the Games organisers was NZ$20 million following the financial disaster of the 1986 Edinburgh Games. However escalating costs meant that income from other sources did not produce sufficient funds and additional sponsorship was required to help meet the shortfall.

The result was one of the most successful Games ever which was broadcast to 48 countries with the UK, Canada, Australia and New Zealand each taking over 100 hours of coverage.



DIRECTORS AND ADVISERS

Directors of Aegis Group plc
Peter J Scott
(Chairman and Chief Executive)
Gilles Gobin
Jacques Hérail
(Non-executive)
Charles Hochman
Frank S Law
(Non-executive)
Barbara L Manfrey
(Non-executive)
Alan P Pascoe
David S Reich
Charles R Stern

Secretary
Robert M J Andrews

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London SE1 9SY

Financial Advisers
Salomon Brothers International Limited
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0SB

J O Hambro Magan & Co. Limited
32 Queen Anne's Gate
London SW1H 9AB

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 1990.

Results and Dividends The profit and loss account is set out on page 24 and shows a profit for the financial year on ordinary activities of £42.1 million after deducting taxation of £25.7 million.

The Directors recommend a final dividend for the year of 3.1p (6 months to 31 December 1989 - 2.5p) per share which, if approved at the Annual General Meeting, will be paid on 3 July 1991 to Ordinary shareholders registered at 10 May 1991.

The retained profit for the year of £25.3 million is carried to reserves.

The Directors propose to give shareholders the opportunity of electing to receive fully paid new Ordinary shares instead of cash in respect of all or part of the dividend proposed for the year ended 31 December 1990 (and any interim dividend in respect of the year ending 31 December 1991).

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

Review of business and future developments A review of the business and likely future developments of the Group is given in the Chairman's Statement.

Fixed assets Information relating to changes in tangible fixed assets is given in Note 12 to the financial statements.

Research and development The Group is involved in media research and development in order to offer clients the most advanced media planning and buying methods. During the year the Group spent £8.5 million on research and development.

Insurance effected for Directors and Officers During the year the Company purchased an insurance contract on behalf of all Directors and Officers of Aegis Group plc against certain liabilities that may arise in relation to the Group.

Donations The Group made charitable donations of £96,000 during the year in the UK. There were no political donations.

Directors and Directors' interests The Directors of the Company in office at the end of the year, and their interests in the share capital of the Company, are given in Note 7 to the financial statements.

The following were appointed to the Board during the year:

C Hochman	30 May 1990
G Gobin	30 May 1990
D S Reich	30 May 1990
B L Manfrey (non-executive)	30 May 1990
P de Plas (non-executive)	30 May 1990
J Hérail (non-executive)	30 November 1990

The following resignations from the Board occurred during the year:

R Wight	30 May 1990
A D Rutherford	30 May 1990
G M Magan	30 May 1990
S M Olswang	30 May 1990
P de Plas	6 November 1990
A Biss	6 November 1990

A P Pascoe retires from the Board by rotation in accordance with the Company's Articles of Association and, being eligible, is proposed for re-election. A P Pascoe is subject to an agreement for services which expires on 18 June 1991.

Non-executive Directors F S Law CBE was appointed to the Board on 1 November 1987. He is a Director of NFC International Holdings Limited, Siemens plc and a number of other international companies.

B L Manfrey was appointed to the Board on 30 May 1990. She is a Managing Director of E M Warburg

Pincus & Co. International Limited, a non-executive director of Sterling Publishing Group plc and a non-executive director of a number of other companies.

J Herail was appointed to the Board on 30 November 1990. He is the Executive Vice President of Eurocom.

Substantial shareholdings The Directors of the Company have been notified of the following holdings amounting to 3% or more of the issued Ordinary share capital of the Company:

SFFC II	15.2%
Eurocom S.A.	14.8%
Warburg Pincus & Co.	6.6%

Share capital Details of the movements in authorised and issued share capital during the period are given in Note 19 to the financial statements.

Authority to allot shares Resolution 10 set out in the notice of Annual General Meeting renews the Directors' authority to allot the authorised but unissued share capital of the Company. It is current practice for listed companies to seek this authority from their shareholders annually.

Renewal is also sought for the disapplication of the pre-emption provisions of section 89(1) of the Companies Act 1985 so as to permit rights issues and small issues of shares for cash. Upon the passing of resolution 12, your Directors will have power until the date of the next Annual General Meeting of the Company to issue, for cash, equity securities with a nominal amount not exceeding £206,729 without further recourse to shareholders.

Except in relation to the existing share option schemes, or pursuant to commitments under previous acquisition or disposal agreements, or on conversion of preference shares, the Directors have no present intention of issuing any shares, whether for cash or otherwise. No issue will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

The powers conferred by resolutions 10 and 12 will continue in force until the next Annual General Meeting. It is proposed to renew both powers each year at the Annual General Meeting.

Authority for the Company to purchase its own shares The authority for the Company to purchase its own shares, which was granted at the last Annual General Meeting of the Company, expires on the date of the forthcoming Annual General Meeting. No purchases have been made to the date of this report and there are no outstanding contracts to purchase shares as of this date. It is proposed to seek a renewal of this authority to purchase up to 4,134,900 Ordinary shares and 397,000 5.5% Convertible Cumulative Redeemable Preference shares (approximately 5% of the present issued capital of those classes) at the forthcoming Annual General Meeting.

The maximum price at which any share may be purchased is the price equal to 5% above the average of the middle market quotations of such share as derived from the Daily Official List of The International Stock Exchange for the ten business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share.

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

Auditors A resolution to reappoint Price Waterhouse as auditors will be proposed at the Annual General Meeting.

By order of the Board

R M J Andrews

Secretary

9 April 1991

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1990

	Note	12 months to 31 December 1990 £000	[illegible]
Turnover	2	1,717,274	345,207
Direct cost of sales		1,558,926	291,698
Gross Income		158,348	53,509
Administrative expenses		87,171	45,667
		71,177	7,842
Other operating income	3	151	94
Share of profit from related companies		1,438	11,936
Interest receivable		7,126	1,143
		79,892	21,015
Interest payable	4	12,090	5,013
Profit on Ordinary Activities Before Taxation	2 5 6 7	67,802	16,002
Taxation on profit on ordinary activities	8	25,700	7,540
Profit on Ordinary Activities After Taxation		42,102	8,462
Extraordinary items	9	2,144	28,482
Minority interests		(6,839)	(2,387)
Profit for the Financial Year		37,407	34,557
Dividends	10	12,067	2,417
Retained Profit for the Financial Year	20	25,340	32,140
Profit/(Loss) for the Year Retained by			
Holding Company		(13,779)	(743)
Subsidiary companies		38,497	29,218
Related companies		622	3,665
		25,340	32,140
Earnings per Ordinary Share			
Basic	11	37.35	9.80p
Fully diluted	11	25.62	

[illegible]

		Group		Company	
	Notes	31 December 1990 £000	31 December 1989 £000	31 December 1990 £000	31 December 1989 £000
Fixed Assets					
Tangible assets	12	25,527	32,372	2,498	2,288
Investments	13	4,535	12,098	111,139	170,578
		30,062	44,470	113,637	172,866
Current Assets					
Work in progress		4,311	452	—	—
Debtors	14	315,440	290,031	165,155	106,071
Investments	15	3,516	5,133	1	—
Cash at bank and in hand		45,255	10,516	5,948	3,931
		368,522	306,132	171,104	110,002
Creditors					
Amounts falling due within one year	16	385,317	313,611	41,382	29,539
Net Current (Liabilities)/Assets		(16,795)	(7,479)	129,722	80,463
Total Assets Less Current Liabilities		13,267	36,991	243,359	253,329
Creditors					
Amounts falling due after more than one year	17	98,450	133,732	60,345	77,070
Provisions for Liabilities and Charges	18	1,312	2,441	—	—
Minority Interests		12,947	12,591	—	—
		(99,442)	(111,773)	183,014	176,259
Capital and Reserves					
Called-up share capital	19	5,897	5,518	5,177	4,798
Share premium account	20	130,209	126,353	58,929	55,073
Capital reserve	20	1,458	1,812	1,458	1,812
Revaluation reserve	20	—	—	22,023	21,254
Goodwill reserve	20	(307,386)	(304,345)	—	—
Merger reserve	20	—	—	80,408	92,655
Profit and loss account	20	70,380	58,889	15,019	667
		(99,442)	(111,773)	183,014	176,259

[illegible]

PJ Scott, C R Stern
Directors
9 April 1991

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31 December 1990

	12 months to 31 December 1990		[illegible] 31 December 1989	
	£000	£000	[illegible]	[illegible]
SOURCE OF FUNDS				
Profit on ordinary activities before taxation and extraordinary items		67,802		16,002
Extraordinary items (before taxation)		2,144		30,332
		69,946		46,334
Adjustment for items not involving the movement of funds				
Depreciation	3,849		1,988	
(Profit)/Loss on sale of fixed assets	(1,182)		56	
Profit before taxation retained in related companies	(1,438)		(11,936)	
Exchange translation adjustments	(20)		2,776	
		1,209		(7,116)
Total generated from operations		71,155		39,218
Funds generated from other sources				
Issue of Ordinary shares	4,235		52,290	
Issue of Convertible Preference shares by a subsidiary	–		72,000	
Sale of fixed assets	17,589		15,637	
Net movement in fixed asset investments	8,104		12,466	
Increase in long-term finance, excluding bank loans	681		48,829	
		30,609		201,222
		101,764		240,440
APPLICATION OF FUNDS				
Additions to tangible fixed assets	14,451		31,165	
Goodwill on acquisition of subsidiaries and related companies	15,749		204,517	
Repayment of loan stock	–		1,526	
Taxation paid	20,137		946	
Dividends paid	13,500		570	
Minority interests	6,021		(12,156)	
		69,858		226,568
		31,906		13,872
DECREASE/(INCREASE) IN WORKING CAPITAL				
Work in progress	(3,859)		(2,169)	
Debtors and prepayments	(24,858)		(206,622)	
Investments	1,617		(5,133)	
Creditors and accruals	30,481		194,086	
		3,381		(19,838)
INCREASE/(DECREASE) IN CASH, BANK AND LOAN BALANCES		35,287		(5,966)

See Note 21 for details of acquisitions during the year
The notes on pages [illegible] to [illegible] form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

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

Basis of consolidation. The consolidated financial statements incorporate the financial statements of Aegis Group plc and its subsidiaries from the date of acquisition made up to 31 December 1990. All significant inter-company balances and transactions are eliminated. The Group's results also include its share of attributable profits of related companies made up to 31 December 1990.

Goodwill. Goodwill, including any additional goodwill arising from the contingent capital payments set out in Note 22, is written off direct to reserves in the year in which it arises.

Related companies. Companies in which the Group has an interest comprising not less than 20 per cent of the voting capital, or over which it exerts significant influence are treated as related companies.

Turnover. Turnover represents the total of amounts invoiced to clients (exclusive of value added tax and intra-group transactions), in respect of fees, advertising media charges, advertising production costs and rechargeable expenses.

Recognition of revenue. Revenue is recognised when charges are made to clients, principally when advertisements appear in the media. Fees are recognised over the period of the relevant assignments or agreements.

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

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

Freehold Buildings	3% per annum
Long Leasehold and Short Leasehold	Over the period of the lease
Leasehold Improvements	10% per annum
Office Furniture, Fixtures & Equipment	10 – 20% per annum
Vehicles	10 – 25% per annum

Investments in subsidiaries are stated at cost less any amounts written off or valuation. Investments in related companies are included in the consolidated balance sheet at cost less goodwill plus share of post-acquisition retained profits.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

Leased assets. Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are split between capital and interest using the actuarial method. The interest is charged to the profit and loss account. The capital element reduces the amounts payable to the lessor.

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

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

With minor exceptions these schemes are financed with separate trustee administered funds or insurance companies. The Group's contributions are charged against profits of the year in which they become payable.

2. OPERATING PERFORMANCE BY SECTOR AND GEOGRAPHICAL ANALYSIS

	[illegible]		[illegible]	
Sector:	12 months to 31 December 1990 £000	[illegible]	12 months to 31 December 1990 £000	[illegible]
Media sponsorship	76,061	14,485	1,713,700	148,089
Group costs and other businesses	(8,259)	1,517	3,574	197,118
	67,802	16,002	1,717,274	345,207

	[illegible]		[illegible]	
Geographical analysis:	12 months to 31 December 1990 £000	[illegible]	12 months to 31 December 1990 £000	[illegible]
UK	(14,370)	(1,465)	50,971	53,153
Mainland Europe	81,111	18,149	1,661,717	139,165
USA and Pacific Basin	1,061	(682)	4,586	152,889
	67,802	16,002	1,717,274	345,207

3. OTHER OPERATING INCOME

	12 months to 31 December 1990 £000	6 months to 31 December 1989 £000
Rental income	86	93
Income from listed investments	40	1
Other income	25	—
	151	94

4. INTEREST PAYABLE

	12 months to 31 December 1990 £000	6 months to 31 December 1989 £000
On long term loans	—	3,209
On bank loans and overdrafts and other loans repayable within five years	10,958	1,673
Other	1,132	131
	12,090	5,013

5. EMPLOYEES

Staff costs consist of:

	12 months to 31 December 1990 £000	6 months to 31 December 1989 £000
Wages and salaries	33,100	24,076
Social security costs	6,331	1,528
Other pension costs	227	831
	39,658	26,435

The average number of full time employees of the Group during the year was as follows:

	12 months to 31 December 1990 Number	6 months to 31 December 1989 Number
Media sponsorship	1,281	245
Advertising/direct marketing	—	1,243
Other	127	248
	1,408	1,736

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is after charging/(crediting):

	12 months to 31 December 1990 £000	6 months to 31 December 1989 £000
Depreciation		
of owned fixed assets	3,845	1,824
of assets under finance leases	4	164
Operating lease rentals		
hire of plant and machinery	12	77
other	1,066	3,919
Auditors' remuneration and expenses	375	339
(Profit)/Loss on sale of tangible fixed assets	(1,182)	56
Provision against loan to related party	1,800	—

7. DIRECTORS' REMUNERATION

	12 months to 31 December 1990 £000	6 months to 31 December 1989 £000
Emoluments	1,621	981
Fees	159	80
Compensation for loss of office	600	125
Pension contributions	—	3
	2,380	1,189
Emoluments of Chairman (excluding pension contributions)	642	262

The number of other UK Directors whose remuneration (excluding pension contributions) fell in the following ranges was:

	12 months to 31 December 1990 Number	6 months to 31 December 1989 Number
Up to £5,000	5	—
£5,001 – £10,000	2	2
£15,001 – £20,000	—	1
£40,001 – £45,000	1	—
£50,001 – £55,000	1	—
£60,001 – £65,000	—	1
£75,001 – £80,000	—	1
£80,001 – £85,000	—	1
£100,001 – £105,000	—	1
£125,001 – £130,000	1	—
£135,001 – £140,000	1	1
£150,001 – £155,000	—	2
£155,001 – £160,000	1	—
£220,001 – £225,000	1	—
£380,001 – £385,000	1	—
	14	10

During the year, emoluments of £125,000 were paid to a former Director as part of his termination arrangements on resigning from office. In addition, emoluments of £768,823 (6 months to December 1989 - £481,000) were paid to three former Directors as part of their termination arrangements on resigning from office. These amounts were fully provided on the acquisition of HBM/Creamer, Inc. in July 1986 and the reorganisation of the US advertising interests in August 1988. A Biss received £500,000 on termination of her service agreement following the disposal of the Group's public relations business.

Under the terms of the Della Femina, McNamee WCRS, Inc. earnout arrangements, payments were made during the year to L McNamee and J Della Femina, former Directors of the Company. L McNamee received US$883,000 and J Della Femina received US$1,533,000 in cash. Each received US$500,000 in Ordinary shares.

7. DIRECTORS' REMUNERATION (continued)

The Directors of the Company in office at the end of the year, and their interests in the share capital of the Company, were as follows:

	[illegible]			[illegible]		
	31 March 1991	31 December 1990	31 December 1989	31 March 1991	31 December 1990	31 December 1989
Beneficial						
P J Scott	509,468	509,468	503,203	62,810	62,810	62,810
G Gobin	—	—	—	—	—	—
J Hérail	—	—	—	—	—	—
C Hochman	—	—	—	—	—	—
F S Law	2,099	2,099	2,033	—	—	—
B L Manfrey	—	—	—	—	—	—
A P Pascoe	266,479	266,479	266,479	—	—	—
D S Reich	—	—	—	—	—	—
C R Stern	3,000	3,000	3,000	—	—	—
Non-beneficial						
P J Scott	130,375	130,375	128,911	24,460	24,460	24,460
A P Pascoe	108,120	108,120	108,120	—	—	—

None of the Directors has any interest in the 5.1% Convertible Preference shares of 10p each.

The following Directors also held 9.75% Guaranteed Redeemable Convertible Preference shares 2004 of 1p each in Aegis (Netherlands Antilles) Finance N.V., a wholly-owned subsidiary of the Company, at 31 December 1990 and 31 March 1991.

	[illegible]	Non-beneficial
P J Scott	[illegible],635	152,114
C R Stern	3,000	—

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

	[illegible]	[illegible]	31 March 1991	31 December 1990	31 December 1989
P J Scott	225p-259p	1998-1999	775,000	775,000	775,000
C R Stern	225p-259p	1998-1999	350,000	350,000	350,000
D S Reich	170p	1994-2001	245,000	—	—
	170p	1996-2001	255,000	—	—
G Gobin (b) (c)	(a)	1993	481,928	481,928	—
C Hochman (c)	—	—	—	—	—

(a) Total exercise price fixed at FFr. 14,600,000.

(b) These options have not been granted pursuant to the Company's various share option schemes but are options over existing issued Ordinary shares.

(c) Pursuant to the acquisition of the remaining 50 per cent of Carat Holding S.A., described in the circular to shareholders dated 9th November, 1989, Aegis Group plc granted, *inter alia*, to each of G Gobin and C Hochman, options to exchange the shares resulting from the exercise of options granted to them in Carat Espace S.A., for Ordinary shares in Aegis Group plc calculated by reference to a fixed number of Aegis Group plc Ordinary shares. In the case of G Gobin, this is to be satisfied by the allotment and issue to him of 1,183,256 Ordinary shares and, in the case of C Hochman, by the allotment and issue to him of 2,366,512 Ordinary shares.

NOTES TO THE ACCOUNTS

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	12 months to 31 December 1990 £000	[illegible]
UK corporation tax at 35.0% (December 1989 – 35.0%) based on profit for the year	2,742	83
Overseas taxation	25,210	1,956
Transfer from deferred taxation	(2,252)	(2)
	25,700	2,037
Related companies – Overseas taxation	—	5,503
	25,700	7,540

9. EXTRAORDINARY ITEMS

	12 months to 31 December 1990 £000	[illegible]
Profit on disposal of the public relations business to Eurocom S.A.	4,143	–
Provision against investment in Finlan Group Plc	(1,999)	–
Profit on disposal of an interest in the advertising and direct marketing businesses to Eurocom S.A., net of tax of £1,850,000 payable at 35.0%	—	30,480
Costs associated with the reorganisation of the advertising and direct marketing businesses, net of tax relief of £596,000	—	(1,998)
	2,144	28,482

10. DIVIDENDS

	12 months to 31 December 1990		[illegible]	
	£000	£000	[illegible]	[illegible]
PREFERENCE				
5.5% Convertible Cumulative Redeemable Preference shares of 10p each		487		303
5.1% Convertible Cumulative Redeemable Preference shares of 10p each		127		63
9.75% Guaranteed Redeemable Convertible Preference shares of 1p each issued by a subsidiary		7,020		404
ORDINARY				
Interim dividend of 2.75p	1,977		N/A	
Final proposed dividend of 3.1p (December 1989 – 2.5p)	2,564		1,800	
Prior period overprovision	(108)		(153)	
		4,433		1,647
		12,067		2,417

11. EARNINGS PER ORDINARY SHARE

Basic. The calculation of earnings per Ordinary share is based on earnings net of tax, minority interests and preference dividends, but before extraordinary items, of £27,629,000 (1989 – £5,305,000) and an average number of Ordinary shares in issue during the year of 73,965,000 (1989 – 54,121,000).

Fully diluted. The calculation of fully diluted earnings per Ordinary share is based on earnings net of tax, but before preference dividends and extraordinary items, of £35,890,000 and an average number of shares of 140,099,000. The calculation of fully diluted earnings per share in both 1989 and 1990 reflects the effect of preference share conversion rights, rights of exercise under the Company's share option schemes and future share issues to the vendors of Carat, estimated at the Company's price at 31 December 1990 of 131p per Ordinary share.

Earnings include £627,000 being the effect of the exercise of conversion rights under the Company's share option schemes.

12. TANGIBLE FIXED ASSETS

Group:	Freehold Land & Buildings £000	Long Leasehold £000	Short Leasehold £000	Leasehold Improvements £000	Office Furniture Fixtures & Equipment £000	Vehicles £000	Total £000
Cost at beginning of year	14,848	—	977	2,115	16,040	7,743	41,753
In subsidiaries acquired	—	2	—	248	1,760	355	2,365
Additions	118	—	120	280	12,418	488	13,424
Disposals	(13,342)	—	(5)	(1,614)	(5,220)	(387)	(20,568)
Exchange rate adjustments	(251)	—	—	(204)	(937)	(299)	(1,691)
At 31 December 1990	1,373	2	1,092	855	24,061	7,900	35,283
Depreciation at beginning of year	102	—	46	572	6,342	2,319	9,381
In subsidiaries acquired	—	—	—	108	1,106	124	1,338
Provided for the year	138	—	59	139	2,508	1,005	3,849
Disposals	(55)	—	(26)	(452)	(3,487)	(141)	(4,161)
Exchange rate adjustments	(63)	—	—	(69)	(407)	(112)	(651)
At 31 December 1990	122	—	79	298	6,062	3,195	9,756
Net book value at 31 December 1990	1,251	2	1,013	557	17,999	4,705	25,527
Net book value at 31 December 1989	14,746	—	931	1,573	9,698	5,424	32,372

The net book value of assets held under finance leases included in the above at 31 December 1990 is £101,000 (31 December 1989 - £175,000).

Company:	Freehold Land & Buildings £000	Long Leasehold £000	Short Leasehold £000	Leasehold Improvements £000	Office Furniture Fixtures & Equipment £000	Vehicles £000	Total £000
Cost at beginning of year	104	—	505	32	285	1,544	2,470
Additions	—	—	120	14	525	90	749
Disposals	—	—	(5)	(46)	(321)	(112)	(484)
At 31 December 1990	104	—	620	—	489	1,522	2,735
Depreciation at beginning of year	4	—	26	1	81	70	182
Provided for the year	—	—	31	2	79	153	265
Disposals	(4)	—	(26)	(3)	(126)	(51)	(210)
At 31 December 1990	—	—	31	—	34	172	237
Net book value at 31 December 1990	104	—	589	—	455	1,350	2,498
Net book value at 31 December 1989	100	—	479	31	204	1,474	2,288

Capital commitments:	Group 31 December 1990 £000	Group 31 December 1989 £000	Company 31 December 1990 £000	Company 31 December 1989 £000
Contracted but not provided	92	310	—	—
Authorised but not contracted for	—	700	—	500

13. FIXED ASSET INVESTMENTS

Group	Related Companies: Share of Tangible Net Assets £000	Other Investments: UK Listed £000	Other Investments: Unlisted £000	Total Investments £000
At the beginning of year	3,438	29	8,631	12,098
Additions	172	—	1,684	1,856
Goodwill written-off	(1,647)	—		(1,647)
Profit retained in related companies	622	—	—	622
Disposals	(24)	—	(8,001)	(8,025)
Provisions	—	(28)	(260)	(288)
Exchange movements	(16)	—	(65)	(81)
At 31 December 1990	2,545	1	1,989	4,535

Company	Shares in Subsidiary Companies £000	Shares in Related Companies £000	Other Investments: UK Listed £000	Other Investments: Unlisted £000	Total Investments £000
Valuation at beginning of year	135,643	27,706	29	7,200	170,578
Additions	1,101	1,461	—	—	2,562
Provisions	—	(1,705)	(27)	—	(1,732)
Disposals	(53,068)	—	(1)	(7,200)	(60,269)
Valuation 31 December 1990	83,676	27,462	1	—	111,139

The Directors have valued fixed asset investments of the Company at 31 December 1990 on an earnings basis and this valuation has been incorporated in the financial statements.

Included in other investments in both Group and Company are UK listed investments with a market value at 31 December 1990 of £58,000 (31 December 1989 – £150,000).

Principal subsidiaries:	Principal Country of Incorporation and Operation	Class of Share	Effective Interest in Issued Share Capital	Nature of Business
Carat	Austria	Ordinary	100%	Media buying and planning
	Belgium			
	Denmark			
	Eastern Europe			
	Finland			
	France			
	Germany			
	Holland			
	Italy			
	Norway			
	Spain			
	Sweden			
	UK			
	USSR			
Alan Pascoe International	UK	Ordinary	100%	Sponsorship
	USA			
	New Zealand			

13. FIXED ASSET INVESTMENTS (continued)

Related companies:	Principal Country of Incorporation and Operation	Class of Share	Effective Interest in Issued Share Capital	Nature of Business
TMD Advertising Holdings plc	UK	Ordinary*	29.9%	Media buying and planning
Eurocom WCRS Della Femina Ball Limited	UK	Ordinary	40.0%	Advertising & direct response
	USA			
	Australia			
	Hong Kong			
	Singapore			
	Thailand			
	Malaysia			
	New Zealand			
	Taiwan			

* The Group financial statements incorporate the Group share of the profits of TMD Advertising Holdings plc for the year ending 31 August 1990

14. DEBTORS

	Group		Company	
	31 December 1990 £000	31 December 1989 £000	31 December 1990 £000	31 December 1989 £000
Trade debtors	221,910	202,723	247	41
Amounts due from group companies	—	—	160,525	101,701
Amounts due from related companies	692	1,264	46	590
Other debtors	86,038	83,850	3,186	3,070
Advance corporation tax recoverable	1,151	600	1,151	600
Prepayments and accrued income	5,649	1,594	—	69
	315,440	290,031	165,155	106,071

Other debtors include an interest bearing loan of £46,000 (31 December 1989 – nil) outstanding from a Director of a subsidiary company. All amounts under debtors fall due for payment within one year.

15. CURRENT ASSET INVESTMENTS

	Group		Company	
	31 December 1990 £000	31 December 1989 £000	31 December 1990 £000	31 December 1989 £000
Other investments (unlisted – stated at cost)	3,516	5,133	1	—

16. CREDITORS

Amounts falling due within one year:	Group 31 December 1990 £000	Group 31 December 1989 £000	Company 31 December 1990 £000	Company 31 December 1989 £000
Bank loans and overdrafts	41,891	6,476	10,430	—
Trade creditors	227,935	191,927	—	—
Finance leases and hire-purchase contracts	83	40	—	—
Amounts due to group companies	—	—	501	—
Amounts due to related companies	703	118	—	—
Creditors for taxation and social security	4,845	3,838	—	44
Corporation tax	11,058	3,815	—	600
Dividends payable	2,799	4,232	2,799	3,828
Other creditors	88,940	95,738	26,830	24,865
Accruals and deferred income	7,063	7,427	822	202
	385,317	313,611	41,382	29,539

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

17. CREDITORS

Amounts falling due after more than one year:	Group 31 December 1990 £000	Group 31 December 1989 £000	Company 31 December 1990 £000	Company 31 December 1989 £000
Bank loans and overdrafts	40,159	76,122	60,345	76,122
Finance leases and hire-purchase contracts	24	251	—	—
Other creditors	58,267	57,359	—	948
	98,450	133,732	60,345	77,070

Bank loans and overdrafts are represented by a multi-currency Term Loan and Revolving Credit Facility, which are secured by a floating charge over the shares of certain subsidiaries. Included in the Term Loan are amounts totalling £43,594,000 repayable in ten equal instalments between August 1991 and November 1995. £4,359,000 is included within Creditors due within one year.

All obligations under finance leases and hire-purchase contracts will be discharged between one and five years from the date of the balance sheet.

There are no amounts in other creditors (December 1989 – £793,000) repayable in instalments more than five years from the date of the balance sheet. Other creditors include deferred payments totalling £48,200,000 (December 1989 – £50,731,000) payable to the vendors of Carat Holding S.A.

18. PROVISIONS FOR LIABILITIES AND CHARGES: DEFERRED TAXATION

	Group £000	Company £000
At beginning of year	2,441	—
Credited to profit and loss account	(2,252)	—
In subsidiaries acquired	1,158	—
Other	(35)	—
At 31 December 1990	1,312	—

Analysis of deferred taxation:	Group		Company	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	67	—	—	—
Other timing differences	1,245	—	—	—
	1,312	—	—	—

19. SHARE CAPITAL

	31 December 1990 £000	31 December 1989 £000
Authorised:		
160,000,000 (December 1989 – 160,000,000) Ordinary shares of 5p each	8,000	8,000
19,000,000 (December 1989 – 19,000,000) 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each	1,900	1,900
6,000,000 (December 1989 – 6,000,000) 51.1% Convertible Cumulative Redeemable Preference shares of 10p each	600	600
	10,500	10,500
Allotted, called-up and fully paid:		
82,691,501 (December 1989 – 71,954,680) Ordinary shares of 5p each	4,135	3,598
7,941,495 (December 1989 – 9,520,770) 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each	794	952
2,482,788 (December 1989 – 2,482,788) 51.1% Convertible Cumulative Redeemable Preference shares of 10p each	248	248
Called-up share capital of the Company	5,177	4,798
72,000,000 (December 1989 – 72,000,000) 9.75% Guaranteed Redeemable Convertible Preference shares 2004 of 1p each issued by a subsidiary	720	720
	5,897	5,518

On 4 January 1990, 103,557 Ordinary shares of 5p each were issued to shareholders who elected to receive shares instead of cash in respect of the final dividend payable for the fourteen months ended 30 June 1989.

On 24 January 1990, 40,000 Ordinary shares of 5p each were issued for a total of £53,600 pursuant to the exercise of share options.

On 1 May 1990, 200,000 Ordinary shares of 5p each were issued for a total of £268,000 pursuant to the exercise of share options.

On 15 May 1990, 1,120,633 Ordinary shares of 5p each were issued for a total of FFr. 34 million as consideration in connection with the acquisition of Media Centre International S.A..

On 1 June 1990, 252,865 Ordinary shares of 5p each were issued for a total of £615,728 as deferred consideration in connection with the acquisition of Siebert/Head Limited.

19. SHARE CAPITAL (continued)

On 3 July 1990, 209,1[illegible] Ordinary shares of 5p each were issued to shareholders who elected to receive shares instead of cash in respect of the final dividend payable for the six months ended 31 December 1989.

On 20 August 1990 (i) 20,000 Ordinary shares of 5p each were issued for a total of £33,700 and (ii) 5,000 Ordinary shares of 5p each were issued for a total of £10,050, pursuant to the exercise of share options.

On 31 August 1990, 139,534 Ordinary shares of 5p each were issued for a total of £299,998 in connection with the acquisition of Bemritz Farmer Limited.

On 3 September 1990, 655,400 Ordinary shares of 5p each were issued on conversion of 1,579,275 5.5% Convertible Cumulative Redeemable Preference shares 1999 of 10p each.

On 10 October 1990, 117,259 Ordinary shares of 5p each were issued to shareholders who elected to receive shares instead of cash in respect of the interim dividend payable for the year ended 31 December 1990.

On 17 October 1990, 520,840 Ordinary shares of 5p each were issued for a total of US$1.85 million in connection with the disposal of the public relations division.

On 7 December 1990, 266,160 Ordinary shares of 5p each were issued for a total of US$1 million as deferred consideration in connection with the acquisition of Della Femina, McNamee WCRS, Inc.

On 14 December 1990, 7,086,168 Ordinary shares of 5p each were issued for a total of FFr125 million as deferred consideration in connection with the acquisition of the remaining 51% of Carat Holding S.A.. Relief under Section 131 Companies Act 1985 has been taken on the share premium arising on this issue.

Under the executive share option scheme there were at 31 December 1990, 2,920,000 Ordinary shares of 5p each over which the participants have the right to exercise options at prices ranging from 147p to 315p, exercisable between that date and 16 December 2000.

The 5.5% Convertible Cumulative Redeemable Preference shares 1999 are convertible into fully paid Ordinary shares in each of the years 1993 to 1998 on the basis of 2.075p in nominal amount of Ordinary shares for every 10p in nominal amount of 5.5% Convertible Cumulative Redeemable Preference shares 1999 so converted.

The 5.1% Convertible Cumulative Redeemable Preference shares are convertible into fully paid Ordinary shares on any working day after the second anniversary of their date of issue and before the fifth anniversary of their date of issue on the basis of 1.923p in nominal amount of Ordinary shares for every 10p in nominal amount of 5.1% Convertible Cumulative Redeemable Preference shares so converted.

The 9.75% Guaranteed Redeemable Convertible Preference shares 2004 of 1p each issued by a subsidiary — Aegis (Netherlands Antilles) Finance N.V. — are guaranteed on a subordinated basis by the Company. These shares are convertible into Ordinary shares of the Company from 16 July 1990 to 4 December 2004 at the option of the shareholder at a price of 312p per Ordinary share. The shares will be redeemed on 11 December 2004 unless previously converted, redeemed or purchased and cancelled.

20. RESERVES

Group:

	Share Premium Account £000	Capital Reserve £000	Revaluation Reserve £000	Goodwill Reserve £000	Merger Reserve £000	Profit & Loss Account £000
At beginning of year	126,353	1,812	—	(304,345)	—	58,889
Premium on Ordinary shares issued by the Company, less expenses	3,856	—	—	—	—	—
Goodwill realised on disposal	—	—	—	12,708	—	(12,708)
Goodwill arising in the year written-off	—	(354)	—	(21,076)	—	—
Exchange translation	—	—	—	5,327	—	(1,141)
Retained profit for the year	—	—	—	—	—	25,340
At 31 December 1990	130,209	1,458	—	(307,386)	—	70,380

Goodwill arising in the year is attributable mainly to the acquisition of Agda Holding AG, the purchase of the minority interest in a French subsidiary and deferred consideration payments (see Note 21).

Company:

At beginning of year	55,073	1,812	21,254	—	92,655	667
Premium on Ordinary shares issued, less expenses	3,856	—	—	—	—	—
Merger reserve arising on acquisition of subsidiaries	—	(354)	—	—	16,653	—
Transfers	—	—	769	—	(28,900)	28,131
Retained loss for the year	—	—	—	—	—	(13,779)
At 31 December 1990	58,929	1,458	22,023	—	80,408	15,019

The Company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The losses dealt with in the accounts of the Company were £[illegible],000 (6 months to December 1989 – profit £1,270,000).

In presenting the figures for the Company's investments in subsidiary and related companies the Directors have adopted the alternative accounting rules under the terms of Schedule 4 Part II Section C to the Companies Act 1985 and have revalued these assets at 31 December 1989.

Accordingly and as provided in section 275 of the Companies Act 1985, any diminution in value of investments in subsidiaries and related companies included in the overall net valuation surplus of £22,023,000 does not fall to be treated as a realised loss and therefore is not regarded as reducing distributable reserves.

On 30 November 1987 the Company obtained High Court permission to reduce the share premium account by £28,900,000 by the creation of a special reserve.

Subsequently shares have been issued to an amount in excess of £28,900,000. Under the terms of the High Court order the special reserve may be reduced from £28,900,000 to zero and this amount treated as realised profits and as a distributable reserve of the Company for the purposes of Section 264 of the Companies Act 1985.

A capital reserve has been established in respect of the deferred payments to be paid to the Catet Vendors in the period to 1993. These payments can be settled in either cash or shares at the Company's discretion. The capital reserve represents the nominal value of shares required to discharge the remaining liability based upon the Ordinary share price at 31 December 1990.

21 ACQUISITIONS

The following table indicates the major categories of assets and liabilities in respect of the acquisition of Agda Holding AG, and the buyout of a number of minorities by Carat Espace S.A., together with the adjustments made in ascribing fair values to such assets and liabilities.

	[illegible]	[illegible]	[illegible]	[illegible]
Intangible fixed assets	2,190	(2,190)	—	—
Tangible fixed assets	1,027	—	—	1,027
Fixed asset investments	9	—	—	9
Debtors	32,837	—	—	32,837
Other assets	7,895	—	—	7,895
Creditors and provisions	(41,900)	—	(282)	(42,182)
Minority interests	3,071	—	—	3,071
				2,657
Goodwill				15,749
				18,406
Consideration				
— Issue of ordinary shares				551
— Cash movements				14,829
				15,380
Deferred payments and exchange movements in respect of prior period acquisitions				3,026
				18,406

22. CONTINGENT LIABILITIES AND OTHER COMMITMENTS NOT PROVIDED

Additional capital payments may be made to the vendors of certain subsidiaries and related companies in the years to 2005. Such payments are contingent on the future levels of profits achieved by the companies or in certain circumstances, the fulfilment of employment agreements. The Directors estimate that, at the rates of exchange ruling at the balance sheet date, the maximum liability at 31 December 1990 for payments that may be due is as follows:

	£000
Within one year	14,829
Between one and five years	24,489
Over five years	10,000
	49,318

At the Group's discretion, up to £22,700,000 of the contingent payments may be discharged in the form of Ordinary shares.

Guarantees of £9,500,000 (December 1989 – £Nil) have been given by the parent company on behalf of its subsidiaries together with other guarantees and contingencies arising in the normal course of business.

Legal action has been taken against companies in the Group by Caspers & Woosnam in respect of the Group's involvement in its US Soccer venture. Preliminary legal advice has been obtained and has indicated that this action is unlikely to succeed.

At 31 December 1990, there were the following commitments in respect of non-cancellable operating leases for the following year:

	Group		Company	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases that expire:				
Within one year	—	159	—	63
Between one and five years	587	163	—	117
Over five years	925	—	—	—
	1,512	322	—	180

Price Waterhouse

TO THE MEMBERS OF AEGIS GROUP plc

We have audited the financial statements on pages 24 to 41 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1990 and of the profit and source and application of funds of the Group for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Southwark Towers,
32 London Bridge Street,
London SE1 9SY
9 April 1991

	12 months to 30 April 1987 £000	12 months to 30 April 1988 £000	14 months to 30 June 1989 £000	6 months to 31 December 1989 £000	**12 months to 31 December 1990 £000**
Turnover	331,148	407,687	568,867	345,207	**1,717,274**
Profit before tax	10,108	18,253	38,102	16,002	**67,802**
Tax charge	4,002	6,214	16,756	7,540	**25,700**
Profit after tax	6,106	12,039	21,346	8,462	**42,102**
Extraordinary items	—	(283)	(1,945)	28,482	**2,144**
Retained profit	4,338	8,104	9,653	32,140	**25,340**
Earnings per Ordinary share (basic)	17.59p	23.44p	29.91p	9.80p	**37.35p**
Dividends per Ordinary share	3.04p	3.95p	5.00p	2.50p	**5.85p**

5 March 1991 Preliminary announcement of full year results.

15 April 1991 Publication of annual report.

31 May 1991 Annual General Meeting.

3 July 1991 Payment of final dividend.

PROFORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1990

	12 months to 31 December 1990 £000	*12 months to 31 December 1989 (unaudited) £000*
Turnover	1,717,274	592,563
Direct cost of sales	1,558,926	492,330
Gross Income	158,348	100,233
Administrative expenses	87,171	83,171
	71,177	17,062
Other operating income	151	227
Share of profit from related companies	1,438	30,444
Interest receivable	7,126	1,716
	79,892	49,449
Interest payable	12,090	8,951
Profit on Ordinary Activities Before Taxation	67,802	40,498
Taxation on profit on ordinary activities	25,700	18,313
Profit on Ordinary Activities After Taxation	42,102	22,185
Extraordinary items	2,144	27,577
Minority interests	(6,839)	(6,264)
Profit for the Financial Period	37,407	43,498
Dividends	12,067	4,897
Retained Profit for the Financial Period	25,340	38,601
Earnings per Ordinary Share		
Basic	37.35p	28.00p
Fully diluted	25.62p	24.91p

This table does not form part of the audited financial statements

PROFORMA FINANCIAL HISTORY

	12 months to 30 April 1987 £000	*12 months to 30 April 1988 £000*	*14 months to* 31 December 1988 £000*	*12 months to* 31 December 1989 £000*	12 months to 31 December 1990 £000
Turnover	331,148	407,687	544,777	592,563	1,717,274
Profit before tax	10,108	18,253	24,332	40,498	67,802
Tax charge	4,002	6,214	9,635	18,313	25,700
Profit after tax	6,106	12,039	14,697	22,185	42,102
Extraordinary items	—	(283)	(1,023)	27,577	2,144
Retained profit	4,338	8,104	7,773	38,601	25,340
Earnings per Ordinary share (basic)	17.59p	23.44p	23.51p	28.00p	37.35p
Dividends per Ordinary share	3.04p	3.95p	4.25p	5.85p	5.85p

**Unaudited periods*

Notice is hereby given that the Annual General Meeting of the Company will be held at 10.30am on 31 May 1991 at 2 Eaton Gate, London SW1 for the purpose of transacting the ordinary business of the Annual General Meeting set out in resolutions 1 to 9, and special business, when resolutions 10 and 11 will be proposed as ordinary resolutions and resolutions 12 and 13 as special resolutions.

Ordinary business

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the year ended 31 December 1990 and the Auditors' Report thereon;

2. To declare a dividend;

3. To re-elect as a Director of the Company A P Pascoe who retires by rotation and, being eligible, offers himself for re-election;

4. To re-elect as a Director of the Company G Gobin who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for re-election;

5. To re-elect as a Director of the Company J Hérail who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for re-election;

6. To re-elect as a Director of the Company C Hochman who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for re-election;

7. To re-elect as a Director of the Company B L Manfrey who was appointed since the last Annual General Meeting of the Company and, being eligible, offers herself for re-election;

8. To re-elect as a Director of the Company D S Reich who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for re-election;

9. To appoint Price Waterhouse as Auditors of the company, and to authorise the Directors to fix their remuneration.

Special business

Ordinary resolutions.

10. That the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £1,378,333, such authority expiring on the date of the next Annual General Meeting of the Company unless previously revoked or varied by the Company in general meeting, save that the Directors may allot relevant securities pursuant to this authority after that date pursuant to an offer or agreement made by the Company on or before that date;

11. That:

(a) pursuant to the provisions of the Articles of Association of the Company, the Directors of the Company be and they are hereby authorised and empowered to grant to holders of Ordinary shares in the Company the right to take their dividends wholly or partly by way of new Ordinary shares credited as fully paid rather than in cash in respect of all dividends payable before the next Annual General Meeting of the Company;

(b) an amount equal to that part of the final dividend declared in respect of the year ended 31 December, 1990 which, apart from this resolution, would be paid on 3 July 1991 to those holders of Ordinary shares registered at the close of business on 10 May 1991 who have elected to receive Ordinary shares instead of, or together with, a cash dividend, be applied in paying up in full new Ordinary shares of 5 pence each in the capital of the Company by way of capitalisation of monies standing to the credit of the reserves of the Company;

(c) such new shares be issued and allotted, credited as fully paid up, to those holders of Ordinary shares entitled who have so elected so that such new shares shall rank pari passu in all respects with the existing issued Ordinary shares of the Company except that they shall not rank for payment of the said final dividend on 3 July 1991;

(d) the provisions of sub-paragraphs (b) and (c) of this resolution shall apply, mutatis mutandis, to any interim dividend declared in respect of the period commencing 1 January 1991.

Special resolutions

12. That subject to the passing of resolution 10 set out in this notice of meeting, the directors of the Company be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the said resolution 10 as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited

(a) to the allotment of equity securities in connection with a rights issue in favour of all holders of relevant equity securities where the equity securities respectively attributable to the interests of all holders of relevant equity securities are proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them provided that the directors may make such exclusions or other arrangements in respect of any legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory and in respect of fractional entitlements as they consider necessary or convenient; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £206,729,

and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

13. That the authority granted to the Company on 14 March 1988 be renewed and accordingly the Company be and it is hereby authorised to purchase its Ordinary shares and its 5.5% Convertible Cumulative Redeemable Preference shares by way of market purchase (as defined in section 163 of the Companies Act 1985) upon and subject to the following conditions:

(a) the maximum number of shares which may be purchased is 4,134,900 Ordinary shares of 5p each and 397,300 5.5% Convertible Cumulative Redeemable Preference shares 1999 of 10p each;

(b) the maximum price at which any share may be purchased is the price equal to 5% above the average of the middle market quotations of such share as derived from the Daily Official List of The International Stock Exchange for the ten business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share; and

(c) the authority to purchase conferred by this resolution shall expire on the date of the next Annual General Meeting provided that any contract for the purchase of any shares as aforesaid which was concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires.

By Order of the Board

R M J Andrews, Secretary
6 Eaton Gate
London SW1W 9BL

Dated the 15th day of April 1991

Notes

1 Members entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A proxy form is enclosed for your use and, if used, should be deposited with the Company's Registrars (The Royal Bank of Scotland plc, PO Box [illegible], Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG) not less than 48 hours before the time appointed for the holding of the Meeting. Completion of the proxy will not affect the right of a member to attend and vote at the Meeting.

During the period from the date of this Notice until the date of the Meeting, there will be available for inspection at 6 Eaton Gate, London SW1W 9BL during normal business hours on any weekday (Saturdays and public holidays excepted) and on the date of the Meeting until the completion of the Meeting:

(a) Copies of all Directors' service contracts with the Company

(b) Register of transactions of Directors and their family interests in the shares of the Company up to and including the date of this Notice

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