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AEGIS

Aegis Group plc

Annual Report

and Accounts

1991

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AEGIS IS THE HOLDING COMPANY FOR THE WORLD'S LARGEST GROUP OF MEDIA SPECIALISTS.

THE GROUP'S OPERATING COMPANIES SERVE CLIENTS THROUGH MEDIA RESEARCH, MEDIA PLANNING AND BUYING, AND SPONSORSHIP.

AEGIS COMPANIES ARE MARKET LEADERS AND COMBINE THE POWER OF VOLUME BUYING WITH MEDIA EXPERTISE BASED ON AN UNMATCHED INVESTMENT IN RESEARCH AND ANALYSIS TO PROVIDE CLIENTS WITH COST-EFFECTIVE ACCESS TO TARGET AUDIENCES.

AEGIS IS DEDICATED TO CREATING WEALTH FOR ITS SHAREHOLDERS BY RECRUITING AND TRAINING THE BEST PEOPLE, AND BY CONTINUING TO WIN MARKET SHARE THROUGH SUPERIOR CLIENT SERVICE.

AEGIS HAS INVESTED, AND WILL CONTINUE TO INVEST, IN KEEPING ITS OPERATING COMPANIES IN A POSITION OF LEADERSHIP TO SERVE CLIENTS IN THE CONSTANTLY CHANGING AND GROWING MEDIA MARKET PLACE.

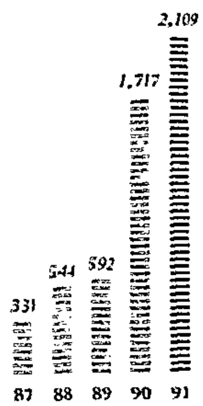
THE MAIN OPERATING BUSINESS OF AEGIS IS CARAT — EUROPE'S LEADING MEDIA STRATEGY, PLANNING AND BUYING NETWORK.

CHAIRMAN'S STATEMENT

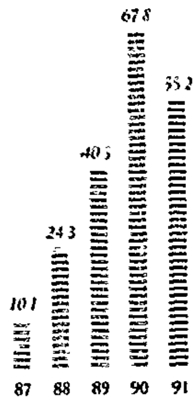
rapid growth of the Carat network, and increased the Group's investment in research, despite the downturn in advertising expenditure. Now the main building phase of Carat is over, the focus will be on improving operating efficiencies, and in this context, we will be investigating the scope for reductions in overheads in the year ahead.

Fully diluted earnings per ordinary share are 18.2 pence against 25.6 pence last year. The reduction reflects both the decline in pre-tax profits and the number of new shares issued during the year. Initiatives were taken during 1991 to make early payment of some of the future liabilities to vendors in shares. These shares were issued at an average price of 200 pence. This has reduced uncertainty in respect of future share issues.

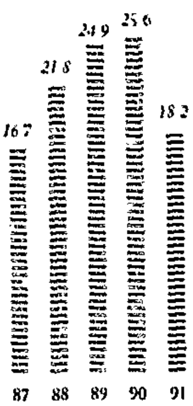
The directors have recommended an unchanged final dividend of 3.1 pence making 5.85 pence for the full year – the same as last year.



Turnover
(£m)



Profit before tax
(£m)



Earnings per share
(pence fully diluted)

Development of Carat Group

Despite the difficult market we have been able to drive ahead with the development of Carat and the past year has seen considerable advances in bringing all the Carat companies together to form one unified, closely coordinated network.

A European Operating Board was created in June. It meets regularly and is one of the mechanisms which ensures the national Carat companies are brought closer together to the benefit of national and international clients.

After the year end in March 1992 David Reich and Thierry Vial Collet were appointed as joint Chief Operating Officers of Carat.

The accounting systems of Carat companies are being harmonised and common operating procedures adopted.

We also continued with our policy of buying in minority holdings. In the UK we acquired the remaining 70 per cent of TMD Holdings in the summer. Since then the company, now renamed Carat UK, has been fully integrated into the Carat network and has enjoyed its most successful year ever.

In France we increased our holdings in Moins and 2010 Media, two of the largest subsidiaries of Carat France, to 100 per cent and 95 per cent respectively. We acquired Alverta - a Paris-based media specialist - and opened our first regional office in Lyon.

In Spain we increased our holding in Carat España from 50 per cent to 75 per cent before announcing the merger with Publintegral - the number two media specialist in Spain. When formally completed this merger will greatly increase our market share but will reduce our holding in the new company to 50 per cent with the remaining shares being held by local partners.

In Scandinavia and Finland the companies we acquired have been re-named as Carat and are investing in building their skills in understanding the television market ahead of the expected rapid development of commercial television.

In Belgium we have greatly strengthened our market position by merging the national Carat company with the next largest media specialist -- Crystal -- to give us a market share of 17 per cent. Carat owns 52 per cent of the new company.

In Italy we acquired a stake in Spazio Media in Padua and this, combined with new business meant our billings were up by 36 per cent in the year.

At the start of the year we launched a new venture in Greece - Carat Hellas. This is now firmly established as the country's leading, independent specialist and reported a profit in its first year.

In March we started up HMS/Carat Austria and have made additional investments in its research skills.

Finally, during the year, we opened offices in Prague, Budapest and Warsaw and continued to develop our office in Moscow to give us access to these emerging markets. We expect this initiative to remain in an investment phase for the next year.

Business Development

1991 was another year of strong new business performance by Carat which won net new accounts (after deducting any account losses) with annualized billings of US$520 million bringing the two year total to over US$1 billion. The portion of this which was billed during 1991 plus new business won in 1990 helped to increase Carat's share of the US$50 billion European advertising market to over 10 per cent.

Following the mergers in Spain and Belgium and the new business won during 1991 we go into 1992 with a pro forma market share of 12 per cent – a step closer to our goal of obtaining a 15 per cent share of the European market by the mid 1990's.

Major new Carat assignments include work from Fiat, Ferrero, Nissan, Tandon, Total Oil and United Distillers. The appointment of Carat by The Walt Disney Company to handle media planning and buying for four of its divisions in 21 markets is of particular significance as it was the first appointment by a client for the whole of the Carat network at once.

Carat Research is now firmly established on a Europe wide basis with each company contributing expertise and benefitting from centrally controlled projects. Carat is constantly refining research products like Estimat and Foretel which forecast television audiences and Quartz and Diamant which manage media budgets. These products are being introduced in all markets where they are useful to clients. Last year we spent £9.5 million on research and development, a 12 per cent increase on 1990.

Financial Development

In June we raised £27.5 million (after payment of expenses) through the issue of 11.5 million new equity units. Each unit, which was priced at 260 pence, comprised one Aegis ordinary share and one warrant to subscribe for a further share at 315 pence. The majority of the units were placed with affiliates of Warburg, Pincus & Co., who held just under 15 per cent of the company's ordinary shares at the end of the year.

Aegis has to make a series of deferred payments in cash and shares to the vendors of some acquired companies. The bulk of these payments are to the vendors of Carat Espace. In June, we restructured part of these deferred payments by issuing 12.5 million Aegis ordinary shares at 200 pence per share in payment of the two tranches originally scheduled for December 1991 and 1992.

During the year we paid the vendors of acquired companies £17.6 million in cash in settlement of deferred liabilities and £7.4 million in cash in settlement of performance related, contingent liabilities.

At the year end the total outstanding to be paid to the vendors of acquired companies in cash and shares was £81 million – this includes the new liabilities of £13 million taken on during the year. The comparable figure at the end of 1990 was £118 million – a reduction of £37 million during the year.

In September we broadened the equity base by listing the Group's shares on the Paris Bourse and issued 2.6 million new ordinary shares at 206 pence which raised £5 million after expenses.

Peter Scott with Gilbert Gross and Kai Hiemstra during a Carat board meeting in Paris

Despite the drop in operating profits, our gross interest cover was 6 times and the net debt at the year end was £36 million compared to £37 million at the end of 1990. Whilst the reduction of debt remains a long-term management goal the need to invest in the development of the Group and to obtain improved operating efficiencies will lead to an increase of debt in the year ahead.

Eurocom

In July we agreed with Eurocom to cease development of a pan-European joint media planning and buying venture. This followed the refusal of the French authorities to give permission for the joint venture to operate in France. Eurocom agencies remain as clients in Italy, Spain and Belgium for 1992.

Aegis still retains a 40 per cent passive investment in the advertising group EWDB which is 60 per cent owned by Eurocom who have full management control. In the past year EWDB has recorded substantial losses.

Group Management

In May, Charles Hochman was appointed executive Deputy Chairman of Aegis and Frank Law became non-executive Deputy Chairman. John Vogelstein, the Vice Chairman of Warburg, Pincus & Co. joined the Aegis Board in July replacing Barbara Manfrey who had been their representative.

In February, after the year end, Thierry Vial Collet was appointed to the Board having joined the Group in October as Chief Executive of Carat France.

In March 1992, we announced our Group Finance Director, Charles Stern, was leaving in June to become Finance Director of United Newspapers plc. In the six years Charles has been with Aegis, he has made a significant contribution to the Group and on behalf of the Aegis board, I would like to thank him and wish him well in his new company.

The Future

In my last report to shareholders, in July 1991, I warned of the difficult times to come. These have already been experienced in 1991 and, at the time of writing, the prospects for European advertising in 1992 are for relatively low growth in spending. In the early months of 1992 we have seen no real improvement in expenditure patterns in our main markets. Carat forecasts real growth of under 2 per cent in the 16 main European markets, and in this environment of low overall growth, we expect competitive pressures to continue to mount.

Some advertising groups have responded to the rapid growth of media specialists by creating buying cartels the so-called media buying clubs in order to pressurise media owners. These clubs, which bring together groups of competing businesses, fulfil only a small part of the service offered by

Carat. The past few months have seen a continuing game of musical chairs as various agencies moved, and considered moves, between clubs to attempt to improve their position. This underlines our view that these clubs are inherently unstable and we will remain alert to the opportunities they present for us to gain new clients as and when clubs fragment.

Despite what will undoubtedly prove to be a second difficult year we aim to continue our programme of acquiring minority interests to improve the efficiency of national and international operations and to continue to invest in research to preserve our position of leadership. The Board believes it is in the long-term interest of shareholders to make substantial investments in the business in 1992 even if trading conditions remain difficult.

Having largely completed our network, the focus of 1992 will be on realising the benefits by streamlining our management and operational structures with a view both to improving service to our national and international clients and also to reducing our operating costs to provide a satisfactory return to shareholders. Where it is necessary we will incur the short term costs and provisions in 1992 to yield long term benefits. As part of this policy our sponsorship division will be fully integrated into Carat and will become Carat Sponsorship. It will become increasingly focused on developing tailor-made sponsorship opportunities for clients exploiting the opportunities being created by the radical changes in European television.

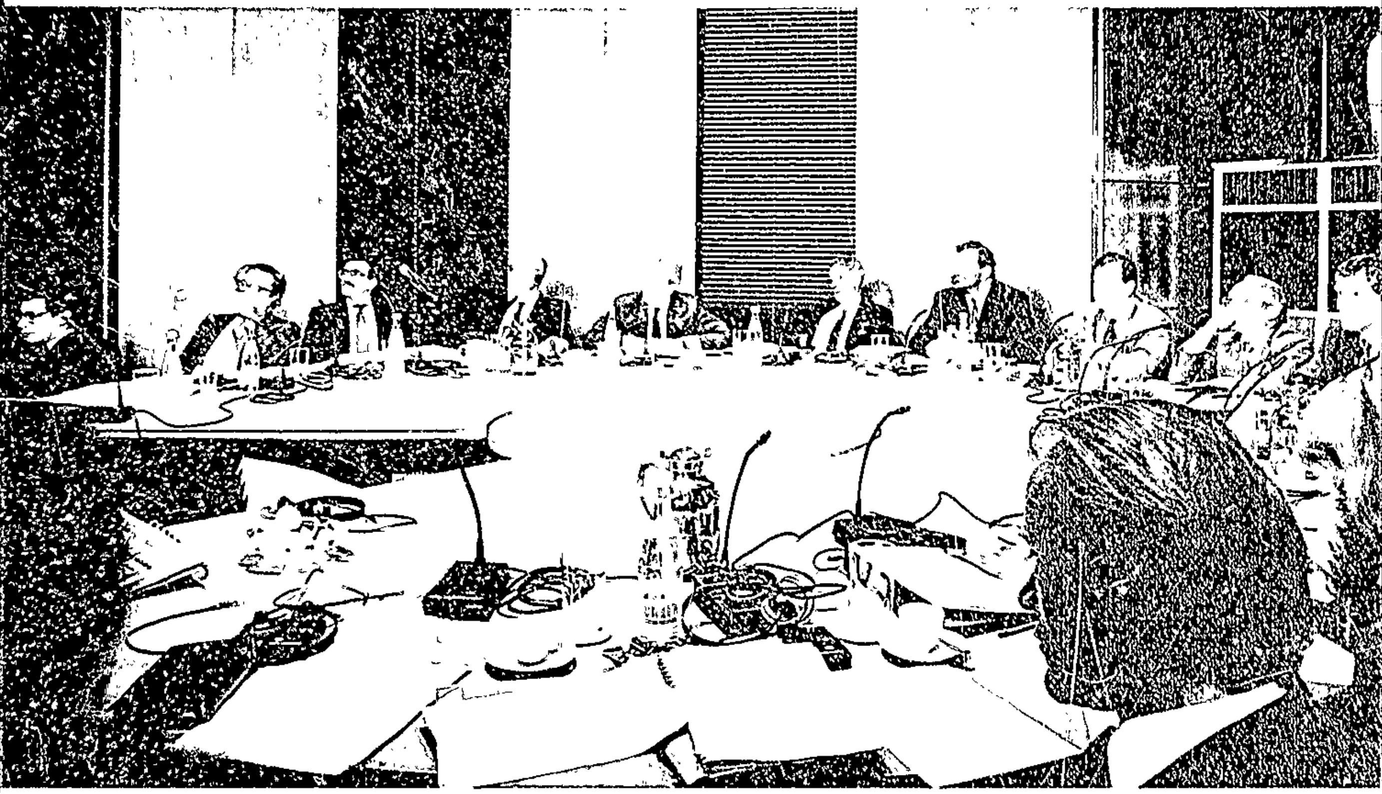
The Board is confident that Carat is well positioned to develop its market share and that it will continue to win new national and international clients through offering superior service. However with the prospect of slow market growth and increased competition, 1992 will not be an easy year.

1991 has been a challenging year but the results have been creditable. In April 1992 Aegis received The Queen's Award for Export Achievement, reflecting the rapid development of Carat. For their efforts in achieving this honour, and for their work in 1991, I would like to thank our employees, partners and advisers on your behalf.

Peter Scott
Chairman & Chief Executive

In April 1992, Aegis received The Queen's Award for Export Achievement

THE CARAT BOARD



THE CARAT BOARD: DIRECTORS

[illegible]
[illegible] CHAIRMAN

FRANCIS GROSS
JOINT CHAIRMAN

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CARAT IS NOW REPRESENTED IN 18 COUNTRIES AND IS FULLY OPERATIONAL IN ALL THE MAIN MARKETS OF THE EUROPEAN ECONOMIC AREA (EEA) WITH THE EXCEPTION OF SWITZERLAND AND THE REPUBLIC OF IRELAND. WITH GROSS MEDIA BILLINGS OF JUST OVER US$5 BILLION IN 1991 CARAT WAS THE MARKET LEADER IN EUROPE WITH A SHARE OF MORE THAN 10 PER CENT

Group Development

The Carat Group has been built mainly through acquisition between 1988 and 1991. That phase is now, largely, complete and, in the past year, management structures and systems have been put in place to give clients the benefits of an integrated approach across all markets and to allow each operating business to benefit from a transfer of skills and ideas from within the group.

During the year a major investment was made in new staff and resources to manage the group internationally and in anticipation of a significant increase in business from international clients.

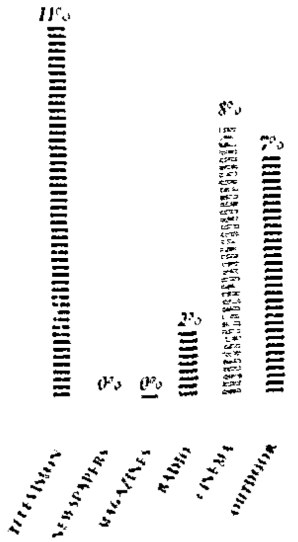
In January 1991 Carat was appointed by *Eurospace*, the media subsidiary of the agency group TBWA, to handle its media buying across European markets.

In May The Walt Disney Company appointed Carat to handle media planning and buying in 21 countries for four of its divisions including the launch of the EuroDisney park in April 1992.

A new management structure was put in place. The Carat Board, jointly chaired by Gilbert and Francis Gross, sets strategic direction and provides Europe-wide coordination. Day to day management of all the operating units is done by the Executive Committee.

Extensive research amongst clients and potential clients was carried out throughout Europe by MORI in September which showed Carat to be, by far, the best known and best regarded of the European media specialists and agency buying clubs.

European Media Spending Growth 1990/91



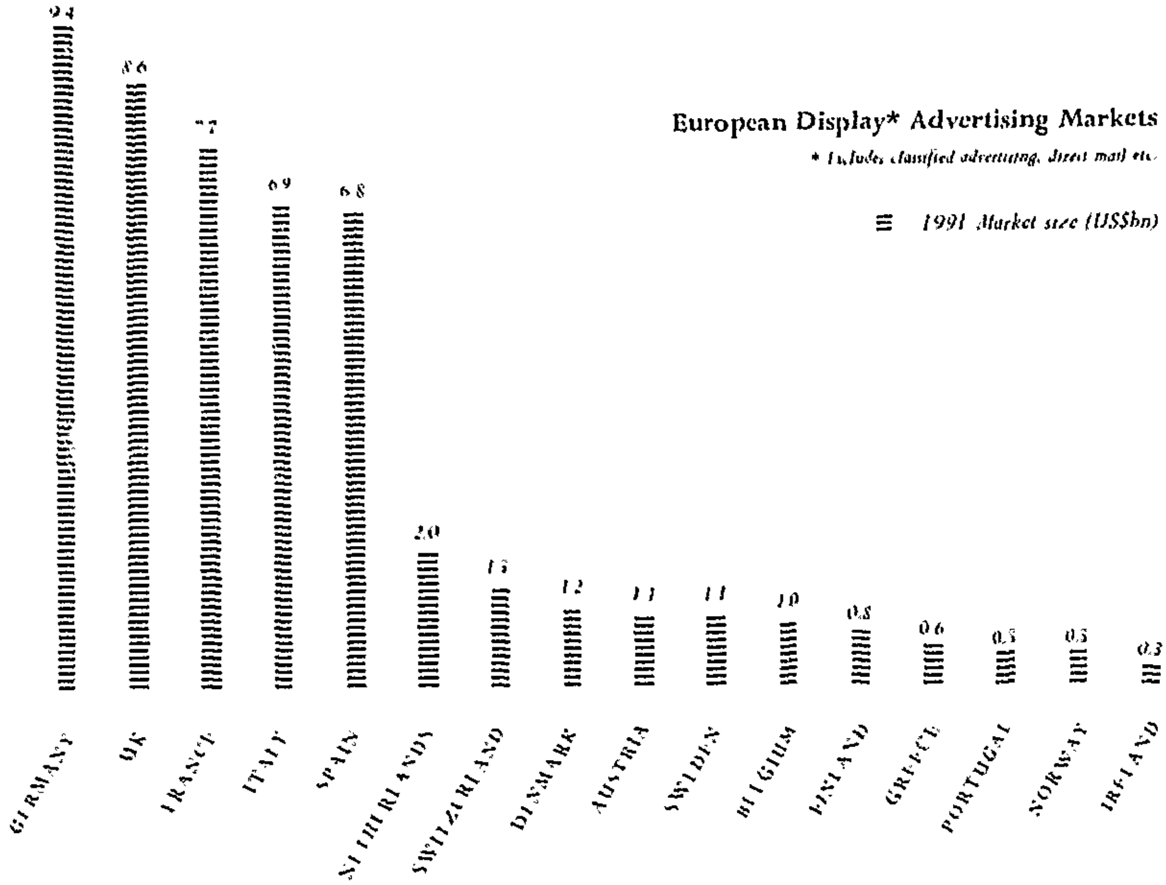
The growth in spending varies greatly by media. Subsequent charts show the media split for each market

Germany

Germany is Europe's largest consumer and advertising market with advertising spending of more than US$9 billion. The incorporation of the former East Germany coupled with recessionary pressures has created difficult economic conditions but despite this growth in advertising last year was just under 7 per cent (3 per cent in real terms after inflation) although much of the additional spending went into what was the GDR. Print media have remained stagnant but television advertising is growing fast as a result of continuing deregulation - up by 26 per cent in the past year.

Carat: Europe's leading media specialist

CARAT



The display advertising market in Europe (defined as the 16 markets shown) was worth US$50bn in 1991. Carat had a market share of over 10%.

The prospects for the German market look reasonably good with further deregulation driving growth in the broadcast media and creating a more complex and competitive advertising market.

HMS/Carat, the Carat partner in Germany, has increased its billings by 15 per cent which gives it an increased market share of some 10 per cent meaning it retains its position as the largest media specialist in Germany. Major new clients won in 1991 include Haribo, Hyundai, Schwartauer Werke, Schwarzkopf and Tandon. HMS/Carat is 50 per cent owned by Aegis with a put and call option on the remaining 50 per cent exercisable by either party.

HMS/Carat Research made significant investments during the year developing a new TV forecast and planning system called Topsy and also started operating its own, exclusive, television survey panel. In the print areas it developed two new products a Print Placement System and a Print Control System to improve media planning and monitoring. In January 1991 Dr. Michael Drabzcynski, head of the Research Division was appointed as Deputy Director of HMS in Wiesbaden.

The development of businesses in Eastern Europe, which is controlled by William Pehle, Managing Director of HMS has moved ahead rapidly with offices being opened in Prague, Budapest and Warsaw. In total 11 people are now employed in developing our knowledge of the markets in Czechoslovakia, Hungary and Poland and other Eastern European countries. Clients currently served in these markets include Braun, Buena Vista, IBM, Minolta and Tchibo.

United Kingdom

In June Aegis completed the purchase of TMD Holdings by acquiring the outstanding 70.1 per cent of the shares. The first 29.9 per cent was purchased in 1988. In October TMD was renamed Carat UK and now manages all nine UK media businesses including BBJ Media Services in which Aegis has a 75 per cent stake.

The UK media market is increasing in complexity. The award of new television franchises for 1993 onwards seems certain to accelerate the development of independent production houses and to shift power away from the main ITV contractors. The proposed new national franchises in both TV and radio and the rapid growth of satellite TV – now reaching more than 10 per cent of all UK homes – are expanding the broadcast market. These trends, combined with the increased sectionalising and use of colour by newspapers, and the liberalisation of broadcast sponsorship rules, will provide numerous additional opportunities for media specialists.

However, during 1991 the UK advertising market remained depressed reflecting the weakness of the economy. Advertising spending declined by more than 1 per cent (down nearly 7 per cent in real terms).

Against this background Carat UK performed strongly increasing its market share from 6 per cent to 7 per cent with billings for 1991 up by 19 per cent – an excellent performance in a difficult market.

It has also won net new business with annual billings of US$210 million major new clients assignments include American Express, Britvic, Nissan (GB), and United Distillers Group. A major existing client for TV buying, Abbey National, has now consolidated all its media purchases through Carat UK.

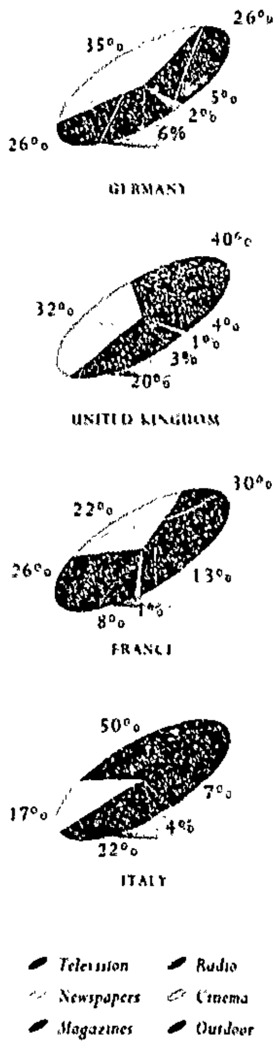
A business-to-business media planning and buying company, Carat Business, was established to serve clients in this growing sector.

France

The year saw a significant downturn in the advertising market with a decline in spending of some 2 per cent (5 per cent down in real terms) with much of the problem coming in the last quarter as consumer and business confidence was sharply reduced by political uncertainty and industrial unrest.

Media owners were hard hit by the downturn with the television station *La Cinq* recording heavy losses and finally declaring bankruptcy in December.

Advertising Expenditure by Medium 1991



The French advertising market continues to consolidate with media specialists and agency buying clubs amalgamating and gaining market share. Eurocom took over the financially troubled agency RSCG thus increasing their share of French media buying and reducing the share of TMP one of the main buying clubs - which lost RSCG as a member. Talks are said to be continuing between TMP and Publicis about a possible association.

Against this background Carat France increased its billings by 5 per cent although this includes some small acquisitions and growth was lower than had been budgeted.

Carat won a number of new clients including Bosch, La Francaise des Jeux, Microsolt, La Samaritaine, Tandon and Toshiba.

Carat is the leading media specialist in France with a market share of 21 per cent. The annual survey of opinion of French advertisers carried out by IPSOS once again showed Carat France to be, by far, the best known and best regarded media specialist.

The new headquarters of Carat in Avenue Raphael, Paris

During the year Carat acquired Adverta, a media specialist based in Paris and opened its first regional office, Carat Lyon in September. A new headquarters building was opened in Paris and a number of research specialists were recruited reflecting the continued development of the planning and strategy aspects of the business.

New appointments in the year include Thierry Vial Collet who joined as Vice Chairman and Chief Executive, coming from Henkel, France where he was Chairman and Chief Executive. Jean-Pierre Boiteux was appointed as Commercial Managing Director and Violaine Bouteiller became Managing Director of Carat Radio.

Italy

The advertising market remained relatively strong, growing by 7 per cent (1 per cent in real terms). The ownership of Italian media continues to become more concentrated with more than 80 per cent of advertising now going through the top 5 media companies.

Carat Italia had an excellent year with billings up by 36 per cent to US$620 million. It increased its market share from 7 per cent to 9 per cent and confirmed its position as market leader.

During the year Carat Italia acquired 49 per cent of Spazio Media in Padua and, after the year-end, opened a new office in Bologna to give a strong presence in the North East region.

Research expenditure increased from £1 million in 1990 to £1.4 million and the specialist research company Carat Expert now has 16 full-time staff in Italy.

Spain

The very rapid growth of advertising experienced in Spain in the late 1980's has now slowed with a marked decline in the rate of growth of advertising particularly in the print media. Television grew by 21 per cent but the main channel *TVE* experienced a decline, losing market share to the new private national and regional channels. A new FM radio network was launched with 100 stations

Overall the display advertising market grew by 14 per cent (7 per cent in real terms). The prospects for 1992 are for a further slow-down with growth of only 8 per cent.

Carat España has won a number of major new clients during the year including Alfa Romeo, Bayer, Henkel, Cruz Campo and Sanyo.

The key event of 1991 was the announcement of the merger of Carat España with Publintegral in October. When the merger formalities are completed, the new company, to be called Carat España, will have a market share of approximately 15 per cent and will be clearly established as Spain's leading media specialist. Carat Group will own 50 per cent of the new company with 18 per cent being held by local management and the remaining 32 per cent by the owners of Publintegral.

Two senior appointments were made during the year. Pedro Heras joined as General Manager (Planning) and Antonio Pineiro was appointed Commercial Director.

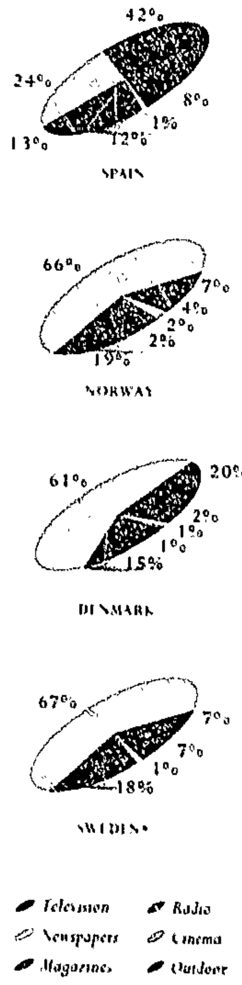
Scandinavia and Finland

The advertising markets in Sweden, Norway and Denmark have been weak and in Finland the market declined by 14 per cent associated with a deep recession in that country.

This has been the first full year of operation for Carat Scandinavia as part of the Carat Group and great progress has been made integrating the Scandinavian and Finnish businesses into the network. A major restructuring programme was implemented during 1991 to improve service to clients and prepare for the development of commercial television. Carat Research companies are now operating in Norway and Sweden and will be starting in Denmark and Finland in 1992.

Despite the soft overall market, commercial television channels in Denmark, Norway and Sweden showed dramatic growth, albeit from a small base. In Finland the television market is far more mature. The continued deregulation and explosive growth of television will be the main feature of the Scandinavian markets in the coming years. New terrestrial commercial channels are planned for both Norway and Sweden in 1992 and audience measurement techniques like ***Peoplemeters*** are expected to be introduced during the year.

Advertising Expenditure by Medium 1991



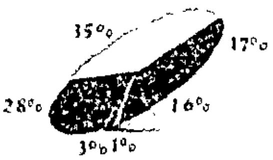
* No commercial radio in Sweden 1991

To service clients in the rapidly changing environment television specialists have been recruited and skills and techniques from other Carat companies introduced. Carat TV became fully operational in Sweden in October.

Carat's market share in Sweden and Norway, where the companies are established leaders exceeds 20 per cent. In Denmark and Finland where the businesses are being rapidly developed, market shares are smaller.

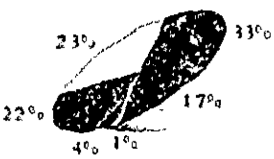
Advertising Expenditure by Medium 1991

FINLAND



NETHERLANDS

AUSTRIA



BELGIUM

Television *Radio*
Newspapers *Cinema*
Magazines *Outdoor*

Netherlands

The Dutch advertising market grew by 8 per cent in 1991 (4 per cent in real terms) although the second half of the year was much weaker than the first and growth is expected to slow in 1992 and 1993.

The outdoor market grew particularly strongly – up 22 per cent. However several magazines have closed and there have been some significant mergers between regional newspapers. These trends in the media have led to the consolidation of some advertising agencies and staff reductions.

Carat's Dutch company Media Matters was renamed Carat Netherlands in July. Media Matters continues as a separate operating brand.

During the year the company has won new business including BSN, Esselte, Tandon and Tonka/Kenner Parker. Billings have risen from US$48 million to US$64 million – an increase of 33 per cent which means the company has gained significant market share but remains relatively small compared to some of the agency buying clubs.

Austria

In March 1991 HMS/Ca[illegible]stria was established with 40 per cent owned by Franz Alexander Spath the founder of Mediahaus – Austria's leading media consultancy. During the past year Mediahaus has provided the planning services for HMS/Carat Austria but Carat has now recruited its own specialists and will be doing the planning internally from April 1992.

The Austrian market has seen rapid development in the broadcast media with electronic audience measurement being introduced for TV in March 1991. In 1992 TV advertising rates rose by 30 per cent and there is advanced discussion of widespread deregulation in both TV and radio.

Belgium

The advertising market has been flat with the 3 per cent growth being simply the result of inflation. The deregulation of the market continued with media owners becoming far more flexible in their negotiations with media buying companies. The state controlled TV network *RTBF* started to accept commercials from April.

The main event of the past year was the merger, in December, between Carat Belgium and Crystal to create Carat Crystal which now becomes Belgium's leading media specialist with a market share of around 17 per cent. Aegis owns 52 per cent of the merged company. The two component businesses Carat and Crystal are highly complementary in terms of their mix of clients and operating systems.

During the year significant new business wins included Jacobs Suchard and L'Oreal.

Greece

Carat Hellas was founded in January 1991 and under the leadership of Milton Papadakis has had a spectacular year with billings already above US$20 million. It achieved a profit in its first year. Staff numbers have risen from 9 at launch to 20 by the year end. With major new business wins, including BSN and Fage, Carat Hellas is hoping to more than double its billings during 1992.

The company has invested heavily in research and has introduced the Carat TV forecasting tool *Foretel* which was pioneered in the UK.

The Greek advertising market continues to grow rapidly - up by 31 per cent during 1991 (13 per cent in real terms because of rapid inflation). The main growth area, as in other emerging markets, is television up by 54 per cent in twelve months.

Portugal

The market continues to be one of the strongest in Europe with advertising growth of 28 per cent during 1991 (12 per cent in real terms) reflecting large increases in GDP and consumer spending. The print sector is still relatively underdeveloped readership levels are still the lowest in Europe both newspaper and magazine advertising grew by around 30 per cent. During 1992 two new private television channels are expected to be launched.

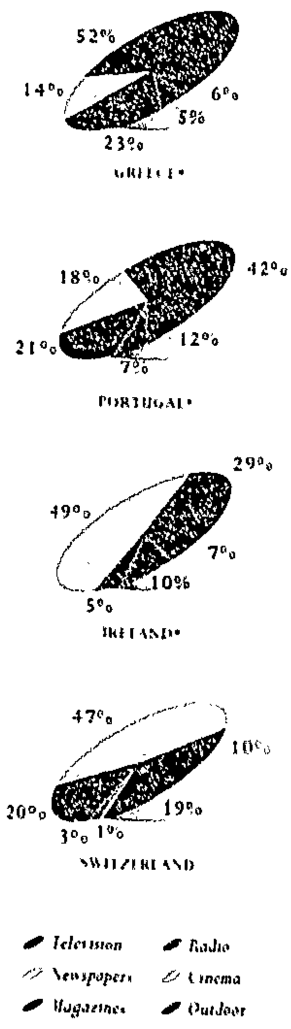
Since its establishment in 1990 Carat Portugal has grown fast to achieve a 5 per cent share of a market which, at present, is dominated by the large agency buying clubs.

Carat's business still mostly originates from agency clients but the intention for 1992 is to develop more business from clients directly.

Russia

The events of August 1991 and the subsequent dismantling of the USSR have accelerated the movement towards a market economy and there has been considerable decentralisation of media activity towards the Republics. Despite

Advertising Expenditure by Medium 1991



* Excludes cinema advertising expenditure

the economic crisis 1991 saw an increase in advertising both from outside Russia and from national clients.

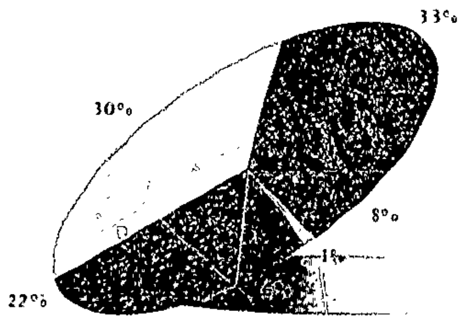
There have been significant advances in the media reflecting the trend towards decentralisation and privatisation. A new TV channel called *RTR* has been created and the ***First National Channel*** has been completely restructured. Two new private radio stations have been launched ***Europa Plus*** in St Petersburg and ***M Radio*** in Moscow. More newspapers and magazines are becoming independent with about 30 new titles opening each month. The number of billboards in Moscow has tripled during the year with about 1,000 now being available of which some 200 are operated by Western companies.

Carat has won a number of new clients including Total, Elf, the Asko-Vostock insurance company and the St Petersburg Stock Exchange.

Carat Russia now has 7 full-time staff.

European Advertising

1980



1991

In 1991 television became, for the first time, the largest advertising medium in Europe with 33% of the total market. The market itself has increased three fold since 1980 with more than US$ [illegible] billion now being spent on advertising.

Sponsorship

During the year the sponsorship division worked increasingly closely with the Carat companies to seek ways of combining the benefits of broadcast and event sponsorship. In the coming year it will be fully integrated with Carat and be renamed Carat Sponsorship.

In the UK new business came from Mars, in support of their Olympic sponsorship, British Airways, Lucozade, and TSB Bank who entered into a four year sponsorship of athletics in Britain

A major UK client is the National Garden Festival in Wales which is likely to be the UK's biggest visitor attraction in 1992. The sponsorship target of £5.5 million has already been exceeded – sponsors include British Coal, British Gas, Cadbury's, Hoover and McDonalds.

The marketing of the European Championship athletic programme continued to be successful with Seiko, Olivetti and Gatorade signing long term sponsorships.

The television production company, Grand Slam, had an outstanding year. In the summer it became the first independent company to be awarded a production contract by the BBC, when it was appointed to produce all the Corporation's snooker coverage – 200 hours of television per year.

In the United States, the partnership with the US Soccer Federation to market the sport in the build-up to the 1994 World Cup made substantial progress. Contracts have been agreed with Adidas, American Airlines, Anheuser Busch, Chiquita, Coca-Cola, Gatorade, M&M/Mars, MasterCard International, Procter & Gamble and Sprint.

As shareholders were told last year, a legal action has been brought against the company in connection with the US Soccer Venture. A motion has been filed with the United States Courts to have the action dismissed on the grounds that there is no case to be answered. The legal opinion obtained by Aegis remains that the case is without merit.

Garden Festival Wales
Ebbw Vale 92

SOCCER USA PARTNERS

THE PLANNING AND BUYING OF ADVERTISING TIME AND SPACE HAS BECOME AN INCREASINGLY COMPLEX TASK. WHAT WAS ONCE REGARDED AS A BACK ROOM ANNEXE TO THE CREATIVE SERVICES OF AN ADVERTISING AGENCY HAS NOW BECOME THE MOST CAREFULLY MANAGED AND MONITORED ASPECT OF THE CAMPAIGN. SOME AGENCIES ARE NOW FINDING THE COST OF PROVIDING A HIGH QUALITY MEDIA SERVICE PROHIBITIVE AND THEY, AND THEIR CLIENTS, ARE INCREASINGLY TURNING TO MEDIA SPECIALISTS WHO ARE WELL EQUIPPED TO HANDLE THE NEW DEMANDS.

The choice of media has never been greater. New broadcast channels and print titles have dramatically increased the amount of advertising available and have led to the fragmentation of audiences. Advertisers now have a greater opportunity to target audiences more precisely because this expansion creates segmentation as well as fragmentation.

However, more choice is unlikely to mean that reaching specific target groups will cost less. Therefore, advertisers need to obtain optimum media efficiency to offset this inevitable inflation.

Such a requirement calls for a sharper understanding of the new market place and specific media research plays an important role in achieving it. While it is necessary to know the basic number of viewers, listeners and readers, it is increasingly important to observe closely how they watch, listen and read.

Rapid development of the European market has already had a profound effect on the way the media budget is managed. The concentration of media ownership is creating new opportunities for multi-national and multi media advertising packages which are best exploited by the biggest, international, buyers.

The search for European homogeneity is not without its problems. In the field of media research incompatible audience definitions in different countries are an example of the intricacies that have to be overcome.

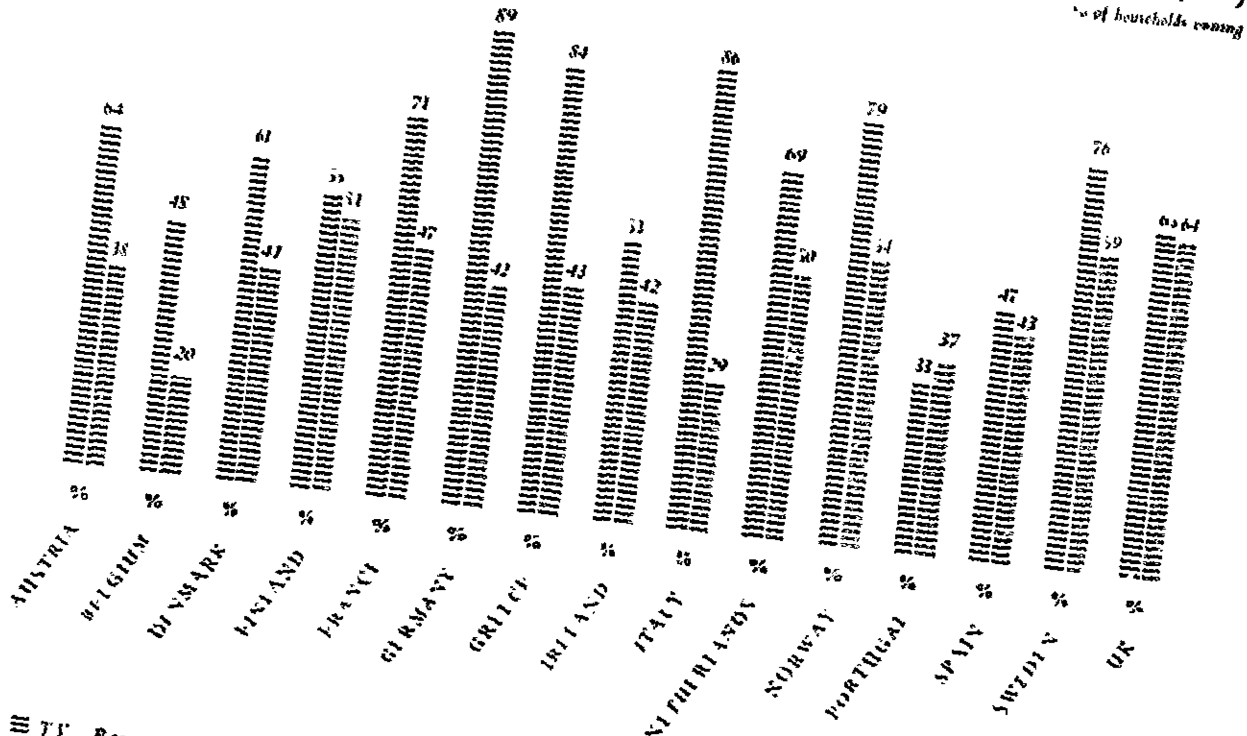
There has been a revolution in the field of sponsorship. Events and, increasingly, the broadcast of those events are providing advertisers with new opportunities, but ones which are harder to evaluate in communication terms.

New ways of advertising have been developed, such as the innovations with poster sites. All provide new opportunities and challenges.

Future media efficiency will be dependent on the deployment of high quality planning and buying skills supported by innovative media research. These are the challenges to which Carat has responded.

Household Penetration of Television Equipment (1991)

% of households owning



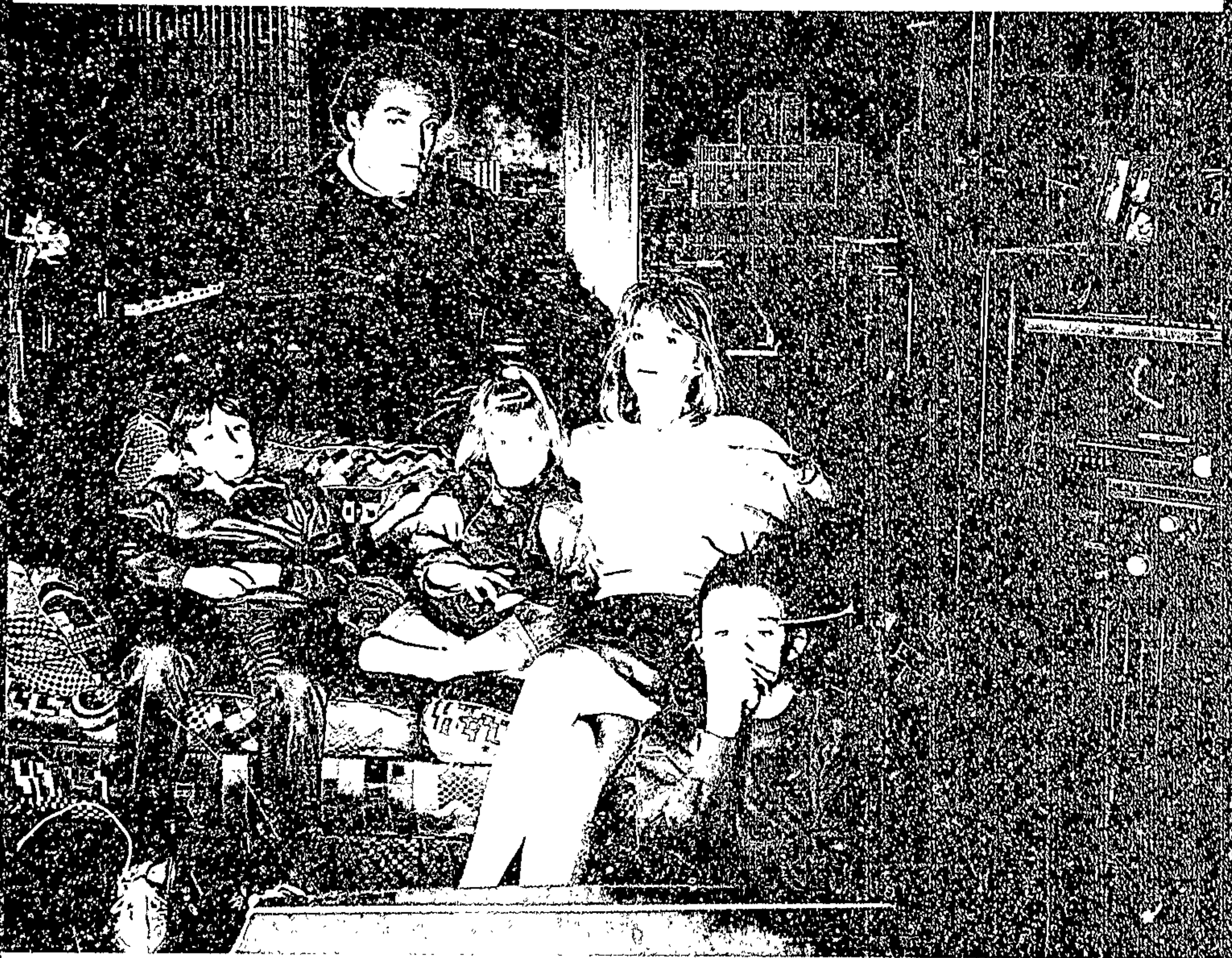
TV Remote Control ownership

VCR ownership

Source: Carat

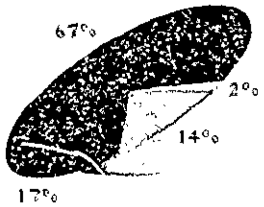
Fragmentation and Segmentation

In Europe, despite the rapid growth in the number of new television channels, there has not been a corresponding increase in overall viewing levels. More TV channels have meant less viewing per channel, making audience loyalty increasingly difficult to predict and measure. It is not just television which has become more complex. Print has also undergone considerable change. Advanced printing technology has enabled newspaper owners to offer separate sections and regional variations for each title. News-stands are now swamped by magazines which cater for every possible interest group. Whilst this segmentation enables advertisers to target more accurately, it has meant that any mass audience is now highly fragmented - in other words it is much more complicated to reach a large audience today with a single advertising message, than it was ten years ago.



Commercial watching on taped programmes in USA

Source: Mediaweek, USA



- Fast forward most of the time
- Fast forward some of the time
- Watched entire programme
- Don't know

Audience Behaviour

Advertising research must now go far beyond simple head counting. It is important to understand the way people relate to media, not just how many of them see or hear it.

The widespread availability of pre-tuned buttons on radios has produced channel jumping when anything not to the taste of the listener comes on.

With the increased penetration of remote controls and video recorders in Europe, viewing habits are changing. People can "zap" (change) channels during commercial breaks and also "zip" (fast-forward) through advertising if watching a recorded programme on a VCR. Recent research in the USA has revealed that 67 per cent of viewers who tape TV programmes say they fast-forward through the commercials most of the time.

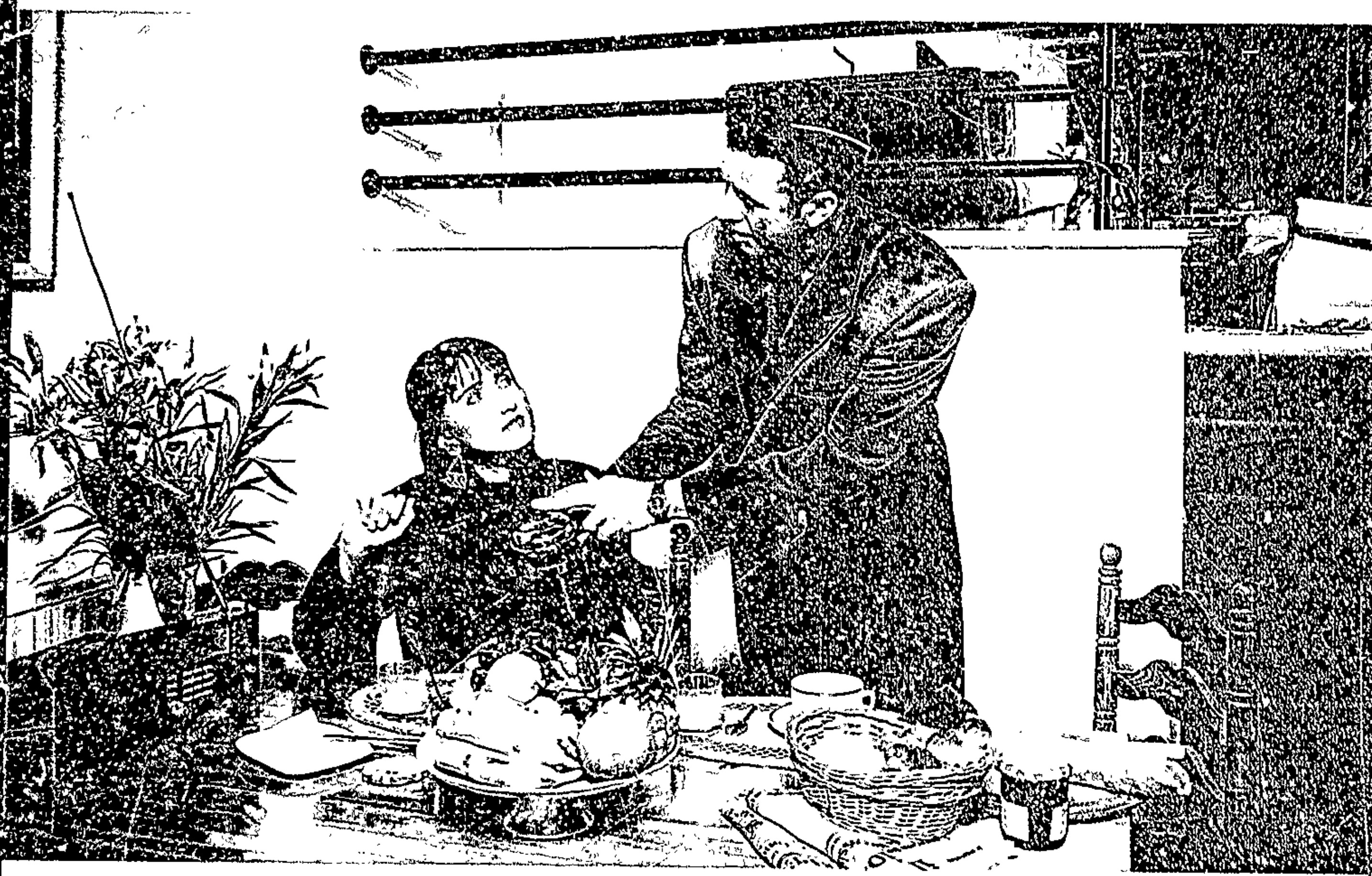
Another recent project in the UK, which hid cameras in television sets to record audience behaviour has shown the degree to which the set is left switched on but ignored by the people in the room who might be, erroneously, counted in basic research as "viewers".

The Real Value of Sponsorship

Sponsorship has matured considerably in recent years. Today, an advertiser can be the main sponsor of a particular event or can elect to sponsor the event's broadcast over a national TV network, or across a much wider area via satellite television or international syndication.

Broadcast sponsorship as this is known, is becoming a major force in the industry, offering clients new routes of access to specific audience configurations, at local, national and international level. The packaging together of an event, a broadcaster and a sponsor into one module, creates exiting new opportunities for the communication of messages.

However, because this field is so new, it also raises a number of questions. How can event only sponsorship be compared with broadcast sponsorship and what is a fair price which can be put on a sponsorship opportunity?



New Ways to Advertise

Commercial innovations have thrown up new advertising opportunities. Illuminated poster sites with rotating strips, (known as Ultravision or Wave sites), offer additional creative opportunities but again, the challenge is to assess their worth.

Other new ways of reaching customers are constantly being identified and developed. These range from the increased use of very short TV spots, to advertising on telephone cards, to stickers on parking meters or commercials at the beginning of rental videos. In the USA experiments are underway with cable systems offering 150 channels which provide the opportunity for highly selective advertising.

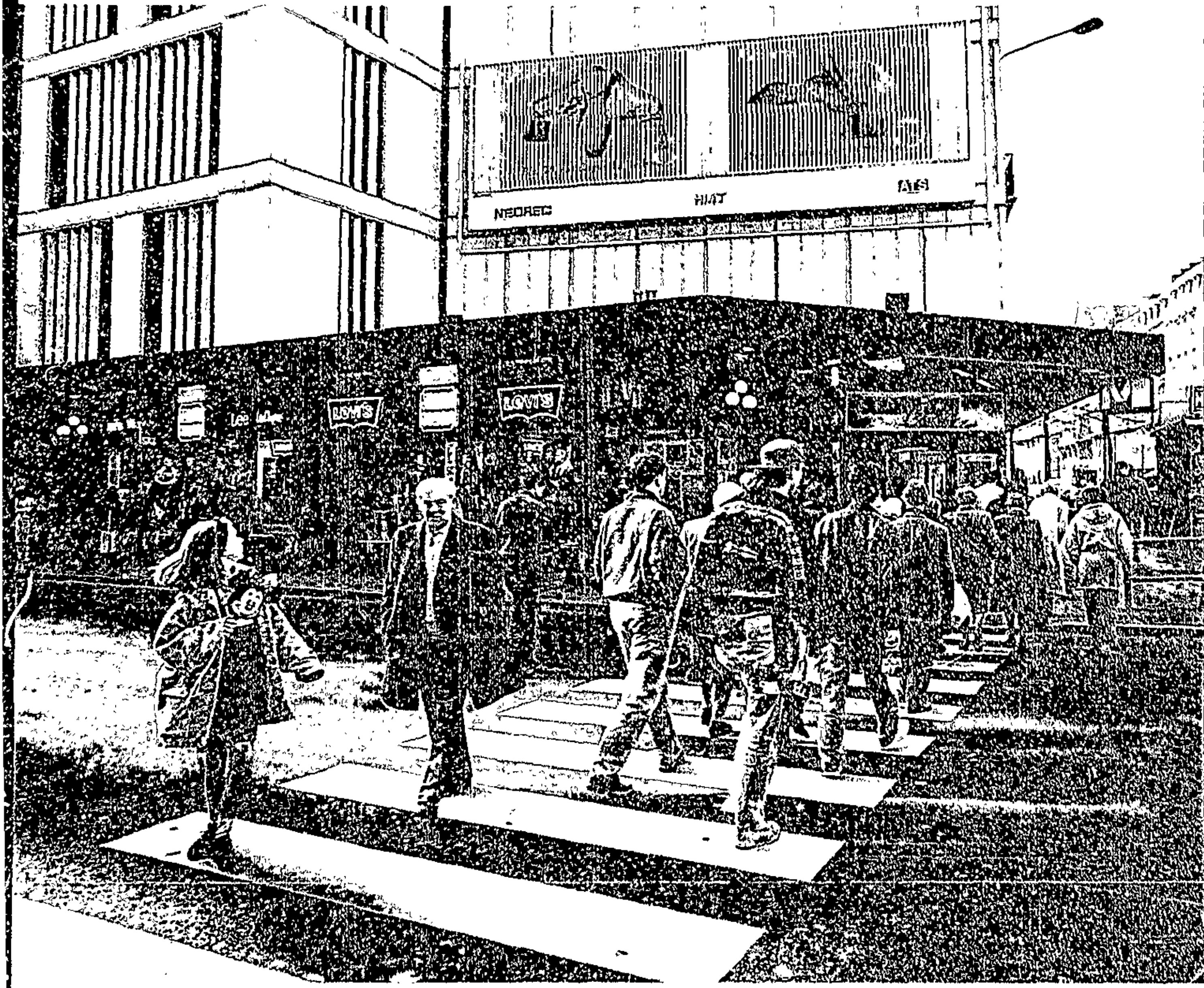
Concentration of Media Ownership

Despite the fact that the last few years has seen dramatic growth of media, it has also seen a concentration of media ownership. To take television as an example, five European TV companies now control over 42 per cent of advertising revenue; many of these companies are also powerful in other media. Large multi-national media groups can be very powerful in setting rates and dictating terms — a power which can only be matched by equally large media buyers to ensure clients get value for money.

The existence of the large groups also provides new opportunities for media buyers to negotiate with one owner, to offer clients a package of TV, radio, posters and print in a range of countries. Such multi-national, multi-media deals can yield great financial advantages for the client, but again, the challenge is assessing the true value of such opportunities.

Lack of Media Harmonisation

As multi-national clients now demand access to targeted groups on an international basis, there is a corresponding need for accurate and comparable international audience research. In Europe however, there is a distinct lack of media harmonisation, particularly with television audience measurement. For example, in Austria people are defined as adult at 12 years, in the Netherlands at 13 years, Finland 14 years, Greece 15 years and so on. In the UK, the socio-economic groupings of A, B, C1, C2, D and E are comparable only with those of Austria. No other European country uses a similar system.



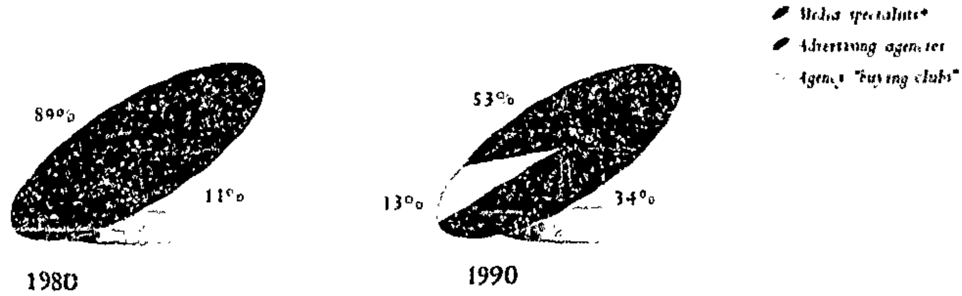
The Media Specialist

The rapid rise of media specialists has been the response to these challenges. In 1980, media specialists had a market share of 11 per cent. By 1990, the specialists and the newly developed central "buying clubs" the collective media buying unit of a group of advertising agencies handled nearly half the total advertising expenditure in Europe. This total market was worth more than US$50 billion in 1991 and Carat, Europe's leading specialist, had over 10 per cent of it.

To achieve value for its clients, Carat, as the leading independent specialist has made a major commitment to media research and developed the skills and systems necessary to manage media budgets as efficiently as possible.

The challenges of the media market place are certain to grow. In response, the role of the media specialist will continue to widen and assume ever greater importance.

The European Media Buying Market



* Includes both independent specialists like Carat and those owned by advertising agencies

CARAT'S RESEARCH COMMITMENT

CARAT AIMS TO HAVE THE BEST MEDIA RESEARCH CAPABILITY IN EACH OF THE MARKETS IN WHICH IT OPERATES. CARAT EMPLOYS THE LEADING RESEARCH EXPERTS THROUGHOUT EUROPE AND HAS COMBINED THEIR SKILLS TO EXTRACT MAXIMUM VALUE FROM PUBLICLY AVAILABLE RAW DATA AND TO DEVELOP CARAT'S OWN RANGE OF SOPHISTICATED RESEARCH PRODUCTS ACROSS EVERY ADVERTISING MEDIUM. IN 1991, THIS COMMITMENT TO A PAN-EUROPEAN RESEARCH CAPABILITY, IN TERMS OF BOTH PEOPLE AND SYSTEMS, REPRESENTED AN INVESTMENT OF £9.5 MILLION, A 12% INCREASE OVER 1990.

The Need for Research

Research is fundamental to successful media strategy, planning and buying. Advertisers rely on research to enable them to make the best use of their media budgets but with today's media environment, the demands placed upon the research function have increased considerably.

Carat's investment in research has enabled it to develop a greater understanding of the disparities of the market place, giving it an edge over its competitors and reaping significant benefits for its clients.

Adding Value to Industry Research

Industry funded media research, of varying degrees of sophistication, is available in most European countries. Largely produced by, and tailored to the needs of, media owners, it is motivated by a desire to help them sell more of their advertising time and space by providing favourable comparisons against their competition. Carat's strength lies in being able to apply its extensive resources to analyse such data to achieve industry-wide perspectives and create added value for its clients.

Using Proprietary Research

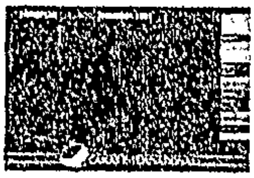
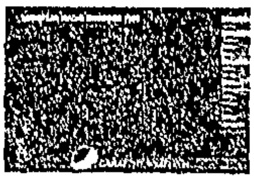
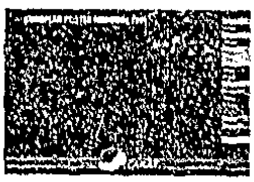
Carat is committed to commissioning its own research, to supplement industry information. Often these specific research programmes will focus on providing qualitative data, i.e. why a particular audience has selected a particular range of media products, rather than straightforward headcount figures typical of media owners' research.

From Research to Buying

This combination of basic and proprietary research enables Carat's media planners and buyers to predict, with a much greater degree of accuracy, future audience patterns. Drawn from a variety of sources, it is unrivalled within the industry and often means that Carat has more in-depth knowledge than the media owners themselves. This gives Carat exceptional leverage with media owners and is instrumental in it securing the best positions for its clients at the best possible rates.

Carat Research Publications



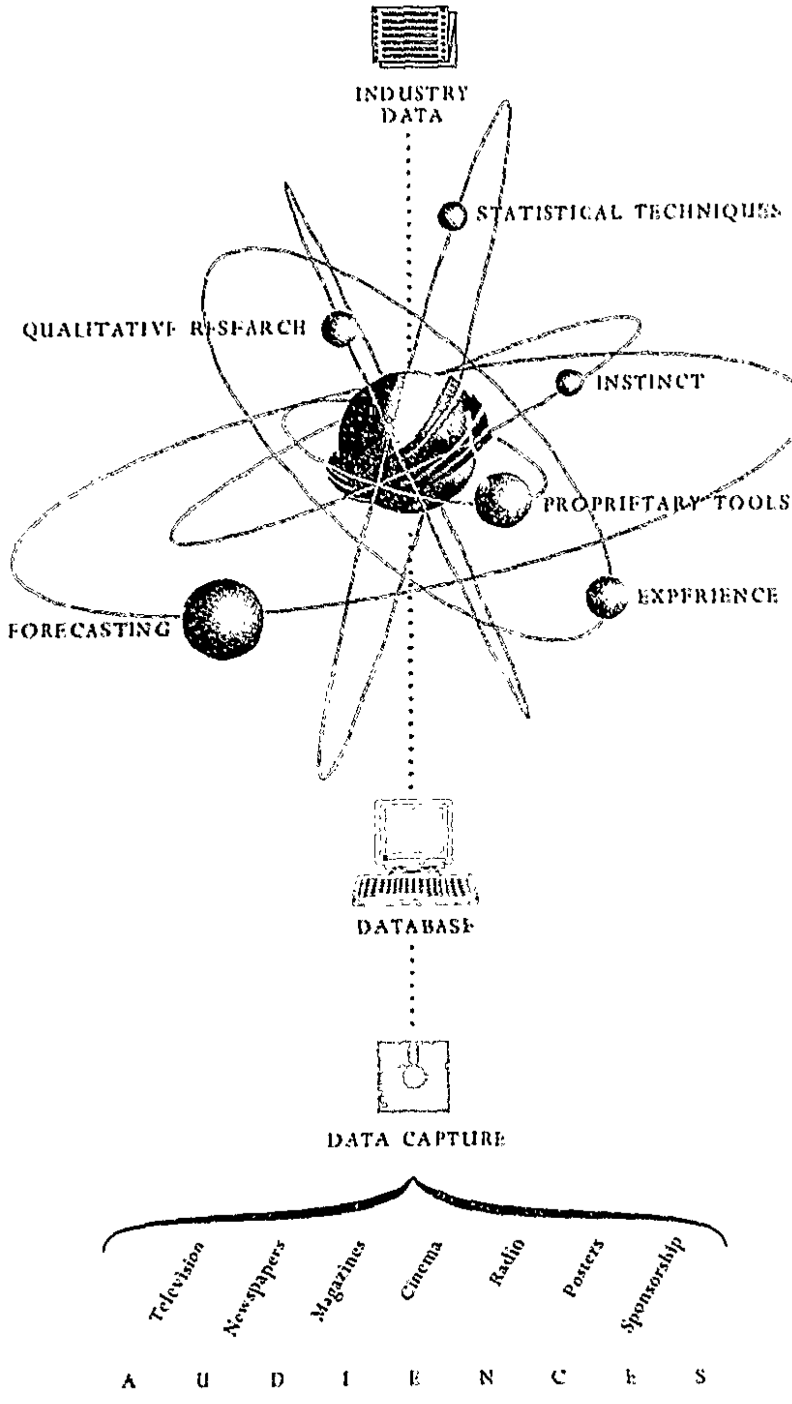




Carat publishes a number of industry sector and country-by-country handbooks which provide detailed statistical information about the media.

Delivering effective and efficient media solutions.

Carat Research brings together the people, the skills and the technological resources to understand and make sense of the increasingly complex media environment. Through this understanding comes more effective media planning and buying, providing better value for clients.

The proprietary research tools developed by Carat provide unmatched audience forecasting and qualitative information enabling superior targeting of audiences



Technology Transfer

With a growing number of clients seeking single message/single audience pan-European campaigns, Carat has set up an international research board, manned by national experts, to address the problem of lack of harmonisation in media research. The board has been successful in establishing a set of common standards which have been adopted throughout the group.

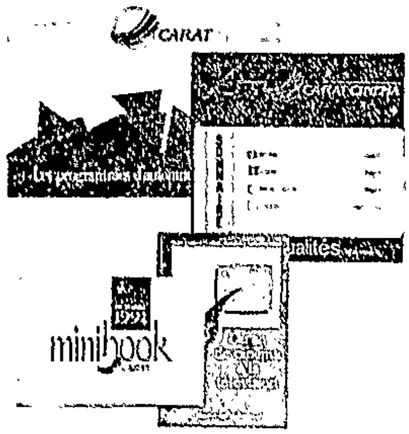
The research board has also been instrumental in adapting Carat's own proprietary research products, successful in a particular country, to other national markets. This technology transfer is able to bring to the recipient country new levels of quality of research at a stroke. *Foretel*, Carat's model for understanding the behaviour of television audiences and pioneered in the UK, is a good example it is now a successful aid to planners in seven other European television markets.

Carat's Research Products

Carat undertakes specific research projects to establish true audience behaviour, focused to the needs of particular client campaigns. In addition, Carat makes wide use of the following research tools:

CRISTAL is a television forecasting system incorporating three main elements: statistical analysis and projection, survey-based qualitative research and expert analysis. Versions of this system, tailored to each market, are now operating in France, Germany, and Spain. It is currently being extended to other markets.

ESTIMAT is a TV audience forecasting system, based on the stated viewing intentions of a panel of 1000 viewers who are polled weekly.



EMERAUDE is an integrated press planning system operating in France. It brings together information on circulation, readership, ratecards, editorial format and title history, enabling Carat's media planners to fine tune press advertising schedules.

FORETEL examines why viewers choose to watch certain programmes, what they will watch in the future and how much they enjoyed certain programmes in the past.

Carat's Insights

Through a conscious and determined commitment to establish what is the precise relationship between a consumer of goods and services and the media that same consumer reads, listens to or watches, Carat has overturned some long-established beliefs.

For instance, Carat's study into the readership patterns of Sunday newspapers in the UK, called QUASER, showed that the average amount of time spent reading particular newspaper sections and the reader's attention level to them did not bear any relationship to the advertising rates charged for those sections.

In France, Carat has also broken new ground by independently visiting every poster site and evaluating each one by a number of performance criteria.

This kind of approach of going back to first principles, has enabled Carat to be that much stronger and more sophisticated in its negotiations with media owners and also that much more innovative with its media planning.

The real winners are Carat's clients; technically advanced but pragmatic research means that their media schedules represent optimum media selection. When this is coupled with skilful media buying, Carat's clients gain maximum media value.

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REPORT OF THE DIRECTORS

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1991.

Results and Dividends

The profit and loss account is set out on page 38 and shows a profit for the financial year on Ordinary activities of £34.3 million after deducting taxation of £20.9 million.

An interim dividend of 2.75p per share was paid on 9 October 1991 to Ordinary shareholders registered at 22 August 1991. The Directors recommend a final dividend for the year of 3.10p per share which, if approved at the Annual General Meeting, will be paid on 8 July 1992 to Ordinary shareholders registered at 8 May 1992. The total dividend for the year will then amount to 5.85p per share (1990 – 5.85p per share).

The retained profit for the year of £14.8 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 1991 (and any interim dividend in respect of the year ending 31 December 1992).

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 £9.5 million (1990 – £8.5 million) on research and development.

Directors' and Officers' Liability Insurance

During the year the Company has maintained insurance in respect of its Directors and Officers against certain liabilities that may arise in relation to the Group.

Donations

The Group made charitable donations of £52,000 (1990 - £96,000) during the year in the UK. There were no political donations.

Employment policies

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

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

Directors and Directors' Interests

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

J. L. Vogelstein who was appointed to the Board on 24 July 1991, becomes eligible for re-election in accordance with the Articles of Association. He replaced B. L. Manfrey who resigned from the Board on the same date.

T. Vial Collet who was appointed to the Board on 26 February 1992, becomes eligible for re-election in accordance with the Articles of Association.

C. R. Stern and F. S. Law retire from the Board by rotation in accordance with the Articles of Association. F. S. Law, being eligible, is proposed for re-election. C. R. Stern will retire from the Board at the conclusion of the Annual General Meeting and is not, therefore, proposed for re-election. C.R. Stern and F. S. Law do not have service contracts with the Company.

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.

G. Gobin was appointed to the Board on 30 May 1990. He is Chairman of Preal Finance & Co., Director of Nobel and Senior General Partner of Rubis & Co.

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

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

Substantial Shareholdings

In accordance with the requirements of the International Stock Exchange of the United Kingdom and Republic of Ireland Limited, the following interests in the issued Ordinary shares of 5p each of Aegis Group plc are noted:

SFEC II	19.1%
Warburg Pincus & Co.	14.5%
Eurocom S.A.	10.0%
FMR Corp.	5.3%
Phillips & Drew Fund Management Ltd.	3.8%
The Capital Group Inc.	3.2%

Share Capital

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

At the Annual General Meeting resolutions will be proposed to authorise the Directors to allot securities in the Company.

Resolution 7 set out in the notice of Annual General Meeting provides the Directors with authority to allot securities in the Company up to an aggregate nominal value of £2,054,841.

Resolution 8 set out in the notice of Annual General Meeting is a special resolution disapplying pre-emption rights and granting authority to the Directors to make allotments of equity securities for cash by way of (a) rights issues and (b) other issues up to an aggregate nominal amount of £305,822. In compliance with the guidelines issued by the International Stock Exchange of the United Kingdom and Republic of Ireland Limited the authority conferred by resolution 8 is limited as regards issues of shares other than by way of rights issues to 5% of the issued Ordinary share capital of the Company as at 31 December 1991.

The authorities sought by these resolutions replace the existing powers of the Directors which expire at the conclusion of the Annual General Meeting.

Authority for the Company to Purchase its Own Shares

The authority for the Company to purchase its own shares 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 6,164,500 Ordinary shares and 342,750 55% Convertible Cumulative Redeemable Preference shares (approximately 5% of the present issued capital of each 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 of the United Kingdom and Republic of Ireland Limited for the ten business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share. If granted the Directors will only exercise the authority if so to do would result in an increase in earnings per share and if it is in the best interests of shareholders generally.

Scrip Dividend Scheme

Resolution 10 set out in the notice of Annual General Meeting is a special resolution amending the Articles of Association to supplement the powers contained in the Company's Articles of Association to offer Ordinary shares in Aegis Group plc as an alternative to a cash dividend. The amendments reflect current market practice as regards the procedure for the payment of scrip dividends.

Resolution 11 set out in the notice of Annual General Meeting is an Ordinary resolution which authorises the Directors to offer Ordinary shareholders the right to elect to receive new Ordinary shares instead of a cash dividend in respect of the final dividend for the year ended 31 December 1991 and in respect of any interim dividend for the year ending 31 December 1992.

The shares so issued would be new fully paid Ordinary shares in the Company. Shareholders should appreciate that, in voting in favour of the resolution, they are not in any way committing themselves to a decision on whether or not they would wish to take new Ordinary shares instead of cash. An explanatory circular and forms of election will be sent to Ordinary shareholders during May.

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

By order of the Board

E. A. Richardson, *Secretary*
6 Eaton Gate
London SW1W 9BL

10 April 1992

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1991

	Notes	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Turnover	2	2,109,291	1,717,274
Direct cost of sales		1,930,516	1,558,926
Gross Income		178,775	158,348
Administrative expenses		120,492	87,171
		58,283	71,177
Other operating income	3	261	151
Share of profit from associated undertakings		1,367	1,438
Interest receivable		6,131	7,126
		66,042	79,892
Interest payable	4	10,886	12,090
Profit on Ordinary Activities Before Taxation	2/5/6/7	55,156	67,802
Taxation on profit on ordinary activities	8	20,871	25,700
Profit on Ordinary Activities After Taxation		34,285	42,102
Extraordinary items	9	(765)	2,144
Minority interests		(5,386)	(6,839)
Profit for the Financial Year		28,134	37,407
Dividends	10	13,317	12,067
Retained Profit for the Financial Year	20	14,817	25,340
(Loss)/Profit for the Year Retained by			
Holding Company		(1,879)	(13,779)
Subsidiary undertakings		16,165	38,497
Associated undertakings		531	622
		14,817	25,340
Earnings per Ordinary Share			
Basic	11	21.11p	37.35p
Fully diluted	11	18.23p	

The notes on pages 42 to 56 form part of these financial statements

BALANCE SHEETS

at 31 December 1991

	Notes	Group 31 December 1991 £000	Group 31 December 1990 £000	Company 31 December 1991 £000	Company 31 December 1990 £000
Fixed Assets					
Tangible assets	12	31,167	25,527	941	2,498
Investments	13	1,933	4,535	140,572	111,139
		33,100	30,062	141,513	113,637
Current Assets					
Work in progress		889	4,311	757	—
Debtors	14	418,248	315,440	217,143	165,155
Investments	15	4,842	3,516	1	1
Cash at bank and in hand		8,101	45,255	4,070	5,948
		432,080	368,522	221,971	171,104
Creditors					
Amounts falling due within one year	16	468,960	385,317	64,507	41,382
Net Current (Liabilities)/Assets		(36,880)	(16,795)	157,464	129,722
Total Assets Less Current Liabilities		(3,780)	13,267	298,977	243,359
Creditors					
Amounts falling due after more than one year	17	85,482	98,450	37,737	60,345
Provision for Liabilities and Charges	18	626	1,312	—	—
Minority Interests		9,787	12,947	—	—
		(99,675)	(99,442)	261,240	183,014
Capital and Reserves					
Called-up share capital	19	7,770	5,897	7,050	5,177
Share premium account	20	207,873	130,209	137,684	58,929
Capital reserve	20	649	1,458	649	1,458
Revaluation reserve	20	—	—	23,849	22,023
Goodwill reserve	20	(400,413)	(307,386)	—	—
Merger reserve	20	—	—	78,868	80,408
Profit and loss account	20	84,446	70,380	13,140	15,019
		(99,675)	(99,442)	261,240	183,014

The notes on pages 42 to 56 form part of these financial statements

P. J. Scott, C. R. Stern
Directors
10 April 1992

CONSOLIDATED CASHFLOW STATEMENT

for the year ended 31 December 1991

	12 months to 31 December 1991		12 months to 31 December 1990	
	£000	£000	£000	£000
Net Cashflow from Operating Activities		58,019		64,309
Returns on Investments and Servicing of Finance				
Interest received	6,131		7,126	
Interest paid	(9,305)		(12,274)	
Dividends paid	(12,114)		(13,500)	
Amounts paid to minority shareholders in subsidiaries	(8,546)		(3,412)	
Cash received from related companies	836		816	
Net Cash Outflow from Returns on Investments and Servicing of Finance		(22,998)		(21,244)
Taxation				
Corporation tax paid		(26,980)		(20,137)
Investing Activities				
Purchase of tangible fixed assets	(12,979)		(13,424)	
Sale of tangible fixed assets	2,944		16,129	
Purchase of subsidiaries (net of cash acquired)	(15,019)		(7,074)	
Purchase of investments	(1,707)		(1,847)	
Deferred payments on prior period acquisitions	(18,067)		—	
Sale of Subsidiaries	207		5,603	
Sale of Investments	258		9,642	
Net Cashflow from Investing		(44,363)		9,029
Net Cash Outflow before Financing		(36,322)		31,957
Financing				
Issues of Ordinary share capital		37,576		3,330
Decrease in Net Bank Indebtedness		1,254		35,287

See note 21 for details of acquisitions during the year.
The Notes on pages 42 to 56 form part of these financial statements.

NOTES TO THE CASHFLOW STATEMENT

for the year ended 31 December 1991

Analysis of Net Cashflow from Operating Activities	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Operating profit	58,544	71,328
Depreciation of tangible fixed assets	5,996	3,849
Loss/(Profit) on sale of tangible fixed assets	113	(1,182)
Decrease/(Increase) in work in progress	3,422	(3,859)
(Increase)/Decrease in Debtors	(66,797)	8,120
Increase/(Decrease) in Creditors	54,636	(16,015)
Other non cash movements	2,105	2,068
Net Cashflow from Operating Activities	58,019	64,309

Analysis of Changes in Cash, Bank and Loan Balances during the Year		
Balance at 1 January 1991	(36,795)	(72,082)
Net cash inflow	1,254	35,287
Balance at 31 December 1991	(35,541)	(36,795)

Cash, Bank and Loan Balances comprise:	31 December 1991 £000	31 December 1990 £000	Change in year £000
Cash at bank and in hand	8,101	45,255	(37,154)
Bank loans and overdrafts due within 1 year	(16,419)	(41,891)	25,472
Bank loans and overdrafts due after more than 1 year	(27,223)	(40,159)	12,936
	(35,541)	(36,795)	1,254

Analysis of Changes in Financing During the Year	12 Months to 31 December 1991 Share capital (Incl. Premium) £000	12 Months to 31 December 1990 Share capital (incl. Premium) £000
Balance at 1 January 1991	136,106	131,871
Cash inflows from financing	37,576	3,330
Issue of Ordinary shares in respect of current period acquisitions	19,412	551
Issue of Ordinary shares in respect of prior period acquisitions	22,549	354
Balance at 31 December 1991	215,643	136,106

Analysis of the Net Outflow of Cash and Cash Equivalents in respect of the Purchase of Subsidiary Undertakings	1991 £000	1990 £000
Cash consideration	31,009	14,829
Cash at bank and in hand acquired	(15,990)	(7,755)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	15,019	7,074

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 1991

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, 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 1991. All significant inter-company balances and transactions are eliminated. The Group's results also include its share of attributable profits of associated undertakings made up to 31 December 1991.

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.

Research and Development

Research and Development expenditure is charged to the profit and loss account in the year it is incurred.

Associated undertakings

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

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
Leasehold Buildings	Over the period of the lease
Leasehold Improvements	10% per annum
Office Furniture, Fixtures & Equipment	10-20% per annum
Vehicles	10-25% per annum

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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.

Pension costs

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

With minor exceptions these 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 AND NET ASSETS BY SECTOR AND GEOGRAPHICAL ANALYSIS

	Net Assets	Profit before taxation		Turnover	
	12 months to 31 December 1991 £000	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Sector:					
Media/Sponsorship after central costs	(99,675)	55,156	65,961	2,109,291	1,713,700
Public Relations and Advertising	—	—	1,841	—	3,574
	(99,675)	55,156	67,802	2,109,291	1,717,274

The company disposed of its public relations business in October 1990.

	Net Assets	Profit before taxation		Turnover	
	12 months to 31 December 1991 £000	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Geographical analysis:					
UK	(394,546)	(10,152)	(14,370)	175,157	50,971
Mainland Europe	304,058	65,502	81,111	1,923,654	1,661,717
USA and Pacific Basin	(9,187)	(194)	1,061	10,480	4,586
	(99,675)	55,156	67,802	2,109,291	1,717,274

A further analysis of turnover has not been given since, in the opinion of the directors, this would be prejudicial to the commercial interests of the company. Comparative figures for Net Assets are not readily available, and therefore have not been provided. Net Assets in the UK are negative as a result of acquisition goodwill written off to reserves. (See Note 20).

3. OTHER OPERATING INCOME

	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Rental income	202	86
Income from listed investments	34	40
Other income	25	25
	261	151

4. INTEREST PAYABLE

	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
On bank loans and overdrafts and other loans repayable within five years	9,938	10,958
Other	948	1,132
	10,886	

5. EMPLOYEES

Staff costs consist of:	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Wages and salaries	37,470	33,100
Social security costs	10,878	6,331
Other pension costs	771	227
	49,119	39,658

The average number of full-time employees of the Group during the year, all of whom were employed in Media and Sponsorship, was 1,706 (1990 – 1,408).

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is after charging/(crediting):	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Depreciation		
of owned fixed assets	5,996	3,845
of assets under finance leases	—	4
Operating lease rentals		
hire of plant and machinery	337	12
other	7,545	4,053
Auditors' remuneration and expenses	485	375
Loss/(Profit) on sale of tangible fixed assets	113	(1,182)

7. DIRECTORS' REMUNERATION

	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Emoluments	1,637	1,621
Fees	190	159
Compensation for loss of office	—	600
Pension contributions	246	—
	2,073	2,380
Emoluments of Chairman (excluding pension contributions)	633	642

7. DIRECTORS' REMUNERATION (continued)

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

	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Up to £5,000	3	5
£5,001 – £10,000	—	2
£20,001 – £25,000	1	—
£40,001 – £45,000	—	1
£50,001 – £55,000	—	1
£80,001 – £85,000	1	—
£125,001 – £130,000	—	1
£135,001 – £140,000	—	1
£155,001 – £160,000	—	1
£195,001 – £200,000	1	—
£210,000 – £215,000	1	—
£220,001 – £225,000	—	1
£295,001 – £300,000	1	—
£375,001 – £380,000	1	—
£380,001 – £385,000	—	1
	9	14

Emoluments of £638,391 (12 months to December 1990 – £768,823) 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.

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$383,000 in cash and US$883,000 in Ordinary shares and J. Della Femina received US$1,033,333 in cash and US$1,533,333 in Ordinary shares.

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:

	Ordinary shares of 5p each			5.5% Convertible Preference shares of 10p each		
	6 April 1992	31 December 1991	31 December 1990	6 April 1992	31 December 1991	31 December 1990
Beneficial						
P. J. Scott	610,742	610,742	509,468	62,810	62,810	62,810
G. Gobin	4,000	4,000	—	—	—	—
J. Hérail	—	—	—	—	—	—
C. Hochman	25,000	25,000	—	—	—	—
F. S. Law	2,440	2,440	2,099	—	—	—
A. P. Pascoe	266,479	266,479	266,479	—	—	—
D. S. Reich	1,024,307	1,024,307	—	—	—	—
C. R. Stern	3,000	3,000	3,000	—	—	—
J. L. Vogelstein	—	—		—	—	
T. Vial Collet (appointed 26.2.92)	—			—		
Non-beneficial						
P. J. Scott	130,375	130,375	130,375	24,460	24,460	24,460
A. P. Pascoe	108,120	108,120	108,120	—	—	—

None of the Directors has any interest in the 51.1% Convertible Preference shares of 10p each.

7. DIRECTORS' REMUNERATION (continued)

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, 31 December 1991 and 6 April 1992.

	Beneficial	Non-Beneficial
P. J. Scott	650,635	152,114
C. R. Stern	3,000	—

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

	Option Price	Exercisable	6 April 1992	31 December 1991	31 December 1990
P. J. Scott (a)	225p	1991-1998	275,000	275,000	275,000
	259p	1994-1996	500,000	500,000	500,000
C. R. Stern	225p	1991-1998	200,000	200,000	200,000
	259p	1994-1996	150,000	150,000	150,000
D. S. Reich	170p	1994-2001	245,000	245,000	—
	170p	1996-2001	255,000	255,000	—
T. Vial Collet (a)	193p	1996-2001	500,000	500,000	—
G. Gobin (c) (d)	(b)	1993	481,928	481,928	481,928
C. Hochman (d)	—	—	—	—	—

(a) In addition Peter Scott held options over 3.05 million Ordinary shares of 5p each of Aegis Group plc and Thierry Vial Collet held options over 1.5 million Ordinary shares of 5p each which were granted to them by certain existing shareholders of Aegis Group plc. These options can be exercised at a price of 200p per share.

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

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

(d) 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, exercisable at 296p per share. 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.

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
UK corporation tax at 33.25% (December 1990 – 34.25%) based on profit for the year	3,342	2,742
Overseas taxation	18,365	25,210
Transfer from deferred taxation	(836)	(2,252)
	20,871	25,700

9. EXTRAORDINARY ITEMS

	12 months to 31 December 1991 £000	12 months to 31 December 1990 £000
Loss on disposal of Siebert/Head Limited	(765)	—
Profit on disposal of the public relations business to Eurocom S.A.	—	4,143
Provision against investment in Finlan Group Plc	—	(1,999)
	(765)	2,144

In April 1991 Aegis Group plc disposed of Siebert/Head Limited, a London-based packaging design specialist, to management for a total consideration of £406,000. £206,000 of this consideration was paid in cash on completion and £200,000 has been deferred. In the year ending 31 December 1990 the company made a profit of £117,000 and had net assets of £347,000. Continued ownership of this company was no longer consistent with the Group's strategic direction.

10. DIVIDENDS

	12 months to 31 December 1991		12 months to 31 December 1990	
	£000	£000	£000	£000
Preference				
55% Convertible Cumulative Redeemable Preference shares of 10p each		412		487
51.1% Convertible Cumulative Redeemable Preference shares of 10p each		127		127
9.75% Guaranteed Redeemable Convertible Preference shares of 1p each issued by a subsidiary undertaking		7,018		7,020
Ordinary				
Interim dividend of 2.75p	3,053		1,977	
Final proposed dividend of 3.1p (December 1990 - 3.1p)	3,793		2,564	
Adjustment arising from the exercise of scrip dividend options	(1,058)		—	
Prior period overprovision	(28)		(108)	
		5,760		4,433
		13,317		[illegible]

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 £21,342,000 (1990 - £27,629,000) and an average number of Ordinary shares in issue during the year of 101,087,000 (1990 - 73,965,000).

Fully diluted

The calculation of fully diluted earnings per Ordinary share is based on earnings net of tax, minority interests and preference dividends but before extraordinary items, of £21,342,000 and an average number of shares of 117,090,000.

Fully diluted earnings per share reflect the effect of future share issues to the vendors of Carat, estimated at the Company's year-end price of 127 pence per Ordinary share. They do not reflect the effect of preference share conversion rights which would have increased earnings per share. If these had been included, fully diluted earnings per share would have been approximately 20.0 pence.

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	1,373	2	1,092	855	24,061	7,900	35,283
In subsidiary undertakings acquired	33	—	102	39	1,545	1,151	2,870
Additions	876	1,069	23	89	6,764	4,158	12,979
Disposals	—	—	(378)	(7)	(1,469)	(2,209)	(4,063)
Revaluations	—	—	(250)	—	—	—	(250)
Exchange rate adjustments	12	—	—	10	87	—	109
At 31 December 1991	2,294	1,071	589	986	30,988	11,000	46,928
Depreciation at beginning of year	122	—	79	298	6,062	3,195	9,756
In subsidiary undertakings acquired	3	—	41	11	700	357	1,112
Provided for the year	151	46	46	93	4,269	1,391	5,996
Disposals	—	—	(37)	(1)	(467)	(501)	(1,006)
Exchange rate adjustments	(2)	—	—	(3)	(54)	(38)	(97)
At 31 December 1991	274	46	129	398	10,510	4,404	15,761
Net book value at 31 December 1991	2,020	1,025	460	588	20,478	6,596	31,167
Net book value at 31 December 1990	1,251	2	1,013	557	17,999	4,705	25,527

The net book value of assets held under finance leases included in the above at 31 December 1991 is £Nil (31 December 1990 - £101,000).

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	-	620	—	489	1,522	2,735
Additions	—	—	16	2	102	100	220
Revaluations	—	—	(250)	—	—	—	(250)
Disposals	—	—	—	—	—	(1,522)	(1,522)
At 31 December 1991	104	—	386	2	591	100	1,183
Depreciation at beginning of year	—	—	31		34	172	237
Provided for the year	—	—	30	-	124	36	190
Disposals	—	—	—	—	—	(185)	(185)
At 31 December 1991	—	—	61	—	158	23	242
Net book value at 31 December 1991	104	—	325	2	433	77	941
Net book value at 31 December 1990	104	—	589	—	455	1,350	2,498

Capital commitments:	Group 31 December 1991 £000	Group 31 December 1990 £000	Company 31 December 1991 £000	Company 31 December 1990 £000
Contracted but not provided	175	92	—	—
Authorised but not contracted for	40	—	—	—

13. FIXED ASSET INVESTMENTS

Group:	Associated undertakings Share of Tangible Net Assets £000	Other Investments UK Listed £000	Other Investments Unlisted £000	Total Investments £000
At the beginning of year	2,545	1	1,989	4,535
Additions	255		126	381
Reclassification on becoming a subsidiary	(2,429)		(122)	(2,551)
Profit retained in associated undertakings	531	-	-	531
Disposals	---		(259)	(259)
Provisions	—	---	(722)	(722)
Exchange movements	(7)	--	25	18
At 31 December 1991	895	1	1,037	1,933

Company:	Shares in Subsidiary undertakings £000	Shares in associated undertakings £000	Other Investments UK Listed £000	Other Investments Unlisted £000	Total Investments £000
Valuation at beginning of year	83,676	27,462	1	--	111,139
Additions	27,775	3,175		-	30,950
Disposals	(1,517)	—		—	(1,517)
Valuation at 31 December 1991	109,934	30,637	1	—	140,572

The Directors have valued fixed asset investments of the Company at 31 December 1991 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 1991 of £79,000 (31 December 1990 £58,000).

Principal undertakings:	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			
	Greece			
	Holland			
	Italy			
	Norway			
	Spain			
	Sweden			
	UK			
	USSR			
Carat Sponsorship	UK	Ordinary	100%	Sponsorship
	USA			
	Canada			

In the opinion of the Directors, the Group is not in a position to exercise significant influence over the affairs of Eurocom WCRS Della Femina Ball Limited ("EWDB Limited"). As a consequence the Group has not included any share of EWDB Limited's results for the year ended 31 December 1991.

14. DEBTORS

	Group 31 December 1991 £000	Group 31 December 1990 £000	Company 31 December 1991 £000	Company 31 December 1990 £000
Trade debtors	321,947	221,910	—	247
Amounts due from group undertakings	—	—	216,211	160,525
Amounts due from associated undertakings	434	692	32	46
Other debtors	93,855	86,038	812	3,186
Advance corporation tax recoverable	—	1,151	—	1,151
Prepayments and accrued income	2,012	5,649	88	—
	418,248	315,440	217 143	165,155

Other debtors include an interest bearing loan made by a subsidiary company of £93,071 (31 December 1990 – £Nil) outstanding from Thierry Vial Collet who has been subsequently appointed to the Board of Aegis Group plc.

15. CURRENT ASSET INVESTMENTS

	Group 31 December 1991 £000	Group 31 December 1990 £000	Company 31 December 1991 £000	Company 31 December 1990 £000
Other investments (unlisted - stated at cost)	4,842	3,516	1	1

16. CREDITORS

Amounts falling due within one year:	Group 31 December 1991 £000	Group 31 December 1990 £000	Company 31 December 1991 £000	Company 31 December 1990 £000
Bank loans and overdrafts	16,419	41,891	29,718	10,430
Trade creditors	321,841	227,935	—	—
Finance leases and hire-purchase contracts	40	83	—	—
Amounts due to group undertakings	—	—	9,115	501
Amounts due to associated undertakings	416	703	—	—
Creditors for taxation and social security	9,345	4,845	933	—
Corporation tax	5,635	11,058	1,304	—
Dividends payable	4,002	2,799	4,002	2,799
Other creditors	106,098	88,940	18,410	26,830
Accruals and deferred income	5,164	7,063	1,025	822
	468,960	385,317	64,507	41,382

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 1991 £000	Group 31 December 1990 £000	Company 31 December 1991 £000	Company 31 December 1990 £000
Bank loans and overdrafts	27,223	40,159	37,537	60,345
Finance leases and hire-purchase contracts	19	24	—	—
Other creditors	58,240	58,267	200	—
	85,482	98,450	37,737	60,345

17. CREDITORS (continued)

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 £15,464,000 repayable in three equal instalments between April 1992 and July 1993. £5,155,000 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 1990 - £Nil) repayable in instalments more than five years from the date of the balance sheet. Other creditors include deferred payments totalling £35,900,000 (December 1990 - £48,200,000) payable to the vendors of Carat Holding S.A.

18. PROVISION FOR LIABILITIES AND CHARGES: DEFERRED TAXATION

	Group £000	Company £000
At beginning of year	1,312	—
Credited to profit and loss account	(836)	—
In subsidiaries acquired	20	—
In subsidiaries disposed	(2)	—
Other	132	—
At 31 December 1991	626	—

	Group		Company	
Analysis of deferred taxation:	Amount provided £000	Amount unprovided £000	Amount provided £000	Amount unprovided £000
Accelerated capital allowances	55	—	—	—
Other timing differences	571	—	—	—
	626	—	—	—

19. SHARE CAPITAL

	31 December 1991 £000	31 December 1990 £000
Authorised:		
195,200,000 (December 1990 - 160,000,000) Ordinary shares of 5p each	9,760	8,000
19,000,000 (December 1990 - 19,000,000) 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each	1,900	1,900
6,000,000 (December 1990 - 6,000,000) 51.1% Convertible Cumulative Redeemable Preference shares of 10p each	600	600
	12,260	10,500
Allotted, called-up and fully paid:		
122,329,001 (December 1990 - 82,691,501) Ordinary shares of 5p each	6,116	4,135
6,855,091 (December 1990 - 7,941,495) 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each	686	794
2,482,788 (December 1990 - 2,482,788) 51.1% Convertible Cumulative Redeemable Preference shares of 10p each	248	248
Called-up share capital of the Company	7,050	5,177
71,980,000 (December 1990 - 72,000,000) 9.75% Guaranteed Redeemable Convertible Preference shares 2004 of 1p each issued by a subsidiary	720	720
	7,770	5,897

19. SHARE CAPITAL (continued)

On 1 February 1991, 6,410 Ordinary shares of 5p each were issued on conversion of 20,000 9.75% Guaranteed Convertible Preference shares 2004 of 1p each issued by a subsidiary.

On 21 March 1991, 30,000 Ordinary shares of 5p each were issued for a total of £53,400 pursuant to the exercise of share options.

On 2 April 1991, 556,664 Ordinary shares of 5p each were issued for a total of US$1,033,333 as deferred consideration in connection with the acquisition of Della Femina McNamee WCRS Inc.

On 2 April 1991, 469,639 Ordinary shares of 5p each were issued for a total of FFr10.625 million as deferred consideration in connection with the acquisition of Media Centre International SA.

On 5 April 1991, 50,000 Ordinary shares of 5p each were issued for a total of £89,000 pursuant to the exercise of share options.

On 19 June 1991, 11,538,462 units, each consisting of one new Ordinary share and one Warrant to subscribe for one further share were issued for a total of £30 million in respect of the Placing and Open Offer to shareholders. The Warrants expire 7 years after their issue and entitle the holder to subscribe at any time for Ordinary shares at a price of 315 pence per share.

On 21 June 1991, 12,500,000 Ordinary shares of 5p each were issued for a total of FFr250 million as deferred consideration in connection with the acquisition of the remaining 50% of Carat Holding SA.

On 3 July 1991, 171,365 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 year ended 31 December 1990.

On 8 July 1991, 100,580 Ordinary shares of 5p each were issued for a total of £189,895 as deferred consideration in connection with the acquisition of Bermitz Farmer Limited.

On 11 July 1991, 4,592,050 Ordinary shares of 5p each were issued for a total of £8,724,895 as consideration in connection with the acquisition of TMD Advertising Holdings PLC.

On 25 July 1991,

(i) 15,059 Ordinary shares of 5p each were issued for a total of £28,612 as consideration in connection with the acquisition of TMD Advertising Holdings PLC.

(ii) 183,997 Ordinary shares of 5p each were issued for a total of FFr3.4 million as consideration in connection with the acquisition of Adverta SA.

On 9 August 1991, 9,750 Ordinary shares of 5p each were issued for a total of £18,525 as consideration in connection with the acquisition of TMD Advertising Holdings PLC.

On 2 September 1991, 450,858 Ordinary shares of 5p each were issued on conversion of 1,086,404 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each.

On 25 September 1991, 2,600,000 Ordinary shares of 5p each were issued for a total of £5.356 million in connection with the listing of Ordinary shares of 5p each in the Company on the Paris Bourse.

On 26 September 1991, 57,601 Ordinary shares of 5p each were issued for a total of £120,146 as deferred consideration in connection with the acquisition of Synergie Communications Ltd.

On 30 September 1991, 4,260,884 Ordinary shares of 5p each were issued for a total of FFr77.5 million as consideration in connection with the acquisition of the outstanding minority interest in Moins SA and 19% of the outstanding minority interest in 2010.

On 8 October 1991, 500,000 Ordinary shares of 5p each were issued for a total of £1 million as deferred consideration in connection with the acquisition of Agda Holding AG.

On 9 October 1991, 390,291 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 ending 31 December 1991.

On 21 October 1991, 744,000 Ordinary shares of 5p each were issued for a total of FFr14.88 million in connection with the acquisition of the outstanding minority interest in Media Europe SA.

On 11 December 1991, 309,672 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 19 December 1991, 100,218 Ordinary shares of 5p each were issued for a total of £181,746 as deferred consideration in connection with the acquisition of Grand Slam Sports Limited.

19. SHARE CAPITAL (continued)

Under the executive share option scheme there were at 31 December 1991, 9,656,500 Ordinary shares of 5p each over which the participants have the right to exercise options at prices ranging from 147p to 279p, exercisable between that date and 24 October 2001.

The 55% Convertible Cumulative Redeemable Preference shares 1999 are convertible into fully paid Ordinary shares on 31 August in each of the years 1992 to 1998 on the basis of 2.075p in nominal amount of Ordinary shares for every 10p in nominal amount of 55% Convertible Cumulative Redeemable Preference shares 1999 so converted.

The 51.1% Convertible Cumulative Redeemable Preference shares, which were issued on 11 January 1988, are convertible at the option of the shareholder into fully paid Ordinary shares on any working day up until 10 January 1993 on the basis of 1.923p in nominal amount of Ordinary shares for every 10p in nominal amount of 51.1% 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 up until 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	130,209	1,458	—	(307,386)	—	70,380
Premium on Ordinary shares issued by the Company, less expenses	77,664	—	—	—	—	—
Goodwill realised on disposal	—	—	—	2,347	—	(2,347)
Goodwill arising in the year written-off	—	—	—	(93,580)	—	—
Exchange translation	—	—	—	(2,603)	—	1,596
Transfers	—	(809)	—	809	—	—
Retained profit for the year	—	—	—	—	—	14,817
At 31 December 1991	207,873	649	—	(400,413)	—	84,446

Company:	Share Premium Account £000	Capital Reserve £000	Revaluation Reserve £000	Goodwill Reserve £000	Merger Reserve £000	Profit & Loss Account £000
At beginning of year	58,929	1,458	22,023	—	80,408	15,019
Premium on Ordinary shares issued, less expenses	78,755	—		—	—	—
Merger reserve arising on acquisition of subsidiary undertakings	—	—	—	—	(2,349)	—
Adjustment on disposal of subsidiaries	—	—	1,826	—	—	—
Transfers	—	(809)	—	—	809	—
Retained loss for the year	—	—	—	—	—	(1,879)
At 31 December 1991	137,684	649	23,849	—	78,868	13,140

20. RESERVES (continued)

The Company has not presented its own profit and loss account as permitted by Section 230 (1) of the Companies Act 1985. The profit dealt with in the accounts of the Company for 1991 was £4,536,000 (12 months to 31 December 1990 – loss of £8,732,000).

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 1991.

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 £23,849,000 does not fall to be treated as a realised loss and therefore is not regarded as reducing distributable reserves.

The capital reserve represents future deferred payments to the vendors of certain companies and is the nominal value of Ordinary shares required to discharge the remaining liabilities based upon the share price at 31 December 1991.

21. ACQUISITIONS

The following table indicates the major categories of assets and liabilities principally in respect of the acquisition of TMD Advertising Holdings PLC in May 1991 and the buyout of a number of minorities by Carat Espace S.A. and its subsidiaries, together with the adjustments made in ascribing fair values to such assets and liabilities. Goodwill includes deferred payments and exchange movements in respect of prior period acquisitions.

	Local book values £000	Revaluation £000	Provisions £000	Fair value on acquisition £000
Intangible fixed assets	29	(29)	—	—
Tangible fixed assets	1,758	—	—	1,758
Fixed asset investments	2,924	—	—	2,924
Debtors	38,434	—	—	38,434
Cash at bank	15,990	—	—	15,990
Other assets	1,126	—	—	1,126
Creditors and provisions	(53,643)	—	—	(53,643)
	6,618	(29)	—	6,589
Goodwill				96,183
				102,772
Consideration				
– Issue of Ordinary shares				19,412
– Cash movements				31,009
				50,421
Deferred cash payments in respect of prior period acquisitions				18,067
Deferred share issues in respect of prior period acquisitions				22,549
Provisions against future deferred payments and exchange movements				11,735
				102,772

The Group financial statements include £1,852,000 in respect of the profits of TMD Advertising Holdings PLC for the year ended 31 December 1991 (12 months to 31 December 1990 – £567,000).

During the year, the Company acquired the remaining 50% of the share capital of Carat Developpement, a Paris based media buying company formed on 18 January 1991, for a total consideration of FFr31,250, paid in cash, which represented the par value of the shares acquired.

22. CONTINGENT LIABILITIES AND OTHER COMMITMENTS NOT PROVIDED

Additional capital payments may be made to the vendors of certain subsidiary and associated undertakings in the years to 2005. Such payments are contingent on the future levels of profits achieved by the undertakings. The Directors estimate that, at the rates of exchange ruling at the balance sheet date, the maximum liability at 31 December 1991 for payments that may be due is as follows:

	£000
Within one year	1,428
Between one and five years	24,668
Over five years	2,536
	28,632

At the Group's discretion, up to £10,388,000 of the contingent payments may be discharged in the form of Ordinary shares.

Guarantees of £18,236,000 (December 1990 - £9,500,000) 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.

During the year, certain amendments were made to the terms of the acquisition agreement for the minority interests in Moins, 2010 Holdings and 2010 Media whereby Carat SA acquired 19 per cent of the outstanding 25 per cent minority in 2010 and the remaining 15 per cent minority in Moins. The total consideration for the shares purchased was [illegible]m in cash and approximately 4.26 million Ordinary shares in Aegis.

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

At 31 December 1991, there were the following annual commitments in respect of non-cancellable operating leases for the following year:

	Group		Company	
Operating leases that expire:	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Within one year	1,744	184	—	68
Between one and five years	3,997	248	—	32
Over five years	2,875	—	595	—
	8,616	432	595	100

REPORT OF THE AUDITORS

TO THE MEMBERS OF AEGIS GROUP plc

We have audited the financial statements on pages 38 to 56 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 1991 and of the profit and cashflows 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

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

10 April 1992

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT 10.30 A.M. ON 28 MAY 1992 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 6, AND SPECIAL BUSINESS, WHEN RESOLUTIONS 7 AND 11 WILL BE PROPOSED AS ORDINARY RESOLUTIONS AND RESOLUTIONS 8, 9, AND 10 AS SPECIAL RESOLUTIONS.

Ordinary Business

1. To receive the statement of accounts for the financial year ended 31 December 1991 and the reports of the Directors and auditors thereon.
2. To declare a final dividend of 3.1p per Ordinary share on those Ordinary shares of the Company in respect of which no valid election is received by the Company, on or before 8 June 1992, to receive Ordinary shares pursuant to resolution number 11, provided that if the offer to shareholders does not become unconditional in accordance with its terms, the dividend of 3.1p per Ordinary share shall instead be paid on such Ordinary shares, such dividend being in all cases due and payable on 8 July 1992 to those shareholders on the register as at the close of business on 8 May 1992.
3. To re-elect as a Director of the Company F. S. Law who retires by rotation and, being eligible, offers himself for re-election.
4. To re-elect as a Director of the Company J. L. Vogelstein 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 T. Vial Collet who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for re-election.
6. To re-appoint Price Waterhouse as auditors of the Company, and to authorise the Directors to fix their remuneration.

Special Business

7. That the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £2,051,841 provided that this authority shall (unless previously revoked or varied by the Company in general meeting) expire at the conclusion of the Annual General Meeting of the Company to be held in 1993, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
8. That subject to the passing of resolution 7 above, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by the said resolution 7 above as if section 89(1) of the said Act did not apply to any such allotment, provided that this power shall be limited,

   (a) to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders and in favour of holders of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them and, in the case of any other class of equity security, where the equity securities are attributable to the interests of all the holders of such class in accordance with the rights attached to such class, subject in all cases to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising in connection with the laws of, or requirements of any recognised regulatory body or stock exchange in, any territory; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £305,822,

   and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1993 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

9. The Company be and it is hereby unconditionally authorised to make market purchases (as defined in section 163(3) of the Companies Act 1985) of its Ordinary shares of 5p each ("Ordinary shares") and its 55% Convertible Cumulative Redeemable Preference shares 1999 of 10p each ("55% preference shares") on the International Stock Exchange of the United Kingdom and Republic of Ireland Limited upon and subject to the following conditions:

(a) the maximum number of shares which may be purchased is 6,164,500 Ordinary shares and 342,750 55% preference shares;

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

(c) the authority conferred by this resolution shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1993, save that the Company may before such expiry make a contract to purchase shares which would or might be executed wholly or partly after such expiry and may make a purchase of shares pursuant to such contract as if the authority conferred by this resolution had not expired.

10. That the Articles of Association of the Company be and are hereby amended by the addition of the following new article 140A:

"140A. The Directors may, if authorised by an Ordinary resolution of the Company, offer any holders of Ordinary shares the right to elect to receive Ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Directors) of any dividend specified by the Ordinary resolution. The following provisions shall apply:

(a) an Ordinary resolution may specify a particular dividend (whether or not already declared) or may specify all or any dividends declared within a specified period, but such period may not end later than the conclusion of the Annual General Meeting next following the date of the meeting at which the Ordinary resolution is passed;

(b) the entitlement of each holder of Ordinary shares to new Ordinary shares shall be such that the relevant value of the entitlement shall be as nearly as possible equal to (but not greater than) the cash amount (disregarding any tax credit) of the dividend that such holder elects to forego. For this purpose "relevant value" shall be calculated by reference to the average of the middle market quotations for the Company's Ordinary shares on the International Stock Exchange of the United Kingdom and Republic of Ireland Limited as derived from the Daily Official List, on the day on which the Ordinary shares are first quoted "ex" the relevant dividend and the four subsequent dealing days, or in such other manner as may be determined by or in accordance with the Ordinary resolution. A certificate or report by the auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount and in giving such a certificate or report the auditors may rely on advice or information from brokers or other sources of information as they think fit;

(c) on or as soon as practicable after announcing that it is to declare or recommend any dividend, the Directors, if they intend to offer an election in respect of that dividend, shall also announce that intention, and shall, after determining the basis of allotment, if they decide to proceed with the offer, notify the holders of Ordinary shares in writing of the right of election offered to them, and specify the procedure to be followed and place at which, and the latest time by which, elections must be lodged in order for elections to be effective;

(d) the Directors shall not proceed with any election unless the Company has sufficient unissued shares authorised for issue and sufficient reserves or funds that may be capitalised to give effect to it after the basis of allotment is determined;

(e) the Directors may exclude from any offer any holders of Ordinary shares where the Directors believe that the making of the offer to them would or might involve the contravention of the laws of any territory or that for any other reason the offer should not be made to them;

(f) the dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on Ordinary shares in respect of which an election has been made ("the elected Ordinary shares") and instead additional Ordinary shares shall be allotted to the holders of the elected Ordinary shares on the basis of allotment calculated as stated. For such purpose the Directors shall capitalise, out of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution as the Directors may determine, a sum equal to the aggregate nominal amount of the additional Ordinary shares to be allotted on that basis and apply it in paying up in full the appropriate number of unissued Ordinary shares for allotment and distribution to the holders of the elected Ordinary shares on that basis;

(g) the additional Ordinary shares when allotted shall rank pari passu in all respects with the fully paid Ordinary shares then in issue except that they will not be entitled to participation in the relevant dividend;

(h) the Directors may also from time to time establish or vary a procedure for election mandates, under which a holder of Ordinary shares may elect in respect of future rights of election offered to that holder under this article until the election mandate is revoked in accordance with the procedure."

11. That the Directors be and are hereby authorised to offer any holders of Ordinary shares in the capital of the Company the right to elect to receive Ordinary shares credited as fully paid, instead of cash, in respect of the final dividend for the year ended 31 December 1991 and in respect of any interim dividend for the year ending 31 December 1992.

By Order of the Board

E. A. Richardson, *Secretary*
6 Eaton Gate
London SW1W 9BL

1 May 1992

NOTES

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A proxy form is enclosed for your use and, if used, should be deposited with the Company's Registrars (The Royal Bank of Scotland plc, PO Box 457, 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 form will not affect the right of a member to attend and vote at the meeting.

Holders of the 5.5% Convertible Cumulative Redeemable Preference shares 1999 of 10p each, while entitled to receive notice of and to attend the meeting, are not entitled to vote thereat either in person or by proxy, unless they are also holders of Ordinary shares. Holders of the 5.1% Convertible Cumulative Redeemable Preference shares of 10p each are not entitled to attend or vote, either in person or by proxy, at the meeting unless they are also holders of Ordinary shares.

During the period from the date of this Notice until the date of the meeting, there will be available for inspection at 2 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 conclusion of the meeting:

(a) copies of all Directors' service contracts with the Company or its subsidiaries of more than one year's duration; and

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

FINANCIAL HISTORY

	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	12 months to 31 December 1991 £000
Turnover	407,687	568,867	345,207	1,717,274	2,109,291
Profit before taxation	18,253	38,102	16,002	67,802	55,156
Taxation	6,214	16,756	7,540	25,700	20,871
Profit after taxation	12,039	21,346	8,462	42,102	34,285
Extraordinary items	(238)	(1,945)	28,482	2,144	(765)
Retained profit	8,104	9,653	32,140	25,340	14,817
Earnings per Ordinary share (basic)	23.44p	29.91p	9.80p	37.35p	21.11p
Dividends per Ordinary share	3.95p	5.00p	2.50p	5.85p	5.85p

FINANCIAL CALENDAR

11 March 1992 Preliminary announcement of full year results

1 May 1992 Publication of Annual Report

28 May 1992 Annual General Meeting

8 July 1992 Payment of final dividend

DIRECTORS & ADVISERS

Directors of Aegis Group plc

Peter J. Scott (Chairman & Chief Executive)

Charles Hochman (Deputy Chairman)

Frank S. Law (Non-executive Deputy Chairman)

Gilles Gobin (Non-executive)

Jacques Hérail (Non-executive)

Alan P. Pascoe

David S. Reich

Charles R. Stern

Thierry Vial Collet

John L. Vogelstein (Non-executive)

Secretary

Elizabeth A. Richardson

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Registered Number

1403668

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Simon Olswang & Co
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Lond[illegible]

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Samuel Montagu & Co. Limited
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Stockbrokers

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London EC2M 2PA

Registrars

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8 Bankhead Crossway North
Edinburgh EH11 4BR

Auditors

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

Financial Advisers

Salomon Brothers International Limited
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Fax: 34 1 458 0583

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Tel: 46 21 11 00 50
Fax: 46 21 18 60 95

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Carat U.K.
28-30 Litchfield Street
London
WC2H 9NJ
Tel: 44 71 836 5817
Fax: 44 71 497 2853

SHAREHOLDER INFORMATION

Daily share price listings

	System:	Share type:	Access Code:
London	TOPIC	Ordinary	234
		Convertible	116
	SEAQ	Ordinary	50032
		Convertible	46196
	REUTERS	Ordinary	AEGI.L
		Convertible	AEGIp.L
		ADR	AEGIy.L
New York	NASDAQ	ADR	AEGSY.O
Paris	REUTERS	Ordinary	AEGI.PA
	SICOVAM	Ordinary	14210

The Aegis Group welcomes contact with its shareholders. If you have any enquiries about the Group, or its services, please contact:

Roger Parry
Development Director
Aegis Group plc
2 Eaton Gate
London SW1W 9BL
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Facsimile: 071 823 6750