A E G I S

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Future. Proof.

Aegis has always been a pioneer The world's first independent media agency First-to-market with leading-edge tools and techniques The only research company to operate without national boundaries and under a single brand The original digital believer

Our firsts have meant that our clients have also been ahead We have identified trends and invented new ways to play them

Our clients rely on our 14,000 people to know what consumers are thinking, doing and buying - however new their behaviour may be

Being on top of consumer trends is the way we help our clients to win in their markets And by doing this we build a better business for our shareholders

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FINANCIAL HIGHLIGHTS

*For definition of underlying results, please refer to the Glossary of terms
A reconciliation between underlying and reported profit before tax is provided on page 18

GROUP AT A GLANCE

Aegis is constantly pioneering the worlds of media communications and market research. We're the only global marketing services group focused on the two most strategically significant disciplines in marketing today, and we consistently grow faster than our markets.

Aegis Media The world's leading independent media communications network

Carat was the first ever independent media communications agency Today it is the world's largest independent media communications specialist Present in 70 countries, it is the leader in the vast majority of its national markets Carat's core belief is that great communications can have the power to transform clients' businesses
www carat com

Founded in 2003, Vizeum challenges conventional media thinking Combining an understanding of consumer motivation, with profound media expertise, Vizeum helps create stronger connections between brand and consumer Vizeum has operations in 40 countries worldwide
www vizeum com

Posterscope has created the world's first real out-of-home network, making it the leading international outdoor media specialist As the out-of-home sector leader in 20 countries across the world, Posterscope is constantly pushing the technological boundaries and leading the way for the rest of its sector
www posterscope co uk

Isobar is the largest global digital network in the world, and the only one to be truly global The Isobar network has a total of 83 offices in 36 countries Isobar is dedicated to creating time for consumers to spend with brands It does this across the full spectrum of digital marketing, from search to transaction and web-build to creative services
www isobar net

Synovate The fastest growing research company in the world

Synovate is the world's most curious company One of the world's top survey-based research firms, it helps clients understand what their consumers around the world like, and why they like what they do

It achieves this through a comprehensive suite of services and specialist expertise These include Synovate Healthcare, Synovate Motoresearch, Synovate Aztec, Synovate Censydiam, Synovate Product Design & Development, Synovate Brand & Communications and Synovate Loyalty Synovate is present in 51 countries worldwide

www synovate com

Our advantages include an entrepreneurial spirit, a belief that digital is changing everything, and crucially, the way we put an understanding of how consumers think and behave at the heart of everything we do.

LETTER TO SHAREHOLDERS

In 2006, Aegis had the fastest organic growth of all the major marketing services groups We outgrew the wider marketing services industry for a tenth successive year

In total, Aegis produced good double-digit growth across the group Reported revenue grew 14 5% to £996 9m Underlying pre-tax profit was £116 2m, some 16 0% ahead of the previous year, and underlying fully diluted earnings per share rose 14 8% Aegis Media delivered a phenomenal new business performance, winning $2 7bn of net new annualised billings Synovate outgrew its industry by a factor of almost two for the second year in a row

These results are not just the result of good fortune Aegis has long had a reputation for being ahead of the curve, and first to market with new ideas and services Our focus on two areas of marketing services - media communications and market research allows us to react quickly as we see new trends emerging, positioning Aegis Media and Synovate to lead the field

In 2006 those trends included the continuing strategic importance of the media agency in shaping overall communications strategy, the move from pure media to broader communications planning, and embracing digital platforms, and the interactive possibilities they bring, of all shapes and sizes

In market research, 'true globalisation' is now of prime importance that is, the globalisation of research programmes and projects, not simply of research companies At the same time, as data becomes obsolete faster and as corporates look to market research to play a greater role in strategic decisions, the ability to provide timely data and the means to unlock its value, via analysis and modelling, has become critical

2006 turned out to be a year of good growth for marketing services around the world The US market, which still accounts for the lion's share of global marketing investment, grew nicely once again The major Eurozone economies, after several moribund years, delivered in the main on the early signs of recovery seen the year before Meanwhile Asia-Pacific continued to turbo-charge the industry

And just as importantly we spent the year producing great work for our clients Like any services business, the quality of our work is our licence to operate We pioneered industry firsts in both Aegis Media and Synovate, with technology-led advances new communications platforms and tools - and strategic thinking At the same time, we held true to our belief in the highest possible standards in whatever we do whether industry 'firsts', or the equally important, albeit less headline-grabbing, fields of media productivity and data services

LETTER TO SHAREHOLDERS

Behind the headline numbers are tens of thousands of different projects and initiatives for many thousands of clients Our performance is the result of almost 14,000 people, working in 70 countries It includes those of our staff bringing in record new business and servicing clients, and our unsung heroes behind the scenes providing vital support to our client-handlers The one thing common to all Aegis people is an abiding pride and professionalism in how they go about their work Without them, there would be no Aegis, they deserve our thanks

And while it is not possible to mention every one of our people by name, one or two deserve special acknowledgement We were joined in August by our global CEO for Aegis Media, Mainardo de Nardis This is a newly created role, reflecting the rapid growth of Aegis Media into the sophisticated business it is today With a very distinguished background in media services, Mainardo is the ideal person for this role And Jeremy Hicks, our CFO of seven years, leaves us shortly to join his new American wife and family Jeremy has been instrumental in helping Aegis more than double in size during his tenure We are sorry to see him go and wish him well with the next chapter of his life and career

Jeremy will be succeeded by Alicja Lesniak, who comes to us with over 30 years of finance experience, the majority spent in marketing services Alicja knows the agency world inside out, and has a natural feel for our business Her achievements to date have been impressive, and we are excited about the contribution she will now make at Aegis

Altogether then, the performance and strategic positioning of our businesses, coupled with the passion and talent of our staff, give us every reason to hope and believe that 2007 will be just as good a year as 2006

Lord Sharman, Chairman

Robert Lerwill, Group Chief Executive

The age of mass media* is here

*Media **for** the masses? Or media **by** the masses?

BUSINESS REVIEW

Aegis grew faster than the marketing services industry, as we have for each of the past 10 years.

BUSINESS REVIEW CONTENTS

Aegis

Aegis made very good progress in 2006 Turnover was up 1 9% at £8,230 2m (2005 £8,079 1m) and gross margin improved from 9 3% to 10 4%, reflecting the growing contribution from higher gross margin digital and communications services in Aegis Media, and the increased percentage of group revenue from Synovate

Total revenue increased 14 5% to £996 9m (2005 £870 4m) with group organic revenue growth of 7 7% Aegis grew faster than the marketing services industry, as we have for each of the past 10 years Global adspend rose at an estimated 5 9% in 2006 and the market research industry by 5 0% Our growth rate was the highest achieved by any international marketing services group in 2006

Underlying operating profit improved 16 3% to £133 8m (2005 £115 0m) and our underlying pre-tax profit grew to £116 2m, an increase of 16 0% (2005 £100 2m) Underlying diluted earnings per share rose 14 8% to 7 0p (2005 6 1p)

The fundamentals in our markets and our own businesses remain favourable, and several factors underpin our expectation of further good progress in 2007 We expect global growth in both advertising and market research expenditure to be broadly in line with 2006 at around 5 8% and 4 5% respectively The introduction of new products and services, and a record level of net new business in 2006 should enable us to continue our outperformance As a group, we already generate 20% of revenue from the developing markets of Asia-Pacific, Latin America, the Middle East and Central and Eastern Europe Finally, our business mix has well above-average exposure to digital marketing services in Aegis Media, accounting for 20% of revenue in 2006

Carat UK topped the new business league tables for a second year running, with wins including Alliance & Leicester and Abbey National As a result, we estimate that Aegis Media now books one in every eight advertisements running in the UK

iCoke cn was launched on 1 April 2006, and was an instant success with consumers Rewarding them with iCoke points for every bottle of Coca Cola drunk, the iCoke virtual playroom partners with youth brands, such as World of Warcraft and the NBA, offering a unique Freestyle Basketball game online, as well as QQ, China's leading instant messenger

In 2006 Synovate published its first tranche of *Hot Spots* reports These are overviews of the BRIC markets, along with Egypt, Turkey and South Africa - all of which are at the forefront of marketers' minds today The reports show, among other things, that 60% of Chinese people live outside the cash economy and that Brazil's most successful soap opera reaches a staggering 98 9% of the population Today 30% of Synovate's revenue comes from developing markets almost twice the industry average A second phase of *Hot Spots* is planned for early 2007, covering Argentina, Mexico, Poland, Hungary, Romania, Indonesia and Thailand

How can we
put our money
where our
word-of-mouth is?

BUSINESS REVIEW

This is providing a huge opportunity for Aegis Media, advising clients on how to interact with consumers in an ever-more complex media world, and executing campaigns across a multitude of platforms. Our structure and business mix, and in particular our major digital presence, makes Aegis Media uniquely able to deliver this.

Aegis Media
Aegis Media delivered another strong performance in 2006 Revenue grew by 6 6% organically, and 10 3% in total to £595 7m Underlying operating profit before associates grew by 13 7% to £121 1m (2005 £106 5m), and the underlying operating margin before associates improved by 60 bps We won a record level of net new business at $2,692m (2005 $1 595m), including the global adidas Reebok consolidation

This was achieved against a relatively stable backdrop for adspend, for which we estimate growth at 5 9% globally Within this, the emerging markets of China and India delivered some of the highest growth rates, the US delivered another solid year, and the largest Eurozone economies showed improvements on recent years

Our strength in digital marketing services, through Isobar, helped us achieve above-market growth The convergence of platforms and technologies has become a worldwide reality, making digitally-centric and integrated marketing campaigns a key focus for the entire advertising industry The speed at which innovations in digital media and entertainment entered the mainstream was faster in 2006 than ever before 2006 developments include the rapid adoption of social networking spaces and video and photo sharing, all now widely used across geographies and groups

This is providing a huge opportunity for Aegis Media, advising clients on how to interact with consumers in an ever-more complex media world, and executing campaigns across a multitude of platforms Our structure and business mix, and in particular our major digital presence, makes Aegis Media uniquely able to deliver this

Our digital presence more than compensated for some weaker trends in other areas of media, such as network television and print These have proven challenging in some developed markets as viewers and advertisers migrate to alternative media, and competition heightens with new channel and free-sheet launches This shift in budget allocation benefits not only digital but out-of-home, sponsorship, experiential marketing and events

We continued to develop our network and client services around the world Content development and creative execution is growing in Aegis Media, both online and off, becoming a crucial component of our offer A principal focus was the global roll-out of our communications planning framework, known as 3C's, at Carat Some 5,000 Carat staff have now been trained in the 3Cs approach and tools, which put communications planning at the heart of our core media offer Carat's approach and advantages were recognised by trade publication *Campaign* in December, naming Carat global network of 2006 Carat UK was 'agency of the year' for both *Campaign* and *Media Week*, and we also won agency of the year titles in Italy, Norway and Mexico

Isobar agencies glue, de-construct and Diffiniti shared a *Campaign* digital gold award for their Da Vinci Code campaign for Eurostar Coinciding with the release of the Da Vinci Code movie, Eurostar's mysterious promotion called on consumers to 'join the quest' through games and riddles, online and off All in all, consumers chose to spend some 30 years online with our client's brand

Twenty per cent of Aegis Media's revenue in 2006 came from digital marketing services, up from 7% just two years ago This means that Aegis Media's exposure to the fastest growing marketing space now stands at over three times that of the overall industry, with investment on digital marketing estimated at 6% of total adspend

BUSINESS REVIEW

Vizeum had a record year for net new business and continued to expand internationally. Posterscope continues to be the only true global network for out-of-home communication. Isobar's growth, both total and organic, was exceptional throughout the year.

Vizeum had a record year for net new business and continued to expand internationally We further grew Vizeum's presence around the globe, particularly in Asia-Pacific, adding offices in Thailand, Singapore, Japan and the Philippines in Asia-Pacific, as well as Estonia and Turkey in EMEA, making a total of 46 offices in 40 countries for the Vizeum network

Posterscope continues to be the only true global network for out-of-home communication, and 2006 was a year of further investment in the brand worldwide We rolled out a next generation suite of planning tools early in the year, and we successfully launched the Posterscope brand in the US In addition, we have now established the successful Posterscope UK model of specialist tools and planners in all the major European economies, as well as the Nordics and Poland, and key hubs in Asia-Pacific

Isobar's growth, both total and organic, was exceptional throughout the year We invested in creating a dedicated central client-facing infrastructure to manage business from multinational clients throughout the network, and ended the year with a substantial resource in this area Isobar's reputation for award-winning work was reflected in the award of seven Cyber Lions to glue and Farfar at Cannes and a *Campaign* digital gold to de-construct, Diffiniti and glue for their work on Eurostar In the fourth quarter, iProspect, which developed search tool iSEBA, now undergoing global roll-out throughout the Isobar network, was ranked the leading search agency in the US by Forrester

Aegis Media EMEA

Aegis Media EMEA grew extremely strongly, gaining share in almost all its major markets Revenue increased to £418 1m (2005 £380 7m), up 9 8% Our record of business wins was exceptional, with record net new business of $1,959m This includes the award of the global advertising industry's largest win of 2006, GM Europe across 34 countries, as well as Luxottica, Hilfiger and Intercontinental Hotels across Europe, Hutchison 3G in Italy, Fiat and Quelle in Germany, the Service d'Information du Gouvernement, the French Government's public information body, and C&A in France, Alliance & Leicester, Yahoo! and COI Cinema in the UK, Orange Media in Spain, Tele2 in Russia, and the National Lottery in Ireland

Market conditions were broadly positive In Germany, the market returned to growth after a number of difficult years, and France saw a continued recovery, while Spain and Central and Eastern Europe produced strong demand for television airtime Our businesses in the Middle East and Russia grew fast, as the economic growth of both regions produced good results The UK, having been a buoyant market in recent years, saw a slowdown in conventional media, with only online advertising showing significant growth We were largely protected from this slowdown by our leading position in digital media and our outstanding new business run, as Carat UK topped the new business league table for a second successive year

We strengthened our presence in the digital market in the Netherlands with the acquisition of Bookmark, and reinforced our leadership position in the Nordics with Creo, a sponsorship agency, in Norway and digital media services agency Suddenly Stockholm in Sweden The acquisition of Mediapool in Estonia brought us a platform to form Vizeum in the Baltics In South Africa we added to Posterscope with the acquisition of Integrator

The adidas iBall created by Carat, was seen by an estimated 4 7m consumers as it toured six European cities in the lead-up to the FIFA World Cup A spectacular replica of the tournament ball itself six metres high, the interactive iBall featured giant LED screens, as well as sensors to test how fast passers-by could run and how loudly they could cheer

The growth of the Vizeum network continued, as Vizeum reported its best ever year for net new business In the course of the year, Vizeum launched in Thailand, Singapore, Japan, the Philippines, Estonia and Turkey, making for a total of 40 countries worldwide

BUSINESS REVIEW

Overall, Aegis Media Americas had a successful year, reflecting our wide range of products and services, and the quality of our client list. Market conditions in the US proved stable, and we produced a particularly strong performance from Isobar.

Aegis Media Americas

In the Americas, Aegis Media grew revenues by 12 1% to £133 1m (2005 £118 7m), fuelled by rapid growth in digital and diversified marketing services Our net new business wins of $108m (2005 $563m) include the partial loss in the final quarter of two major advertising budgets as a result of corporate changes at our clients In both cases we still retain the core client business Our wins in the Americas included Masterfoods, Ameriprise Financials, GAP, California Tourism, Boehringer and Tracfone in the US and Cadbury's in Mexico

Overall, Aegis Media Americas had a successful year, reflecting our wide range of products and services, and the quality of our client list Market conditions in the US proved stable, and we produced a particularly strong performance from Isobar Search proved a strong market for both Carat and iProspect, and we continued the international development of iSEBA as a global search tool We broke new ground in digital, launching adidas's a3 Microride shoe and Reebok's Custom shoe in the virtual world of Second Life in October, with sales of 24,000 and 9,000 pairs of virtual shoes respectively

Early in the year, we launched the Posterscope brand in the US, with the re-branding of Outdoor Vision, and have seen an extremely strong performance We also completed the successful roll-out of MMA's Avista, our sophisticated marketing analytics tool, and have seen very strong sales demand

Trading in Latin America was robust, with continued recovery in Argentina Since the year end we have expanded our presence in this region significantly, with the acquisition of AgenciaClick, the leading independent digital agency in Brazil

Acquisitions in the year included Ammo, our first move into word-of-mouth marketing, and Control, the leading independent media agency in Mexico, now merged with Carat Mexicana to create the third largest media agency in the market, with significantly increased profitability

Aegis Media Asia-Pacific

Aegis Media Asia-Pacific grew revenue by 9 9% to £44 5m (2005 £40 5m) Overall momentum was positive, with strong organic growth outside the mature markets of Australia and New Zealand In spite of the diversity of economic development in this region, we continued to see success across the region from our strategic focus and investment in communications planning and digital

Net new business of $625m (2005 $380m) included ABN Amro and LG across Asia Procter & Gamble in the Philippines, Chung Hwa Telecom in Taiwan Nikon, AMD and BMW Dealers in China, Nissan in Australia's largest pitch of the year, and Pizza Hut in New Zealand and Taiwan

In 2006, China became Aegis Media's single biggest revenue market in Asia-Pacific, reflecting the exceptional and sustained recent growth of marketing services

Investments in the year included taking 100% control of Carat China and a shareholding in New Voice China We established Vizeum in the Philippines with an investment in Mediaforce, the largest independent media agency, and acquired events specialist Synergy in New Zealand

In December, leading UK trade publication *Campaign* named Carat its media agency network of the year According to *Campaign 'Carat made a serious impression on the global stage and left rivals in its wake '*

Aegis Media continued to get closer to our clients, offering them new services, and extending the scale of our partnerships In 2006 we worked for our top 20 international clients in an average of 19 7 countries up from 18 1 the year before

Research should
predict the future,
not confirm the past.

BUSINESS REVIEW

Synovate significantly outperformed the wider market research industry for another year, growing almost twice as fast as the total market.

Synovate

Synovate significantly outperformed the wider market research industry for another year, growing almost twice as fast as the total market Organic revenue growth accelerated in the second half of the year to reach 9 5% for the full year

We continued to benefit from Synovate's weighting to high-growth markets, with 30% of total revenue from Asia Pacific, Central and Eastern Europe and the Middle East, compared to around 18% for the industry as a whole Total revenue growth of 21 4% at £401 2m included the first full year contribution from nine acquisitions made in 2005, as well as one acquisition in South Africa made in 2006

Underlying operating profit before associates grew 21 7% from £25 3m to £30 8m Operating margins improved in the second half, although not to the full extent planned, because Univero, acquired late in 2005, is taking longer than first expected to bring to Synovate's operating margin Excluding Univero, EMEA, the Americas and Asia-Pacific all increased margins year on year

Our strategy of developing our multi national client business, through our global client relationship initiative started in 2005, has proved extremely successful at driving growth Revenues from our largest 15 clients grew well ahead of Synovate's overall organic growth as we succeeded in increasing our share of roster spend with multi-country and global mandates

Synovate is today a highly international business, with no country of origin or head office and a global perspective Four years after its launch, the Synovate brand is proving increasingly powerful, representing harmonised research solutions and practices in 51 countries In 2006 we continued to develop the Synovate business model with 'From Now to Wow!', running business groups and supporting functions on an increasingly seamless global basis, regardless of location

2006 also saw further progress in Synovate's industry practices and solutions We started 2006 with industry and solutions-led practices in Healthcare, Motoresearch, Retail Analytics and Censydiam During the year we created practices in Loyalty, Product Design & Development and in Brand & Communications Product Design & Development won Synovate's largest ever contract in the course of 2006

The creation of the Brand & Communications practice in Synovate's single greatest area of expertise allowed us to launch our Brand Value Creator (BVC) in November BVC represents a major development in sales forecasting, integrating market barriers (which prevent people from buying what they want to buy) into the brand equity equation for greater visibility and accuracy in correlating marketing investments and sales

Specialism in industry segments and types of research continues to drive Synovate's outperformance In the course of 2006 we added new practices in Loyalty, Product Design & Development and Brand & Communications to our existing ones Synovate Healthcare, Synovate Motoresearch, Synovate Aztec and Synovate Censydiam

Fifteen per cent of the population use the internet to look for love according to a Synovate survey That's how many respondents said they had used an online personal ad or online dating service to meet a potential romantic interest The most significant online daters turned out to be the French at 29% and the Philippinos at 21%

BUSINESS REVIEW

Synovate had another successful year in South Africa, helped by existing strength in its core area of automotive, as well as the introduction of a broader mix and offer.

Synovate continued to internationalise its service offering, with the introduction of products and practices throughout the network, such as in media where our long-established PAX survey celebrated a decade in Asia, and has now expanded organically into the Middle East Latin America will follow in 2007, as will Europe, with the acquisition through Interview-NSS of market-leading EMS, a survey of 4m European media consumers, giving us global product coverage

Synovate EMEA

Total revenue growth of 37 4% to £183 2m (2005 £133 3m) reflects the same trend as in 2005 of good growth in Central and Eastern Europe and softer trading conditions in Western Europe

Our UK business performed well, and we made good progress in Germany, with the successful integration of RBMR, acquired at year end 2005 France and Spain, however, proved more challenging In December 2005, we established Synovate in the Nordics with the acquisition of Univero, where our focus in 2006 has been on restructuring operations to improve future profitability Central and Eastern Europe have grown well overall, albeit slightly slower than in 2005 Synovate Russia has seen some of the fastest expansion, as the Russian economy continues to produce a new class of consumers

Synovate had another successful year in South Africa, helped by existing strength in its core area of automotive, as well as the introduction of a broader mix and offer The creation of our Brand & Communications ideas hub, led by Jan Hofmeyr, has driven the launch of products such as BVC, as South Africa becomes a centre of excellence for new product development We also introduced Synovate Aztec into South Africa with the acquisition of Infocy

Synovate Americas

We grew revenues in the Americas by 5 3% to £134 1m (2005 £127 4m) The US market held up well, and Synovate gained market share for another successive year Revenue growth was good across the majority of categories, including Food and Beverage Consumer Products and Technology and Telecoms While traditional business from US motor manufacturers remained soft, we moved our real-time customer satisfaction product for auto dealers into profit at the year end, signing up Toyota and Daimler Chrysler as clients in the year, with talks at an advanced stage with a further two manufacturers

The US is Synovate's most advanced market for outsourcing and offshoring to lower cost economies We made good progress in 2006 Our move of some CATI capacity to Costa Rica and the Philippines has achieved significant cost savings with no impact on quality Investment in further CATI facilities in Malaysia and Bulgaria is now underway

Synovate is the first market research company to develop truly interactive research panels Our proprietary software incorporates webcam, photo and video-sharing, instant messaging, blogging, mobile and SMS interaction and GPS to let researcher and sample hold a continuous conversation about their likes, needs and preferences We've used this technology with some of the world's best-known brands as far afield as Bangladesh and the Ukraine

We celebrated the 10th anniversary of PAX, Synovate's affluent Asian media survey, with a look at changes in respondents' wealth and media consumption over the decade The personal income of PAX respondents has increased by 86%, and household income rose 76%, some three times ahead of the market, with GDP for the region (excluding China) up 22% over the same period In the decade internet access increased 132% and mobile phone ownership 84%

BUSINESS REVIEW

We are already coordinating a number of multi-country studies out of our China offices, including those for European brands.

Synovate also had a very successful year in Latin America We launched a start-up operation in Mexico in May, in preference to an acquisition-led market entry Synovate Mexico has already contributed a profit in its first year We continued to see strong growth in Argentina and Brazil, both fast-growing economies, where we were helped by the introduction of global Synovate solutions such as those from our Product Design & Development practice 2007 will see the launch of our PAX media survey in Latin America

Synovate Asia-Pacific

We grew total revenue in Asia-Pacific by 20 2% to £83 9m (2005 £69 8m) China, where Synovate is the most established player in the custom research market, was once again Synovate's fastest growing country in Asia-Pacific Over the past three years our client base has developed from predominantly multi-national to the more equal balance of domestic and multi-national that we have today As this market grows in size, it also grows in strategic significance We are already coordinating a number of multi-country studies out of our China offices, including those for European brands

Synovate Aztec, acquired in 2005, and now the basis for our Retail Analytics practice, performed strongly in its original markets of Australia and New Zealand We continued to expand this practice and saw good progress in Thailand, with Tesco a core business partner

Sixty percent of Asian consumers feel unable to live without their mobile phone When it comes to what constitutes poor mobile manners, carrying out a loud conversation in public places is the worst mobile phone offence for 42% of Asians, closely followed by speaking on a mobile during a movie (22%) and answering the phone during a business meeting (16%) according to a Synovate survey

In November, Synovate launched the Brand Value Creator, developed by brand loyalty guru Jan Hofmeyr The Brand Value Creator is based on over 400,000 brand observations from close to 20 product categories, ranging from media and financial services to packaged goods and FMCG, across four continents

In 2006, Synovate launched its new framework innovation, integration and international Known as the 3is, these inform every aspect of Synovate from *what* we do to *how* we do it

"We need to aim
our campaign at
an audience of
a million."

"No, we need to aim
a million campaigns
at a million audiences
of one."

FINANCIAL REVIEW

Revenue grew 14.5% to £996.9m (2005: £870.4m), driven by group organic revenue growth of 7.7% as well as the full-year contribution from the 29 acquisitions made in 2005.

Turnover was up 1 9% at £8,230 2m (2005 £8,079 1m) This performance reflects our changing business mix, with Synovate now 40% of group revenue, as well as the transition in advertising expenditure among our clients from television and print towards alternative platforms, usually at a higher gross margin but lower overall spend As a result, both revenue and gross profit grew well ahead of turnover, and remain better indicators of our overall financial performance

Revenue grew 14 5% to £996 9m (2005 £870 4m), driven by group organic revenue growth of 7 7% as well as the full-year contribution from the 29 acquisitions made in 2005 We are pleased with the overall performance of those acquisitions, which have already generated returns above the group's average cost of capital in their first year

Gross profit was up 12 9% to £852 1m (2005 £755 0m) We continued to see pricing pressure in our core media business of planning and buying but the growth and increasing strategic importance of higher added-value services more than compensated for this We saw our gross margin rise from 9 3% to 10 4% in 2006

Underlying operating profit stated before the amortisation of purchased intangibles, goodwill impairment, the revaluation of financial instruments, and exceptional items, improved 16 3% to £133 8m (2005 £115 0m) This was the result of good revenue growth across the group, and margin expansion in Aegis Media Our underlying group operating margin before associates increased to 13 3% from 13 2%

Underlying operating expenses rose 12 4% to £719 5m (2005 £639 9m), due to our expanding business, acquisitions, and investment in people, products and services This includes investment in expanding Isobar's international client management resources and in new tools such as Posterscope's new planning tools, Carat's 3C's methodology and new models and simulators at Synovate It also includes an increase of £2 4m in the charge for groupwide share incentives, reflecting a continuing impact from the transition to IFRS We expensed goodwill of £5 3m in 2006, of which £3 9m related to an associate, which is excluded from our underlying results

In September, we became aware of a significant fraud perpetrated against Aegis Media in Germany While no restatement of this or prior year net assets or income statement is required as a result of this matter, we have provided for €5 5m (£3 8m) of previously claimed VAT deductions as an exceptional item in 2006 We are taking legal steps to recover all amounts due to the group, but cannot be sufficiently certain of recovery to recognise this as an asset as at the balance sheet date

A third of car or motorcycle buyers can be influenced by success on the racing circuit, according to Synovate's findings Its survey of over 1,500 motorsport fans from the US, Germany, Saudi Arabia, the UAE, China and Malaysia found that a motor brand's performance on the track affects purchase decision for more than one in three

In September, Aegis Media won media planning and buying duties for General Motors in Europe As the world's second largest advertiser, GM brands include Vauxhall/Opel, Saab and Chevrolet

FINANCIAL REVIEW

Aegis paid an interim dividend of 0.725p per ordinary share in 2006. The Board is proposing a final dividend of 1.175p per ordinary share for the year.

Our underlying net interest charge was £17 6m (2005 £14 8m) This includes a full year's interest paid on acquisitions made in 2005 and interest on 2006 acquisitions These increases were partially offset by improved through-the-year working capital management and the effect of the currency movements on our dollar-denominated debt

Our underlying pre-tax profit, excluding goodwill impairment, amortisation of purchased intangibles and an IAS 39 fair value gain of £6 9m, grew to £116 2m, an increase of 16 0% (2005 £100 2m)

We made 13 acquisitions in 2006, and made investments in a further nine We paid £23 1m in upfront payments on new acquisitions (2005 £105 5m), with deferred consideration on these estimated at £20 2m (2005 £88 9m), subject to meeting agreed performance criteria Consideration paid in the year for previously acquired businesses was £54 6m (2005 £41 3m)

The significant event of 2006 in the currency markets was the gradual fall in the value of the US dollar against most other major currencies The average rate for the year against sterling was £1 $1 84, compared with £1 $1 82 for 2005 The year end rate was £1 $1 96 (31 December 2005 £1 $1 72), down 14% The euro's movement against sterling was insignificant in the year

Our underlying tax charge fell from 29 3% to 28 7% in 2006 Reported diluted earnings per share increased 23 6% to 6 8p (2005 5 5p) Underlying diluted earnings per share increased to 7 0p from 6 1p, an increase of 14 8%

Aegis paid an interim dividend of 0 725p per ordinary share in 2006 The Board is proposing a final dividend of 1 175p per ordinary share for the year This is an increase of 17 5%, giving a full year increase of 15 2% over total dividends paid for 2005 The final dividend will be paid on 31 May 2007 to shareholders on the register at 4 May 2007

In June, we successfully refinanced our existing £250m bank facility with a £450m new revolving credit facility on more favourable terms, following repayment of our Euro Convertible Loan in May This new facility gives us the flexibility to continue developing our business through strategic acquisitions The decision to refinance a significant proportion of our debt during 2005 at fixed interest rates and in US dollars protected the group from the rising interest rates seen during 2006, and enabled us to benefit from the fall in the value of the US dollar

	2006 £m	2005 £m	Change
Profit before tax	**113 5**	94 0	20 7%
Amortisation of purchased intangible assets	**0 5**	0 2	
Impairment of goodwill	**5 3**	6 5	
Exceptional items	**3 8**	1 7	
Share of profit on disposal of JV investment	**-**	(1 3)	
	9 6	7 1	
IAS 39 fair value adjustments	**(6 9)**	(0 9)	
Underlying profit before tax	**116 2**	100 2	16 0%

FINANCIAL REVIEW

Our primary business objective as a group is to win and retain client mandates, and to service our clients to the very highest levels of satisfaction.

Capital expenditure was broadly level year on year at £27 1m (2005 £31 3m) and our year-end net debt rose to £228 6m, compared with £209 5m as at 1 January 2006

Key performance indicators
Our primary business objective as a group is to win and retain client mandates, and to service our clients to the very highest levels of satisfaction Ours is a very competitive industry, where businesses have to succeed on a number of fronts to grow and prosper

- delivery of high service levels,
- continuous improvements in client value-added and productivity, and
- constant innovation, with new products, services and ways of doing business

The structure of many of our client contracts means that we are often incentivised to deliver to specific targets on high levels of productivity and client service

In addition, we use a number of non-financial KPIs across our businesses These differ by type of business and geographic region In many cases we consider them to be commercially sensitive, and not appropriate for external release

For these reasons, we consider our overall financial performance to be the best measure of the value we can create for our clients, and hence for our shareholders As a result, we would highlight the following four KPIs as demonstrating the success and quality of our business year on year group organic revenue growth underlying operating margin in Aegis Media, Synovate and for the group, total shareholder return relative to the FTSE All Share Media & Entertainment sector, and the number of services and countries we offer our largest clients

We look to maintain or improve on each of these KPIs year on year, and we met these objectives in 2006

MMA was one of only nine companies to make the 2006 CRM Cool Vendors report compiled by research group Gartner Gartner defines a cool vendor as offering technologies that are *'innovative, impactful and intriguing'* It hailed MMA as *'one of the few innovative vendors that's filling a void in analytics'* with its new real-time marketing ROI tool, Avista MMA was also selected by Forrester as one of its key global players in its B2B Marketing Technology Backbone

In 2004 we brought iProspect, a leader in search engine marketing, into our group Last year we started up iProspect University, training our businesses around the world in paid and organic search A further four Universities will take place in 2007, as we create the world's first global search marketing practice

"I have so many
close friends...

...and one day
I hope to meet them."

CORPORATE SOCIAL RESPONSIBILITY

We aspire to high professional standards and integrity in all situations: managing our financial performance for the benefit of all our stakeholders.

Our framework
As a group, we recognise that we have certain responsibilities to our employees, our clients, our shareholders and the wider world We aspire to high professional standards and integrity in all situations managing our financial performance for the benefit of all our stakeholders, making a contribution to the communities we live in, and avoiding practices that, directly or indirectly, have a negative effect on others or the environment

Our day-to-day activities do not present any immediate risk to the environment or to society at large However, we are a major commercial enterprise and employer in many of our markets, and we believe that fact presents its own set of responsibilities

In addition, in marketing services, we work with some of the world's most directional brands Our partnership with these clients often generates some of the most innovative and high profile work that we do Commercially, therefore it is important to be the kind of company that clients want to do business with, and equally one that our staff feel proud to work for, and recruits want to join

We are proud of the trust our clients place in us This is deeply ingrained in our business, and means we strive to carry out every single mandate with the highest possible degree of commitment and results We think of our clients as our partners in business and our goals are mutual goals to understand consumers and to connect with them Transparency, integrity, accountability and creativity are the key values that we strive to deliver to clients

We try to carry out our responsibilities properly, and to improve our performance over time As an organisation of almost 14,000 people, we aim to strike a balance between the need for consistent principles and policies, and the operations of individual countries, businesses and people within a supportive framework, mirroring the global and local relationships we have with our clients Our businesses often do best when they espouse local and individual initiatives and as a result, much of our work on corporate and social responsibility is driven and delivered on an individual market basis

We have a central corporate social responsibility committee to set the framework for CSR, and monitor activity across all our businesses We are reviewing the appropriate reporting structure from this committee to the Board

Our people
Our organisation exists thanks to the skills and creative talents of almost 14,000 people That is what keeps us in business in both Aegis Media and Synovate Looking after each of them properly is a major priority, and fundamental to our success Our objective is to provide them with satisfying professional opportunities, in a safe and stimulating environment, and to help them develop the skills to advance and grow within our organisation

We have continued to make significant investment in training across the group In 2006 we ran a number of bespoke groupwide leadership programmes One, developed with Ashridge Management College, concentrates on strategic and business issues, with a second on developing leadership skills and behaviours for our business leaders

CORPORATE SOCIAL RESPONSIBILITY

In the UK, where we are a member of Investors in People, Carat was featured in *The Sunday Times* '100 best companies to work for' for a sixth successive year.

The Synovate Academy continued to sponsor training programmes across all of the global network's offices in 2006, ranging from practice accreditation and solutions to sales and business development

At Aegis Media we put some 5,000 employees - both client facing and support - through Carat's 3C's training programme Standing for Curiosity, Collaboration and Creativity the 3C's programme supports the development of the Carat offer, with its increasing focus on communications planning, internationally The programme was launched worldwide with TDay, to mark its impact on transforming communications, and has been followed up with an intensive programme of global and market-specific communication

In 2006, we continued our programme to introduce more structured career development in some of Aegis Media's larger markets In the UK, where we are a member of Investors in People, Carat was featured in *The Sunday Times* '100 best companies to work for' for a sixth successive year In Aegis Media Nordics our Young Lions programme to develop high-potential employees was extended into a broader regional initiative called Global Village

Synovate has run an annual employee engagement survey each year from 2002 to 2005 In 2006 we took a decision to move the survey to March 2007, allowing us to present findings almost immediately at our annual Synovate conference the following month, and to use a newly developed survey methodology

The survey looks at commitment, satisfaction and other employee issues across all Synovate's full-time staff (almost 6,000 today), so we can understand what we do well and what we can improve to help staff commitment Evaluation of certain senior managers' performance is directly linked to the survey's results and each of Synovate's operating units has developed an action plan to take advantage of the strengths and address areas for improvement identified by the survey

Groupwide we have a formal appraisal system in place, and commit to reviewing each employee's progress at least once a year We also use a range of internal communications for skills development, to share best practice and to give our people the recognition they deserve We have a regular groupwide online publication, covering developments in our businesses and markets, and provide regular updates on our business progress, both written, in person and using online video Each of Aegis Media and Synovate has a global Aegis awards programme, aimed at recognising the best work in our business, and sharing insight and practice development globally, as well as regional awards around the world We encourage frequent and candid communication at a business, country and group level

In 2006 we were joined by a new group HR director with considerable experience of leading the people agenda in international organisations The emphasis of our people policies is on talent development, diversity, reward and recognition, aligned to the changing needs and strategies of our businesses, and we have been investing in resource in these areas

As part of this, we are in the middle of a global initiative to improve the efficiency and access to employee information around the group In 2006, as part of this initiative, we started the process of engagement with key stakeholders, inside and outside our business, to understand their needs and wishes We carried out an audit of existing tools for employee information data collection and analytics in order to define

We helped the UK's Department for Transport reach 29% of all teens in only five days with the THINK! viral campaign at one-eighth of the cost of equivalent reach on TV Aimed at making hard-to-reach teenagers aware of the dangers of road traffic, the biggest single cause of death in their age group, the campaign took the form of a viral film, passed from one teen's mobile to another

Synovate South Africa has been providing year-round financial support to The Godwin Feeding Scheme since 2001 The scheme provides food to some 600 children In the mornings, pre-school toddlers arrive, and after school older children visit the scheme These children are reliant on Godwin Park for their daily meal

CORPORATE SOCIAL RESPONSIBILITY

We want our employees to participate in the civic life of their communities. Where practical and appropriate, we allow our people to take time out of the office to carry out work for charities and we support a number of pro bono causes.

requirements for system improvements We are currently designing the solution for testing and subsequent roll-out from the second half of 2007 onwards, allowing us to fully test measure our people performance

In the year we carried out some 40 business continuity planning exercises, designed to protect our people and ensure the viability of our services to clients in the event of a major incident

We are committed to fair employment practices, including the prohibition of all forms of illegal discrimination We believe in giving equal access and fair treatment to all employees on the basis of merit, we think this is both good business sense and ethically sound We are committed to following the applicable labour and employment laws wherever we operate

We believe that disabled people have the same rights as non-disabled to become and continue as our employees Wherever possible we provide the same opportunities for disabled people as for others If employees become disabled we make every effort to keep them in our employment, with appropriate training where necessary

Our shareholders
We recognise our fiduciary duty to our shareholders and seek to establish constructive and two-way relationships Our primary aim in this respect is to create value through continuous improvements in our operating and financial performance We conduct an active investor relations programme throughout the year, designed to set out our strategy and prospects with clarity and in detail, and to solicit shareholders' views in return We also routinely make a range of statutory and additional information available to all shareholders and interested parties via our website and publications Further details of our shareholder relations programme can be found in the Corporate Governance Report on page 35

We are a constituent of FTSE4Good, the socially responsible investment index, having met globally recognised corporate responsibility standards We are also a member of the Media CSR Forum, which was launched in 2001 to develop CSR practices and understanding for UK listed media companies

Our business partners and suppliers
We try to create relationships with our suppliers and third parties such that they trust us and want to do business with us In selecting external suppliers we use competitive processes that are fair and transparent, and designed to maximise value and quality of service for our clients and ourselves With our major suppliers, we aim to establish long-term relationships, often adopting a partnership approach with shared aims and incentives

Our communities
We want our employees to participate in the civic life of their communities Where practical and appropriate, we allow our people to take time out of the office to carry out work for charities and we support a number of pro bono causes We also undertake pro bono work throughout the company, for causes as diverse as the Heart Foundation in Australia and for Wear It Pink in the UK In the majority of our businesses we now send electronic greetings cards for the holiday season, and make a donation to charity

Isobar launched the inaugural 'Green Bean' awards in 2006 as part of its sustainability programme We had a very high level of entries in year one, proving that this is a priority that captures the imagination of our people, with overall winner titles going to Molecular and glue

Carat UK has worked with charity The-Connection-at-St-Martin's for several years, helping with marketing and offering work placements The Connection provides help and support to young people, often homeless, and depends on communicating in an authentic, human way Seeing things through The Connection s eyes is a very different way of looking at the world We learn constantly from our partnership, and consider ourselves very fortunate to have this relationship

It's easy to search.
It's harder to...

CORPORATE SOCIAL RESPONSIBILITY

At a group level we set out to adhere to best practice in environmental matters, such as our premises, equipment and use and disposal of resources, and we charge our operating businesses to do the same.

We also support a range of charities and community projects across the group The majority of this support comes from our operating companies in their local markets At the group level, Aegis supports a number of local and national charities, with a particular emphasis on children with particular needs Our total charitable donations in 2006 excluding fund-raising by employees, amounted to £0 3m (2005 £0 4m) In line with our policy, we did not make political donations in the year (2005 £nil) In 2006 Synovate took the decision to consolidate all its CARES (Charitable Actions Recognised by Employees of Synovate) into a single committee and team This allows us to expand a successful US programme worldwide CARES is an employee-run initiative aimed at encouraging work to support charities, whether by fund-raising or donating time and in-kind support As a global initiative, CARES will focus on supporting children's charities around the world, reflecting Synovate's own creativity and curiosity, and the fact that they are all our futures

Our environment
As our business is predominantly in services, our impact on the environment is relatively low and indirect However, we recognise that we have a responsibility to limit those effects we have We adhere to guidelines from government and industry regulatory bodies, and actively encourage recycling and conservation of resources across the group (This annual report, for example, is printed on chlorine free paper from sustainable forests)

At a group level we set out to adhere to best practice in environmental matters, such as our premises, equipment and use and disposal of resources, and we charge our operating businesses to do the same Energy efficiency, for example, is a key driver of our relocation and facilities policies, and in the majority of our businesses small-scale initiatives, such as double-sided printing and copying, is the norm

The majority of our businesses run similar initiatives to encourage environmentally responsible business practices The majority of these are local by definition In Aegis Media France we created 'Aeko', an internal icon to encourage reduced consumption of resources, with specific targets in areas such as paper usage In Aegis Media UK we treat Business in the Community's Level 3 standard as our objective across all fronts and we have had a good level of success so far In Aegis Media Americas it is our policy to purchase only energy star-rated and powersave equipment where possible

We seek to minimise air and road travel, where possible, through technological alternatives such as video-conferencing and virtual meetings

In Isobar we launched our 'Green Bean' project, a sustainability programme aimed at encouraging our businesses around the world to adopt day-to-day initiatives to reduce their environmental impacts These range from reducing power, water and paper, to 'being a force for good', with active ethical trading policies

We recognise that standards of acceptable and best practice in corporate responsibility are developing rapidly at the moment We are committed to staying abreast of best practice in this area, and believe it is the right thing to do for our businesses

1 Lord Sharman, chairman
2 Robert Lerwill, chief executive officer
3 Jeremy Hicks, chief financial officer
4 Adrian Chedore, CEO, Synovate
5 Mainardo de Nardis, CEO, Aegis Media
6 David Verklin, CEO, Aegis Media Americas
7 Bernard Fournier, non-executive director
8 Leslie Van de Walle, non-executive director
9 Charles Strauss, non-executive director
10 Lorraine Trainer, non-executive director
11 Daniel Farrar, non-executive director
12 Brendan O'Neill, non-executive director

BOARD OF DIRECTORS

1 Lord Sharman, chairman
Colin Sharman joined the board in September 1999 and became chairman in January 2000 He is also chairman of Aviva, a non-executive director of BG and Reed Elsevier and a member of the supervisory board of ABN Amro Colin is a former chairman of KPMG Worldwide, a post he held from 1997 to 1999 He joined KPMG in 1966, became UK senior partner in 1994 and served on KPMG's international and executive committees Age 64

2 Robert Lerwill, chief executive officer
Robert Lerwill was appointed group CEO in February 2005 He had been a non-executive director since June 2000 He was previously an executive director of Cable & Wireless, as CFO from 1997 to 2002 and as CEO of Cable & Wireless Regional from 2000 to 2003 Robert was group finance director of WPP Group between 1986 and 1996 He is a non-executive director of British American Tobacco and of Synergy Healthcare, and a director of The Anthony Nolan Trust Age 55

3 Jeremy Hicks, chief financial officer
Jeremy Hicks joined the board as CFO in April 2000 Between 1994 and 1999 he was group finance director of Abbot Mead Vickers (AMV), playing a key role in its development into one of the UK's largest marketing services groups Before joining AMV Jeremy was a director of Hambros Bank He is a non-executive director of First Choice Holidays Age 53

4 Adrian Chedore, CEO, Synovate
Adrian Chedore joined the board in December 2001 He is CEO of Synovate, and has overseen its development into the world's fastest growing global market research company Adrian's 30 year career in market research includes founding Asia Market Intelligence, acquired by Aegis in 2000, where he was CEO Age 55

5 Mainardo de Nardis, CEO, Aegis Media
Mainardo de Nardis joined Aegis and the Board in August 2006 as global CEO of Aegis Media An Italian national, Mainardo has spent 25 years in marketing services with the last 15 years at an international level His previous roles include CEO of Mediaedge cia and CEO of media communications agency CIA, where he served on the board of Tempus Group plc Age 46

6 David Verklin, CEO, Aegis Media Americas
David Verklin joined the board in September 1999 David has been CEO of Aegis Media Americas since April 1998, where he has overseen the establishment of all Aegis Media operations in North and South America A US national, David started his career at Young & Rubicam in New York and helped found advertising agency Hal Riney & Partners in San Francisco Age 50

7 Bernard Fournier, non-executive director
Bernard Fournier joined the board in June 2000 He was chief executive of Rank Xerox, which became Xerox Ltd, from 1989 to 1998, and chairman until December 2001, having held senior management positions in France, the US and the UK A French national, Bernard is chairman of EDHEC, the largest business school in France Age 68

8 Leslie Van de Walle, non-executive director
Leslie Van de Walle joined the board in June 2003 Since January 2007 he has been group chief executive of Rexam, the consumer goods packaging company His previous roles include executive vice president of Shell Global Retail and chairman of Shell Europe, and group chief executive of United Biscuits Previously he held a number of senior international positions at Cadbury Schweppes and Danone Leslie was born and educated in France Age 51

9 Charles Strauss, non-executive director
Charles Strauss joined the board in September 2003 He is a US national with 35 years' international experience in consumer products businesses, including 18 with Unilever From 2000 to 2004 Charles served on the Unilever board as group president, Unilever Home & Personal Care, chairman of Unilever's North American Committee, and its US president and CEO He is a senior advisor to Lehman Brothers and a director of The Hartford Financial Services Group Age 64

10 Lorraine Trainer, non-executive director
Lorraine Trainer joined the board in August 2005 She currently leads the Business Mentoring practice for Manchester Square Partners Her past roles include global HR head at Coutts and senior HR positions at Citigroup and the London Stock Exchange, and advisor to De Beers Lorraine is chairman of pension trustees for the Royal College of Music and acts as advisor to the Serpentine Art Gallery and the London Philharmonic Orchestra Age 55

11 Daniel Farrar, non-executive director
Daniel Farrar joined the board in June 2003 He is currently general partner at Morgenthaler Partners, a US buy-out group Before this Daniel spent 16 years at GE Capital in senior international roles, including president and CEO of GE Capital Fleet Services Europe A US national, Daniel is a director of Comm-Works, Formed Fiber Technologies and Mark Andy Age 46

12 Brendan O'Neill, non-executive director
Brendan O'Neill joined the board in August 2005 He is a non-executive director of The Rank Group, Tyco International, Endurance Specialty Holdings and Watson Wyatt Until 2003 Brendan held a number of senior management positions in international businesses These include chief executive of Guinness Brewing Worldwide from 1993 to 1998 and group chief executive of ICI from 1999 to 2003 He is chairman of the RAC pension fund trust Age 58

DIRECTORS AND ADVISORS

Directors
Lord Sharman, chairman
Robert Lerwill, chief executive officer
Jeremy Hicks, chief financial officer
Adrian Chedore, CEO, Synovate
Mainardo de Nardis, CEO, Aegis Media
David Verklin, CEO, Aegis Media Americas
Bernard Fournier, non-executive director
Leslie Van de Walle, non-executive director
Charles Strauss, non-executive director
Lorraine Trainer, non-executive director
Daniel Farrar, non-executive director
Brendan O'Neill, non-executive director

Company Secretary
John Ross

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250 Bishopsgate
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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 2006

Results and dividends
The consolidated income statement is set out on page 45 and shows a profit for the financial year of £80 1 million (2005 £64 6 million) An interim dividend of 0 725p per share was paid on 29 September 2006 to ordinary shareholders The directors recommend a final dividend for the year of 1 175p per share which, if approved at the Annual General Meeting, will be payable on 31 May 2007 to ordinary shareholders registered at 4 May 2007 The total dividend for the year will then amount to 1 90p per share (2005 1 65p)

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 communications and market research

Review of business and future developments
A review of the business and likely future developments of the Group is given in the Letter to Shareholders on pages 4 and 5 and in the Business and Financial Reviews on pages 7 to 19 These sections form part of, and are incorporated by reference within, this Directors' Report

Donations
The Group's policy with respect to charitable donations and the amounts donated are detailed on page 25

Employment policies
The Group operates throughout the world and therefore has developed employment policies that meet local conditions and requirements These policies are based on the best traditions and practices in any given country in which it operates and are discussed on pages 21 to 23

Health & safety policies
The Group is committed to conducting its business in a manner which ensures high standards of health and safety for its employees visitors and the general public It complies with all statutory and regulatory requirements

Ethical, environmental & social issues
The Group takes its ethical, environmental and social responsibilities seriously and details of our policies in these respects are given on pages 21 to 25

Supplier payment
Whilst the Company does not impose a formal code of payment practice on its subsidiaries, the Group nevertheless does have a policy toward the payment of its suppliers and details are given on page 23

At 31 December 2006, the Group had 67 days purchases outstanding (2005 61 days) The creditor day analysis is not applicable to the holding company

Directors
The names of the directors at the date of this report and biographical details are given on page 27

Mainardo de Nardis was appointed to the Board on 18 August 2006

With effect from 31 March 2007 Jeremy Hicks will retire as Chief Financial Officer and a director of the Company, and Alicja Lesniak will be appointed as his successor

The interests of the directors in the shares of the Company are shown in the Remuneration Report on pages 40 to 42

Re-election of directors
In accordance with the Articles of Association, Mainardo de Nardis, having been appointed to the Board since the last Annual General Meeting, offers himself for election at the forthcoming Annual General Meeting

In accordance with the Articles of Association, Robert Lerwill, Charles Strauss and Leslie Van de Walle retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting Details of all the directors' service agreements, including notice periods, are given in the Remuneration Report on page 39

Directors' indemnities
A qualifying third party indemnity ("QTPI"), as permitted by the Company's Articles of Association and sections 309A to 309C of the Companies Act 1985, has been granted by the Company to each of the directors of the Company Under the provisions of the QTPIs the Company undertakes to indemnify each director against liability to third parties (excluding criminal and regulatory penalties) and to pay directors' costs as incurred, provided that they are reimbursed to the Company if the director is convicted or, in an action that is brought by the Company, judgement is given against the director

REPORT OF THE DIRECTORS

Substantial shareholdings
At 14 March 2007 the Company had been notified of the following interests of 3% or more in its ordinary shares

	NUMBER OF SHARES	%
Bollore Group	332,852,963	29 09
Fidelity Investments	91,669,467	8 01
Barclays Bank	46,800,696	4 09
Legal & General Investment Management	38,012,450	3 32

Share capital
Details of share capital movements (authorised and issued) are given in note 23 to the financial statements on page 77

Special business at the Annual General Meeting
Details of the special business and the resolutions to be proposed at the forthcoming AGM are given in the enclosed circular, along with the Notice of Meeting

Auditors
Resolutions to re-appoint Deloitte & Touche LLP as auditors to the Company and to authorise the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting

Directors' confirmation
Each of the directors at the date of approval of this report confirms that
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Directors' responsibilities
The directors' are responsible for preparing the Annual Report and the financial statements The directors are required to prepare accounts for the Group in accordance with International Financial Reporting Standards (IFRSs) and have chosen to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (UKGAAP) In the case of the Group's IFRS accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs

Directors are also required to
- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

In the case of the Company's UK GAAP accounts, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period

In preparing these financial statements, the directors are required to
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable accounting standards have been followed, subject to material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985

John Ross
Company Secretary
14 March 2007

CORPORATE GOVERNANCE

The Board supports the highest standards of corporate governance and the directors consider that throughout the period under review the Company has complied with the applicable principles and provisions set out in Section 1 of the Combined Code of Corporate Governance issued in July 2003 (the Code) as incorporated into the UK Listing Authority Rules, save that the US based executive director, David Verklin, has a rolling service contract with a contractual termination payment provision in excess of one year Details of David Verklin's contractual entitlement on termination are set out on page 39 The board believes that his contract is appropriate given the need to retain a key senior operational executive in the context of highly competitive market conditions in the USA (B 1 6 of the Code)

As noted on page 39, Mainardo de Nardis' service contract includes a liquidated damages clause (which expires on 18 August 2007) should the Company commit a repudiatory breach of his contract of employment within 12 months from the date of commencement of his employment

At the date of this report the Board comprises 12 directors, a non-executive chairman, five executive directors and six non-executive directors The biographies of the current directors illustrate their range of experience, which ensures that the Company has an effective Board to lead and control the Group Each of the non-executive directors has confirmed that they have been throughout the year, and continue to be, independent of the management of the Group and free from any business or other relationship that could materially interfere with the exercise of their independent judgement Bernard Fournier is the appointed senior independent director and he is available should occasion arise where there is a need to convey concerns to the Board other than through the Chairman or Chief Executive Officer The roles of Chairman and Chief Executive Officer are clearly established being set out in writing and agreed by the Board The Chairman was independent at the time of his appointment and has remained so since The Board has a formal induction plan for non-executive directors to ensure that a comprehensive familiarisation programme is in place Ongoing training needs for all directors are met as required As part of the business of each meeting of the Board, the Chief Executive Officer provides the Board with an update on current business matters and the Chief Financial Officer also reports on the financial position of the Group At each Board meeting one or two presentations are arranged from different business units or head office functions in order that the non-executives in particular continue their process of familiarisation with the business of the Group and meet other senior non-board executives When considered appropriate, external advisers are also invited to attend that part of the meeting which is relevant The Board meets at least seven times a year and more frequently when business needs require One Board meeting is held at the offices of one of the main business units and is typically added to a second day devoted entirely to the ongoing development of the Company's strategy

The following table identifies the number of Board and Committee meetings held during the past year and the attendance record, by presence or by telephone, of individual directors

NO OF MEETINGS IN YEAR	BOARD 8	AUDIT 4	REMUNERATION 2	NOMINATION 2
Lord Sharman	8	-	1*	2
Adrian Chedore	8	-		-
Daniel Farrar	8	-	2	2
Bernard Fournier	6	4		1
Jeremy Hicks	8	4*		
Robert Lerwill	8	4*	2*	2
Mainardo de Nardis (appointed 18 08 06)	4		-	
Brendan O'Neill	8	4		2
Charles Strauss	7	-	2	2
Lorraine Trainer	8	-	2	2
David Verklin	8			
Leslie Van de Walle	8	3	-	2

* by invitation

From time to time the non-executive directors, including the Chairman, meet in the absence of the executive directors to consider matters of relevance to the running of the Board and the operation of the Company In 2006, the non-executives, led by the senior non-executive director, continued the process of meeting annually without the Chairman being present to appraise the Chairman's performance As a result of this the senior independent director met with the Chairman to discuss any particular issues where it was felt that improvements could be made

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties Board meetings follow a formal agenda and the Board has a schedule of matters specifically reserved to it for decision, including approval of interim and annual results, the dividend policy, approval of all circulars and listing particulars, matters relating to share capital, approval of the annual budget and approval of major capital projects, investments and commitments All directors have access to the advice and services of the Company Secretary Group General Counsel and, if required, external professional advice at the Company's expense The Board considers that the Company has in place an appropriate level of Directors and Officers insurance cover in respect of legal action against the directors In accordance with the Company's Articles of Association, one third of the Board are required to retire by rotation each year so that over a three year period all directors will have retired from the Board and faced re-election

During 2006 the Board continued the process of formal performance evaluation appraisal of the Board as a whole and of all of the individual directors and the process of formal evaluation of its main committees This work was undertaken by one of Synovate's specialist businesses, with

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each director completing a detailed questionnaire which sought an assessment of the effectiveness of the Board and its committees and the contribution of individual directors The responses were aggregated and feedback has been provided on individual assessment and overall Board and committees' performance and any actions necessary to assist improvements agreed Synovate undertakes similar work for a number of other large UK listed companies

Board committees
The Board agrees the terms of reference for all Board committees which are formally documented and regularly updated The main roles and responsibilities of the committees, including the authority delegated to them by the Board, as set out in the terms of reference, are displayed on the Company's website at www aegisplc com and available from the Company Secretary on request

Audit Committee
Brendan O'Neill is chairman of the Audit Committee He is a Chartered Management Accountant and the Board is satisfied that he has appropriate recent and relevant financial experience The other two continuing members of the Committee are Bernard Fournier and Leslie Van de Walle The Chief Financial Officer and the external auditors attend all meetings Although not a member of the Committee, the Chief Executive Officer may attend meetings The Committee chairman meets with the auditors without management present The Board considers that, through the Audit Committee, it has an objective and professional relationship with the external auditors

The Committee normally meets four times a year to
- Review the half-year interim results and the findings of the auditors' review and to discuss the scope of the current year full audit
- Review internal audit and risk management and controls, and to consider progress reports from the Group Risk Committee and Group Risk Manager and
- Prior to the release of the preliminary announcement of the annual results, to review the year's results and audit findings

In reviewing the half year and annual financial statements the Committee focuses in particular on
- Changes in accounting policies and practices
- Major judgemental areas
- Issues resulting from the audit
- The going concern assumption
- Compliance with accounting standards and the Combined Code, and
- Compliance with stock exchange and legal requirements

The Committee has responsibility for making recommendations to the Board in relation to the external auditors' appointment monitors and reviews the external auditors' independence, objectivity and effectiveness and develops and implements policy on the engagement of the supply of non-audit services Details of amounts paid to the external auditors in respect of audit and non-audit services are given in note 6 to the financial statements The Committee has confirmed that the policy concerning rotation of audit partner complies with current guidance issued by the Institute of Chartered Accountants in England and Wales

The Committee has considered information pertaining to the balance between fees for audit and non-audit work for the Group in the year and concluded that the nature and extent of the non-audit fees do not present a threat to the external auditors' independence In addition, the Committee has approved the external auditors' terms of engagement the scope of work and process for the 2006 interim review and full audit and the applicable levels of materiality Based on written reports submitted to the Audit Committee, the Committee has reviewed with the external auditors the findings of their work and confirmed that all significant matters had been satisfactorily resolved

Remuneration Committee
During the year the Remuneration Committee comprised Charles Strauss (chairman), Daniel Farrar and Lorraine Trainer The Committee meets periodically as required but not less than twice a year It is responsible for overseeing the policy regarding executive remuneration and for approving the remuneration packages for the Group's executive directors It is also responsible for reviewing incentive schemes for the Group as a whole and is empowered to approve awards under the 2003 Executive Share Option Scheme and the 2003 Performance Share Plan Although not a member of the Committee, the Chief Executive Officer may attend meetings and the Committee consults him on proposals relating to the remuneration of the other executive directors and other appropriate senior executives He does not attend when the Committee discusses matters relating to him Similarly, the Chairman of the Board is not a member of the Committee but may attend meetings and is consulted by the Committee on proposals relating to the remuneration of the Chief Executive Officer The Group Human Resources director attends all meetings

Nomination Committee
The Nomination Committee comprises all of the non-executive directors together with the Chief Executive Officer and is chaired by Lord Sharman The Committee meets as and when necessary and has responsibility for reviewing the board structure, size and composition, and for identifying and nominating to the Board candidates for appointment as directors It also meets to review the renewal or otherwise of terms of appointment for non-executive directors, with any individual in question not taking part in the discussion The Committee meets once a year, together with the Group Human Resources director, specifically to review the Group's ongoing succession planning This is key to ensuring that the Group maintains an appropriate balance of skills and experience across the Group and on the board

Internal control and risk management
The Group operates a system of internal control, which is maintained and reviewed in accordance with the 2003 Code and the guidance contained in the Turnbull Report (revised)

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The Board has overall responsibility for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness whilst the role of management is to implement Board policies on risk and control The system of internal controls is designed to manage rather than eliminate the risk of failure of the achievement of business objectives In pursuing these objectives, internal controls can only give reasonable and not absolute assurance against material misstatement or loss

The Audit Committee reviews the effectiveness of the risk management process and any significant risk issues are referred to the Board

An executive committee (the "Group Risk Committee") in place since early 2003 manages and monitors the Group's risk and control processes and procedures Membership of the committee comprises

Group Risk Manager	Group HR Director
Group Chief Financial Officer	Group Company Secretary
Group General Counsel	Group Chief Information Officer

Senior representatives from the various operating Group businesses

The committee meets four times a year

The Group Risk Manager develops policies and procedures and manages the risk self-assessment programme together with other activities as directed by the Group Risk Committee

The chairman of the Audit Committee reports the outcome of the Audit Committee meetings and of the Group Risk Committee meetings to the Board and the Board also receives the minutes of the Audit Committee

The key procedures which have been in place throughout the year and up to the date of approval of the Annual Report and Accounts are as follows

a The Board has overall responsibility for the Group's system of internal controls, including financial, operational and compliance controls and risk management The full Board meets regularly and has adopted a schedule of matters which are required to be brought to it for consideration, thus ensuring that it maintains full and effective supervision over appropriate controls The Group's strategic direction is reviewed annually by the Board The Chief Executive Officer together with the executive directors consider the strategy for the individual businesses

b The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority Annual plans and performance targets for each business are set by the executive directors and reviewed by the Board in the light of the Group's overall objectives The division of responsibility at Board level is achieved by the appointment of a non-executive Chairman and a Chief Executive Officer Management of the Group's day-to-day activities is delegated to the Chief Executive Officer and the executive directors and they review on a regular basis any significant risks which the business faces

c Each operation's chief executive officer is responsible for

- The conduct and performance of their business
- Ensuring an effective system of internal controls is in place and reporting on this bi-annually,
- Meeting defined reporting timetables and ensuring compliance with the Group's policies and controls, and
- Signing-off their accounts on a monthly basis subject to the limitations set by the annual business strategy and the reserved powers and sanctioning limits laid down by the Board

d The Board receives, on a monthly basis, financial results from each business and the Group reports bi-annually to shareholders based on a standardised reporting process

e The Audit Committee reviews the effectiveness of the internal control environment of the Group and receives reports from external auditors, the Group Risk Committee, the Group Risk Manager, the Internal Audit Manager and the Chief Financial Officer on a regular basis

f The internal financial control system is reviewed by Group Finance which reports to management and the Audit Committee Group Finance, the Group Risk Manager, the Internal Audit Manager and the external auditors co-ordinate their work to the extent necessary for the external auditors to express their audit opinion on the Group's report and accounts

g There is a clearly defined framework for approving all acquisitions, new and renewing leases, major capital projects and expenditure within the Group

h The Group Principles and Policies Manual is held by all Group senior management and formally collates policies that apply throughout the Group which address legal, financial, IT, personnel and other areas of risk The policies are updated from time to time as necessary An employee version of the manual is also available, via the Company's intranet site, to other employees around the Group

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i A formal risk self assessment programme using an on-line questionnaire is used twice each year It requires every business unit CEO to report, for each of the Group's key risks, the status of internal control and risk management within their operation The results, including management's planned actions, are analysed by the Risk Committee and provided online to regional, global and Group management as well as to the Risk and Audit Committees Implementation of action plans is monitored by global and regional management and the Group Risk Manager

j A structured risk based analysis of the business led to the internal audit plan for 2006 and during the year Internal Audit conducted 16 audits which concentrated on financial controls at the operations deemed to be higher risk In addition, IT security controls were audited at the 10 major data centres and a number of other ad-hoc audits also carried out Internal Audit is supported by an international firm of accountants from which locally-based, experienced accountants are used to carry out specific parts of the internal audit work Recently acquired companies were also visited by Internal Audit to review their control environment The results of internal audits are reported to country, regional, global and Group management as appropriate and also to the Risk and Audit Committees Action plans to address any areas of concern are agreed with management and their implementation monitored and reported to the Risk Committee
The internal audit manager continued to manage the peer review programme which provides a good level of assurance and focuses on smaller size and perceived medium risk businesses Peer reviews were conducted at 15 operations around the Group in 2006 The reviews are carried out by experienced finance directors from other Group operating companies The reviews are structured to ensure that each of the Group's key risks are rigorously evaluated using a consistent approach and a common work-programme The results are reported to country, regional, global and Group management and to the Risk and the Audit Committees

k Arrangements are in place that allow employees, in confidence, to raise any concerns about possible improprieties in matters of financial reporting or other matters and to do so without fear of reprisal, provided that such concerns are not raised in bad faith

During 2006 the Group Risk Manager and Group Risk Committee have continued to build on the above core procedures and processes In particular the following matters were implemented to further strengthen the internal control infrastructure and environment

1 The annual confirmation process was revised so as to require each business CEO and CFO to certify that, to the best of their knowledge in respect of their business
   - the 2006 accounts as submitted were accurate and complete,
   - there were no actual or potential breaches of laws or regulations,
   - there were no actual or suspected frauds,
   - there were no related party transactions other than those properly disclosed, and
   - there were no conflicted directorships

   Similar certifications have been required of regional, global and Group management

2 Review of the processes to manage acquired companies, including due diligence and post integration

3 Review of the key risks facing the Group's IT systems, data centres and their control environments

4 Review of the Group's treasury operations and their control environments

5 Review of the risk of an avian flu pandemic and any operational action plans as a consequence

On 12 September 2006 the German State Prosecutor in Wiesbaden, acting on information received, informed the company of a possible fraud against Aegis Media Germany The Board immediately instigated an internal investigation led by the Group's German lawyers That investigation concluded that significant fraud amounting to approximately €37 8 million (£25 8 million) had been perpetrated against Aegis Media Germany over a period of some three years

Investigations have been instigated by the Wiesbaden State Prosecutor into the affairs of a number of individuals and companies These included the then Chief Executive of Aegis Media Central and Eastern Europe and four other employees of Aegis Media Germany, with a view to determining their involvement in the fraud All five of the Group employees concerned have been dismissed

The Group's investigation established that, between 2003 and 2006, Aegis Media Germany had received and recorded falsified invoices which were paid to the benefit of the perpetrators However, it has also been established that the company's underlying books and records properly recognise its existing assets and liabilities The Group is taking steps to seek recompense and, although it is probable that there will be some recovery of funds, the amount is not sufficiently certain to be recognised as an asset Accordingly, no restatement of the net assets or of the income statement for the current or prior years is required

However, it is estimated that some €5 5 million (£3 8 million) of VAT may have been incorrectly reclaimed by the Group as a result Although this VAT may be recoverable, the recovery is not sufficiently certain to be recognised as an asset Accordingly the Group has provided for £3 8 million as an exceptional item

A further investigation has been made by the Group into whether there had been any internal control failings or weaknesses which may have facilitated the fraud The nature of the fraud was highly sophisticated and involved collusion by a number of parties both inside the company and externally This enabled the existing internal controls in place at the time to be evaded However, following the investigation a number of additional

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procedures and controls were recommended by management, approved by the Audit Committee, and are being implemented to improve the Group's internal controls in this area The changes include new management, additional documentation, approvals and reconciliation procedures

Management of key risks

As a result of a change in EU law, the UK Companies Act 1985 has been amended to require a description of the principal risks and uncertainties facing the Group The Board has identified the following potential risks and uncertainties that could have a material impact on the Group's performance, and has put in place internal processes and controls designed to mitigate each risk The Group's results could also be impacted by other factors The risk factors detailed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Group

RISK FACTOR	INTERNAL PROCESSES AND CONTROLS
Adverse economic, political and legal environments	Regular monitoring of market trends Detailed planning process and appropriate contingency plans Diversification of geographic footprint
Retention of key talent	Provide rewarding employment experience Specific HR plans reviewed at Board level
Competitive pressures	Investment in products and services Client satisfaction surveys Continual training of staff
Acquisitions	Strategic planning Robust due diligence procedures Board approvals Post integration procedures
Financial controls	Internal audit process Self-assessment programme Directors' annual confirmations Detailed budgeting and forecasting procedures
Credit risk	Efficient credit control function including credit insurance where appropriate Client acceptance procedures Payment in advance in certain instances
Currency risk	Hedging of all transactions and financial instruments with material currency exposures
Liquidity risk	Working capital management Daily review of short-term liquidity Continual analysis of borrowing facilities
Business continuity and disaster recovery	Build in resilience where cost-effective Business continuity plans Regular testing of these plans

The Board confirms that it has reviewed the effectiveness of the system of internal controls and that there are ongoing processes for identifying, evaluating and managing the significant risks faced by the Group

Going concern

Based on normal business planning and control procedures, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the accounts

Relations with shareholders

Good relations with shareholders are extremely important to us We want them to have a full understanding of the dynamics and prospects of our business, and to have an active, open and two-way relationship with us at all levels To that end, we spend a considerable amount of time on an active programme of investor and analyst education about Aegis The CEO, CFO and communications director conduct formal roadshow meetings with existing and potential shareholders after our preliminary and interim results In addition, we spend significant time outside our financial calendar roadshows meeting institutional investors, particularly in the UK, Europe and the US Major institutional investors are offered the opportunity to meet with newly appointed non-executive directors We also make our operational management available to meet with shareholders and analysts, as appropriate, and a range of senior management representatives regularly present at investor conferences and events throughout the

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year We have regular contact with the sell-side analysts who cover Aegis, and we actively monitor their opinions and forecasts We regularly hold introductory meetings for new analysts and fund managers, and in November 2006, as in previous years, we held a detailed half-day seminar, covering strategy and operations at both Aegis Media and Synovate

Our contact programme is developed in consultation with our advisors, and reviewed against the market norm For 2006 the level of contact was characterised as 'comprehensive and at the forefront of best practice for a FTSE 250 company, both in terms of the number of separate institutions met and the percentage of the register covered'

The Board receives monthly reports from our investor relations advisors covering market and sector issues, as well as changes in valuation It also receives regular briefings from our brokers, giving views on shareholder perceptions, and continues to monitor what further steps it might take to improve its understanding of shareholder opinion The AGM provides an opportunity for shareholders to address questions to the Chairman or the Board directly (including the chairmen of the Board committees) Shareholders may also raise issues on an informal basis, following the conclusion of the AGM Published information, including press releases, presentations and webcasts of our results meetings, is available on our corporate website, www aegisplc com

John Ross
Company Secretary
14 March 2007

REMUNERATION REPORT

The Remuneration Report is presented to shareholders by the Board and sets out the remuneration policies operated by the Company and details the remuneration of each director The Remuneration Report will be put to the Annual General Meeting for approval by the shareholders This vote is advisory only The Board has an established Remuneration Committee, the members of which are disclosed on page 32

During the year New Bridge Street Consultants LLP ("NBSC") continued to provide advice on directors' remuneration and the Company's share incentive schemes and the Group HR Director was also invited by the Committee to provide advice NBSC provided no other services to, and has no other connection with, the Company

A review of the requirements for external advice on remuneration and incentive schemes has resulted in Kepler Associates ("Kepler") replacing NBSC as advisers to the Remuneration Committee and Group HR in the early part of 2007 Kepler provides no other services to, and has no other connection with, the Company

Remuneration policy
In determining the remuneration packages of the executive directors, the Committee has regard to two fundamental principles
- The importance of attracting, motivating and retaining management of the highest calibre, and
- Linking reward to the Group's performance

The Committee has applied, and continues to apply, these principles to develop remuneration packages which
- Provide a competitive base salary designed to attract and retain executive directors of the highest calibre and to reflect their role and experience,
- Provide incentive arrangements which are subject to challenging performance targets, reflect the Company's objectives and recognise the importance of providing sustained motivation of management to focus on annual, as well as longer-term, performance, and
- Align the interests of the executive directors with those of shareholders

In order to achieve these objectives, the Committee's approach is that a substantial proportion of the overall remuneration package should be linked to performance, through participation in short term and long-term incentive schemes For on-target performance the expected ratio between fixed and performance based remuneration will be 43% to 57%, excluding pensions and benefits The Committee constantly reviews developments in executive remuneration and relevant corporate governance practice and determines remuneration packages with regard to the prevailing pay and benefits conditions across the Group's markets

Remuneration package of executive directors
The main components are

- Base salary and benefits

Base salary and benefits are determined on an annual basis by the Committee after a review taking into account the individual's performance, market trends and the performance of the Group as a whole and, where relevant, the performance of the business for which the executive is responsible For guidance, the Committee has regard to available research and published remuneration information on companies within the same industry and markets in the countries in which the executives are based Base salaries prevailing at the date of this report are Robert Lerwill £658,350, Jeremy Hicks £339,900, Adrian Chedore £345,000, Mainardo de Nardis £468,000 and David Verklin £420,000
A summary of the benefits payable to executive directors is given on page 40 As reported on page 29 Alicja Lesniak is joining the Company as Chief Financial Officer and her base salary will be £375,000

- Bonus schemes

All of the executive directors participate in the Group's Annual Cash Bonus Scheme based upon a mix of group financial targets (profit before tax and management charges) and achievement of personal objectives and, in the case of directors with operational responsibilities, business/regional performance The committee believes that linking short-term incentives to profit targets helps to reinforce the company's business objectives This may result in the payment of cash bonuses of up to 75% of base salary (100% for the Chief Executive Officer) For on-target financial performance one half of the maximum bonus opportunity is payable in the case of the Chief Executive Officer and Chief Financial Officer and one third is payable in the case of Adrian Chedore, David Verklin and Mainardo de Nardis

In addition, Adrian Chedore, David Verklin and Mainardo de Nardis participate in a separate deferred annual cash bonus scheme based on achievement of a demanding year on year excess profit above target financial performance of the businesses for which they are responsible This additional plan has been in operation in order to provide competitive total cash remuneration using, as a benchmark, other media businesses and to reflect their critical contribution to the business This additional bonus is potentially worth up to 200% of base salary It should be noted that the cap is set in relation to extremely stretching levels of performance as it is based on profit in excess of the existing plan for these individuals Each year end any bonus earned under the plan is accrued to a personal bonus pool Only half of the bonus pool is then paid out in any one year with the remaining 50% being carried forward to the following year end This deferred bonus pool will normally be forfeited in the event that the director leaves the Group Actual payouts have averaged 35% of salary since inception

- Share-based incentives

At the 2003 Annual General Meeting shareholders approved the adoption of a new 2003 Executive Share Option Scheme and a new 2003 Performance Share Plan These schemes replaced all of the previous share-based incentive schemes and were designed to comply with changes in the guidelines issued by institutional shareholders and reflect developments in market practice

i) 2003 Executive Share Option Scheme
In any financial year, an executive can receive share options worth (at market value) no more than three times basic salary in normal circumstances The exercise of options is based upon the Company's earnings per share ("EPS") growth relative to inflation ("RPI"), and the following performance conditions will apply to options granted in 2007

REMUNERATION REPORT

AVERAGE ANNUAL EPS GROWTH IN EXCESS OF RPI	PROPORTION OF OPTION GRANTS EXERCISABLE
3%	Up to 0 5 x salary
3% to 7%	0 5 to 1 x salary (pro rata on a straight line basis)
7% to 12%	1 to 2 x salary (pro rata on a straight line basis)
12% to 17%	2 to 3 x salary (pro rata on a straight line basis)

Following a review by the Remuneration Committee in 2005, the EPS growth targets were increased as detailed above for grants made in 2005 and 2006 in recognition of the outlook for the business, to ensure that performance conditions remain appropriately stretching The committee has reviewed the EPS condition again in March 2007 and believes that the targets as detailed above continue to be appropriately challenging EPS growth targets for awards made in 2003 and 2004 are detailed on page 41

These EPS performance conditions are tested after three financial years beginning with the year in which options are granted For grants made after 31 December 2004 there is no provision for retesting To the extent that the performance conditions are not satisfied, the options lapse

ii) 2003 Performance Share Plan

In any financial year, an executive can receive a conditional award of shares worth (at market value) no more than two times basic salary in normal circumstances However, normal awards are one and a half times salary for the CEO and one times salary for other Executive Directors The extent to which awards vest is determined partly by reference to the Company's Total Shareholder Return ("TSR") performance relative to a group of similar businesses and partly by reference to the Company's EPS growth relative to RPI

The following TSR targets apply

TSR PERFORMANCE RELATIVE TO PEER GROUP	PROPORTION OF AWARD VESTING
Median or below	Nil
1st or 2nd	50%
For intermediate performance	Nil to 50% (pro rata on a straight line basis)

The following companies will be included in the peer group for calculation of TSR performance

Dentsu Inc	Reed Elsevier plc
Havas S A	Taylor Nelson Sofres plc
IPSOS S A	The Interpublic Group of Companies Inc
Omnicom Group Inc	The News Corporation Limited
Pearson plc	Viacom Inc
Publicis Groupe S A	WPP Group plc

The committee has reviewed the constituent members of the TSR comparator group and the vesting schedule in March 2007 and believes that the current mix of companies remains appropriate and the stretching vesting schedule will reward strong relative performance

The following EPS performance conditions apply

AVERAGE ANNUAL EPS GROWTH IN EXCESS OF RPI	PROPORTION OF AWARD VESTING
3% or less	Nil
15%	50%
3% to 15%	Nil to 50% (pro rata on a straight line basis)

The committee has reviewed the EPS condition in March 2007 and believes that the targets as detailed above continue to be challenging

These TSR and EPS performance conditions are tested after three financial years beginning with the year in which awards are made There is no provision for retesting To the extent that the performance conditions are not satisfied, the awards lapse

The assessment of these performance conditions will be carried out by Kepler, in its capacity as adviser to the Committee In relation to EPS measurement, the Remuneration Committee will ensure that a consistent basis of measurement is used during the transition to international financial accounting standards

The use of EPS for both options and part of the performance share award is considered appropriate after recognising the difference between the two incentives and the different level at which the EPS ranges are targeted

The Committee believes that using both EPS growth and TSR for awards under the Performance Share Plan provides a balanced incentive between assessing the Company's relative returns to shareholders and its underlying financial performance For share options, the sole use of EPS as a performance condition is considered an appropriate underpinning performance condition to the requirement inherent in an option to grow the share price

The blend between EPS and TSR performance conditions and the two different types of plan are considered to provide a well-rounded incentive for the Company's executives

REMUNERATION REPORT

Overall, the value of long-term incentives is considered to be in line with arrangements at peer companies and provide an appropriate balance to other elements of the directors' remuneration package

No further awards will be made under the previous closed schemes, although awards granted in the past will continue to be exercisable in accordance with the rules of each respective scheme The closed schemes are the 1995 Executive Share Option Scheme and the 1998 Management Incentive Scheme Details of the 2003 schemes and the performance conditions of these and the closed schemes are given on pages 37, 38, 41 and 42 Details of all share incentive awards outstanding for each executive director serving during 2006 are set out on pages 41 to 43

Pensions
Jeremy Hicks participates in an Inland Revenue approved group personal pension scheme Mainardo de Nardis and Robert Lerwill have chosen not to join the group personal pension scheme and instead receive an appropriate level of additional salary with which to make their own pension arrangements Pensionable salary is limited to base salary excluding all bonuses and other benefits No changes to pension arrangements were made as a result of A-day and no compensation has been provided for any increased tax due Adrian Chedore and David Verklin have arrangements in line with local (Hong Kong and USA respectively) market conditions and statutory obligations Annual employer pension contributions or salary equivalent payments are shown in the Audited Directors' Remuneration table on page 40

Service contracts
Details of the service contracts of those who served as executive directors during the year are set out below All directors have rolling service contracts which expire at normal retirement age unless terminated beforehand in accordance with the terms of the individual contract All contracts contain non-compete obligations

NAME	CONTRACT DATE	NOTICE PERIOD FROM COMPANY	NOTICE PERIOD FROM DIRECTOR
Robert Lerwill	22 02 05	12 months	6 months
Adrian Chedore	21 02 03	12 months	6 months
Jeremy Hicks	09 02 01	12 months	6 months
Mainardo de Nardis	18 08 06	12 months*	6 months
David Verklin	01 07 98	6 months**	6 months

NOTES

* Mainardo de Nardis has a contract of employment which contains a liquidated damages clause providing for a payment equal to one year's basic salary should the company commit a repudiatory breach of his contract of employment within 12 months from the date of commencement of employment This clause expires on 18 August 2007 The Remuneration Committee believes that this provision is reasonable and appropriate given the circumstances surrounding the Company (it was in an offer period) at the time of the negotiations with Mainardo de Nardis for him to join the Company

** David Verklin retains a contractual entitlement on termination of an amount equal to 12 months' salary and benefits in addition to any payments in respect of his normal 6 months notice period The Remuneration Committee believes that this provision is appropriate in this instance given the need to retain a key senior operational executive in the context of highly competitive market conditions in the USA

No payment will be made to Jeremy Hicks related to his resignation Details of the treatment of his outstanding share options and performance share plan awards on the cessation of his employment are set out on pages 42 and 43

Unless there are exceptional circumstances, it is the Company's policy that under any new service contracts, notice periods to be given by the Company will not exceed 12 months In addition, new contracts will not normally include liquidated damages clauses and any termination payments will be calculated on normal contractual principles taking into account a director's duty to mitigate loss

Non-executive directors
Non-executive directors are appointed for an initial term of three years with a one month notice period Renewal of appointments for a further term of three years is not automatic The fees of the non-executive directors are approved at a board meeting at which the non-executive directors do not vote Fees are based on time commitment and responsibility and are regularly reviewed, taking advice from Kepler Fees are disclosed on page 40 Non-executive directors have letters of engagement rather than service contracts and do not receive benefits or pension contributions and do not participate in any Group incentive scheme Dates of appointment and unexpired terms are shown below

NON-EXECUTIVE DIRECTOR	DATE OF FIRST APPOINTMENT TO THE BOARD	DATE(S) OF RE-APPOINTMENT	UNEXPIRED TERM AS AT 14 MARCH 2007
Lord Sharman	02 09 99	01 11 02 and 01 11 05	1 year 7 months
Daniel Farrar	02 06 03	02 06 06	2 years 2 months
Bernard Fournier	01 06 00	01 06 03 and 01 06 06	2 years 2 months
Brendan O'Neill	08 08 05	none yet	1 year 4 months
Charles Strauss	05 09 03	05 09 06	2 years 6 months
Lorraine Trainer	02 08 05	none yet	1 year 4 months
Leslie Van de Walle	02 06 03	02 06 06	2 years 2 months

REMUNERATION REPORT

Audited directors' remuneration

	BASIC SALARY £'000	FEES £'000	BENEFITS £'000 (a)	ANNUAL CASH BONUS £'000 (b)	DEFERRED ANNUAL BONUS £'000 (b)	TOTAL 2006 £'000	TOTAL 2005 £'000	PENSIONS 2006 £'000	PENSIONS 2005 £'000
Adrian Chedore (a)	321	-	88	55	231	695	625	12	11
Daniel Farrar		40	-	-	-	40	40	-	-
Bernard Fournier		43	-	-	-	43	40	-	-
Jeremy Hicks	340	-	21	169	-	530	551	88	84
Robert Lerwill	630	-	12	447	-	1,089	1,076	287	198
Mainardo de Nardis (appointed 18 08 06)	165	-	10	587	79	841		38	-
Brendan O Neill	-	47	-	-	-	47	18		-
Lord Sharman		158	-			158	150	-	
Charles Strouss		47	-		-	47	45		
Lorraine Trainer	-	40	-		-	40	17		-
David Verklin	445	-	20	255	87	807	832	4	3
Leslie Van de Walle (c)	-	40	-	-	-	40	40		-
Totals	1,901	415	151	1,513	397	4,377	3,434	429	296

Notes

a Benefits relate to the provision of a car, life assurance, disability and health insurance and, in the case of Adrian Chedore (resident in Hong Kong), a housing allowance of £65,963 and home leave allowance of £2,932

b The main terms of the bonus schemes are summarised on page 37 For executive directors, whose annual cash bonus is determined by the Company's financial performance, between 66% and 71% of the maximum potential was earned in respect of 2006 For executive directors, whose annual cash bonus is determined by business/regional performance, between 25% and 50% of the maximum potential was earned in respect of 2006 for the annual cash bonus and between 0% and 48% of maximum potential was earned in respect of the deferred bonus The annual cash bonus figure for Mainardo de Nardis shows the walk-in arrangements agreed on his joining the Company The deferred annual cash bonus figure for Adrian Chedore includes £179,000 following a reassessment of the basis of calculation for three prior years' bonuses David Verklin s annual cash bonus includes £105,097 in respect of his additional responsibilities for Asia Pacific in 2005

c During 2006 Leslie Van de Walle had a standing instruction through the Company's brokers to use his fees (received monthly net of taxes) to purchase shares in the Company This arrangement ceased with effect from 1 January 2007

It is the Board's policy that executive directors with external non-executive positions are allowed to retain any fees from such positions However, before an executive director can accept an external non-executive position permission must be sought from the Chairman who will take into consideration the amount of time involvement As at the date of this report Robert Lerwill and Jeremy Hicks had external non-executive directorships as follows

DIRECTOR	COMPANY	ANNUAL FEES
Robert Lerwill	British American Tobacco	£95,000
Robert Lerwill	Synergy Healthcare	£32,000
Jeremy Hicks	First Choice Holidays	£38,000

None of the directors was materially or beneficially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of the financial year ended 31 December 2006

Directors' share interests

The interests of the directors, in the ordinary shares of the Company, all of which are beneficial, were as follows

	14 MARCH 2007	31 DECEMBER 2006	1 JANUARY 2006*
Adrian Chedore	**300,909**	300,909	50,000
Daniel Farrar	**6,250**	6,250	6,250
Bernard Fournier	**10,000**	10,000	10,000
Jeremy Hicks	**180,273**	180,273	90,000
Robert Lerwill	**20,000**	20,000	20 000
Mainardo de Nardis (appointed 18 08 06)	**300,000**	300,000	300,000
Brendan O'Neill	**10,000**	10,000	-
Lord Sharman	**35,000**	35,000	35,000
Charles Strauss	**20,000**	20,000	20 000
Lorraine Trainer	**5,000**	5,000	-
David Verklin	**106,849**	106,849	17,800
Leslie Van de Walle	**61,542**	61,542	40,444

*or at date of appointment if later

REMUNERATION REPORT

As at 14 March 2007 the executive directors (Adrian Chedore, Jeremy Hicks, Robert Lerwill, Mainardo de Nardis and David Verklin) were also deemed to have an interest in 17,923,182 shares, held by the Trustee of the Aegis Group plc Employee Share Trust, as potential beneficiaries under that Trust

Dilution

Investor guidelines recommend that the number of newly issued shares used to satisfy awards under all share plans over any ten year period should be limited to 10% of a company's issued share capital If all options granted had become exercisable on 31 12 06 and new issue shares had been used satisfy all exercises, the dilution would have been 9 5% of issued share capital

Audited directors' share option interests

Ordinary 5p shares for which directors have, or had during the year, beneficial options to subscribe are as follows

DIRECTOR	OPTIONS HELD AT 01 01 06	GRANTED DURING 2006	LAPSED DURING 2006	EXERCISED DURING 2006	OPTIONS HELD AT 31 12 06	EXERCISE PRICE	DATE FROM WHICH EXERCISABLE	EXPIRY DATE
Robert Lerwill	**1,500,000	-	-	-	1,500,000	105p	09 03 08	08 03 15
	-	484,615		-	484,615	134p	20 03 09	19 03 16
Adrian Chedore	*1,000,000	-		-	1,000,000	109p	14 03 05	13 03 12
(a)	**350,000	-		350,000	-	85 5p	05 06 06	04 06 13
	**340,000	-		-	340,000	95 75p	17 03 07	16 03 14
	**371,000	-		-	371,000	101 75p	31 03 08	30 03 15
	-	357 243		-	357,243	134p	20 03 09	19 03 16
Jeremy Hicks	*2,000,000	-	2,000,000	-	-	170p	08 05 03	07 05 10
	73,529	-	-	-	73,529	170p	08 05 03	07 05 10
	*750,000	-	-	-	750,000	125 7p	17 04 04	16 04 11
	112 734	-	-	-	112,734	119 75p	23 03 04	22 03 11
	60,255	-	-	-	60,255	109p	14 03 05	13 03 12
	*500,000	-	-	-	500,000	109p	14 03 05	13 03 12
(b)	**350,000	-	-	350,000	-	85 5p	05 06 06	04 06 13
	**270,000	-	-	-	270,000	95 75p	17 03 07	16 03 14
	**300,000	-	-	-	300,000	101 75p	31 03 08	30 03 15
		242,308	-	-	242,308	134p	20 03 09	19 03 16
Mainardo de Nardis (appointed 18 08 06)	-	345,489	-	-	345,489	130 25p	06 09 09	05 09 16
David Verklin	641,398	-		-	641,398	80 5p	09 04 01	08 04 08
(c)	*2,000,000	-	-	1,000,000	1,000,000	87p	15 05 01	14 05 08
(c)	271,088		-	271,088	-	121 5p	17 03 02	16 03 09
	82,513	-		-	82,513	214 5p	09 03 03	08 03 10
(c)	173,056	-	-	173,056	-	119 75p	23 03 04	22 03 11
(c)	79,497	-	-	79,497	-	109p	14 03 05	13 03 12
	*1,000,000	-	-	-	1,000,000	109p	14 03 05	13 03 12
	**450,000	-	-	-	450,000	85 5p	05 06 06	04 06 13
	**340,000	-	-	-	340,000	95 75p	17 03 07	16 03 14
	**371,000	-	-	-	371,000	101 75p	31 03 08	30 03 15
		357 243	-	-	357 243	134p	20 03 09	19 03 16
Totals	13,386,070	1,786,898	2,000,000	2,223,641	10,949,327			

(a) Adrian Chedore exercised these options at market price of 133 62p, realising a gross gain of £168,420
(b) Jeremy Hicks exercised these options at a market price of 140p, realising a gross gain of £190,750
(c) David Verklin exercised these options at market prices between 135 34p and 137p, realising a gross gain of £578,798

Notes

All of the above options were granted for nil consideration

* Options granted under the closed 1998 Management Incentive Scheme (the performance condition required that the Company's TSR over the three year performance period must be not less than 15% per annum compound and must at least match that of the FTSE Actuaries 350 Index) There are re-testing opportunities after the fourth, fifth and sixth years

**Options granted under the 2003 Executive Share Option Scheme have the following performance condition attached

AVERAGE ANNUAL EPS GROWTH IN EXCESS OF RPI	PROPORTION OF OPTION GRANTS EXERCISABLE
3%	Up to 0 5 x salary
3% to 5%	0 5 to 1 x salary (pro rata on a straight line basis)
5% to 10%	1 to 2 x salary (pro rata on a straight line basis)
10% to 15%	2 to 3 x salary (pro rata on a straight line basis)

For options granted in 2003 and 2004, the performance condition may be retested once after the fourth year

REMUNERATION REPORT

All other options are granted under the closed 1995 Executive Share Option Scheme (the performance condition required that EPS growth over the performance period exceeds a composite retail price index plus 5% per annum and that the Company's TSR performance must be greater than that of the FTSE 100 company ranked 33rd over the performance period) There are opportunities to re-test these conditions annually over the life of the option if they are not achieved after three years, in each case measuring from the same base point

Other than as noted above, no directors or members of their immediate families have exercised or sold options during the year In addition, other than as noted above, no options have been granted, expired or lapsed during the year in respect of the directors

The middle market price of the ordinary 5p shares of the Company as derived from the Stock Exchange Daily Official List on 31 December 2006 was 140 25p and the range during the year was 117 5p to 142 25p The share price on 13 March 2007, the latest practicable date prior to publication of the Annual Report and Accounts, was 141p

Treatment of Jeremy Hicks' outstanding options

Options granted under the Management Incentive Scheme will lapse with immediate effect on cessation of his employment Options granted under the 1995 Executive Share Option Scheme, may be exercised, in accordance with the rules of the scheme, within the period of six months following his cessation of employment For options granted under the 2003 Executive Share Option Scheme, the Remuneration Committee has determined that options may be exercisable for a period of 12 months following cessation of employment to the extent that the performance conditions have been achieved provided that the number of options exercisable is pro-rated for time elapsed since the relevant date of grant

Audited awards under the 2003 Performance Share Plan

The table below details awards to executive directors under the 2003 Performance Share Plan

NAME	MAXIMUM POTENTIAL AWARD OF SHARES AT 01 01 06	AWARDS GRANTED DURING YEAR	AWARDS LAPSED DURING YEAR	AWARDS TRANSFERRED DURING YEAR	MAXIMUM POTENTIAL AWARD OF SHARES AT 31 12 06	PERFORMANCE PERIOD
Robert Lerwill	1,000,000	-	-		1,000,000	01 01 05 to 31 12 07
	-	726,923	-		726,923	01 01 06 to 31 12 08
Adrian Chedore	331,000	-	30,091	300,909*	-	01 01 03 to 31 12 05
	300,000		-	-	300,000	01 01 04 to 31 12 06
	495,000			-	495 000	01 01 05 to 31 12 07
	-	357,243	-	-	357,243	01 01 06 to 31 12 08
Jeremy Hicks	331,000	-	30,091	300,909*		01 01 03 to 31 12 05
	430,000	-	-	-	430,000	01 01 04 to 31 12 06
	550,000	-	-	-	550,000	01 01 05 to 31 12 07
	-	261,462	-	-	261,462	01 01 06 to 31 12 08
Mainardo de Nardis (appointed 18 08 06)	-	767,754	-	-	767,754	01 01 06 to 31 12 08
David Verklin	491,000		44,636	446,364*		01 01 03 to 31 12 05
	300,000	-	-		300,000	01 01 04 to 31 12 06
	450,000	-	-		450,000	01 01 05 to 31 12 07
	-	607,243	-	-	607,243	01 01 06 to 31 12 08

The market price of Aegis shares at the date of the 2003 award was 85 5p, for the 2004 award was 100 75p, for the 2005 award was 101 75p and for the 2006 award 134p The market price of Aegis shares at the date of award for Mainardo de Nardis was 130 25p The number of shares shown represents the maximum number of shares which is capable of vesting at the end of the performance period, if the performance conditions are satisfied to the fullest extent

The performance conditions for all outstanding awards are set out in the policy section of this report on pages 38 to 39 (Cordiant Communications was initially included in the comparator group for awards granted in 2003, Grey Global Group Inc was initially included in the comparator groups for awards granted in 2003 and 2004 and VNU N V was initially included in the comparator group for awards granted in 2003, 2004, 2005 and 2006 Subsequent to their takeover they have been removed from the relevant comparator group)

*details of transfered awards

NAME	NUMBER VESTED	DATE OF AWARD	MARKET PRICE AT DATE OF TRANSFER	GROSS GAIN
Adrian Chedore	300,909	05 06 03	127 25p	£382,907
Jeremy Hicks	300,909	05 06 03	126 50p	£380,650
David Verklin	446,636	05 06 03	127 25p	£567,998

REMUNERATION REPORT

Treatment of Jeremy Hicks' outstanding Performance Share Plan awards

The Remuneration Committee determined that on the cessation of his employment outstanding awards will be released to the extent that the performance conditions have been achieved, provided that the number of shares released is pro-rated for time elapsed since the relevant date of award

Shareholding guidelines

The Company has share ownership guidelines which operate in tandem with the executive share incentive schemes introduced in 2003 Executive directors and other senior executives are required to retain at least 35% (50% in the case of the Chief Executive Officer) of any profit made (after paying the exercise price and any tax liability) on the exercise of options and the vesting of any Performance Share Plan awards, until they have built a shareholding equal to one times basic salary (two times basic salary for executive directors of the Company) No further options or Performance Share Plan awards would be granted unless executives retained shares in accordance with these guidelines

Performance graph

The following graph illustrates the Company's TSR between 31 December 2001 and 31 December 2006 relative to the FTSE All Share Media Index, in accordance with paragraph 4 of the Directors' Remuneration Report Regulations 2002 Aegis Group plc is a member of the FTSE All Share Media Index and the Remuneration Committee considers that a comparison of the Company's TSR relative to similar businesses is more appropriate than a comparison with a general FTSE Index, in order to reduce the impact of general stock market trends

Charles Strauss
Chairman of the Remuneration Committee
14 March 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEGIS GROUP PLC

We have audited the group financial statements of Aegis Group plc ("the Group") for the year ended 31 December 2006 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense, the statement of accounting policies and the related notes 1 to 35 These group financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

We have reported separately on the parent company financial statements of Aegis Group plc for the year ended

This report is made solely to the companys members, as a body in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements The information given in the Directors' Report includes that specific information presented in the Business and Financial Review that is cross referred from the Review of business and future developments section of the Directors' Report

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited group financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed

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

Opinion
In our opinion
- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2006 and of its profit for the year then ended,
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation,
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors Report is consistent with the group financial statements

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
14 March 2006

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTES	2006 £m	2005 £m
Turnover – amounts invoiced to clients		**8,230 2**	8,079 1
Revenue	4	**996 9**	870 4
Cost of sales		**(144 8)**	(115 4)
Gross profit		**852 1**	755 0
Operating expenses before exceptional items, impairment of goodwill and amortisation of purchased intangibles		**(719 5)**	(639 9)
Exceptional items	5	**(3 8)**	(1 7)
Impairment of goodwill	5	**(1 4)**	(6 5)
Amortisation of purchased intangibles	5	**(0 5)**	(0 2)
Total operating expenses		**(725 2)**	(648 3)
Share of results of joint venture		-	1 3
Share of results of associated undertakings before impairment of goodwill		**1 2**	(0 1)
Impairment of goodwill		**(3 9)**	-
Share of results of associated undertakings		**(2 7)**	(0 1)
Operating profit	6	**124 2**	107 9
Investment income	8	**11 8**	10 8
Finance costs	9	**(22 5)**	(24 7)
Profit before tax		**113 5**	94 0
Tax	10	**(33 4)**	(29 4)
Profit for the financial year		**80 1**	64 6
Attributable to			
Equity holders of the parent		**76 3**	61 9
Minority interests		**3 8**	2 7
		80 1	64 6
Earnings per ordinary share			
Basic (pence)	12	**6 8**	5 6
Diluted (pence)	12	**6 8**	5 5

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006

	NOTES	2006 £m	2005 RESTATED £m
ASSETS			
Non-current assets			
Goodwill	13	**667.8**	684 5
Intangible assets	14	**17 1**	19 7
Property, plant and equipment	15	**50.5**	54 6
Interests in associates and joint venture	16	**15 6**	12 3
Deferred tax asset	21	**12 1**	7 7
Available-for-sale financial assets	17	**2 8**	2 7
Other financial assets	20	**0 6**	1 4
Derivative financial assets	20	**0 1**	3 5
		766.6	786 4
Current assets			
Inventory work in progress		**14.7**	15 8
Derivative financial assets	20	**0 9**	0 3
Trade and other receivables	18	**1,619 5**	1 405 6
Other financial assets		**16 4**	16 8
Cash at bank and in hand and short term deposits	20, 30	**262 5**	263 9
		1,914 0	1,702 4
Total assets		**2,680 6**	2,488 8
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(1,854 0)**	(1,707 3)
Short-term borrowings and overdrafts	20	**(296 2)**	(61 9)
Convertible bond	20	**-**	(121 3)
Derivative financial liabilities	20	**-**	(0 1)
Current tax liabilities		**(19 1)**	(24 0)
		(2,169.3)	(1,914 6)
Net current liabilities		**(255 3)**	(212 2)
Non-current liabilities			
Long-term borrowings	20	**(194 9)**	(290 2)
Other long-term liabilities	20, 28	**(85.8)**	(109 7)
Derivative financial liabilities	20	**(9.3)**	(2 3)
Deferred tax liabilities	21	**(4.0)**	(1 3)
Provisions	22	**(0.7)**	(0 9)
		(294 7)	(404 4)
Total liabilities		**(2,464 0)**	(2,319 0)
Net assets		**216.6**	169 8
EQUITY			
Share capital	23, 26	**57.1**	56 4
Own shares	24, 26	**(22 1)**	(10 1)
Share premium account	25, 26	**229 4**	218 9
Capital redemption reserve	26	**0 2**	0 2
Foreign currency translation reserve	26	**(16 2)**	5 7
Accumulated losses	26	**(27.4)**	(93 8)
Equity attributable to equity holders of the parent		**221.0**	177 3
Minority interests	26	**7 5**	8 8
Potential acquisition of minority interests	26	**(11 9)**	(16 3)
Total equity		**216 6**	169 8

These financial statements were approved by the Board of Directors on 14 March 2007 and were signed on its behalf by

Robert Lerwill (Chief Executive Officer) **Jeremy Hicks** (Chief Financial Officer)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTES	2006 £m	2005 RESTATED £m
Cash flows from operating activities			
Cash inflows from operations	30	**124 0**	68 1
Income taxes paid		**(34 5)**	(26 7)
Net cash from operating activities		**89 5**	41 4
Investing activities			
Interest received		**11 8**	10 8
Dividends received from associates		**0 2**	0 2
Purchase of subsidiary undertakings and minority interests		**(23 1)**	(105 5)
Net cash acquired on purchase of subsidiary undertakings		**8 9**	17 2
Proceeds from disposal of subsidiaries		**-**	
Acquisition of investment in associated undertakings		**(0 3)**	(2 1)
Consideration on prior period acquisitions		**(54 6)**	(41 3)
Purchase of property, plant and equipment		**(20 6)**	(21 0)
Purchase of intangible assets		**(6 5)**	(10 4)
Proceeds from disposal of property, plant and equipment		**1 6**	1 8
Proceeds from disposal of intangible assets		**0 3**	-
Other investing activities		**(1 3)**	(1 3)
Net cash used in investing activities		**(83 6)**	(151 6)
Financing activities			
Dividends paid		**(19 4)**	(17 1)
Dividends paid to minority shareholders		**(2 7)**	(2 4)
Interest paid		**(24 7)**	(9 6)
Refinancing costs		**(1 2)**	(0 9)
Proceeds from borrowings		**184 8**	230 5
Repayments of loans		**(151 4)**	(62 3)
Proceeds on issue of ordinary share capital		**11 2**	8 5
Purchase of own shares		**(12 0)**	(5 8)
Other financing activities		**-**	0 2
Net cash (used in) / from financing activities		**(15 4)**	141 1
Net (decrease) / increase in cash and cash equivalents	30	**(9 5)**	30 9
Translation differences		**(16 1)**	9 0
Cash and cash equivalents at beginning of period		**260 9**	221 0
Cash and cash equivalents at end of period	30	**235 3**	260 9
Cash at bank and in hand and short-term deposits		**262 5**	263 9
Bank overdrafts		**(27 2)**	(3 0)
Cash and cash equivalents at end of period	30	**235 3**	260 9

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTES	2006 £m	2005 £m
Profit for the financial year		**80 1**	64 6
Currency translation differences on foreign operations			
- Group		(21 9)	14 2
- Minority interests		-	0 1
Available for sale investments amounts taken to equity		0 4	(2 2)
Cash flow hedges losses / (gains) taken to equity		2 2	(0 6)
Actuarial loss recognised on defined benefit pension schemes	33	-	(0 1)
Other recognised (losses) / gains		(19.3)	11 4
Total recognised income and expense	26	**60 8**	76 0
Attributable to			
Equity holders of the parent		57 0	73 2
Minority interests	26	3 8	2 8
		60.8	76 0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1 General Information

Aegis Group plc is a company incorporated in the United Kingdom The address of the registered office is given on page 28 The nature of the Group's operations and its principal activities are set out in note 4 and in the Report of the Directors' on pages 29 to 30

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

2 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation

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

The Group believes that underlying results (note 5) and underlying earnings per share (note 12) provide additional useful information on underlying trends to shareholders These measures are used for internal performance analysis and incentive compensation arrangements for employees The term underlying is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies It is not intended to be a substitute for, or superior to IFRS measurements of profit The principal adjustments made are in respect of items which are significant by nature or amount in the opinion of the directors These may include impairment charges and other adjusting items, including profits and losses on disposals of investments, amortisation of purchased intangible assets (being amortisation charged on separately identifiable intangible assets in acquired businesses), unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and any related tax thereon, as appropriate

The Group's operations are split into two principal market sectors, namely media communications and market research These divisions are further analysed into geographic segments which bring together products in comparable market areas under common business heads This is how the Group's operational management is structured and its results are reviewed and thus form the primary reporting segments (note 4)

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

IFRS 7 Financial instruments Disclosures, and the related amendment to IAS 1 on capital disclosures

IFRS 8 Operating segments

IFRIC 4 Determining whether an arrangement contains a lease

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 8 Scope of IFRS 2

IFRIC 9 Reassessment of embedded derivatives

IFRIC 10 Interim reporting and impairment

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

IFRIC 12 Service concession arrangements

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007

3 Accounting policies

Principal accounting policies

The principal accounting policies set out below have been consistently applied to all the periods presented in this Annual Report The Group has adopted the following amendments mandatory for annual periods beginning on or after 1 January 2006

- IAS 39 - Financial Instruments Recognition and Measurement ('IAS 39') - Amendment for financial guarantee contracts - which amended the scope of IAS 39 to include financial guarantee contracts issued The amendment addresses the treatment of financial guarantee contracts by the issuer Under IAS 39, as amended, financial guarantee contracts are recognised initially at fair value and generally re-measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue,

- IAS 39 - Amendment for hedges of forecast intra-group transactions - which amended IAS 39 to permit the foreign currency risk of a highly probable intra-group forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the financial statements and

- IAS 39 - Amendment for the fair value option - which restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss

The adoption of these amendments did not have any impact on the financial results of the Group in either the current or prior periods

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

3 Accounting policies (continued)

Change in accounting policy and balance sheet reclassifications

The Group has made a prior year adjustment arising from a change in accounting policy in respect of the capitalisation of brand costs Intangible assets at 1 January 2005 have been reduced by £0 5 million There is no impact on Group profit in either the current year or the prior year

During the year, the Group has reconsidered the classification of an investment fund and as a result has reclassified this investment from cash and cash equivalents to other financial assets The impact at 31 December 2005 was a reduction in cash and cash equivalents of £16 8m (1 January 2005 £17 0m)

The Group has also reclassified £1 4m from goodwill to intangible assets at 31 December 2005 in respect of intangible assets acquired on 2005 acquisitions

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the results, cash flows and net assets of Aegis Group plc and the entities controlled by it after eliminating internal transactions and recognising any minority interests in those entities Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities Where subsidiaries are acquired in the year, their results and cash flows are included from the date of acquisition up to the balance sheet date

Where a consolidated company is less than 100% owned by the Group, the minority interest share of the results and net assets are recognised at each reporting date Where a company has net liabilities, no asset is recorded within minority interests unless the minority shareholder has an obligation to make good its share of the net liabilities

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

The companies listed immediately below are included in the consolidated financial statements of Aegis Group plc, as such we apply S264b HGB of the German Commercial Code

Aegis Media GmbH & Co Central Services, Wiesbaden
CARAT Wiesbaden GmbH & Co KG Media-Service, Wiesbaden
HMS GmbH & Co KG Media-Service Wiesbaden
CARAT Hamburg GmbH & Co KG, Hamburg
21 TwentyOne GmbH & Co KG Markenberatung, Frankfurt

b) Associates

Associated companies are entities in which the Group has a participating interest and over whose operating and financial policies it exercises a significant influence and which are neither a subsidiary nor a joint venture The reporting dates and accounting policies used by its associates are the same as those used by the Group

The Group's associates are accounted for using the equity method of accounting The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and as a movement in the Group's share of associates' net assets in the balance sheet Its share of any post-acquisition movements in reserves is recognised directly in equity Losses of the associates in excess of the Group's interest in those associates are not recognised Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate

(c) Joint ventures

Joint ventures are investments over which the Group exercises joint control with a third party Such investments are equity accounted for

Business combinations and goodwill

The acquisition of subsidiaries is accounted for using the purchase method The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable net assets

Following initial recognition, goodwill is carried at cost less any accumulated impairment losses Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at net book value as at that date

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

3 Accounting policies (continued)

Business combinations and goodwill (continued)

impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Deferred consideration on acquisitions is provided based on the directors' best estimate of the liability at the balance sheet date The liability is discounted and an imputed interest charge is included in the income statement Changes to estimates of amounts payable are made to deferred consideration and goodwill

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

Intangible assets

Separately acquired intangible assets are capitalised at cost Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition

For business combinations, cost is calculated based on the Group's valuation methodology, using discounted cash flows

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

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

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

Intangible assets are amortised to residual values over the useful economic life of the asset as follows

Software	20% to 50% per annum
Panel costs	33% per annum
Patents and trademarks	Nil to 20% per annum
Other	10% to 50% per annum

Where an asset's useful life is considered indefinite, an annual impairment test is performed (see below)

Property, plant and equipment

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

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

3 Accounting policies (continued)

Inventory work in progress

Work in progress comprises directly attributable costs on incomplete market research projects and is held in the balance sheet at the lower of cost and net realisable value

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and deposits with an original maturity of three months or less, net of overdrafts

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

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

Share capital

Ordinary shares are classified as equity instruments Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

Investments in own shares, held through the Aegis Group Employee Share Trust, are shown as a deduction from shareholders' equity at cost The costs of administration of the Trust are included in the income statement as they accrue

Turnover (amounts invoiced to clients) and revenue

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

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

Media revenue 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 Performance related income is recognised when it can be reliably estimated whether, and the extent to which the performance criteria have been met

For the market research business, revenue is recognised on the satisfactory completion of a specific phase of a project Provision is made for losses on a project when identified Invoices raised during the course of a project are booked as deferred income on the balance sheet until such a time as the related revenue is recognised in the income statement

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

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

Share-based payment transactions

The Group has applied the requirements of IFRS 2 'Share-based payment' In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that remained unvested as of 1 January 2005

Certain employees receive remuneration in the form of share-based payments, including shares or rights over shares The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments concerned at the date at which they are granted The fair value is determined by an external valuer using a stochastic model In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the vesting date on which the relevant employees become fully entitled to the award The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors at that date, will ultimately vest

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share

Employee benefits

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

In addition, the Group has a small number of funded defined benefit obligations, principally where required by local statutory regulations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

3 Accounting policies (continued)

Employee benefits (continued)

The liability recognised in the balance sheet in respect of defined benefit obligations is the present value of the defined benefit obligation at the balance sheet date as adjusted for unrecognised past service cost less the fair value of the plan assets Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme The defined benefit obligation is calculated using the projected unit credit method with actuarial valuations being carried out at each balance sheet date The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds approximating to the terms of the related liability Actuarial gains and losses are recognised immediately outside the income statement and are presented in the consolidated statement of recognised income and expense

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction Upon settlement, monetary assets and liabilities denominated in foreign currencies are re-translated at the rate ruling on the settlement date Monetary assets and liabilities denominated in foreign currencies at the year end are re-translated at the exchange rate ruling at the balance sheet date Exchange differences arising upon re-translation at the settlement date or balance sheet date are taken to the income statement

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity

Exchange differences arising on the re-translation of foreign currency borrowings used to provide a hedge against foreign currency investments, including goodwill, are taken directly to reserves

For consolidation purposes, the trading results and cash flows in foreign currencies, arising in foreign operations, are translated into sterling at average exchange rates for the period Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date Exchange differences arising upon consolidation are taken directly to reserves

In the event of the disposal of an operation such translation differences are recognised as income or as expenses

Leased assets

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases Operating lease rentals are charged to the income statement over the lease term on a straight line basis

Taxation

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

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

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

Deferred tax is calculated for all business combinations from the transition date of 1 January 2004 in respect of intangible assets and properties A deferred tax liability is recognised to the extent that the fair value of the assets for accounting purposes exceeds the value of those assets for tax purposes and will form part of the associated goodwill on acquisition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

3 Accounting policies (continued)

Taxation (continued)

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

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

Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments Segment result is segment operating profit stated before share of results of associated undertakings and joint ventures

Financial instruments

Financial assets are accounted for on the trade date Financial assets and financial liabilities principally include the following

Trade receivables

Trade receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts

Available-for sale financial assets

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

Bank borrowings

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

Convertible bond

The convertible bond is regarded as a hybrid financial instrument, consisting of a liability component being the host contract, and an equity conversion component also recognised as a liability The instrument is treated wholly as a liability as the convertible bond is denominated in a foreign currency and therefore the proceeds upon conversion are considered to be a variable amount of functional currency cash for a fixed number of shares

At the date of issue, the embedded option to convert the host contract into equity of the Group, is separately fair valued and thereafter measured at fair value in the income statement The amount assigned to host contract liability is the net proceeds after issue costs less the fair value of the embedded option The difference between the fair value of the host contract liability at issue and its face value is amortised over the life of the instrument as a notional interest charge through the income statement The Group's convertible bond matured in May 2006

Trade payables

Trade payables are not interest-bearing and are stated at their fair value

Derivative financial instruments

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely-related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement

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

Derivative financial instruments are held at fair value at the balance sheet date Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecast transactions are recognised in the income statement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

3. Accounting policies (continued)

Financial instruments (continued)

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting At that point in time, any cumulative gains or losses on the hedging instrument recognised in equity are retained until the forecast transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period

Liabilities in respect of option agreements

Option agreements that allow the Group's equity partners to require the Group to purchase the minority interest are treated as derivatives over equity instruments and are recorded in the balance sheet at fair value The fair values of such options are re-measured at each period end The movement in the fair value is recognised as income or expense within finance charges in the income statement

The Group recognises its best estimate of the amount it is likely to pay, should these options be exercised by the minority interests, as a liability in the balance sheet

Accounting estimates and judgements

The Group makes estimates and judgement concerning the future and the resulting estimates may, by definition, vary from the related actual results The Directors considered the critical accounting estimates and judgements used in the Accounts and concluded that the main areas of judgement are

- revenue recognition policies in respect of performance related income
- contingent deferred payments in respect of acquisitions,
- recognition of share based payments, and
- valuation of intangible assets

The estimates are based on historical experience and various other assumptions that management and the Board of Directors believe are reasonable under the circumstances and are discussed, to the extent necessary, in more detail in their respective notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

4 Segment reporting

Business segments

The Group operates in two business sectors media communications and market research These divisions are the basis on which the Group reports its primary segment information The Group provides a broad range of services in the areas of media communications and market research

An analysis of revenue and segment result by these business sectors is set out below

	2006 £m	2005 £m
Revenue		
Media communications	595 7	539 9
Market research	401 2	330 5
Revenue	996 9	870 4

	2006 £m UNDERLYING	2006 £m ADJUSTMENTS	2006 £m TOTAL	2005 £m UNDERLYING	2005 £m ADJUSTMENTS	2005 £m TOTAL
Segment result						
Media communications	121 1	(5 5)	115 6	106 5	(6 7)	99 8
Market research	30 8	(0 2)	30 6	25 3		25 3
	151.9	(5 7)	146.2	131 8	(6 7)	125 1
Share of results of joint venture – profit on sale of investment	-	-	-	-	1 3	1 3
Share of results of associates	1 2	-	1 2	(0 1)	-	(0 1)
Impairment of goodwill	-	(3 9)	(3 9)			
Share of results of associated undertakings	1.2	(3.9)	(2 7)	(0 1)		(0 1)
Offer period costs	-	-	-	-	(1 7)	(1 7)
Corporate costs	(19 3)	-	(19.3)	(16 7)	-	(16 7)
Operating profit	133 8	(9 6)	124 2	115 0	(7 1)	107 9
Investment income	11 8	-	11 8	10 8		10 8
Finance costs	(29 4)	6.9	(22 5)	(25 6)	0 9	(24 7)
Profit before tax	116 2	(2 7)	113.5	100 2	(6 2)	94 0
Tax	(33 3)	(0 1)	(33 4)	(29 4)	-	(29 4)
Profit after tax	82 9	(2 8)	80 1	70 8	(6 2)	64 6

Further details of the underlying adjustments are provided in note 5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

4 Segment reporting (continued)

Further segment disclosures, including certain asset and liability information for the Group's business sectors, are set out below

	2006 £m	2005 RESTATED £m
Segment assets		
Media communications	2,156 6	2,088 6
Market research	546 3	372 1
	2,702 9	2,460 7
Investment in eVerger joint venture	2 8	2 8
Corporate operations	(25 1)	25 3
Total assets	2,680 6	2,488 8
Segment liabilities		
Media communications	(1,847 3)	(1,603 0)
Market research	(166 3)	(185 5)
	(2,013 6)	(1,788 5)
Corporate operations	(450 4)	(530 5)
Total liabilities	(2,464 0)	(2,319 0)
Net assets	216 6	169 8
Capital expenditure		
Media communications	13 8	19 7
Market research	6 0	9 0
Corporate operations	0 8	2 7
Capital expenditure	20 6	31 4
Depreciation of property plant and equipment		
Media communications	12 6	13 0
Market research	6 0	5 0
Corporate operations	0 5	0 5
Depreciation of property plant and equipment	19 1	18 5
Amortisation of intangible assets		
Media communications	3 8	4 0
Market research	2 0	1 2
Corporate operations	1 2	1 3
Amortisation of intangible assets	7 0	6 5
Impairment losses		
Media communications	5 3	6 5
Market research	-	-
Corporate operations	-	
Impairment losses	5 3	6 5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

4 Segment reporting (continued)

Geographical segments

The Group's two business segments operate in three geographical areas The geographical segment analysis is based on the location of assets These geographical areas are the basis on which the Group reports its secondary segment information

An analysis of revenue and segment result by these geographical areas is set out below

	2006 £m	2005 £m
Revenue		
Europe, Middle East & Africa	**601 3**	514 0
Americas	**267 2**	246 1
Asia Pacific	**128 4**	110 3
Revenue	**996 9**	870 4

	2006 £m UNDERLYING	2006 £m ADJUSTMENTS	2006 £m TOTAL	2005 £m UNDERLYING	2005 £m ADJUSTMENTS	2005 £m TOTAL
Segment result						
Europe, Middle East & Africa	**107 3**	**(4 1)**	**103 2**	94 5	-	94 5
Americas	**30 5**	**(0 3)**	**30 2**	26 4	(0 2)	26 2
Asia Pacific	**14.1**	**(1 3)**	**12.8**	10 9	(6 5)	4 4
	151 9	**(5 7)**	**146 2**	131 8	(6 7)	125 1
Share of results of joint venture – profit on sale of investment	-	-	-		1 3	1 3
Share of results of associates	**1 2**	-	**1 2**	(0 1)		(0 1)
Impairment of goodwill	-	**(3 9)**	**(3 9)**	-	-	-
Share of results of associated undertakings	**1 2**	**(3 9)**	**(2 7)**	(0 1)	-	(0 1)
Offer period costs	-	-	-		(1 7)	(1 7)
Corporate costs	**(19 3)**	-	**(19.3)**	(16 7)		(16 7)
Operating profit	**133 8**	**(9 6)**	**124 2**	115 0	(7 1)	107 9
Investment income	**11 8**	-	**11 8**	10 8	-	10 8
Finance costs	**(29 4)**	**6 9**	**(22 5)**	(25 6)	0 9	(24 7)
Profit before tax	**116 2**	**(2 7)**	**113 5**	100 2	(6 2)	94 0
Tax	**(33 3)**	**(0 1)**	**(33 4)**	(29 4)	-	(29 4)
Profit after tax	**82 9**	**(2 8)**	**80 1**	70 8	(6 2)	64 6

Further details of the underlying adjustments are provided in note 5

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

4 Segment reporting (continued)

Further segment disclosures, including certain asset and liability information for the Group's geographical segments, are set out below

	2006 £m	2005 RESTATED £m
Segment assets		
Europe, Middle East & Africa	**1,680 9**	1,539 1
Americas	**695.1**	646 5
Asia Pacific	**326.9**	275 1
	2,702 9	2,460 7
Investment in eVerger joint venture	**2 8**	2 8
Corporate operations	**(25 1)**	25 3
Total assets	**2,680 6**	2,488 8
Segment liabilities		
Europe, Middle East & Africa	**(1,360 7)**	(1,161 0)
Americas	**(451 0)**	(408 2)
Asia Pacific	**(201.9)**	(219 3)
	(2,013 6)	(1,788 5)
Corporate operations	**(450.4)**	(530 5)
Total liabilities	**(2,464 0)**	(2,319 0)
Net assets	**216 6**	169 8
Capital expenditure		
Europe, Middle East & Africa	**10 9**	13 3
Americas	**5.9**	11 9
Asia Pacific	**3 0**	3 5
Corporate operations	**0.8**	2 7
Capital expenditure	**20 6**	31 4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

5 Underlying results
Underlying results are restated after the following items

	2006 £m	2005 £m
Exceptional items		
- Offer period costs	-	(1 7)
- VAT liability in Germany	(3 8)	
Impairment of goodwill	(1 4)	(6 5)
Amortisation of purchased intangible assets	(0 5)	(0 2)
	(5 7)	(8 4)
Share of profit on disposal of joint venture investment	-	1 3
Impairment of goodwill on associates	(3 9)	-
Impact on operating profit	(9 6)	(7 1)
Unrealised (losses) / gains on non-hedge derivatives	(0 1)	0 6
Fair value gains on liabilities in respect of put option agreements	7 0	0 3
Impact on profit before tax	(2 7)	(6 2)
Deferred tax liability on goodwill (see note 10)	(1 5)	-
Tax credit on VAT liability in Germany	1 4	-
	(2 8)	(6 2)

The VAT liability in Germany relates to VAT previously deducted by Aegis Media Germany in its VAT returns in respect of invoices received which have subsequently been identified as falsified invoices Further details are provided on pages 34 and 35 of the Annual Report The offer period costs related to fees paid to advisors and other external costs associated with the unsolicited merger approaches received by the Company during 2005 Impairment of goodwill is the write-off of the goodwill on one of the Group's companies in India (2005 Japan) Impairment of goodwill on associates is the goodwill write-off on one of the Group's associated undertakings in India

6 Operating profit
Operating profit has been arrived at after charging / (crediting)

	2006 £m	2005 £m
Net foreign exchange gains	(3 1)	(0 3)
Impairment of goodwill	5 3	6 5
Depreciation of property, plant and equipment	19 1	18 5
Amortisation of intangible assets included in operating expenses	7 0	6 5
Staff costs (see note 7)	470 8	424 1

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

	2006 £m	2006 %	2005 £m	2005 %
Audit fees				
- Fees payable to the company's auditors for the audit of the company's annual accounts	0.2	5 6%	0 2	5 3%
- Fees payable to the company's auditors and their associates for other services to the group	1 3	36 1%	0 8	21 1%
- *The audit of the company's subsidiaries pursuant to legislation*	0 9	25 0%	0 9	23 6%
Total audit fees	2 4	66 7%	1 9	50 0%
Non audit fees				
- Other services pursuant to legislation (interim review)	0 1	2.8%	0 1	2 6%
- Tax services	0 8	22.2%	0 7	18 4%
- Corporate finance services	0 1	2.8%	0 3	7 9%
- Other services	0 2	5 5%	0 8	21 1%
Total non-audit fees	1 2	33 3%	1 9	50 0%
Total fees paid to the company's auditors	3 6	100.0%	3 8	100 0%

A description of the work of the Audit Committee is set out in the corporate governance statement on page 32 and includes an explanation of how auditor objectivity is safeguarded when non-audit services are provided by the auditors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7 Staff costs

The average monthly number of employees was

	2006 NUMBER	2005 NUMBER
Media communications	**7,614**	6,920
Market research	**5,905**	5,240
Central	**47**	45
	13,566	12,205

Staff costs consist of

	2006 £m	2005 £m
Wages and salaries	**402 2**	364 7
Social security costs	**59 0**	51 6
Other pension costs	**9 6**	7 8
	470 8	424 1

8 Investment income

	2006 £m	2005 £m
Interest receivable	**11 8**	10 8
	11 8	10 8

Interest receivable includes £nil (2005 £0 1 million) in respect of the expected return on pension scheme assets (see note 32)

9 Finance costs

	2006 £m	2005 £m
Interest payable on bank loans and overdrafts	**(3 2)**	(1 9)
Interest payable on loan notes, convertible debt, other loans and pension scheme liabilities	**(22.4)**	(20 8)
Imputed interest on deferred consideration	**(2 0)**	(1 6)
Fair value adjustments on put options	**7 0**	0 3
Fair value adjustments on derivitives	**(0 1)**	0 6
Fair value adjustments on other financial assets	**(0 4)**	-
	(21 1)	(23 4)
Amortisation of refinancing costs	**(1 4)**	(1 3)
	(22 5)	(24 7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10 Tax on profit on ordinary activities

The tax charge is made up of the following

	2006 £m	2005 £m
Current tax UK taxation at 30% (2005 30%)	-	-
Current tax overseas	33.9	31 3
Adjustments in respect of prior years	0 5	(1 1)
	34 4	30 2
Deferred tax (note 21)	(1 0)	(0 8)
	33.4	29 4

The underlying effective tax rate on underlying profits for the year ended 31 December 2006 is 28 7% (2005 29 3%)

The tax charge for the year ended 31 December 2006 is £33 4 million (2005 £29 4 million) representing an effective tax rate (including deferred tax on goodwill) on reported profits of 29 4% (2005 31 3%) The tax charge for the year ended 31 December 2006 includes a deferred tax liability of £1 5m (2005 £nil) for a tax deduction taken in respect of goodwill IFRS requires that such a deferred tax liability is recognised even if such a liability would only unwind on the eventual sale or impairment of the business in question

UK Corporation tax is calculated at 30% (2005 30%) of the estimated assessable profit for the year Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions

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

	2006 £m	2005 £m
Profit before taxation	113 5	94 0
Tax at the UK corporation tax rate of 30% (2005 30%)	34 1	28 2
Adjustments in respect of prior years	0 5	(1 1)
Tax effect of income that is not taxable for tax purposes	(1 1)	(1 3)
Rate differences on overseas earnings	2 4	5 3
Tax losses carried forward in the period UK	0 6	4 2
Tax losses utilised in the period overseas	(2 0)	(2 0)
Other reconciling items	(1 1)	(3 9)
Tax expense for the year	33 4	29 4
Effective rate	29 4%	31 3%

The Group s profit before taxation all arises from continuing operations Therefore the Group's tax charge also relates solely to continuing operations

IAS 1 requires income from associates to be presented net of tax on the face of the income statement The associates' tax is no longer included within the Group's total tax charge Associates' tax included within "Net income from associates" for the year ended 31 December 2006 is £0 2 million (2005 £0 1 million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

11 Dividends

	2006 £m	2005 £m
Ordinary shares of 5p each		
Dividend rate per share for the period (pence)	1 90	1 65
	£m	£m
Declared and paid during the period		
Final dividend for 2004 of 0 875p per share	-	9 8
Interim dividend for 2005 of 0 65p per share	-	7 3
Final dividend for 2005 of 1 00p per share	11.3	-
Interim dividend for 2006 of 0 725p per share	8.1	
	19.4	17 1

	£m	£m
Proposed but not yet declared or paid at the balance sheet date		
Final dividend for 2005 of 1 00p per share	-	11 3
Final dividend for 2006 of 1 175p per share	13 4	

The final dividend for 2006, if approved, will be paid on 31 May 2007 to all ordinary shareholders on the register at 4 May 2007

12 Earnings per share

	2006	2005
Basic		
Profit for the year attributable to equity holders of the parent (£ millions)	76 3	61 9
Adjusting items (note 5) (£ millions)	2 8	6 2
Underlying profit for the year (£ millions)	79 1	68 1
Weighted average number of ordinary shares in issue (millions)	1,118 8	1,113 4
Basic earnings per share (pence)	6 8	5 6
Adjusting items (note 5) (pence)	0.3	0 5
Underlying basic earnings per share (pence)	7.1	6 1
Diluted		
Profit for the year attributable to equity holders of the parent (£ millions)	76.3	61 9
Adjusting items (note 5) (£ millions)	2 8	6 2
Underlying profit for the year (£ millions)	79 1	68 1
Weighted average number of ordinary shares in issue (millions)	1,124 3	1,120 8
Diluted earnings per share (pence)	6.8	5 5
Adjusting items (note 5) (pence)	0.2	0 6
Underlying diluted earnings per share (pence)	7.0	6 1
Weighted average number of ordinary shares (millions)		
Basic weighted average number of ordinary shares	1,118.8	1,113 4
Dilutive potential ordinary shares employee share options	5 5	7 4
Diluted weighted average number of ordinary shares	1,124 3	1,120 8

The calculation of basic and diluted earnings per share is based on profit after tax and minority interests The weighted average number of shares excludes the Group's interest in own shares held through an ESOP trust The Group's €165 million convertible bond and certain share options were anti-dilutive and consequently were excluded from the calculation of diluted earnings per share

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

13 Goodwill

	£m
COST	
At 1 January 2005	493 8
Additions (restated)	178 6
Transferred from associates	1 0
Other acquisition adjustments	0 6
Adjustments to prior period estimates of deferred consideration	(3 1)
Exchange differences	35 4
At 1 January 2006 (restated)	706 3
Additions	39 7
Other acquisition adjustments	2 7
Adjustments to prior period estimates of deferred consideration	(3 0)
Disposals	(3 7)
Exchange differences	(51 0)
At 31 December 2006	691 0
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2005	15 3
Impairment losses for the year	6 5
Exchange differences	
At 1 January 2006	21 8
Impairment losses for the year	1 4
Exchange differences	-
At 31 December 2006	23 2
CARRYING AMOUNT	
At 31 December 2006	667 8
At 31 December 2005	684 5

£1 4 million arising on the acquisition in 2005 of a subsidiary in Australia has been reclassified as an intangible asset, following the completion of the initial acquisition accounting

Goodwill is allocated for impairment testing purposes to groups of cash generating units which reflect how it is monitored for internal management purposes This allocation largely represents the Group's primary and secondary reporting segments as set out below Any goodwill associated with the individual cash generating units subsumed within these reporting segments is not individually significant when compared to the goodwill of the Group

	2006 £m	2005 £m
Aegis Media		
Europe, Middle East & Africa	**195 9**	176 6
- Americas	**97 0**	101 2
- Asia Pacific	**54 3**	58 5
Synovate		
- Europe, Middle East & Africa	**108 0**	111 1
- Americas	**150 1**	170 7
Asia Pacific	**62 5**	66 4
	667 8	684 5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

13 Goodwill (continued)

An impairment of £1 4 million was charged in respect of one of the Group's companies in India following the deterioration in the performance of this business The allocation of goodwill presented above is net of this impairment charge An impairment of £3 9m has been booked in respect of one of the Group's associates in India

The recoverable amount of a cash generating unit is determined based on value-in-use calculations The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows for the following four years based on estimated growth rates of between 3% and 21% After this time, cash flows are extrapolated based on the estimated long-term growth in gross domestic product of 2 5% Cash flow projections are discounted using a pre-tax discount rate of 12 75%

Expected future cash flows are inherently uncertain and could materially change over time They are significantly affected by a number of factors such as market growth, discount rates currency exchange rates and future capital expenditure Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts to exceed their recoverable amounts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

14 Intangible assets

	SOFTWARE £m	OTHER £m	TOTAL £m
COST			
At 1 January 2005 (restated - see note 1)	28 9	8 1	37 0
Additions			
- internally generated	3 0	-	3 0
- separately acquired	5 2	1 6	6 8
Acquired on acquisition of a subsidiary (restated)	2 3	0 1	2 4
Disposals	(2 4)	-	(2 4)
Exchange differences	1 0	0 3	1 3
At 1 January 2006 (restated)	38 0	10 1	48 1
Additions			
internally generated	0 2		0 2
- separately acquired	5 1	1 2	6 3
Disposals	(3 8)	(0 4)	(4 2)
Exchange differences	(2 0)	(1 0)	(3 0)
At 31 December 2006	37 5	9 9	47 4
AMORTISATION			
At 1 January 2005	20 0	3 4	23 4
Charge for the year	5 5	1 0	6 5
Acquired on acquisition of a subsidiary	0 6	-	0 6
Disposals	(2 2)	-	(2 2)
Exchange differences	0 1		0 1
At 1 January 2006	24 0	4 4	28 4
Charge for the year	5 9	1 1	7 0
Disposals	(3 4)	(0 1)	(3 5)
Exchange differences	(1 2)	(0 4)	(1 6)
At 31 December 2006	25 3	5 0	30 3
CARRYING AMOUNT			
At 31 December 2006	12 2	4 9	17 1
At 31 December 2005	14 0	5 7	19 7

The carrying amount of other intangible assets includes market research panel costs of £0 7 million (2005 £1 3 million) patents and trademarks of £4 0 million (2005 £4 3 million) and other of £0 2 million (2005 £0 1 million)

The carrying amount of intangible assets with indefinite useful economic lives is £3 2 million (2005 £3 4 million), principally relating to trade names These are considered to have indefinite lives because it is the Group's intention to continue to invest in these assets and by doing so, their value will be protected and indeed enhanced This continued investment will involve significant expenditure on training, recruitment, technological development and legal protection £3 2 million (2005 £3 1 million) of these assets are included within the Aegis Media business segment, principally in the Americas geographical segment Internally-generated intangible assets of £nil million (2005 £4 0 million) have not yet been subject to amortisation as development of these assets is not yet complete The Group has made a prior year adjustment arising from a change in accounting policy in respect of the capitalisation of brand costs Net assets at 1 January 2005 have been reduced by £0 5 million There is no impact on Group profit in either the current year or the prior year

£1 4 million arising on the acquisition in 2005 of a subsidiary in Australia has been reclassified as an intangible asset, following the completion of the initial acquisition accounting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

15 Property, plant and equipment

	FREEHOLD LAND AND BUILDINGS £m	LONG LEASEHOLD AND LEASEHOLD IMPROVEMENTS £m	OFFICE FURNITURE FIXTURES EQUIPMENT AND VEHICLES £m	TOTAL £m
COST				
At 1 January 2005	6 0	32 5	83 9	122 4
Additions	0 3	7 0	14 2	21 5
Acquired on acquisition of a subsidiary	1 0	0 7	6 8	8 5
Disposals	(1 3)	(2 6)	(0 9)	(4 8)
Exchange differences	(0 2)	1 3	3 3	4 4
At 1 January 2006	5 8	38 9	107 3	152 0
Additions	0 3	4 6	15 7	20 6
Acquired on acquisition of a subsidiary	-	-	0 3	0 3
Disposals	(0 2)	(1 7)	(11 9)	(13 8)
Exchange differences	(0 1)	(2 3)	(6 1)	(8 5)
At 31 December 2006	5 8	39 5	105 3	150 6
ACCUMULATED DEPRECIATION				
At 1 January 2005	2 2	17 2	55 5	74 9
Charge for the year	0 3	4 3	13 9	18 5
Acquired on acquisition of a subsidiary		0 4	3 9	4 3
Disposals	(0 7)	(4 3)	1 8	(3 2)
Exchange differences	(0 1)	0 5	2 5	2 9
At 1 January 2006	1 7	18 1	77 6	97 4
Charge for the year	0 3	5 6	13 2	19 1
Disposals	-	(1 1)	(10 0)	(11 1)
Exchange differences	-	(1 0)	(4 3)	(5 3)
At 31 December 2006	2 0	21 6	76 5	100 1
CARRYING AMOUNT				
At 31 December 2006	3 8	17 9	28 8	50 5
At 31 December 2005	4 1	20 8	29 7	54 6

At 31 December 2006, the Group had £0 7 million capital commitments contracted, but not provided, for the acquisition of property, plant and equipment (2005 £nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

16 Interests in associates and joint ventures

a) Carrying amount

	ASSOCIATES £m	JOINT VENTURE £m	TOTAL £m
At 1 January 2006	9 5	2 8	12 3
Additions	6 6	0 3	6 9
Impairment losses for the year	(3 9)	-	(3 9)
Transfer to subsidiary on acquisition of additional stake	(0 1)	-	(0 1)
Share of profit	1 2	-	1 2
Dividends received	(0 2)	-	(0 2)
Exchange differences	(0 6)		(0 6)
	12 5	3 1	15 6

An impairment of £3 9 million was charged in respect of one of the Group's associates in India following the deterioration in the performance of this business Investments in associates and the eVerger joint venture at 31 December 2006 include goodwill of £5 4 million and £nil respectively (2005 £3 3 million and £nil respectively)

b) Investments in associates

The following represents the aggregate amount of the Group's interests in associated companies' assets, liabilities, revenues and profit

	2006 £m	2005 £m
Total assets	**17 3**	10 6
Total liabilities	**(10 2)**	(4 4)
	7 1	6 2
Goodwill	**5 4**	3 3
	12 5	9 5
Total revenues	**10 0**	3 5
Total profit / (loss)	**1 2**	(0 1)

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

	2006 £m	2005 £m
Total assets	**71 0**	63 8
Total liabilities	**(35 0)**	(8 9)
Total revenues	**28 9**	16 0
Total profit	**7 0**	1 1

A list of the significant investments in associates, including the name, country of incorporation and proportion of ownership interest is given in the notes to the Company's separate financial statements All associates have year-end reporting dates of 31 December, with the exception of QJY which has a 30 September year-end The Group has a 18 98% interest in Qin Jia Yuan Advertising for which the fair value, based on a published price quotation, is £12 0 million, compared to the book value of £8 8 million

c) Interest in joint venture

The Group has a 44 65% shareholding in eVerger Limited, an investment company incorporated in Guernsey The period-end reporting date for eVerger is 30 September (previously 31 March) The Group's share of assets at 31 December 2006 is £2 8 million (2005 £2 8 million) The Group's share of liabilities at 31 December 2006 is £nil (2005 £nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 Available for sale financial assets

	2006 £m	2005 £m
Listed securities	**2 8**	2 7

The investment above represents a stake of approximately 2 1% in Harris Interactive, Inc

18 Trade and other receivables

	2006 £m	2005 £m
Trade receivables	**1,417 2**	1,236 3
Prepayments and accrued income	**94 1**	82 2
Other receivables	**108 2**	87 1
	1,619.5	1,405 6

The average credit period taken for trade receivables is 63 days (2005 56 days) The directors consider that the carrying amount of trade and other receivables approximates to their fair value Trade receivables for the Group are stated net of a bad debt provision of £19 7 million (2005 £26 2 million)

19 Trade and other payables

	2006 £m	2005 £m
Trade payables	**1,350.3**	1,220 3
Accruals and deferred income	**190 5**	188 4
Deferred consideration	**43 0**	45 7
Other payables	**270 2**	252 9
	1,854 0	1,707 3

The average credit period taken for trade payables is 67 days (2005 61 days) The directors consider that the carrying amount of trade payables approximates to their fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

20. Financial instruments

The Group has established objectives concerning the holding and use of financial instruments The key objective is to manage the financial risks faced by the Group, which are discussed below

Formal policies and guidelines have been set to achieve this objective and it is the responsibility of Group Treasury to implement these policies using the strategies set out below

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

Management of financial risk

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

Currency risk

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

The Groups foreign currency management policy requires subsidiaries to hedge all transactions and financial instruments with material currency exposures The Group is a party to a number of foreign currency forward contracts in the management of its exchange rate exposures The instruments purchased are primarily denominated in the currencies of the Group's principal markets These are held at fair value at the balance sheet date The total notional amounts of outstanding forward foreign exchange contracts that the Group has committed are shown below

	2006 £m	2005 £m
Forward foreign exchange contracts	**26 2**	21 2

The fair values of currency derivatives included in the balance sheet are based on market values supplied by the banks through which the currency derivatives were acquired Movements in the fair value of forward foreign exchange contracts are taken to the income statement

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

The Group's policy is to borrow locally wherever possible to act as a natural hedge against the translation risk arising from its net investments overseas A currency analysis of borrowings is given below

It is estimated that a strengthening of Sterling by 1% would reduce 2006 profit before tax by £1 2 million

Liquidity risk

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

At 31 December 2006, the Group had net debt (before issue costs of new debt) of £228 6 million (2005 £209 5 million (restated)) The Group had cash and cash equivalents of £262 5 million at 31 December 2006 (2005 £263 9 million (restated)) and gross borrowings of £493 1 million (2005 £475 6 million) The Group's principal debt instruments are subject to certain financial covenants

Included within gross borrowings is £nil (2005 £121 5 million) of 2 per cent convertible bonds due in 2006 These bonds were issued on 15 May 2002

Also included within gross borrowings is £67 1 million (US$131 5 million) (2005 £92 9 million (US$160 million)) of unsecured loan notes issued on 20 November 2000, which are repayable in full between 2006 and 2008, and £174 6 million (US$342 million) (2005 £198 5 million (US$342 million)) of unsecured loan notes issued on 28 July 2005, which are repayable in full between 2012 and 2017

In addition to the net debt at 31 December 2006, the Group has undrawn committed facilities of £265 4 million (2005 £294 9 million)

Interest rate risk

The Group's convertible bond and the unsecured loan notes, referred to above, are at fixed rates All other borrowings are at floating rates The Group has entered into long-term hedging arrangements to swap the interest relating to US$160 million of unsecured loan notes (Private Placement Debt – November 2000) from fixed into floating rates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 Financial instruments (continued)

Credit Risk

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

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including financial instruments, in the balance sheet

Short-term debtors and creditors and currency disclosures

Short-term debtors and trade creditors have been excluded from all disclosures provided in this note Group companies do not have material, unhedged monetary assets and liabilities in currencies other than their local currencies Hence no currency risk disclosures have been provided

Convertible bond

On 15 May 2002, the Group issued €165 million of convertible bonds, due in 2006 The bonds were redeemed on 15 May 2006 at 107 95% of their principal amount

Interest was payable on the bonds at 2 per cent per annum with a 1 875 per cent premium payable

The net proceeds received from the issue of the convertible bond were split between the host contract liability element and an equity conversion component, representing the fair value of the embedded option to convert the liability into equity of the Group The equity conversion component was separately included within liabilities This component is then marked to market at each balance sheet date with changes in fair value being taken through the income statement At the date of issue, the fair value of the host contract liability component was valued at £91 1 million, excluding unamortised issue costs, and the equity conversion component was £11 9 million At 31 December 2005, the host contract liability component was £121 5 million, excluding unamortised issue costs, and the equity conversion component was £nil

Exchange differences arising on the re-translation of the convertible bond were until redemption taken directly to reserves as the convertible bond was used to provide a hedge against Euro-denominated investments

Issue costs were deducted from the amount of funds received and amortised over the term of the debt

Private Placement Debt – November 2000

On 20 November 2000, the Group issued US$160 million of unsecured loan notes, repayable between 2006 and 2008 These loan notes are guaranteed by the Company and certain of its subsidiaries Interest rate swaps have been entered into for the duration of the loan notes to convert this fixed rate borrowing into floating rate based upon the US six-month LIBOR rate These interest rate swaps are designated as hedging instruments of interest rate risk in respect of this debt When the hedge relationship is effective, the carrying value of this debt is adjusted by the changes in fair value attributable to interest rate risk at the balance sheet date The Group is exposed to cash flow interest rate risk in respect of the above borrowings being at floating rates US$28 5 million was settled during the year

Interest rate swaps

The fair value of the interest rate swaps entered into at 31 December 2006 and included in the balance sheet is £0 9 million (2005 £3 1 million) The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised profits which the Group expects to realise as a result of lower variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan notes £0 8 million of this is expected to be realised in 2007 The interest rate swaps are designated and effective as fair value hedges against changes in the fair value of the debt caused by changes in interest rates Movements in the fair value of the interest rate swaps are taken to the income statement where they offset against very similar but opposite movements in the fair value of the debt caused by movements in interest rates

Private Placement Debt – July 2005

On 28 July 2005, the Group issued US$342 million of unsecured loan notes, repayable between 2012 and 2017 On 9 November 2005 cross currency swaps were entered into for US$142 million of the loan notes due in 2012 and US$50 million of the loan notes due in 2015 to convert this US$ fixed rate borrowing into EUR fixed rate borrowing These loan notes are guaranteed by the Company and certain of its subsidiaries and are used to provide a hedge against US dollar-denominated investments To the extent that this hedging relationship is effective, exchange differences arising on the re-translation of the US$150 million of debt not impacted by the cross currency swaps are taken directly to reserves

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 Financial instruments (continued)

Cross currency swaps

The fair value of the cross currency swaps entered into at 31 December 2006 is (£9 3) million (2005 (£1 6m)) The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields The cross currency swaps are synthetically split, for accounting purposes, to reflect the Group's functional currency of Sterling The US$/Sterling leg of the swaps act as cash flow hedges against the Group's US$ loan notes and the Euro/Sterling leg of the swaps act as net investment hedges in respect of certain of the Group's Euro-denominated investments

a) Maturity profile of Group financial assets and liabilities

Financial assets

	LESS THAN 1 YEAR	1-2 YEARS	2 5 YEARS	MORE THAN 5 YEARS	2006 TOTAL	LESS THAN 1 YEAR RESTATED	1 2 YEARS	2 5 YEARS	MORE THAN 5 YEARS	2005 TOTAL RESTATED
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Current										
Cash at bank and in hand and short term deposits	**262 5**	-	-	-	**262 5**	263 9	-	-	-	263 9
Derivative financial assets										
Other Financial assets	**16 4**	-	-	-	**16 4**	16 8	-	-		16 8
Forward foreign exchange contracts	**0 1**	-	-	-	**0 1**	-	-	-	-	-
Interest rate swaps	**0 8**	-	-	-	**0 8**	0 3	-	-	-	0 3
	279 8	-	-	-	**279 8**	281 0	-	-		281 0
Trade and other receivables	**1,619 5**	-	-	-	**1,619 5**	1,405 6	-			1,405 6
Total current	**1,899 3**	-	-	-	**1,899 3**	1 686 6	-	-		1,686 6
Non-current										
Derivative financial assets										
Cross currency swaps	-	-	-	-	-	-	-	-	0 7	0 7
Interest rate swaps	-	**0 1**	-	-	**0 1**	-	2 4	0 4		2 8
Total non-current	-	**0 1**	-	-	**0 1**		2 4	0 4	0 7	3 5
Total	**1,899 3**	**0 1**	-	-	**1,899 4**	1,686 6	2 4	0 4	0 7	1,690 1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

20 Financial instruments (continued)

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

In addition to the financial assets above, the Group had available-for-sale financial asset investments of £2 8 million (2005 £2 7million) principally in US dollars (see note 17), which do not yield an interest-related income and which do not have a fixed maturity date

There are no material differences between the book and fair values of the Group's financial assets at 31 December 2006 The fair values of financial assets reflect market values or are based upon readily available market data

Financial liabilities

	LESS THAN 1 YEAR £m	1 2 YEARS £m	2 5 YEARS £m	MORE THAN 5 YEARS £m	2006 TOTAL £m	LESS THAN 1 YEAR RESTATED £m	1 2 YEARS £m	2 5 YEARS £m	MORE THAN 5 YEARS £m	2005 TOTAL RESTATED £m
Current										
Bank overdrafts	**27 2**	-	-	-	**27 2**	3 0	-	-		3 0
Loans	**269.5**	-	-	-	**269 5**	59 5	-	-		59 5
	296 7	-	-	-	**296 7**	62 5	-		-	62 5
Less Issue costs of debt to be amortised	**(0 5)**	-	-	-	**(0 5)**	(0 6)	-	-	-	(0 6)
	296 2	-	-	-	**296 2**	61 9		-		61 9
Convertible bond	-	-	-	-	-	121 5	-		-	121 5
Less Issue costs of debt to be amortised	-	-	-	-	-	(0 2)	-	-		(0 2)
	296 2	-	-	-	**296 2**	183 2	-		-	183 2
Derivative financial liabilities - Forward foreign exchange contracts	-	-	-	-	-	0 1	-	-		0 1
	296 2	-	-	-	**296 2**	183 3	-			183 3
Trade and other payables	**1,854 0**	-	-	-	**1,854 0**	1,707 3	-		-	1,707 3
Total current	**2,150 2**	-	-	-	**2,150 2**	1 890 6	-	-		1,890 6
Non-current										
Bank loans	-	**0 3**	**14 3**	**0 6**	**15 2**	-	0 2	12 8	1 0	14 0
Loan notes	-	**6 6**	-	**174 6**	**181 2**	-	71 2	7 9	198 5	277 6
	-	**6.9**	**14 3**	**175 2**	**196 4**	-	71 4	20 7	199 5	291 6
Less Issue costs of debt to be amortised	-	**(0 4)**	**(1 0)**	**(0 1)**	**(1 5)**	-	(0 4)	(0 8)	(0 2)	(1 4)
	-	**6.5**	**13 3**	**175 1**	**194 9**	-	71 0	19 9	199 3	290 2
Derivative financial liabilities - Cross currency swap	-	-	-	**9 3**	**9 3**	-	-		2 3	2 3
	-	**6.5**	**13 3**	**184 4**	**204 2**		71 0	19 9	201 6	292 5
Other long term liabilities	-	**34.1**	**38 1**	**13.6**	**85 8**	-	45 3	55 1	9 3	109 7
Total non-current	-	**40.6**	**51 4**	**198 0**	**290.0**	-	116 3	75 0	210 9	402 2
Total	**2,150.2**	**40 6**	**51 4**	**198 0**	**2,440 2**	1,890 6	116 3	75 0	210 9	2,292 8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

20 Financial instruments (continued)

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

There are no material differences between the book and fair values of the Group's financial liabilities at 31 December 2006 The fair values of financial liabilities reflect market values or are based upon readily available market data

Borrowing facilities

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

	2006 £m	2005 £m
Expiring within one year	-	44 9
Expiring between one and two years	-	-
Expiring between two and five years	**265 4**	250 0
	265 4	**294 9**

b) Interest rate profile

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

Financial assets

	FIXED RATE £m	FLOATING RATE £m	NON-INTEREST BEARING £m	2006 TOTAL £m	FIXED RATE £m	FLOATING RATE RESTATED £m	NON-INTEREST BEARING £m	2005 TOTAL RESTATED £m
GBP	0 5	5 1	0 5	**6.1**	-	35 4	-	35 4
USD	4 7	30 4	2 7	**37 8**	-	34 3	-	34 3
EUR	46 2	62 0	26 2	**134.4**		128 3	-	128 3
Other worldwide currencies	28 0	61 7	10 9	**100 6**	-	82 7	-	82 7
	79 4	159 2	40 3	**278 9**	-	280 7	-	280 7
Trade and other receivables				**1,619 5**				1,405 6
Derivative financial assets				**1 0**				3 8
				1,899 4				1,690 1

Cash and cash equivalents of £262 5 million (2005 £263 9 million (restated)) and other financial assets of £16 4 million (2005 £16 8 million) represent the floating rate financial assets above

During the year the Group has reconsidered the classification of an investment fund and as a result has reclassified this investment from cash and cash equivalents to other financial assets The impact at 1 January 2005 was a reduction in cash of £17 0 million

In addition to the financial assets above, the Group had available-for-sale financial asset investments of £2 8 million (2005 £2 7million) principally in US dollars, which do not yield an interest-related income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

20 Financial instruments (continued)

b) Interest rate profile (continued)

Financial liabilities

	FIXED RATE £m	FLOATING RATE £m	NON-INTEREST BEARING £m	2006 TOTAL £m	FIXED RATE £m	FLOATING RATE £m	NON-INTEREST BEARING £m	2005 TOTAL £m
GBP	0 8	99 7		**100 5**		0 8		0 8
USD	76 6	81 9	2 5	**161 0**	87 1	96 0	5 4	188 5
EUR	97 3	87 7	2 2	**187 2**	231 5	2 3	1 4	235 2
Other worldwide currencies	12 0	32 2	0 2	**44 4**	-	51 1	-	51 1
Gross borrowings	186 7	301 5	4 9	**493 1**	318 6	150 2	6 8	475 6
Issue costs of debt			(2 0)	**(2 0)**			(2 2)	(2 2)
	186 7	301 5	2 9	**491 1**	318 6	150 2	4 6	473 4
Trade and other payables				**1,854 0**				1,707 3
Other long-term liabilities				**85 8**				109 7
Derivative financial liabilities				**9 3**				2 4
				2,440 2				2,292 8

The weighted average interest rates paid were as follows

	2006 %	2005 %
Bank overdrafts	**3 4**	2 9
Bank loans	**4 9**	4 4
Loan notes	**5.0**	5 0
Convertible bond	**7 2**	7 2

The Group's borrowings, excluding the US$342 million of unsecured loan notes issued in 2005 and the convertible bond but including the US$131 5 million (2005 US$160 million) unsecured loan notes referred to above, are at floating rates The Group has entered into long-term hedging arrangements to swap the interest relating to the US$131 5 million (2005 US$160 million) unsecured loan notes from fixed into floating rates

At 31 December 2006, it is estimated that a general simultaneous parallel shift of 1% in interest rates would increase the Group's reported profit by approximately £2 0 million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

21 Deferred tax

	CONVERTIBLE BONDS £m	RECOGNITION OF FINANCIAL LIABILITIES £m	OTHER £m	LOSSES £m	TOTAL £m
At 1 January 2006 - (liability) / asset	(0 5)	4 1	0 9	1 9	6 4
Reclassifications	-		1 4		1 4
Amount provided in reserves	-	-	(0 7)		(0 7)
Credit / (charge) to profit	0 5	(0 5)	(1 1)	2 1	1 0
At 31 December 2006-asset	-	3 6	0 5	4 0	8 1

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

The movement in fair value relates to a cross currency interest rate swap

	2006 £m	2005 £m
Deferred tax liability	(4 0)	(1 3)
Deferred tax asset	12 1	7 7
	8 1	6 4

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

	2006 £m
Losses - revenue	49 5
Losses capital	81 6
Other temporary differences	28 0
	159 1

The tax losses and other temporary differences have no expiry date The total amount of tax losses and other temporary differences for which no deferred tax was recognised at 31 December 2005 was £162 3 million

Balances in the subsidiary entities are shown on a 100% basis, regardless of ownership percentage Balances for joint ventures are shown in proportion to the Group's ownership percentage Balances in associates are not included

At the balance sheet date, the aggregate amount of earnings in overseas subsidiaries for which deferred tax liabilities have not been recognised was £318 4 million (2005 £223 3m) No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future

Temporary differences arising in connection with interests in associates and joint ventures are insignificant

22. Provisions

	VACANT PROPERTIES 2006 £m
At 1 January	0 9
Additional provision in the year	0 4
Release of provision	(0 2)
Utilisation of provision	(0 3)
Exchange differences	(0 1)
At 31 December	0 7

The Group's vacant leasehold properties are principally located in the US Provision has been made for the residual lease commitments for the remaining period of the leases, which at 31 December 2006 is approximately three years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

23 Share capital

	2006 NUMBER OF ORDINARY SHARES	2006 £m	2005 NUMBER OF ORDINARY SHARES	2005 £m
Authorised				
Ordinary shares of 5p each	**1,500,000,000**	**75 0**	1,500,000,000	75 0
Issued, allotted, called up and fully paid				
At 1 January	**1,128,049,657**	**56 4**	1,119,043,525	55 9
Issue of shares by the Company	**13,735,183**	**0 7**	9,006 132	0 5
At 31 December	**1,141,784,840**	**57 1**	1,128,049,657	56 4

The Company has one class of ordinary shares which carry no right to fixed income The ordinary shares of 5p each have full voting rights

The Company issued a total of 13,735,183 shares in the year with an aggregate nominal value of £689,259 (2005 £450 307), 13,735,183 (2005 8,896,954) of which were due to the exercise of share options The total share premium arising on the issue of shares in the year was £10,472,141 (2005 £7,958,000)

Under the Group's share option schemes, there were outstanding options over 60,473,849 ordinary shares of 5p each at 31 December 2006 (2005 87,745,619), for which the participants have the right to exercise their options at prices ranging from 26 5p to 219 6p These options are exercisable between 31 December 2006 and 30 June 2015

24 Own shares

	2006 £m	2005 £m
At 1 January	**10.1**	4 3
Purchase of own shares	**12 0**	5 8
At 31 December	**22 1**	10 1

At 31 December 2006, the Group's ESOP (the 'Aegis Group Employee Share Trust') held 17,923,182 Ordinary Shares in the Company with a nominal value of £896,159 and a market value of £25 1 million

At 31 December 2005, the Group's ESOP held 11,000,000 Ordinary Shares in the Company with a nominal value of £550,000 and a market value of £13 4 million

The own shares reserve represents the cost of shares in Aegis Group plc acquired in the open market by the Trust using funds provided by Aegis Group plc The Trust has waived any entitlement to the receipt of dividends in respect of all of its holding of the Company's Ordinary Shares The Trust has purchased the shares to satisfy future share options and share awards under the Group's share-based payment schemes

25 Share premium account

	2006 £m	2005 £m
At 1 January	**218 9**	210 9
Issue of shares by the Company	**10 5**	8 0
At 31 December	**229.4**	218 9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

26 Consolidated reconciliation of total equity

	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM ACCOUNT	CAPITAL REDEMPTION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	ACCUMULATED LOSSES	TOTAL	MINORITY INTEREST	POTENTIAL ACQUISITION OF MINORITY INTEREST	TOTAL EQUITY
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2005 - previously reported	55 9	(4 3)	210 9	0 2	(8 5)	(139 7)	**114 5**	7 7	(18 6)	**103 6**
Change in accounting policy (note 3)	-	-	-	-	-	(0 5)	**(0 5)**		-	**(0 5)**
At 1 January 2005 - restated	55 9	(4 3)	210 9	0 2	(8 5)	(140 2)	**114 0**	7 7	(18 6)	**103.1**
Total recognised income and expense	-	-	-	-	14 2	59 0	**73 2**	2 8	-	**76 0**
New share capital subscribed	0 5	-	8 0	-	-		**8 5**	-	-	**8 5**
Purchase of shares by ESOP	-	(5 8)	-	-			**(5 8)**	-	-	**(5 8)**
Credit for share-based incentive schemes	-	-	-		-	4 5	**4 5**			**4 5**
Other movements	-		-	-	-	-	**-**	0 7	2 3	**3 0**
Dividends	-	-	-		-	(17 1)	**(17 1)**	(2 4)	-	**(19 5)**
At 1 January 2006	56 4	(10 1)	218 9	0 2	5 7	(93 8)	**177 3**	8 8	(16 3)	**169 8**
Total recognised income and expense	-	-	-		(21 9)	78 9	**57 0**	3 8		**60 8**
New share capital subscribed	0 7	-	10 5	-	-	-	**11 2**	-	-	**11 2**
Purchase of shares by ESOP	-	(12 0)		-	-		**(12 0)**		-	**(12 0)**
Credit for share-based incentive schemes	-	-	-	-		6 9	**6 9**			**6 9**
Other movements	-	-	-	-	-	-	**-**	(2 4)	4 4	**2 0**
Dividends	-		-	-	-	(19 4)	**(19 4)**	(2 7)	-	**(22 1)**
At 31 December 2006	57 1	(22 1)	229 4	0 2	(16 2)	(27 4)	**221 0**	7 5	(11 9)	**216 6**

The capital redemption reserve represents the conversion, issue and redemption of shares by the company, less expenses

The foreign currency translation reserve represents exchange differences arising upon consolidation For consolidation purposes, the trading results and cash flows in foreign currencies, arising in foreign subsidiaries, are translated into sterling at average exchange rates for the period Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date The difference is taken to the foreign currency translation reserve

The potential acquisition of minority interests reserve represents the Group's initial best estimate of the amount it is likely to pay on outstanding put option agreements, should the minority interests exercise put options which require the Group to purchase the outstanding minority interest in subsidiaries in which the Group has a shareholding of less than 100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

27 Acquisition of subsidiaries

During the period, the Group acquired subsidiaries (all acquisition accounted for) as detailed below

COMPANY	COUNTRY OF INCORPORATION	% ACQUIRED (TOTAL GROUP HOLDING)	DATE OF ACQUISITION
Alban Communications	United Kingdom	100	January
Roland Berger	Germany	100	January
Creo Communications	Norway	51	January
Promovator	Denmark	50 (100)	January
Carat Media One	Israel	19 (70)	January
Medialand NV	Netherlands	38 (100)	January
Komandarm	Russia	12 (63)	January
Ammo Marketing	USA	100	February
Integrator	South Africa	100	February
Synergy	New Zealand	100	February
Morgagni	Italy	20 (90)	February
Suddenly Stockholm	Sweden	100	June
Gain Concept Advertising	China	25 (100)	June
Bookmark	Netherlands	100	July
Net Think	Spain	2 (98)	July
Mediapool	Estonia	100	July
New Voice Media	China	70	August
Control Media	Mexico	100	August
Infocy	South Africa	100	September
Aerodeon	France	100	December
MEC	South Africa	15 (74)	December
Carat Media Services Thailand	Thailand	15 (90)	December

If the acquisitions above had been completed on the first day of the financial year, Group revenues for 2006 would have been £1,002 7 million and Group profit attributable to equity holders of the parent would have been £77 7 million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

27 Acquisition of subsidiaries (continued)

Initial consideration, including acquisition costs, totalled £23 1 million with estimated deferred consideration of £20 2 million payable between 2007 and 2011, subject to performance criteria A summary of the net assets acquired and goodwill arising is given below

	BOOK VALUE ACQUIRED £m	ACCOUNTING POLICY ADJUSTMENTS (a) £m	FAIR VALUE ADJUSTMENTS (b) £m	FAIR VALUE OF NET ASSETS £m
Net assets acquired				
Intangible fixed assets		-	-	-
Property, plant and equipment	0 3	-		0 3
Other fixed assets	0 2	-		0 2
Trade and other receivables	13 0	-	-	13 0
Inventory work in progress	0 3	-	-	0 3
Cash and cash equivalents	8 9	-	-	8 9
Creditors	(17 8)	(0 3)	(1 3)	(19 4)
Net assets	4 9	(0 3)	(1 3)	3 3
Minority interest on current period acquisitions				(0 1)
Minority interest acquired				0 4
				3 6
Goodwill capitalised in the period				39 7
Consideration				43 3

Satisfied by	
Initial cash consideration	22 5
Direct costs of acquisition	0 6
Deferred consideration	20 2
	43 3

Provisional adjustments have been made as follows

(a) accounting policy adjustments have been made in order to align the balance sheets of acquired entities with the Group's accounting policies,

(b) provision has been made to properly reflect the fair value of existing assets and liabilities in the Group's balance sheet

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

28 Other long-term liabilities

	2006 £m	2005 £m
Deferred consideration	**64.0**	93 9
Liabilities in respect of put option agreements	**2 7**	5 1
Pensions	**5.5**	5 1
Other	**13 6**	5 6
At 31 December	**85.8**	109 7

a) Deferred consideration

Deferred consideration, which has been provided for in creditors, may be paid to the vendors of certain subsidiary undertakings in the years to 2011 Such payments are either fixed under the terms of the acquisition or are contingent on future financial performance The directors estimate that, at the rates of exchange ruling at the balance sheet date, the liability at 31 December 2006 for payments that may be due is as follows

	2006 £m	2005 £m
Within one year	**43.0**	45 7
Between one and two years	**31.2**	41 4
Between two and five years	**32.8**	52 5
At 31 December	**107.0**	139 6

The minimum potential liability is £52 2 million and the maximum potential liability is £163 2 million

b) Liabilities in respect of put option agreements

There are put options held by certain minority interest shareholders in respect of a small number of Group companies The Group recognises its best estimate of the amount it is likely to pay, should these options be exercised by the minority interests, as a liability in the balance sheet

	2006 £m	2005 £m
Options exercisable within one year	**4.2**	10 8
Options exercisable in more than one year	**2.7**	5 1
At 31 December	**6.9**	15 9

29 Contingent Asset

During the year, the Group became aware of a fraud perpetrated against the Aegis Media Germany Further details are provided on page 34 of the Annual Report The Group's investigation into the fraud established that, over three years, Aegis Media Germany had received and recorded falsified invoices which were paid to the benefit of the perpetrators of the fraud The Group is taking steps to seek recompense and, although it is probable there will be some recovery of funds, the amount is not sufficiently certain to be recognised as an asset

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

30 Notes to the cash flow statement

	2006 £m	2005 £m
Operating profit	**124 2**	107 9
Adjustments for		
Depreciation of property, plant and equipment	**19 1**	18 5
Amortisation of intangible assets	**7 0**	6 5
Impairment of goodwill	**1 4**	6 5
Share of results of joint venture - profit on sale of joint venture	**-**	(1 3)
Share of results of associated undertakings	**2 7**	0 1
Loss / (profit) on disposal of property, plant and equipment	**0 7**	(0 6)
Loss on disposal of intangible assets	**0 4**	
Share-based payments	**6 9**	4 5
Other non-cash movements	**0 4**	0 1
	162 8	142 2
Increase in receivables	**(288 7)**	(63 3)
Decrease / (increase) in inventory work in progress	**0 4**	(4 4)
Increase / (decrease) in payables	**249 5**	(6 4)
	(38 8)	(74 1)
Cash generated from operations	**124.0**	68 1

	1 JANUARY 2006 RESTATED £m	CASH FLOW £m	OTHER NON-CASH CHARGES £m	EXCHANGE MOVEMENTS £m	31 DECEMBER 2006 £m
Analysis of net debt					
Cash and cash equivalents	**263 9**	14 9	-	(16 3)	**262 5**
Overdrafts	**(3 0)**	(24 4)		0 2	**(27 2)**
	260 9	(9 5)	-	(16 1)	**235 3**
Debt due within one year	**(180 5)**	(99 6)	(3 5)	14 1	**(269 5)**
Debt due after more than one year	**(292.1)**	66 2	3 9	25 6	**(196 4)**
Net debt before issue costs of debt	**(211 7)**	(42 9)	0 4	23 6	**(230 6)**
Issue costs of debt	**2.2**	1 2	(1 4)	-	**2 0**
Total	**(209 5)**	(41 7)	(1 0)	23 6	**(228 6)**

During the year the Group has reconsidered the classification of an investment fund and as a result has reclassified this investment from cash and cash equivalents to other financial assets The impact at 31 December 2005 was a reduction in cash and cash equivalents of £16 8 million (1 January 2005 £17 0 million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31 Operating lease arrangements

	2006 £m LAND AND BUILDINGS	2006 £m OTHER	2006 £m TOTAL	2005 £m LAND AND BUILDINGS (RESTATED)	2005 £m OTHER	2005 £m TOTAL
Lease payments under operating leases recognised in income for the year	**33 1**	**4 0**	**37 1**	31 8	3 8	35 6

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

	2006 £m LAND AND BUILDINGS	2006 £m OTHER	2006 £m TOTAL	2005 £m LAND AND BUILDINGS	2005 £m OTHER	2005 £m TOTAL
Within one year	**28 1**	**2 7**	**30 8**	26 6	2 6	29 2
In the second to fifth years inclusive	**67 6**	**4 1**	**71 7**	62 2	3 7	65 9
After five years	**25 7**	**0 2**	**25 9**	29 6	0 2	29 8
	121 4	**7 0**	**128 4**	118 4	6 5	124 9

Operating lease payments principally represent rentals payable by the Group for certain of its office properties Leases are negotiated for an average term of 5 9 years and rentals are fixed for an average of 1 5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32 Share-based payments

The Group recognised a total expense of £6 9 million (2005 £4 5 million) in respect of all share-based payments in the year Share-based payments include share options and conditional share awards

Share options

The Group issues share options to certain employees The grant price for share options is equal to the average quoted market price of the Company shares on the date of grant The vesting period is typically three years If share options remain unexercised after a period of ten years from the date of grant, the options expire Share options are forfeited if the employee leaves the Group before the options vest and are subject to EPS performance conditions Further details are provided in the Remuneration Report

	2006 OPTIONS (MILLIONS)	WEIGHTED AVERAGE EXERCISE PRICE (£)	OPTIONS (MILLIONS)	2005 WEIGHTED AVERAGE EXERCISE PRICE (£)
Outstanding at beginning of period	**87 7**	**1 04**	108 0	1 10
Granted during the period	**3 4**	**1 34**	5 6	1 02
Forfeited during the period	**(13 1)**	**1 15**	(17 6)	1 38
Exercised during the period	**(17 5)**	**0 92**	(8 3)	0 94
Outstanding at end of period	**60 5**	**1 07**	87 7	1 04
Exercisable at end of period	**29 4**	**1 10**	10 5	0 85

The weighted average share price at the date of exercise for share options exercised during the period was £0 92 (2005 £0 94) The options outstanding at 31 December 2006 had a weighted average exercise price of £1 07 (2005 £1 04), and a weighted average remaining contractual life of 5 4 years (2005 5 9 years) The fair value per option granted (weighted average) in the year was £0 36 (2005 £0 28)

The fair value of share options was determined using a stochastic model and the following assumptions

	2006	2005
Expected volatility	**23 0%**	25 0%
Risk free rate	**4 4%**	4 7%
Expected dividend yield	**1 2%**	1 4%

Expected volatility was determined by considering the historical volatility of the Group's share price over the previous three years, with certain periods where the share price was particularly volatile for specific reasons, being disregarded as these were not considered to be indicative of expected future volatility The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

The Group recognised a total expense of £2 1 million (2005 £2 3 million) in respect of share options in the year

Conditional share awards

The Group issues conditional share awards to certain employees The vesting period is typically three years The extent to which awards vest is determined partly by reference to the Company's Total Shareholder Return (TSR) performance relative to a group of similar businesses and partly by reference to the Company's EPS growth relative to RPI Further details are provided in the Remuneration Report

The fair value of conditional share awards was determined using a stochastic model using the assumptions given in the table above

The Group recognised a total expense of £4 8 million (2005 £2 2 million) in respect of conditional share awards in the year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

33 Retirement benefit schemes

Defined contribution schemes

Retirement benefits for employees are principally provided by defined contribution schemes which are funded by contributions from Group companies and employees The amount charged to the profit and loss account of £6 2 million (2005 £6 7 million) represents contributions payable in the year to these schemes at rates specified in the rules of the plans As at 31 December 2006, contributions of £nil (2005 £nil) due in respect of the current reporting period had not been paid over to the schemes

Defined benefit schemes

The Group operates a number of defined benefit schemes for qualifying employees of its subsidiaries The principal schemes are located in Germany, Italy, France and Norway The numbers below are in respect of all material Group defined benefit schemes, unless otherwise stated

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2006 The present value of the defined benefit obligation, the related service cost and the past service cost were measured using the projected unit credit method

The principal assumptions used are set out below

				2006				2005
	GERMANY	ITALY	FRANCE	NORWAY	GERMANY	ITALY	FRANCE	NORWAY
Discount rate	4 5%	4 0%	4 0%	4 5%	4 0%	4 0%	4 0%	4 0%
Expected rate of increase in pensionable salaries	-	2 0%	2 0%	5 5%		2 0%	2 0%	3 0%
Expected rate of increase in pensions in payment	1 8%	2 0%	-	4.5%	1 8%	2 0%	-	2 5%
Expected long term rate of return on plan assets	4 5%	-	-	4.3%	4 0%	-		5 0%
Inflation assumption	2 0%	2 2%	2.0%	1 6%	2 0%	2 2%	2 0%	2 5%

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

The table below shows the amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes and the expected rates of return (net of administrative expenses) on the assets in the schemes

	2006 %	2006 £m	2005 %	2005 £m
Equity instruments	73%	3 4	70%	2 7
Debt instruments	4%	0.2	3%	0 1
Other assets	23%	1.1	27%	1 1
Fair value of pension scheme assets	100%	4 7	100%	3 9
Present value of defined benefit obligations		(12 7)		(12 1)
Deficit in scheme		(8.0)		(8 2)
Related deferred tax asset		1 1		1 1
Net pension liability net of deferred tax asset		(6 9)		(7 1)

The actual return on scheme assets was £nil (2005 £nil) The plan assets do not include any of the Group's own financial assets, nor any property occupied by, or other assets used by, the Group

The amounts charged to operating profit are as follows

	2006 £m	2005 £m
Current service cost	(1 3)	1 1
Past service cost	-	-
	(1 3)	1 1

The amounts credited to investment income and charged to finance costs are as follows

	2006 £m	2005 £m
Expected return on pension scheme assets	-	0 1
Interest on pension scheme liabilities	-	(0 3)
	-	(0 2)

Actuarial gains and losses have been reported in the statement of recognised income and expense

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

33 Retirement benefit schemes (continued)

Defined benefit schemes (continued)

The amounts recognised in the statement of recognised income and expense are as follows

	2006 £m	2005 £m
Actual return less expected return on pension scheme assets	-	(0 1)
Amount recognised in the statement of recognised income and expense	-	(0 1)

Movements in the present value of defined benefit obligations were as follows

	2006 £m	2005 £m
At 1 January	12 1	10 7
Service cost	1 3	1 1
Interest cost	0 3	0 3
Contributions from scheme members	0 1	0 3
Actuarial gains and losses	(0 4)	(0 1)
Benefits paid	(0 5)	(0 2)
Other	0 2	-
Foreign exchange movement	(0 4)	-
At 31 December	12 7	12 1

Movements in the fair value of scheme assets were as follows

	2006 £m	2005 £m
At 1 January	3 9	3 2
Expected return on scheme assets	0 1	0 1
Actuarial gains and losses	(0 4)	
Benefits paid	0 3	-
Contributions from scheme members	0 5	0 6
Other	0 4	-
Foreign exchange movement	(0 1)	-
At 31 December	4 7	3 9

History of experienced gains and losses

	2006	2005
Difference between the expected and actual return on scheme assets		
Amount (£m)	-	(0 1)
Percentage of scheme assets	0 0%	-2 6%
Experienced gains and losses on scheme liabilities		
Amount (£m)	-	
Percentage of present value of scheme liabilities	-	-
Total amount recognised in statement of recognised income and expense		
Amount (£m)	-	(0 1)
Percentage of present value of scheme liabilities	0 0%	-2 6%

The estimated amount of contributions to be paid to the scheme during 2007 is £0 7 million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

34 Events after the balance sheet date

Since the year-end the group has completed the acquisition of Agencia Click, a full service digital agency based in Brazil

35 Related party transactions

Remuneration of key management personnel

The following is the compensation of directors and key management Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 37 to 43

	2006 £m	2005 £m
Short term employee benefits	**5.3**	4 2
Post-employment benefits	**0 6**	0 4
Other long-term benefits	**-**	
Termination benefits	**-**	-
Share-based payment	**1 7**	1 1
	7 6	5 7

Transactions with associated undertakings

In 2006, Group companies purchased media space from associated undertakings totalling £23 3 million (2005 £1 0 million) The balance due from Group companies to associated undertakings at the end of 2006 was £0 1 million (2005 £0 1 million) The balance due from associated undertakings to Group companies at the end of 2006 was £0 7 million (2005 £1 7 million)

FIVE YEAR SUMMARY

The amounts disclosed for 2003 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS

	IFRS			UK GAAP	
	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m
Income statement					
Revenue	**996.9**	870.4	747.0	648.8	591.9
Underlying operating profit	**133.8**	115.0	97.9	84.2	76.6
Underlying profit before tax	**116.2**	100.2	94.0	80.5	71.4
Profit before tax	**113.5**	94.0	91.9	48.0	34.7
Profit attributable to equity holders of the parent	**76.3**	61.9	61.0	21.1	13.1
Balance sheet					
Non-current assets	**766.6**	786.4	557.5	495.3	449.0
Net current liabilities	**(255.3)**	(212.2)	(144.1)	(133.4)	(92.2)
Non-current liabilities	**(294.7)**	(404.4)	(266.8)	(251.0)	(239.7)
Net assets	**216.6**	169.8	146.6	110.9	117.1
Financed by					
Equity	**221.0**	177.3	138.9	107.1	113.2
Minority interests	**(4.4)**	(7.5)	7.7	3.8	3.9
	216.6	169.8	146.6	110.9	117.1

	PENCE	PENCE	PENCE	PENCE	PENCE
Earnings per share					
- Basic	**6.8**	5.6	5.5	1.9	1.2
- Diluted	**6.8**	5.5	5.5	1.9	1.2
Underlying earnings per share					
- Basic	**7.1**	6.1	5.5	4.9	4.4
- Diluted	**7.0**	6.1	5.5	4.9	4.3
Dividend rate per share	**1.90**	1.65	1.45	1.32	1.25

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEGIS GROUP plc

We have audited the parent company financial statements of Aegis Group plc ('the company') for the year ended 31 December 2006 which comprise the Balance Sheet and the related notes 1 to 15 These parent company financial statements have been prepared under the accounting policies set out therein

We have reported separately on the group financial statements of Aegis Group plc for the year ended 31 December 2006 and on the information in the directors' remuneration report that is described as having been audited

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the companys members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

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

Opinion

In our opinion

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006,
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the parent company financial statements

Deloitte & Touche LLP

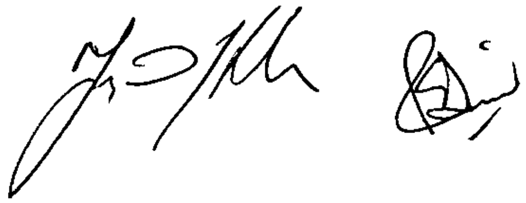
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
Date 14 March 2007

COMPANY BALANCE SHEET
AT 31 DECEMBER 2006

	NOTES	2006 £m	2005 RESTATED £m
Fixed assets			
Tangible assets	4	**3 2**	4 2
Derivative financial assets	9	**-**	0 7
Investments	5	**1,094 0**	1,058 5
		1,097 2	1,063 4
Current assets			
Debtors due within one year	6	**251 9**	104 3
Cash at bank and in hand		**11 2**	1 9
		263 1	106 2
Creditors Amounts falling due within one year	7	**(539 6)**	(149 9)
Convertible bond	9	**-**	(121 3)
Net current liabilities		**(276 5)**	(165 0)
Total assets less current liabilities		**820 7**	898 4
Derivative financial liability		**(9 3)**	(2 3)
Creditors Amounts falling due after more than one year	8	**(179 7)**	(273 4)
Net assets		**631 7**	622 7
Capital and reserves			
Called up share capital	10	**57 1**	56 4
Share premium account	11	**229 4**	218 9
Capital redemption reserve	11	**0 2**	0 2
Merger reserve	11	**13 0**	13 0
ESOP trust shares	11	**(22 1)**	(10 1)
Capital reserve	11	**301 4**	270 1
Profit and loss account	12	**52 7**	74 2
Equity shareholders' funds		**631 7**	622 7

These financial statements were approved by the Board of Directors on 14 March 2007 and were signed on its behalf by

Robert Lerwill (Chief Executive Officer) **Jeremy Hicks** (Chief Financial Officer)



NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies

Basis of preparation and change in accounting policy

The separate financial statements of the Company are presented as required by the Companies Act 1985 They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law

The Directors' Report, Corporate Governance and Directors' Remuneration Report disclosures have been made in the front section of this report, refer to pages 29 to 43

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year, except as noted below

Change in accounting policy

The company has made a prior year adjustment arising from a change in accounting policy in respect of the capitalisation of brand costs Intangible assets at 1 January 2005 have been reduced by £0 2 million There is no impact on the company profit in either the current year or the prior vear

Cash flow statement

The company has utilised the exemptions provided under FRS1 (Revised) and has not presented a cash flow statement The cash flow statement has been prepared in the Group financial statements

Related party transaction

In accordance with Financial Reporting Standard Number 8 Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of the Aegis Group, or investees of the Group qualifying as related parties, as it is a parent publishing consolidated financial statements

Employee benefits

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

Share based payments

The Company has applied the requirements of FRS 20 "Share-based Payment" In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005

Certain employees receive remuneration in the form of share-based payments, including shares or rights over shares The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments concerned at the date at which they are granted The fair value is determined by an external valuer using a stochastic model In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the vesting date on which the relevant employees become fully entitled to the award The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors at that date, will ultimately vest No expense is recognised for awards that do not ultimately vest

Interest income

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

Tangible assets

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

Leasehold buildings	Over the period of the lease
Leasehold improvements	10% - 20% per annum or over the lease if shorter
Office furniture, fixtures, equipment and vehicles	10% 50% per annum
Software	33% per annum
Other	5% 10% per annum

Investments

Investments in subsidiaries are held in the Company balance sheet at cost less any provisions for impairment

Equity instruments

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

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

Finance costs

Finance costs of debts are capitalised against the debt value on first drawdown of the debt and are recognised in the Profit and Loss account at a constant rate over the life of the debt

Financial instruments

Financial assets are accounted for on the trade date Financial assets and financial liabilities principally include the following

Trade debtors

Trade debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

Available-for-sale financial assets

Available-for sale financial assets are initially measured at cost, including transaction costs and at subsequent reporting dates at fair value Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the net profit or loss for the period

Bank borrowings

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

Convertible bond

The convertible bond is regarded as a hybrid financial instrument, consisting of a liability component being the host contract, and an equity conversion component also recognised as a liability The instrument is treated wholly as a liability as the convertible bond is denominated in a foreign currency and therefore the proceeds upon conversion are considered to be a variable amount of functional currency cash for a fixed number of shares

At the date of issue, the embedded option to convert the host contract into equity of the Company is separately fair valued The amount assigned to host contract liability is the net proceeds after issue costs less the fair value of the embedded option The difference between the fair value of the host contract liability at issue and its face value is being amortised over the life of the instrument as a notional interest charge through the income statement The Company's convertible bond matured in May 2006

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value

Derivative financial instruments

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement

The Company's activities expose it to certain financial risks including changes in foreign currency exchange rates and interest rates The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures The Company does not use derivative financial instruments for speculative purposes

Derivative financial instruments are held at fair value at the balance sheet date Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of future cash flows are recognised directly in equity Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecast transactions are recognised in the income statement

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting At that point in time, any cumulative gains or losses on the hedging instrument recognised in equity are retained until the forecast transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period

Liabilities in respect of option agreements

Option agreements that allow the Company's equity partners to require the Company to purchase the minority interest are treated as derivatives over equity instruments and are recorded in the balance sheet at fair value The fair values of such options are re-measured at each period end The movement in the fair value is recognised as income or expense within finance charges in the income statement

The Company recognises its best estimate of the amount it is likely to pay, should these options be exercised by the minority interests, as a liability in the balance sheet

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

2 Profit for the year

As permitted by section 230 of the Companies Act 1985 the company has elected not to present its own profit and loss account for the year

Aegis Group plc reported a loss, before the payment of dividends, for the financial year ended 31 December 2006 of £5 7 million (2005 a profit of £47 6 million)

The auditors' remuneration for audit services to the company amounted to £0 3 million (2005 £0 6 million) and for non-audit services amounted to £0 6 million (2005 £0 8 million)

Details of executive and non-executive directors' emoluments and their interest in shares and options of the company are shown within the directors' remuneration report

3 Staff costs

The monthly average number of persons employed by the Company (excluding directors) during the year was 44 (2005 42)
Their aggregate remuneration comprised

	2006 £m	2005 £m
Wages and salaries	**3 7**	3 3
Bonus costs	**1 2**	0 8
Social security costs	**0 5**	0 6
Pension costs	**0 5**	0 5
Redundancy costs	-	0 1
	5 9	5 3

4 Tangible assets

	LEASEHOLD LAND AND BUILDINGS £m	EQUIPMENT FIXTURES AND FITTINGS £m	COMPUTER SOFTWARE £m	OTHER £m	TOTAL £m
COST					
At 1 January 2006 as reported	0 9	2 4	7 4	1 0	11 7
Change in accounting policy	-	-	-	(0 2)	(0 2)
At 1 January 2006 as restated	0 9	2 4	7 4	0 8	11 5
Additions	-	0 5	-	0 1	0 6
Disposals	-	(0 5)	(2 0)		(2 5)
At 31 December 2006	0 9	2 4	5 4	0 9	9 6
ACCUMULATED DEPRECIATION					
At 1 January 2006	0 4	1 8	4 9	0 2	7 3
Charge for the year	0 1	0 4	0 8		1 3
Disposals	-	(0 4)	(1 8)		(2 2)
At 31 December 2006	0 5	1 8	3 9	0 2	6 4
CARRYING AMOUNT					
At 31 December 2006	0 4	0 6	1 5	0 7	3 2
At 31 December 2005 as restated	0 5	0 6	2 5	0 6	4 2

The net book value of other tangible assets includes trademarks of £0 7 million (2005 £0 6 million)

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

5 Investments

	JOINT VENTURE £m	INTERESTS IN ASSOCIATES £m	SHARES IN SUBSIDIARY UNDERTAKINGS £m	TOTAL £m
COST				
At 1 January 2006	22 7	0 2	1,220 2	1,243 1
Additions	-		196 3	196 3
Disposals	-	-	(160 8)	(160 8)
At 31 December 2006	22 7	0 2	1,255 7	1,278 6
ACCUMULATED IMPAIRMENT LOSSES				
At 1 January 2006	21 0	-	163 6	184 6
Charge for the year	-	-	-	
At 31 December 2006	21 0	-	163 6	184 6
CARRYING AMOUNT				
At 31 December 2006	1 7	0 2	1,092 1	1,094 0
At 31 December 2005	1 7	0 2	1,056 6	1,058 5

Joint Venture

The Company has a 44 65% shareholding in eVerger Limited, an investment company incorporated in Guernsey The period-end reporting date for eVerger is 30 September

The company's associated undertaking is

	COUNTRY OF INCORPORATION	EFFECTIVE INTEREST IN ORDINARY SHARE CAPITAL
Carat Philippines Inc	Phillippines	30%

6 Debtors due within one year

	2006 £m	2005 £m
Trade debtors	**0 2**	0 3
Amounts owed by subsidiary undertakings	**241 2**	96 4
Other debtors	**9 6**	4 9
Prepayments and accrued income	**0 9**	2 7
	251 9	104 3

7 Creditors amounts falling due within one year

	2006 £m	2005 £m
Bank loans and overdrafts	**365.5**	111 5
Less issue costs of debt to be amortised	**(0 5)**	(0 6)
	365 0	110 9
Trade creditors	**2 9**	4 2
Amounts owed to subsidiary undertakings	**164 1**	22 4
Taxation and social security	**-**	0 2
Other creditors	**6.0**	7 7
Accruals and deferred income	**1.6**	4 5
	539 6	149 9

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

8 Creditors amounts falling due after more than one year

	2006 £m	2005 £m
Loan notes	**181 2**	274 8
Less issue costs of debt to be amortised	**(1 5)**	(1 4)
	179 7	273 4

9 Financial instruments

The Company has established objectives concerning the holding and use of financial instruments The key objective is to manage the financial risks faced by the Company, which are discussed below

Formal policies and guidelines have been set to achieve this objective and it is the responsibility of Group Treasury to implement these policies using the strategies set out below

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

Management of financial risk

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

Currency risk

The Company monitors transactional currency exposures and sources hedging opportunities to reduce foreign exchange risk using approved markets and instruments

Liquidity risk

The Company's objective of ensuring that adequate funding is in place is achieved by having agreed sufficient committed bank facilities

The Company's principal debt instruments are subject to certain financial covenants

At 31 December 2006, the Company had net debt (before issue costs of new debt) of £535 5 million (2005 £505 9 million)
The Company had cash and cash equivalents of £11 2 million at 31 December 2006 (2005 £1 9 million) and gross borrowings of £546 7 million (2005 £507 8 million)

Included within gross borrowings is £nil (2005 £121 5million) of 2 per cent convertible bonds due in 2006 These bonds were issued on 15 May 2002

Also included within gross borrowings is £67 1 million (US$131 5 million) (2005 £92 9 million (US$160 million)) of unsecured loan notes issued on 20 November 2000 which are repayable in full between 2006 and 2008, and £174 6 million (US$342 million) (2005 £198 5 million) of unsecured loan notes issued on 28 July 2005 which are repayable in full between 2012 and 2017

In addition to the net debt at 31 December 2006, the Company has undrawn committed facilities of £265 4 million (2005 £294 9 million)

Interest rate risk

The Company's convertible bond and the unsecured loan notes, referred to above, are at fixed rates All other borrowings are at floating rates

The Company has in place cash pooling arrangements in the United Kingdom These enable the Company to minimise the interest paid on short term borrowings and overdrafts whilst allowing net surplus funds to be invested in interest bearing accounts

Credit Risk

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies

Convertible bond

On 15 May 2002, the Company issued €165 million of convertible bonds, due in 2006 The bonds were redeemed on 15 May 2006 at 107 95% of their principal amount

Interest was payable on the bonds at 2 per cent per annum with a 1 875 per cent premium payable

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

9 Financial instruments (continued)

Convertible bond (continued)

The net proceeds received from the issue of the convertible bond were split between the host contract liability element and an equity conversion component, representing the fair value of the embedded option to convert the liability into equity of the Company The equity conversion component was separately included within liabilities This component was then marked to market at each balance sheet date with changes in fair value being taken through the income statement At the date of issue, the fair value of the host contract liability component was valued at £91 1 million, excluding unamortised issue costs, and the equity conversion component was £11 9 million At 31 December 2005, the host contract liability component was £121 5 million excluding unamortised issue costs, and the equity conversion component was £nil

Issue costs are deducted from the amount of funds received and amortised over the term of the debt

Private Placement Debt – November 2000

On 20 November 2000, the Company issued US$160 million of unsecured loan notes, repayable between 2006 and 2008 These loan notes were guaranteed by the Company and certain of its subsidiaries US$28 5 million was settled during the year

On 28 July 2005, the Company issued US$342 million of unsecured loan notes, repayable between 2012 and 2017 On 9 November 2005 cross currency swaps were entered into for US$142m of the loan notes due in 2012 and US$50m of the loan notes due in 2015 to convert this US$ fixed rate borrowing into EUR fixed rate borrowing These loan notes are guaranteed by the Company and certain of its subsidiaries

Cross currency swaps

The fair value of the cross currency swaps entered into at 31 December 2006 is (£9 3) million (2005 (£1 6)million) The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields The cross currency swaps are synthetically split to reflect the Group's functional currency of Sterling The US$/Sterling leg of the swaps act as cash flow hedges against the Group's US$ loan notes and the Euro/Sterling leg of the swaps act as net investment hedges in respect of certain of the Group's Euro-denominated investments

a) Maturity profile of financial assets and liabilities

Financial assets

	LESS THAN 1 YEAR £m	1-2 YEARS £m	2 5 YEARS £m	MORE YEARS THAN 5 YEARS £m	TOTAL 2006 £m	LESS THAN 1 YEAR £m	1 2 YEARS £m	2-5 YEARS £m	MORE THAN 5 YEARS £m	TOTAL 2005 £m
Current										
Cash at bank and in hand and short term deposits	**11 2**	-	-	-	**11 2**	1 9				1 9
Debtors due in less than 1 year	**251 9**	-	-	-	**251 9**	104 3	-	-	-	104 3
Total Current	**263 1**	-	-	-	**263.1**	106 2	-	-	-	106 2
Non-current										
Derivative financial assets - Cross currency swaps	-	-	-	-	-	-	-		0 7	0 7
Total non-current	-	-	-	-	-	-	-	-	0 7	0 7
Total	**263 1**	-	-	-	**263 1**	106 2	-	-	0 7	106 9

There are no material differences between the book and fair values of the Company's financial assets at 31 December 2006 The fair value of financial assets, reflect market value or is based on readily available market data

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

9 Financial instruments (continued)

a) Maturity profile of financial assets and liabilities (continued)

Financial liabilities

	LESS THAN 1 YEAR £m	1-2 YEARS £m	2-5 YEARS £m	MORE YEARS THAN 5 YEARS £m	TOTAL 2006 £m	LESS THAN 1 YEAR £m	1 2 YEARS £m	2-5 YEARS £m	MORE THAN 5 YEARS £m	TOTAL 2005 £m
Current										
Bank overdrafts	**122 5**	-	-	-	**122 5**	89 5	-		-	89 5
Loans	**243 0**	-	-	-	**243 0**	22 0		-		22 0
	365.5	-	-	-	**365.5**	111 5	-	-		111 5
Less Issue costs of debt to be amortised	**(0 5)**	-	-	-	**(0.5)**	(0 6)	-	-		(0 6)
	365 0	-	-	-	**365 0**	110 9	-		-	110 9
Convertible bond	-	-	-	-	-	121 5	-		-	121 5
Less Issue costs of debt to be amortised	-	-	-	-	-	(0 2)			-	(0 2)
	-	-	-	-	-	121 3		-		121 3
	365 0	-	-	-	**365 0**	232 2		-	-	232 2
Other creditors due within one year	**174 6**	-	-	-	**174 6**	39 0	-	-		39 0
Total Current	**539 6**	-	-	-	**539 6**	271 2			-	271 2
Non-current										
Loans	-	**6 6**	-	**174 6**	**181 2**		68 8	7 5	198 5	274 8
	-	**6 6**	-	**174.6**	**181 2**		68 8	7 5	198 5	274 8
Less Issue costs of debt to be amortised	-	**(0 4)**	**(1 0)**	**(0 1)**	**(1 5)**	-	(0 4)	(0 8)	(0 2)	(1 4)
	-	**6 2**	**(1 0)**	**174 5**	**179 7**		68 4	6 7	198 3	273 4
Derivative financial liabilities										
- Cross currency swap	-	-	-	**9 3**	**9 3**		-		2 3	2 3
Total non-current	-	**6 2**	**(1 0)**	**183 8**	**189 0**		68 4	6 7	200 6	275 7
Total	**539 6**	**6.2**	**(1 0)**	**183 8**	**728.6**	271 2	68 4	6 7	200 6	546 9

There are no material differences between the book and fair values of the Company's financial liabilities at 31 December 2006 The fair value of financial liabilities, reflect market value or is based on readily available market data

Borrowing facilities

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

	2006 £m	2005 £m
Expiring within one year	-	44 9
Expiring between one and two years	-	-
Expiring between two and five years	**265 4**	250 0
	265 4	294 9

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

9 Financial instruments (continued)

b) Interest rate profile

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

Financial assets

	FIXED RATE £m	FLOATING RATE £m	NON-INTEREST BEARING £m	2006 TOTAL £m	FIXED RATE £m	FLOATING RATE £m	NON-INTEREST BEARING £m	2005 TOTAL £m
GBP	-	-	-	-	-	1 9	-	1 9
USD	-	-	-	-			-	-
EUR	-	11 2	-	11 2	-	-		-
Other worldwide currencies	-	-	-	-	-	-		-
	-	11 2	-	11 2	-	1 9	-	1 9
Debtors due in less than one year				251 9				104 3
Derivative financial assets				-				0 7
				263 1				106 9

Cash at bank and in hand of £11 2 million (2005 £1 9 million) represent the floating rate financial assets above

Financial liabilities

	FIXED RATE £m	FLOATING RATE £m	NON-INTEREST BEARING £m	2006 TOTAL £m	FIXED RATE £m	FLOATING RATE £m	NON-INTEREST BEARING £m	2005 TOTAL £m
GBP	-	198 1	0 1	198 2		89 5		89 5
USD	76 6	82 0	2 4	161.0	87 1	92 9	5 4	185 4
EUR	98 0	87 6	1 9	187 5	231 5		1 4	232 9
Other worldwide currencies	-	-	-	-		-	-	
Gross borrowings	174 6	367 7	4 4	546 7	318 6	182 4	6 8	507 8
Issue costs of debt	-	-	(2 0)	(2 0)	-	-	(2 2)	(2 2)
	174 6	367 7	2.4	544 7	318 6	182 4	4 6	505 6
Creditors amounts falling due within one year				174 6				39 0
Derivative financial instruments				9 3				2 3
				728 6				546 9

The weighted average interest rates paid were as follows

	2006 %	2005 %
Bank overdrafts	5 2	5 5
Other external loans	5.4	6 4
Convertible bond	7 2	7 2

The Company's borrowings, excluding the US$342 million of unsecured loan notes issued in 2005 and the convertible bond but including the US$131 5 million (2005 US$160 million) unsecured loan notes referred to above, are at floating rates

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

10 Share capital

Authorised

	2006 £m	2005 £m
1,500,000,000 (2005 1,500,000,000) ordinary shares of 5p each	**75 0**	75 0

Issued, alloted, called up and fully paid

	2006 NUMBER OF ORDINARY SHARES	2006 £m	2005 NUMBER OF ORDINARY SHARES	2005 £m
At 1 January	**1,128,049,657**	**56 4**	1,119,043,525	55 9
Issue of shares by the company	**13,735,183**	**0 7**	9,006,132	0 5
At 31 December	**1,141,784,840**	**57 1**	1,128 049,657	56 4

Movements in called up share capital

The company has one class of ordinary shares which carry no right to fixed income The ordinary shares of 5p each have full voting rights
The company issued a total of 13,735,183 shares (2005 9,006,132) in the year with an aggregate nominal value of £686,759 (2005 £450,307), 13,735,183 (2005 8,896,954) of which were due to the exercise of share options The total share premium arising on the issue of shares in the year was £10,471,549 (2005 £7,958,000)
Under the Group's share option schemes, there were outstanding options over 60,473,849 ordinary shares of 5p at 31 December 2006 (2005 87,745,619), for which the participants have the right to exercise their options at prices ranging from 26 5p to 219 6p These options are exercisable between 31 December 2006 and 30 June 2015

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

11 Share premium account and reserves

	SHARE PREMIUM £m	CAPITAL REDEMPTION RESERVE £m	MERGER RESERVE £m	ESOP RESERVE £m	CAPITAL RESERVE £m	PROFIT AND LOSS ACCOUNT £m	TOTAL £m
At 1 January as reported	218 9	0 2	13 0	(10 1)	270 1	74 4	566 5
Change in accounting policy	-	-	-	-	-	(0 2)	(0 2)
At 1 January as restated	218 9	0 2	13 0	(10 1)	270 1	74 2	566 3
Premium on shares issued	10 5	-		-	-		10 5
Purchase of shares by ESOP	-	-	-	(12 0)	-		(12 0)
Retained profit for the year	-	-	-	-	31 3	(5 7)	25 6
Dividends to shareholders	-	-	-			(19 4)	(19 4)
Credit for share-based incentive schemes	-	-		-	-	0 7	0 7
Cash flow hedge reserve				-	-	2 9	2 9
	229 4	0 2	13 0	(22 1)	301 4	52 7	574 6

At 31 December 2006, the Company's ESOP (the 'Aegis Group Employee Share Trust') held 17,923,182 Ordinary Shares in the Company with a nominal value of £896,159 and a market value of £25 1 million
At 31 December 2005, the Company's ESOP held 11,000,000 Ordinary Shares in the Company with a nominal value of £550,000 and a market value of £13 4 million
The capital redemption reserve represents the conversion, issue and redemption of shares by the company, less expenses

The ESOP reserve represents the cost of shares in Aegis Group plc acquired in the open market by the Trust using funds provided by Aegis Group plc The Trust has waived any entitlement to the receipt of dividends in respect of all of its holding of the company's Ordinary Shares The Trust has purchased the shares to satisfy future share options and share awards under the company's share based payment schemes

12 Profit and loss account

	2006 £m	2005 £m
At 1 January as reported	**74 4**	39 3
Change in accounting policy (FRS 26)	**-**	4 5
Change in accounting policy (note 1)	**(0.2)**	
At 1 January as restated	**74 2**	43 8
Retained (loss) / profit for the year	**(5 7)**	47 6
Dividends to shareholders	**(19.4)**	(17 1)
Credit for share-based incentive schemes	**0 7**	0 8
Cash flow hedge reserve	**2 9**	(0 7)
At 31 December	**52.7**	74 4

For the year ended 31 December 2006, dividends paid to shareholders comprise the final 2005 dividend of £11 3 million (1 00p per share) and the interim 2006 dividend of £8 1 million (0 725p per share) For the year ended 31 December 2005, dividends paid to shareholders comprise the final 2004 dividend of £9 8 million (0 875p per share) and the interim 2005 dividend of £7 3 million (0 65p per share) The proposed final dividend for the year ended 31 December 2006 is £13 4 million (1 175p per share)

Under FRS26 "Financial Instrument Measurement", all hedging activity is taken to the balance sheet An amount of £nil (2005 £4 5 million) was taken to the hedging and translation reserve with a corresponding increase in accruals

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

13 Share-based payments

The Company recognised a total expense of £0 7 million (2005 £0 8 million) in respect of all share-based payments in the year Share-based payments include share options and conditional share awards

Share options

The Company issues share options to certain employees The grant price for share options is equal to the average quoted market price of the Company shares on the date of grant The vesting period is typically three years If share options remain unexercised after a period of 10 years from the date of grant, the options expire Share options are forfeited if the employee leaves the Company before the options vest and are subject to EPS performance conditions Further details are provided in the Remuneration Report

Details of outstanding share options are provided in note 32 to the Group's financial statements

The weighted average share price at the date of exercise for share options exercised during the period was £0 92 The options outstanding at 31 December 2006 had a weighted average exercise price of £1 07, and a weighted average remaining contractual life of 5 4 years (2005 5 9 years) The fair value per option granted (weighted average) in the year was £0 36 (2005 £0 28)

The fair value of share options was determined using a stochastic model using the assumptions given in the table below

	2006	2005
Expected volatility	**23 0%**	25 0%
Risk free rate	**4 4%**	4 7%
Expected dividend yield	**1 2%**	1 4%

Expected volatility was determined by considering the historical volatility of the Company's share price over the previous three years, with certain periods where the share price was particularly volatile for specific reasons, being disregarded as these were not considered to be indicative of expected future volatility The expected life used in the model has been adjusted based on management's best estimate for the effects of non transferability, exercise restrictions, and behavioural considerations

The Company recognised a total expense of £0 3 million (2005 £0 5 million) in respect of share options in the year

Conditional share awards

The Company issues conditional share awards to certain employees The vesting period is typically three years The extent to which awards vest is determined partly by reference to the Company's Total Shareholder Return (TSR) performance relative to a group of similar businesses and partly by reference to the Company's EPS growth relative to RPI Further details are provided in the Remuneration Report

The fair value of conditional share awards was determined using a stochastic model using the assumptions given in the table above

The Company recognised a total expense of £0 4 million (2005 £0 3 million) in respect of conditional share awards in the year

14 Operating lease arrangements

	2006 £m	2005 £m
Operating lease payments recognised in income for the year	**0 8**	0 8

At 31 December 2006, there were the following annual commitments in respect of non-cancellable operating leases

	2006 £m	2005 £m
Operating leases that expire		
Within 1 year	-	-
In the second to fifth years inclusive	-	-
After 5 years	**0 8**	0 8
	0 8	0 8

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

15 Principal subsidiary and associated undertakings

Principal subsidiary undertakings

	COUNTRY OF INCORPORATION AND OPERATION	EFFECTIVE INTEREST IN ISSUED SHARE CAPITAL AT 31 DEC 2006
Media Communications		
Aegis Media UK & Ireland Ltd	England and Wales	100%
Aegis Media France S A S	France	100%
Aegis Media Belgium s a	Netherlands	100%
Aegis Media Italia Srl	Italy	100%
Aegis Media Iberia S L	Spain	100%
Aegis Media (Deutschland) GmbH	Germany	100%
Carat Nordic AB	Sweden	100%
Carat North America Inc	USA	100%
Market Research		
Synovate Ltd	England and Wales	100%
Synovate (Cyprus) Ltd	Cyprus	100%
Synovate Inc	USA	100%
Synovate (Asia Pacific) BV	Netherlands	100%

All shareholdings are of ordinary shares

Principal associate undertakings

	COUNTRY OF INCORPORATION AND OPERATION	EFFECTIVE INTEREST IN ISSUED SHARE CAPITAL AT 31 DEC 2006
Media Communications		
Percept D'Mark	India	25%
Dr Pichutta KG	Germany	25%
Qin Jia Yuan	China	19%

All shareholdings are of ordinary shares All the results of the above associated undertakings have been equity accounted for in the Group financial statements

All of the principal subsidiary and associated undertakings disclosed above are indirectly held The effective interest in the issued share capital is equivalent to the percentage of voting rights held by the Group, unless otherwise stated A full list of all subsidiary undertakings, and the information shown above with respect to them, is filed with the Company's annual return

GLOSSARY OF TERMS

The Group
Aegis Group plc and its subsidiaries

Aegis Media
The media services division of Aegis Group plc

Synovate
The market research division of Aegis Group plc

Billings
The annualised value of media purchased and/or managed on behalf of clients, before agency discounts

Turnover
Represents amounts invoiced for media handled by the Group on behalf of clients, together with fees invoiced for media and research services provided

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

Gross profit
Media and research income after deduction of all direct costs

Gross margin
Gross profit stated as a percentage of turnover

Operating profit
Gross profit less operating expenses

Operating margin
Operating profit stated as a percentage of revenue

Net new business
The annualised value of media billings gained less the annualised value of media billings lost

Reported growth
Reported growth represents the year on year growth including the effect of new businesses acquired or disposed of during the year and movements in exchange rates

Organic growth
Organic growth represents year on year growth after adjusting for the effect of businesses acquired or disposed of since the beginning of the prior year

Constant currency results
Constant currency results are calculated by restating prior year local currency amounts using current year exchange rates

Underlying results
Underlying operating profit, underlying profit before tax and underlying profit after tax are operating profit, profit before tax and profit after tax respectively, stated before those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying performance achieved by the Group and its businesses ("adjusting items")

Such adjusting items are material by nature or amount in the opinion of the directors and may include impairment charges, profits and losses on disposals of investments, amortisation of purchased intangible assets, unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and other exceptional items which are material by nature or amount in the opinion of the directors, and any related tax thereon, as appropriate

Adjusting items may also include specific tax items such as the benefit arising on the reduction of certain tax liabilities in a particular half-year period and deferred tax liabilities for tax deductions taken in respect of goodwill, where a deferred tax liability is recognised even if such a liability would only unwind on the eventual sale or impairment of the business in question

Adjusting items are classified as operating, non-operating and financing according to the nature of the underlying income or expense

Goodwill
The difference between the fair value of purchase consideration of a business as a whole and the aggregate fair value of its separable net assets

Minority interests
Partial ownership of subsidiary undertakings by external shareholders

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Printed by Park Communications on FSC certified paper
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The Pantone special inks used in printing this report are made from 100% vegetable based oil 95% of the cleaning solvents used are recycled for further use
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