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Aegis Group plc

2008 Annual Report and Accounts

Aegis at a glance

Aegis Group plc is one of the world's leading marketing communications groups. It has two strong operating businesses, Aegis Media and Synovate.

Aegis is listed on the London Stock Exchange. More information can be found at www.aegisgroupplc.com.

Aegis Media

The world's leading independent media communications network

Carat
The world's largest independent media communications company.

70 countries

Posterscope
The world's first out-of-home network and the leading international outdoor media specialist.

21 countries

Vizeum
Challenges conventional thinking, helping to create stronger connections between brand and consumer.

43 countries

Isobar
The world's largest digital agency network.

38 countries

Synovate

A leading global market research company

Synovate
Synovate is the world's most curious company. It helps clients understand what their consumers around the world like, and why they like what they do.

62 countries

Welcome

Good results and operational progress in 2008, helped by currency factors.

Group well positioned for more difficult markets expected in 2009.

Chairman's statement

Role of chairman and chief executive combined on an interim basis.

Announcement of a new chief executive expected prior to or at calendar year end.

A series of performance and operational priorities set and detailed in the chief executive's report.

Improved working relationship with all shareholders, including our single largest shareholder.

Strengthening of risk and internal audit processes.

Programme to tighten organisation and maintain investment momentum adopted and in progress.

Company positioned to deal with more challenging 2009 market conditions.

John Napier chairman

This is my first report to you having joined Aegis as chairman in July 2008 and subsequently, following the departure of Robert Lerwill in December, having been appointed as interim chief executive. The unanimous Board view was that it was time for a change of CEO and given the rapidly changing market outlook it was an appropriate decision to combine both roles on an interim basis and thereby ensure continuity of action and full ownership of the 2009 budget.

This is an interim arrangement and I expect to make an announcement about the appointment of a replacement chief executive on or before the calendar year end. You will note that in the interim I have had a modest increase in fee to cover this role. I have no wish to be paid as a chief executive and do not receive any form of bonus, pension or other benefits. I believe my primary role is that of chairman and I wish to be seen to be independent in this limited interim stage.

It is perhaps a paradox that when the Group had both a chairman and a chief executive there was a form of joint report. Despite briefly continuing with both roles, it is my style to write a separate report. In my chief executive's report I have set out in summary form a report on the 2008 results and a view on the outlook for 2009. In this chairman's report I will be dealing with matters relating to my role as chairman, and if I comment on any aspects of the chief executive's report, it will only be to repeat what is there.

The directors' report contains details of termination payments paid to David Verklin and Mainardo de Nardis, both of whom were associated with the Aegis Media business and ceased to have management responsibilities last April and May respectively. The details in this year's remuneration report of their termination packages involve elements of what is called 'garden leave' and, although not in post, both were paid for part of the year and remained technically in employment. This is reflected in the technically correct but relatively lower termination payments paid compared to Robert Lerwill, who received as part of his contractual entitlement one year in lieu of notice and had no 'garden leave' element.

I am pleased to report that Aegis Media is now in the capable hands of Jerry Buhlmann who was appointed an executive director in June 2008 and has over ten years of Aegis experience.

Continuing on the subject of departures, I would also like to announce that Bernard Fournier, Leslie Van de Walle and Daniel Farrar, all non-executive directors, plan to retire from the Board at the conclusion of the Annual General Meeting on 22 May 2009. They are retiring based on nine years' service for Bernard Fournier and six years for both Leslie Van de Walle and Daniel Farrar. The Group owes them, and in particular the previous chairman, Lord Sharman, a debt of gratitude for the contribution they have made to the growth and development of the business. A vote of thanks will be proposed at the AGM.

In terms of the replacement of non-executive directors, MWM, a leading independent executive search and board advisory firm, has already been commissioned and we expect an announcement concerning additional non-executive directors will be made prior to, or at, the AGM. Previous AGMs have been the subject of shareholder concern about such matters. I am able to confirm that our single largest shareholder has already publicly expressed his agreement to this approach and does not intend to nominate separately any directors. This is a reflection of the increased confidence that has been expressed in the management and Board of the Group. It has been helpful in allowing me, as your chairman, to focus on Board and executive performance without the distraction of managing the differences expressed at previous AGMs. We all have a common purpose together with shareholders, which is to grow and develop the business and focus on shareholder value.

On an issue of governance, I have already made it clear that I am not conflicted by any form of chief executive-style remuneration, pension or other benefits. In those circumstances I have been appointed to the Remuneration Committee. It will be common practice for chairmen to be members of such committees and take an active interest in the management and shareholder balance of all forms of pay and performance-related payments. We have also strengthened the Risk Committee, which is now chaired by the chief financial officer at the Aegis level and co-ordinates the work of the separate Risk Committees in the two major businesses, Aegis Media and Synovate, which will be formally required to report to the Board on such matters. The internal audit function has also been strengthened.

I have been reasonably busy of late and would like to express my appreciation for the response and support of the senior managers in the Group and the Board in this interim situation. I am also very aware that Aegis is very much a people-dominated company. I would like to share with you all a general message aimed at all our staff. I fully understand that our performance depends upon the commitment and efforts of all our staff. They have performed well in 2008 and I would like to thank them on shareholders' behalf.

They, like you, however, will know that the chief executive's report contains details of a cost reduction programme that involves the loss of jobs across more than 40 countries. This is a very targeted and selected programme that has two principal objectives:

- to tighten the organisation to ensure improved efficiency
- to maintain momentum with continued investment in people, services and broader business development.

I would therefore like to share my message to staff with you, as shareholders, which in summary form was as follows:

- Working in a recession is a new experience for many of you, and certainly for the Group.
- Having to lose some people by increased focus on efficiency, as well as sales, is necessary but regrettable.
- Neither you nor I are responsible for the more difficult markets we face.
- It does not reduce in any way the importance we attach to people. At your best, you are our supreme asset.
- How we all perform will make the real difference, no matter how long the recession lasts.
- We will come out at the other side.
- If we can harness the aspirations of the individuals in this Group to our record of competitive success, we can succeed in another objective, which I personally believe we need to set.
- When this recession is over it will not be about going back to where we were. It is about being a better company in every aspect of what we do.

The Board believes, as the chief executive's report notes, that we have positioned the Group appropriately to meet the challenge of market circumstances.

Chief executive's report

Analysis of several years' operating performance.

Clear operating priorities focused on cost and efficiency improvement and maintaining development investment and acquisitions.

Good 2008 results.

Improved cash management on a sustainable basis.

Improved flexibility of variable costs.

Group positioned to have greater resilience to counter more difficult market circumstances expected.

John Napier interim chief executive

£m	2008	2007	Change %	Constant currency %
Revenue	1,342.0	1,106.4	21.3	10.1
Underlying results*				
– Operating profit	185.4	146.2	26.8	10.7
– Pre-tax profit	166.8	132.7	25.7	9.3
– Diluted eps	10.3p	8.2p	25.6	9.6
Statutory results				
– Operating profit	136.4	140.3	(2.8)	(15.6)
– Pre-tax profit	124.6	131.7	(5.4)	(17.7)
– Diluted eps	7.3p	7.8p	(6.4)	
Dividend per share	2.50p	2.30p	8.7	
Operating cash flow	261.6	175.0	49.5	

* All results discussed in pages 2–19 of this report are stated on an underlying basis unless otherwise indicated. See Glossary of terms on page 87 for definition of underlying. A reconciliation between statutory and underlying results is given in the financial review on pages 13 and 14. Percentage movements are given at reported exchange rates unless otherwise stated.

Since joining the Group last July as chairman, and taking over as interim chief executive in December, my priorities have been to:

- analyse the operating performance of the Group
- ensure that Aegis responded appropriately to the likely difficult changes in the world economy and our marketplace
- maintain our investment in enhancing our services to meet more demanding markets
- increase management focus on reporting, treasury management and cash flow.

These priorities have involved a review of the historic performance of both businesses and their 2008 performance, and have helped shape the budget for 2009.

The 2008 results, together with the announcement of a targeted programme of cost reduction and service improvement, form a measure of our progress to date. The first phase started in the second half of 2008 and the programme should be completed in 2009. This has been a new experience for Aegis, to which the Group has responded well.

The 2008 results are strong at reported rates, with revenue up 21.3%, and operating profit and pre-tax profit up 26.8% and 25.7% respectively. These numbers were significantly helped by currency factors. On a constant currency basis, revenue was up 10.1%, with Aegis Media up 10.0% and Synovate up 10.3%. Operating profit and pre-tax profit were up 10.7% and 9.3% respectively. Overall our Group margin increased 60 basis points to 13.8%, helped by lower central costs. We strongly improved our operating cash flow, with greater focus on working capital management. Our full-year dividend is 2.50p, an increase of 8.7% on 2007.

There were some variations in the pattern of performance with Aegis Media organic revenue growth at 6.1%, affected by Carat US, where continued revenue decline reduced organic revenue growth by 3.0 percentage points in the year. Operating profit growth of 3.0% reflected the US and higher central costs. In Synovate, net revenue growth was up 11.3% at constant currency, 5.1% organically, and operating profit was up 13.1% at constant currency. Both businesses also benefited from acquisitions, which accounted for 39% of the revenue growth of Aegis Media and 55% of the net revenue growth of Synovate at constant currency.

In absolute terms, the geographic split of the Group's result was relatively consistent with prior years, but there was some divisional variation. A strong profit performance from Aegis Media in Europe and the Middle East offset a weaker performance in the US, where Synovate performed well. Asia-Pacific remained the strongest growth region for both revenue and operating profit in both businesses.

Although we are pleased with the overall results a number of other trends were evident from my review of operating performance, in particular:

– following years of continuing growth, a tendency to develop capacity in advance of revenue, which has limited efficiency improvement
– a Keynesian 'stickiness' in variable costs, particularly in wage and performance bonus elements.

Weaker market conditions in 2009, together with the trends above, have been the drivers of the cost reduction and efficiency programme we have put in place. The intent is to selectively address capacity, resource and variable cost elements in both divisions. This involves a regrettable but necessary headcount reduction of just under 5% of our workforce, spread across more than 40 countries. The cost is £39.4m, of which £27.4m has been charged in 2008 with the balance of £12.0m (at 2008 average exchange rates) to be taken in 2009. In total this gives expected full-year benefits of £20m. Given the nature of some of the changes to be made this full-year run-rate will commence by mid-2010 with more limited impacts in 2009, expected to be neutral.

This approach is carefully targeted and selective to ensure retention of key skills and capabilities. At the same time we will be maintaining our investment in efficient working, and in operating systems, management, service and product development. Our programme of acquisitions to develop existing services, particularly in digital and market research, will be maintained.

Outlook for 2009

What happens to the global economy will affect us all in 2009. It is difficult to read at this time.

– Country-by-country change in GDP will be varied and most macro-economic indicators continue to show downward trends.
– The relationship between a country's GDP and overall media and market research expenditure may prove different from historical precedents.
– The likely mix of advertising and research expenditure will vary between markets.

Our focus therefore needs to be on what we can control, namely:

– continued focus on service standards and competitive action
– the actions already announced and in progress
– the facility for increased flexibility of variable costs and variable pay
– continuing focus on market and product development
– acquisitions, as part of our strategy of investing in market growth and development.

In summary, I am pleased with the 2008 numbers and the progress in our priorities made to date. There is always more work to do. I believe we have positioned the Group well to respond to challenging market conditions. We are tightening up our organisation and have the management capability to react to market opportunities in adversity. We expect to produce a resilient performance in more difficult market conditions.

Aegis Media operating review

2008 saw a good performance from most Aegis Media markets. Our growth rates were good, given a trading environment that weakened in the second half and a further fall in revenue at Carat US. Margins were also affected by higher central costs, since reduced in the second half.

Jerry Buhlmann CEO, Aegis Media

£m	2008	2007	Change %	Constant currency %
Revenues				
– EMEA	588.1	471.1	24.8	11.5
– Americas	167.3	153.7	8.8	0.2
– Asia Pacific	68.4	48.6	40.7	26.0
Worldwide	823.8	673.4	22.3	10.0
Operating profit*	157.9	134.4	17.5	3.0
Operating margin*	19.2%	20.0%	(80)bps	(130)bps

* Throughout this report, results are stated on an underlying basis unless otherwise indicated

Overview

Revenue of £823.8m was up 22.3%, or 10.0% at constant currency, and gross margin improved 80 basis points to 8.3%. Operating profit of £157.9m was up 17.5%, equivalent to 3.0% at constant currency. An operating margin of 19.2% declined 80 basis points and 130 basis points at constant currency. We achieved organic revenue growth of 6.1%, once more ahead of the market.

2008 started with a strong tailwind from an excellent new business performance in 2007, including 20th Century Fox, Mattel and Johnson & Johnson. Levels of investment across our clients were relatively healthy in the first half, with the exception of Spain. In the second half, we experienced deflationary conditions in a number of our major media markets. In response to tougher market conditions and greater uncertainty, we took measures to reduce overall headcount in a number of markets. These have been expensed within the Group exceptional charge.

Digital represented 29% of full-year revenue in 2008, up from 26% in 2007. Strategically we made good progress integrating our range of services, including the reorganisation of our international client services group into fully integrated offline-online teams at the end of the year. This will also serve to reduce our central overheads in 2009.

Aegis Media EMEA

Aegis Media EMEA grew revenue 24.8% to £588.1m, up 11.5% at constant currency.

Aegis Media UK delivered an excellent result, in market conditions that became increasingly challenging. Improvement was principally driven by Carat and Vizeum, and by good cost containment. Very strong organic revenue growth in the first half weakened with the market in the second half.

In Germany, we achieved strong revenue growth in a slow advertising market, with momentum across all services, especially digital and particularly search. Our businesses in Eastern Europe all performed strongly, with Russia delivering exceptional growth.

We achieved a strong uplift in both revenue and operating profit at Aegis Media France, where trading remained resilient. Growth was predominantly driven by digital, out-of-home and integrated solutions. We launched Noyz in social networking and the Marvellous brand in mobile marketing. Aegis Media Belgium also had a good year.

Our Spanish business experienced very difficult market conditions from April. A contraction in the Spanish economy resulted in a double-digit decline in overall advertising expenditure. The reduction in media budgets was in part offset by very good growth in digital and sponsorship, and a one percentage point increase in market share, due to a strong new business performance. Good cost management partially mitigated the effect on operating profit. Record turnover growth at Carat Portugal took us from ninth to third in the market.

A weaker economy resulted in flat revenue and reduced profitability at Aegis Media Italy. In the Netherlands, client consolidations resulted in a modest revenue decline. Aegis Media Nordics delivered another excellent result, after a record new business performance the year before, and Carat became the number one media agency in the Nordics.

In the Middle East, we achieved a solid performance in rapidly growing markets. In Algeria and Tunisia, we launched majority-owned Carat companies. During the year, Aegis Media France successfully set up an outsourcing relationship with Aegis Media Morocco, to provide web-build and search.

Aegis Media Americas

Revenue of £167.3m was up 8.8%, or flat at constant currency. We saw steady revenue and profit growth in US diversified services, offset by a weaker result at Carat US and Latin America.

A disappointing new business performance at Carat US led to a small revenue and profit decline in our total North American business in 2008. The loss of Hyundai in the first quarter, and additional losses, which included the consolidation of New Line Cinemas into its parent company's media agency, impacted both revenue and profit at Carat US.

We have a range of measures, both planned and underway, to address this. In the course of 2008 we took steps to match headcount to business volumes and to consolidate our media buying function. In October we appointed a new president for Carat US and we have reduced central overheads across Aegis Media North America. We closed our office in Irvine and this year we moved Carat's New York office to new premises.

Since the autumn, Carat US has achieved net new business gains. There remains further work ahead to achieve a satisfactory financial performance. Nonetheless, the Carat US offer remains fundamentally sound, with particular strength in insight and digital.

Elsewhere in the US, we achieved a strong performance in iProspect, our global search network. Our Canadian businesses grew well, following recent acquisitions in both media and digital, and we launched Ammo in Canada.

In Latin America, growth in turnover and revenue was principally driven by the introduction of Carat and Vizeum's international clients into an improved and expanded network. However, profit in the region was affected by a reduction in spending by financial services clients and a temporary increase in regional business development resource.

Aegis Media Asia-Pacific

Revenue of £68.4m was up 40.7%, equivalent to 26.0% at constant currency. The principal drivers of growth in the region were our three largest markets: China, Taiwan and Australia. In China, we delivered good organic revenue growth across all services. Heartland, now part of the Posterscope network, contributed strongly. The Beijing Olympics boosted an already strong advertising market, with our own business benefiting from relationships with official sponsors, adidas and Coca-Cola.

Aegis Media Taiwan performed strongly once again, retaining our largest local client. In Australia, after a difficult 2007, Carat recovered well under new regional management. Overall, Carat topped the R3 New Business League for Asia-Pacific, for the first time.

We continued to develop our businesses in Hong Kong and Singapore successfully. In Japan and Korea we faced some difficulties in our specialist agencies, which we are now addressing. Aegis Media India had a steady year, with a new management team joining in the summer and subsequent service launches. Our businesses in Malaysia and Thailand grew steadily, both in volume and in services.

Isobar

Isobar continued to grow well. During the year, we built on our scale as the single biggest digital network in the world. We put a number of our agency leaders into new broader roles post earn-out and invested in the expansion of our specialist expertise. We created seven key digital disciplines: search, data and analytics, web consulting and development, mobile, creative, online media and social media. These now co-ordinate Isobar's product and consultancy offering in each on a global basis, consolidating our specialist agency expertise.

We continued to grow our search network, extending the roll-out of iProspect, our global search brand, with 11 new offices in eight markets through acquisitions and openings. At the year end, the iProspect network numbered a total of 26 offices in 21 markets and, supplemented by local search specialists in a number of markets, we had over 600 search staff. In January 2009, iProspect was named the overall 'Leader' in the Forrester Wave™ report for the second time.

In web consulting and development, Isobar agencies created a number of impressive new products and experiences. These include adidas' miCoach, an internet and mobile based personal training programme, the winner of gold and silver W3 Awards and a WebAward. We extended the Marvellous brand to our existing agency in France and opened new offices in Amsterdam and New York.

Isobar creative agencies Farfar in Sweden, glue London and Spain's netthink were respectively placed second, ninth and fifteenth in the Gunn Report's interactive league table, which recognises most-awarded creative agencies globally.

Implementation of our own data platform continued. Using the technology platform and new reporting tools of Bluestreak, our ad-serving unit, we can now aggregate consumer-centric data over multiple media channels, delivering analytics across online display, rich media, search, email and website analytics data. This gives our clients a new level of transparency and attribution by campaign, creative, publisher and consumer, enabling efficiency and impact improvements in planning and buying. Bluestreak doubled its monthly volumes in the year. In online media, a competitive segment, we have put in place a number of new global deals with media owners.

Posterscope

In spite of UK market softness, Posterscope broadly held up well in 2008. An international spread and mix of clients helped us manage the effect of difficult trading conditions in the UK. We continued to expand geographically, launching in India as a wholly-owned entity and taking the network to 21 markets, and opening a regional office of PSI, our specialist airport offer, in Singapore. Heartland proved an excellent addition to Posterscope.

Investment in consumer data remained a priority. We introduced OCS, our proprietary out-of-home consumer insight survey, to the US, and our European wave included Russia for the first time.

Acquisitions

We completed 16 acquisitions in the year, two-thirds in the first half. Six of our acquisitions brought new search practices into Aegis Media: aposition in France, Checkit in the Netherlands, Extenseo in Belgium, Globlet in Thailand, Range in the US and rmsarcar in Germany. We increased our emerging markets exposure with Heartland in out-of-home in China, media agency Tempo in Romania, and digital agencies AdWatch in Russia, Age in Brazil and IF in Malaysia. We also acquired Client & Consumer in Spain, digital agency White Sheep in Finland, JJP in sponsorship and experiential in the Nordics and Men Company in Italy in the same space, as well as Clownfish in sustainability consulting and marketing, operating in the UK and US.

New business

2008 was a relatively quiet year for new international pitch opportunities. As a result, net new business of US$922.5m was, as expected, some way down. We had a high level of defensive pitches, retaining Disney in Europe, Tourism Australia globally, Chunghwa Telecom in Taiwan, Beiersdorf in China and Santander in the UK, jointly worth over US$600m. The loss of Renault in October will be substantially offset by Carat's Kellogg's win, confirmed at the start of this year, in 21 European markets.

At a local level, we remained very competitive. Major wins included Portugal Telecom Mobile in Portugal; The Coca-Cola Company in the UK and Germany and GlaxoSmithKline in Ireland. We also won the AA, Sky, Telegraph Newspapers and 3 Mobile in the UK; Groupama in France; HBOS in Germany and the Netherlands; Panasonic across Eastern Europe; Alberto Culver and Parfetti Van Melle in Spain; H&M in Italy; the Netherlands lottery; Pernod Ricard and Ferrero in Russia; Johnson & Johnson in South Africa; Seagate, Virgin and Kohler in the US; Kodak in Mexico; and Bayer, Amway and Kraft in China.

Synovate operating review

2008 was a year of adversely changing market conditions, in which Synovate delivered a good improvement in net revenue and operating profit. This reflected a mix of organic growth, acquisition effects and benefits from our SmartWork efficiency programme.

Adrian Chedore CEO, Synovate

£m	2008	2007	Change %	Constant currency %
Gross revenue*				
– EMEA	248.4	206.4	20.3	11.2
– Americas	145.2	132.5	9.6	1.4
– Asia-Pacific	124.6	94.1	32.4	20.7
Worldwide gross revenue	518.2	433.0	19.7	10.3
Net revenue*	329.2	273.2	20.5	11.3
Operating profit**	42.2	34.9	20.9	13.1
Operating margin**	8.1%	8.1%	–	20bps

* For the purpose of this report, Synovate gross revenue is the same as revenue in the statutory results
Net revenue is the same as gross profit in the statutory results

** Throughout this report, results are stated on an underlying basis unless otherwise indicated

Overview

The trading environment weakened in the second half, particularly in the last quarter, in most of our markets. In December we put a programme into place to reduce our cost-base in selected markets. Related costs have been treated as exceptional and are covered in full in the financial review.

Gross revenue of £518.2m increased 19.7%, equivalent to 10.3% at constant currency. Net revenue is calculated after direct costs and is an important management focus. Net revenue was £329.2m, up 20.5%, or 11.3% at constant currency. Of the 11.3% increase, 5.1 percentage points were organic, with the balance from acquisitions.

Efficiencies from offshoring data collection, particularly in North America, helped us improve our gross revenue conversion rate, resulting in a net revenue margin of 63.5%, up from 63.1% the previous year. Operating profit at £42.2m was up 20.9%, equivalent to 13.1% at constant currency, and operating margins were stable at 8.1%, equivalent to an increase of 20 basis points at constant currency.

We continued to pursue a strategic agenda around building capability, improving efficiency and meeting the changing needs of customers. Progress has been made on all three: adding capability in the emerging markets of Latin America and Africa, investing further in SmartWork, and increasing our focus on new technologies to give clients new levels of insight and efficiency.

Synovate EMEA

Gross revenue increased to £248.4m, up 20.3%, equivalent to 11.2% at constant currency. Net revenue was £147.6m, ahead 18.8%, or 10.1% at constant currency. We delivered very strong growth in the emerging markets of Russia and Africa, the latter helped also by the acquisition of Steadman, the market leader in pan-Africa, which performed very well.

Synovate operating review continued

Germany and Scandinavia proved more challenging markets, with a business mix weighted towards automotive and media respectively, which reduced year-on-year results. We also experienced tougher trading in Italy and Belgium, where we merged Synovate and Censydiam to create a national market leader. In the UK, we successfully integrated our separate businesses into a single site, which had a disruptive effect, offset by good business wins in the last quarter. We improved our performance in France and Spain, where the previous year's acquisition of Metra Seis delivered good benefits.

The exceptional growth of previous years in the markets of Central and Eastern Europe and the Middle East was not fully maintained, resulting in some over-resourcing, which has been addressed.

Synovate Americas

Gross revenue in the Americas was up 9.6%, or 1.4% at constant currency, to £145.2m. Net revenue was £100.5m, up 20.8%, or 11.7% at constant currency. Success in offshoring data services from North America, the largest part of our Americas business, drove a significant uplift in net revenue margin. This helped us deliver strong growth in underlying operating profit, despite weak US market conditions. Our public sector and financial service groups both traded strongly all year and, despite ad hoc weakness, automotive proved surprisingly strong overall until the fourth quarter. After a slow start, consumer industries improved in the second half as clients responded well to a reorganised Synovate offer. In April we transferred MMA, a leading marketing effectiveness consultancy, from Aegis Media into Synovate North America, to accelerate shared benefits across clients, research and marketing.

In Latin America, the acquisition of CIMA Group boosted revenue and gross profit in an already healthy market. CIMA has helped us establish a sound footprint across the region, delivering good synergies in collaboration with our existing businesses.

Synovate Asia-Pacific

Gross revenue was £124.6m, up 32.4%, equivalent to 20.7% at constant currency. Net revenue was £81.1m, up 23.3% or 12.8% at constant currency.

Synovate Japan delivered an excellent result, following reorganisation and refocusing in the course of 2007 and Synovate Australia grew well. In South Asia, we had a good year, reflecting healthy trading conditions and a solid performance across all our markets. India and Singapore performed particularly well. We continued to innovate, introducing new data collection tools in a number of developing markets to improve efficiency.

We experienced some volatility in China. Demand was affected by the Szechuan earthquake, which disrupted national sampling, and the Olympics, with August very quiet. Along with a move to lower cost data collection methods, these factors held gross revenue flat. Net revenue and underlying operating profit benefited from the movement of some data functions to lower cost centres within China and tight cost management. We have continued to invest in product and in our China access panel, now over a quarter of a million individuals, and an important source of competitive advantage.

Industry verticals

Industry specialism has become more important than ever in market research. We continued to invest across the Group and we have plans for additional industry verticals in the future.

Synovate Healthcare ended the year very well, with good revenue growth and margin improvement. This was in spite of a difficult first half, with a low opening order book and pharmaceutical industry challenges. Therapy Monitors, our syndicated studies, performed very well; together with the continued growth in Asia and mainland Europe custom businesses, this more than offset a decline in US custom.

In Motoresearch we delivered another exceptional year of revenue growth despite a backdrop of continuing weakness in the ad hoc market, which accelerated towards year end. We were helped by our strategic focus on solutions that are continuous and business-critical, such as customer satisfaction tool NADA 24, which brought a number of new OEM clients onstream, and by strong growth in emerging markets.

In retail scan data and analytics, Synovate Aztec continued to expand rapidly. We increased share in the established markets of Australia and New Zealand, grew well in the newer markets of Hong Kong and South Africa and invested in future growth elsewhere. In the UK, we entered the convenience sector with the acquisition of PS&A.

Our global client relationship (GCR) programme, continued to enhance our overall revenue growth. At the end of 2008 we took a further step, bringing responsibility for our capabilities and practices together with GCR. This will allow us to expand the successful GCR programme to more clients, to introduce a higher level of industry specialism and to customise our intellectual property for additional sectors.

Capabilities

We continued to invest in innovation throughout 2008. In April we launched our new customer experience management capability, ExM. This brings together our expertise across customer experience, employee engagement, mystery shopping, footfall and business consulting to offer a 360 degree view of a customer. It allows clients to maximise KPIs such as loyalty, conversion and transaction value. We introduced MarketQuest Interventions, which test price elasticity and product formulation in order to optimise product and profit in recessionary markets. We also launched Connections for pre-testing consumer advertising, underpinned by MindClouds, our new qualitative approach. Connections is the first tool to measure how advertising creative affects overall perceptions of a brand; its correlation to 'brand next bought' is over three times higher than the traditional measure of likeability.

SmartWork

Our SmartWork efficiency programme aims to make our operations 'fit for purpose at lowest cost'. By December we had offshored over 60% of data-processing in our 14 highest cost markets (37% in 2007), including 80% in North America. We exceeded our target of offshoring 10% of our CATI in eight key markets by the year end and we continue to explore new ways to reduce the cost of data collection.

In 2008 we installed WorkBench, a new Synovate-wide research software platform, in Scandinavia. The US and UK will follow in 2009, and we expect WorkBench to help drive efficiencies throughout the research process.

Acquisitions

Synovate made four acquisitions between January and July. In the UK, PS&A became part of Synovate Aztec. This takes us into the UK convenience sector, with tools and a client base complementing our 2007 acquisition of SPSL and boosting Synovate's retail analytics offering. We acquired Oncology Inc., a US specialist providing oncology treatment data from 100,000 US patients, which extends our global leadership in oncology. We also expanded our geographic reach with CIMA, giving us full coverage of all major markets in Latin America, and Steadman, making Synovate the largest market research company in Africa.

Market research

Innovation ensures our market research offer evolves to meet client needs, using and delivering the benefits of new technologies. Directional trends here include the facility to combine client and Synovate data to increase actionable insights. There are significant gains to be made from the many billions of transactional data-points housed in clients' own customer databases.
These have the capability to generate significant forward-looking intelligence, particularly when linked to survey and other consumer behavioural data. In addition, we are now creating dedicated community panels for individual clients, to put brands into constant qualitative dialogue with their most valuable opinion-forming customers. This will remain a focus in 2009 and beyond.

Financial review

Our reported results reflect the positive effects of currency movements in the year as sterling weakened against a number of currencies. For consolidation purposes, the trading results and cash flows are translated at average exchange rates.

Alicja Lesniak chief financial officer

The US dollar average rate for 2008 was £1: US$1.8519 (2007: £1: US$2.0022) and the euro average rate for 2008 was £1: €1.2574 (2007: £1: €1.4613). On this basis the average US dollar rate strengthened versus sterling by 7.5% and the euro strengthened versus sterling by 14.0%. The movement in the year end closing rates used to translate foreign currency assets and liabilities was even more pronounced, with the US dollar strengthening by 26.6% and the euro by 23.3%.

Underlying results

£m	2008	2007	Change %	Constant currency %
Turnover	10,413.8	9,351.2	11.4	0.3
Revenue	1,342.0	1,106.4	21.3	10.1
Gross profit	1,153.0	946.6	21.8	10.4
Operating expenses	(967.6)	(800.4)	20.9	10.3
Operating profit	185.4	146.2	26.8	10.7
Profit before interest and tax	188.1	149.4	25.9	10.1
Net financial items	(21.3)	(16.7)	27.5	16.9
Profit before tax	166.8	132.7	25.7	9.3

Revenue

Revenue grew 21.3%, or 10.1% at constant currency, to £1,342.0m (2007: £1,106.4m). Revenue growth was ahead of the increase in turnover (up 11.4% at £10,413.8m (2007: £9,351.2m), or flat at constant currency), showing the comparative resilience of the Aegis Media revenue model, with an increasing proportion of remuneration not directly related to adspend volumes.

Group organic revenue growth was 4.6% (Aegis Media 6.1%, Synovate 2.3%). Acquisitions added £67.0m to revenue, equivalent to 5.5 percentage points of revenue growth at constant currency (Aegis Media 3.9 percentage points, Synovate 8.0 percentage points). Currency movements contributed £112.5m to revenue.

Net revenue

The difference between the Group's revenue and net revenue is attributable to pass-through and direct costs at Synovate. Synovate's net revenue grew 20.5%, or 11.3% at constant currency. This was higher than revenue growth due to improvements in the net revenue margin, which improved from 63.1% to 63.5%.

Operating performance

Operating expenses increased to £967.6m (2007: £800.4m). Staff costs of £673.4m (2007: £542.5m) increased ahead of revenue; other operating costs grew more slowly. Corporate costs benefitted from foreign exchange gains. Operating profit was £185.4m (2007: £146.2m), up 26.8%, or 10.7% at constant currency.

The Group operating margin of 13.8% (2007: 13.2%) strengthened 60 basis points, equivalent to 10 basis points at constant currency. This reflects a lower margin at Aegis Media, a stable operating margin at Synovate and the reduction in central costs. After a contribution from associates of £2.7m (2007: £3.2m), profit before interest and tax was up 25.9% to £188.1m (2007: £149.4m), equivalent to 10.1% at constant currency.

Interest

The Group's net interest charge was £21.3m (2007: £16.7m). Interest income of £15.9m (2007: £13.6m) benefited from rising interest rates in the Eurozone in the first three quarters of the year and the strengthening of the euro, in which the majority of our cash balances are held. Interest payable of £37.2m (2007: £30.3m) was affected by the same trends in interest rates and foreign exchange. Interest payable also increased due to acquisition-related payments of £103.3m (2007: £124.3m, net of proceeds on disposals), principally in the first half of the year.

Pre-tax profit

Pre-tax profit of £166.8m (2007: £132.7m) increased 25.7%, or 9.3% at constant currency.

Tax

Our underlying tax rate for the year was 25.8% (2007: 26.5%). The statutory tax rate was 28.4% (2007: 29.2%). The total of income taxes paid in cash in the year was £46.1m (2007: £38.8m).

Profit after tax

Minorities' share of income was £6.4m (2007: £4.8m). Profit attributable to equity holders of the Company was £117.3m (2007: £92.7m), up 26.5% or 9.3% at constant currency.

Earnings per share

Diluted earnings per share increased by 25.6% to 10.3p (2007: 8.2p). On a constant currency basis, diluted earnings per share were up 9.6%. Statutory diluted earnings per share were 7.3p (2007: 7.9p), a decrease of 6.4%, due principally to the reconciling items between underlying profit before tax and statutory profit before tax described below, primarily re-organisation costs and amortisation of purchased intangible assets.

Dividends

The Board is proposing a final dividend of 1.54p per ordinary share, making a total of 2.50p (2007: 2.30p) for the year, an increase of 8.7%. The final dividend will be paid on 28 May 2009 to shareholders on the register at 1 May 2009.

Statutory results

£m	2008	2007	Change %	Constant currency %
Underlying profit before tax	166.8	132.7	25.7	9.3
Less: Reorganisation costs	(27.4)	–		
Amortisation of purchased intangible assets	(17.2)	(3.0)		
Write-off of software	(4.4)	–		
2007 non-recurring reconciling items	–	0.3		
IAS 39 adjustments	6.8	1.7		
Statutory profit before tax	124.6	131.7	(5.4)	(17.7)

Reorganisation costs

Our statutory results are presented after deduction of a £27.4m restructuring charge (2007: £nil) incurred due to two phases of a restructuring programme. Details are set out in the table on page14. The first phase, reported in our interim results, was performed principally in Carat US. Implementation of the second phase began in the fourth quarter in a number of markets across both divisions and the corporate head office. The total restructuring charge in 2008 is made up of £23.0m in severance and related costs and £4.4m in property-related costs. A further £12.0m will be charged in 2009 at 2008 average exchange rates.

Financial review continued

2008 restructuring charge

£m	Severance	Property	Total
Phase 1 (principally Carat US)	5.6	2.7	8.3
Phase 2 – Aegis Media	13.8	0.5	14.3
– Synovate	0.9	1.2	2.1
– Corporate head office	2.7	–	2.7
Total	23.0	4.4	27.4

Other adjustments

Other reconciling items between underlying and statutory profit before tax include the amortisation of purchased intangibles, such as intellectual property and client relationships in acquired businesses. These increased from £3.0m in 2007 to £17.2m in 2008 following the determination of the final purchase price allocation under IFRS 3 (Business Combinations) in respect of a number of our recent acquisitions. A £4.4m write-off of software relates to an operational software tool in the US and our Group HR information system. IAS 39 fair value adjustments resulted in a net gain of £6.8m (2007: £1.7m).

Profit for the financial year

As a result of the reorganisation costs and other adjustments to statutory profit referred to above, operating profit was down 2.8% at £136.4m (2007: £140.3m) and pre-tax profit was down 5.4% at £124.6m (2007: £131.7m). Our statutory tax charge was £35.4m (2007: £38.4m), equivalent to a tax rate of 28.4% (2007: 29.2%). Basic and diluted earnings per share were 7.3p (2007: 7.8p).

Balance sheet

£m	2008	2007
Goodwill	1,114.6	796.6
Intangible assets	104.9	49.2
Property, plant and equipment	73.5	53.8
Other non-current assets	52.7	39.1
Total non-current assets	1,345.7	938.7
Net receivables/(payables)	(356.9)	(168.8)
Net debt	(297.5)	(245.2)
Earn-out liabilities	(197.4)	(116.7)
Liabilities in respect of put options	(41.3)	(22.0)
Other	7.2	(79.7)
Net assets	459.8	306.3

Goodwill and intangible assets

Balance sheet movements year-on-year were significantly affected by the strength of non-sterling currencies at the closing date. Goodwill increased £92.2m due to acquisitions, with the balance principally due to foreign exchange gains. Intangible assets increased to £104.9m (2007: £49.2m) as a result of acquisition-related intangible assets. The net increase in property, plant and equipment was due to foreign exchange and the aggregated impact of office moves.

Working capital

Receivables and payables were both significantly impacted by foreign exchange. Trade payables principally represent amounts payable to media owners in respect of media space booked for clients; trade receivables principally represent amounts due from clients in respect of this space.

Net debt

£m	2008	2007
Cash	412.7	356.8
Short-term borrowings and overdrafts	(52.7)	(85.1)
Long-term borrowings	(657.5)	(516.9)
Net debt	(297.5)	(245.2)

Net debt at the year end was £297.5m (2007: £245.2m), due to increased acquisition spend and some currency impact. Significant changes in cash and gross debt were due primarily to currency movements and were substantially off set on a net debt basis.

Earn-outs

Our estimated future earn-out liabilities increased by £80.7m. Additional earn-out liabilities arising from 2008 acquisitions were £79.3m. Increases in liabilities due to foreign exchange were offset by payments made in the period. The vast majority of our earn-out commitments are dependent on the future financial performance of businesses acquired and are funded out of the cash flows of these businesses. At 31 December we had £61.2m in minimum earn-outs; of these, the majority had been earned in 2008 to be paid in 2009.

Liabilities in respect of put options increased by £19.3m.

Pensions

The Group does not operate any material defined benefit pension schemes and there is no deficit. In a small number of markets we are obliged to accrue for a defined sum payable to employees on leaving the company; these are statutory requirements typically related to length of service. The present value of defined benefit obligations under these schemes are fully provided for.

Cash flow

Cash flow from operations was £261.6m (2007: £175.0m), up 49.5%. Cash conversion increased from 119.7% of operating profit to 141.1%. We had a net working capital inflow of £54.9m (2007: £(6.3m)). Net capital expenditure was £39.6m (2007: £27.2m) reflecting the property moves noted earlier, in addition to continued information technology spend.

Net cash outflow on acquisitions was £103.3m (2007:£124.3m). Dividends paid to equity holders amounted to £27.4m (2007: £22.7m). During 2008 we redeemed £6.5m of maturing US private placement notes.

Financing

We ended the year with a comfortable covenant position: net debt/EBITDA of 1.2x (compared to a covenant requirement of <3) and EBITA/gross interest of 6.0x (compared to a covenant requirement of >4x). Our covenants are computed using average exchange rates for gross interest, EBITDA and EBITA and using year end closing exchange rates for net debt. As a result, the performance against covenants was affected by the significant deterioration of sterling against the US dollar and the euro in the fourth quarter, our main borrowing currencies. Under our £450m revolving credit facility (RCF), we had undrawn facility at the year end of £172.1m (2007: £185.6m).

We do not have any term facilities maturing in 2009. Our RCF is due for renewal in June 2011. Five tranches of US private placement funding mature between 2012 and 2017. Cash flow forecasts produced on a prudent basis for the next three years show that the Group expects to generate free cash flow, after payment of current estimates of existing earn-out liabilities.

Principal risks and uncertainties

As with many global companies, Aegis faces many different types of risks, including market and strategy, financial, operational and HR. 2008 has also seen an increased focus on our cash and counterparty risks as a result of the shift in the global economy we have all experienced.

We continually review our key risks and strive to improve our internal control framework to help mitigate them, where possible. Listed below are what we believe to be the principal risk factors and uncertainties that we have faced during 2008 and are still likely to face well into 2009 and our strategies for managing them.

Economic climate

Due to the economic climate, a number of the risks below have become subject to a heightened level of monitoring. The level of communication of status of the risks has also increased and improved reporting as been put in place as necessary.

Counterparty relationships

In the past year, counterparty risk has become a more significant focus of attention for many organisations, including our own. We have increased our efforts to identify and monitor material counterparty risk in relation to our clients, affiliates, banks, media owners and other suppliers.

These risks include, but are not limited to, loss of income from clients in financial distress and potential media buying liabilities arising in markets where we act as principal. In 2008 we have also faced the risk of credit insurers withdrawing previously available cover.

It is our policy to undertake credit enquiries on new clients and for written contracts to be in place before starting any significant work. To minimise the impact of the overall risk of default, our strategies can include requesting pre-payment, taking out credit insurance (where available) and a number of other measures to limit our own exposure.

Liquidity and working capital

Our funding arrangements and cash management have continued to be a priority for us in 2008 and will remain so in 2009 to enable the Group to meet our liabilities. Our media buying activities, in particular, require robust cash management processes. To help manage our cash, we receive daily cash reporting from our operations. Our larger businesses take part in cash pooling arrangements with our relationship banks, with which we also have our debt facilities. Business units also deposit surplus funds with Group Treasury to assist with managing interest payments and liquidity.

In 2006 Aegis secured a five-year revolving credit facility of £450m, with a syndicate of 12 banks. We have an active programme of regular communication with our banks and bondholders to ensure they have a good understanding of our business performance and prospects.

During 2008 we concentrated on improving reporting from our business units to ensure that executive management has accurate and timely information to actively monitor liquidity and covenant headroom. We actively manage our headroom to accommodate both general and specific contingencies. Management reporting, liquidity and covenant monitoring will continue to be a key focus in 2009.

Client wins and client relationships

Although the winning and retaining of clients is at the core of our business, we are conscious that in the economic climate we have endured in 2008 and that is continuing into 2009, there is a risk that our clients' investment in advertising and research will decrease, which would have an impact on our revenues.

While our diversified range of services help to mitigate this risk, we also make sure that we have dedicated client relationship teams in place. In 2008 we took steps in a number of markets and in global client services to integrate digital and traditional services, to give clients one point of contact to deliver to all their needs across our entire range of communications services.

As part of its global structure, Synovate has a Global Client Relationships team in place that enables us to form stronger ties with existing clients and develop successful new relationships with key global clients in line with Synovate's strategy. We believe this is the underlying success of some of the work for which Synovate is commissioned. Synovate also has a Local Business Development structure in place to provide strategic support for developing relationships with local clients as well as with key regional and global clients. Synovate also closely manages client relationships and has developed an in-house tool to enable the global sharing of client work and client preferences.

We have worked with some of our larger clients over a number of years and have built up a strong sense of partnership. We have also been reducing our overheads in 2008 to retain as much flexibility as possible in our cost base, which has enabled us to remain competitive on pricing.

Acquisitions and successful integration

As well as client service, new products and services are a key driver of our business performance. We accomplish this in part by investing in strong talent and by acquiring carefully selected acquisitions that will broaden our offerings and enable us to stay ahead of the competition and retain clients.

In 2008, we completed 20 acquisitions, across both Aegis Media and Synovate. Although these also enabled us to be present in new markets, there is a risk that our investments are based on incorrect assumptions and do not have the long-term future on which we based our investment case. There is also a risk that our integration plans for them are not successful, particularly if the acquired company follows a business model that we not are already familiar with.

All of our acquisitions require approval and independent due diligence. Acquisition sponsors from within our existing businesses are also assigned. Both Aegis Media and Synovate have personnel dedicated to the area of acquisitions, who work closely with the sponsors and acquired businesses to ensure a robust post-integration plan is in place.

Competition and keeping ahead of the game

We work in a competitive environment and current technology potentially allows our current and prospective clients to be reached by suppliers from anywhere in the world. For some services, aggressive pricing from competitors in countries where costs are lower could cause a reduction in our own revenue and margins.

To minimise this risk, our aim is to build long-term relationships with our clients and to remain competitive in staying ahead of the game in our offerings and reducing our own costs. We also aim to ensure that we are the supplier of choice by maintaining high standards, developing tools that add value to our clients' marketing and business activity and delivering work to our clients on time. Many of our Synovate businesses follow the ISO 20252 code of conduct for market research and we have both Synovate and Aegis Media businesses that are ISO 9001 accredited, with quality management systems in place.

Parts of the industry we operate in have relatively low barriers to entry, increasing the risk of new competitors striving to take a part of our market share. We have already seen some of the search engines offer online advertising directly to our potential clients. We actively monitor our competitors' activity and market practice to enable us to be aware of changes before they happen on a large scale. Our range of other digital services also help manage this risk.

Protection of data

We retain confidential information in relation to our clients' new product pipelines and advertising strategies. We also host client databases and other applications on our own servers. Unauthorised access to, or inappropriate use of, any of this information could have a detrimental impact on our reputation and adversely affect our businesses. External access to such information is protected by our IT security framework. We continue to test its strength by performing IT vulnerability testing, as well as IT security audits. These audits also review the internal access rights to client data. We also take precautions about the sensitive nature of our clients' data by using confidentiality clauses in our employees' contracts and have blog guidelines in place that prohibit the posting of confidential information.

Talent management

As a services business, our people are a key asset. We are proud of our teams, but recognise the risk that we could lose some of our talent, either to competitors or to set up their own competitive business. Talent management is one of our key priorities and something we take very seriously. We aim to be able to offer competitive incentive plans to attract and retain quality staff. We also aim to promote within so that our staff can carve a good career path with us. And we listen to our employees via our Employee Opinion Surveys, and produce follow-up plans based on the results.

Our people are important in our client relations and the wealth of knowledge they hold. Their departure could have an impact on client retention, key decision making and successfully leading our teams forward. All of our businesses, including our global teams, are required to undertake succession planning and we ensure that no relationship with a major client is restricted to one individual.

Corporate responsibility report

The Aegis corporate responsibility programme is built around social, environmental and economic responsibility.

Corporate responsibility at Aegis

The first of these, social responsibility, relates to Aegis's role in the external community, using the skills and enthusiasm of our people and organisation to make a positive impact. Environmental responsibility is built on internal initiatives to reduce our corporate impacts on the environment, while recognising that our activities are largely office-based. Economic responsibility describes our business initiatives to build a more sustainable business model through the services we provide to our clients.

Last year Aegis launched a Group-wide corporate responsibility (CR) programme globally. It is designed to be flexible, respecting the international and diverse natures of Aegis Media and Synovate and recognising that CR means different things in different places.

It involves a common approach, policy framework, programme management and tools for both Aegis Media and Synovate. Measurement and reporting have been developed according to the Carbon Disclosure Project and Global Reporting Index standards. This has enabled us to conduct a rigorous data collection and measure the baseline impacts for 2008 within each business.

Progress is driven locally via country champions, supported centrally. In 2008 we appointed country champions in all markets where Aegis Media and Synovate operate and brought in a CR specialist centrally to manage activity and reporting. The programme is overseen by the CR steering group; during 2008 the steering group reported to the Group CEO.

Report on progress in 2008

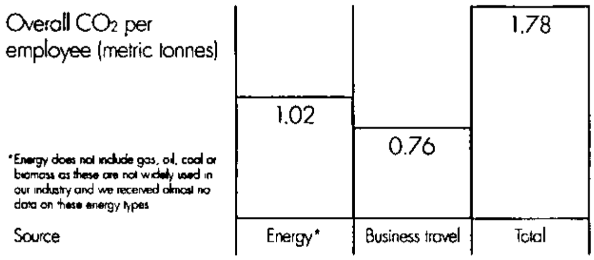
The progress of established programmes and our initiatives is analysed under our main CR headings.

Social

- The further development of Synovate CARES and local community programmes in Aegis Media, while scoping aims, strategy and potential partners for a global Aegis Media community programme.
- A first Aegis Group-wide survey to measure the value of our community involvement. This covered countries representing 64% of Group revenue. A total of 6,183 Aegis employees took part in local community initiatives, supporting charities and organisations through donations and in-kind support. This represented 37% of our total workforce.
- The value of employee community support in 2008 was £2.7m, equivalent to 1.7% of 2008 pre-tax profit. Total value of time amounted to £0.2m (although we believe this is a conservative measurement). The value of in-kind gifts was £0.5m and total financial donations and funds raised were £2.0m.

Environmental

- The completion of a data collection exercise covered countries representing 85.7% of Group revenue (87.1% of Aegis Media, 83.5% of Synovate) and Aegis head office. Energy* and business travel were identified as the main drivers of CO_2 impact, which was 31,226 metric tonnes, or 1.78 metric tonnes per capita.



- Other areas of impact were surveyed, most significantly paper. Total consumption was 20,815 reams. Reduction of consumption and an increase in recycled paper content will be monitored in 2009 and 2010; we have an internal target of a 20% reduction by 2010.
- Action plans were developed to reduce our environmental footprint and increase our social impact in 80% of the countries where we operate.
- A policy initiative on travel has promoted measures such as parking cash-out schemes and financial incentives for employees to purchase bicycles, where locally possible, as indicated in country action plans. This will be encouraged in 2009.
- The introduction of sustainable IT practices across our businesses with the introduction of new IT standards is being encouraged. Currently 97% of countries within Aegis Media recycle IT equipment.
- Procurement standards have been developed to promote best practice to all our companies.
- Implementation of a policy on the inclusion of sustainable building design and infrastructure to relevant national environmental performance standards, for existing and new offices.

Economic

- Initiatives have been taken to develop specific products for clients. They include the acquisition of Clownfish, an international sustainability and communications consultancy which has developed SOAP, a product that allows clients to better communicate their sustainability agenda with authenticity and credibility.

Future targets

Longer term targets have been reviewed in light of our progress during 2008. They have been streamlined and updated, as shown below:

Social

New target:
Continue Synovate CARES and launch Aegis Media community initiative in 2009

CARES is already well established in Synovate and we will continue to support it. In Aegis Media, the intent is to put in place the infrastructure for a global community initiative, expected to launch late 2009.

Environmental

New target:
Reduce 2008 per capita carbon footprint by 20% by 2010

An environmental engagement programme has been developed around our policies to reduce office energy consumption and business travel.

Energy:
In order to reduce our carbon footprint we will continue to work with landlords and encourage the purchase of renewable energy. IT initiatives will be further developed in 2009, including standard utilisation and end-of-life policies for hardware. 69% of Aegis Media countries have submitted action plans and intend to use virtualisation technologies to reduce power-consuming, heat-generating IT infrastructure.

Business travel:
In 2008 a new travel policy was issued at Aegis Media and Synovate, recommending video conference usage and senior management travel sign-off.

Economic

Existing target reiterated:
Develop sustainability communications services and embed in business offer by 2009

This has led to the acquisition of Clownfish, which is helping Aegis Media and Synovate to develop new tools. Aegis Media is already providing sustainability communications services to global clients. In general we are well placed to continue further developments in 2009.

Board of directors

John Napier
Chairman and interim chief executive

Age 66

Member of the Remuneration Committee
Member of the Nominations Committee

John Napier joined the Board in June 2008 and became chairman in July 2008. From December 2008, he took on the responsibilities of chief executive on an interim basis. John is also chairman of the Royal SunAlliance Group, a position he has held since 2003. John was chief executive of Hays plc from 1990 to 1998. Prior to that he was chief executive of AGB, the market research and information company. From 1998 he was chairman of Booker until its sale to Iceland in 2000, and chairman of Kelda from 1999 to 2008.

Alicja Lesniak
Chief financial officer

Age 57

Alicja Lesniak joined Aegis and the Board in April 2007 as Group chief financial officer. Alicja is a chartered accountant who worked in a broad range of roles in marketing services agencies over the past 20 years, based in Europe and the US. Previous roles include worldwide CFO of Ogilvy & Mather Worldwide and CFO of BBDO EMEA where she served on the boards of both companies.

Daniel Farrar
Non-executive director

Age 48

Member of the Remuneration Committee
Member of the Nominations Committee

Daniel Farrar joined the Board in June 2003. He is currently the CEO of Openlane of San Francisco, California. Prior to this he was a general partner at Morgenthaler Partners, a US buy-out group. 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 currently serving on the boards of WPI and Openlane.

Bernard Fournier
Non-executive director

Age 70

Senior independent director
Member of the Audit Committee
Member of the Nominations Committee

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.

Lorraine Trainer
Non-executive director

Age 57

Member of the Remuneration Committee
Member of the Nominations Committee

Lorraine Trainer joined the Board in August 2005. She has held a number of human resource leadership roles in international organisations, focusing on performance and development. These include Citibank, the London Stock Exchange and Coutts, then part of the NatWest Group. She now runs a business in board advisory work and development. She also has significant experience of working with arts organisations and the not-for-profit sector.

Leslie Van de Walle
Non-executive director

Age 52

Member of the Audit Committee
Member of the Nominations Committee

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.

Adrian Chedore
CEO, Synovate

Age 57

Adrian Chedore joined the Board in December 2001. He is CEO of Synovate, and has overseen its development into a leading 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.

Jerry Buhlmann
CEO, Aegis Media

Age 49

Jerry Buhlmann became CEO of Aegis Media and joined the Board in June 2008. Jerry has some 25 years' experience in the media and advertising industries. From 2003 to May 2008 he was CEO of Aegis Media EMEA. Between 2000 and 2003, Jerry was CEO of Carat International. In 1989 he founded media agency BBJ, which was sold to Aegis in 1999. Jerry began his career in 1980 with Young and Rubicam, moving to WCRS after three years.

Dr Brendan O'Neill
Non-executive director

Age 60

Member of the Audit Committee
Member of the Nominations Committee

Brendan O'Neill joined the Board in August 2005. He is a non-executive director of Informa, 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.

Charles Strauss
Non-executive director

Age 66

Member of the Remuneration Committee
Member of the Nominations Committee

Charles Strauss joined the Board in September 2003. He is a US national with 35 years' 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 director of The Hartford Financial Services Group and The Hershey Company.

Directors and advisors

Directors
John Napier, chairman and interim chief executive officer
Alicja Lesniak, chief financial officer
Jerry Buhlmann, CEO, Aegis Media
Adrian Chedore, CEO, Synovate
Daniel Farrar, non-executive
Bernard Fournier, non-executive
Brendan O'Neill, non-executive
Charles Strauss, non-executive
Lorraine Trainer, non-executive
Leslie Van de Walle, non-executive

Company secretary
John Ross

Ultimate parent entity
Aegis Group plc

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Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2008.

Results and dividends

The consolidated income statement is set out on page 37 and shows a profit for the financial year of £89.2m (2007: £93.3m). An interim dividend of 0.96p per ordinary share was paid on 26 September 2008 to ordinary shareholders. The directors recommend a final dividend for the year of 1.54p per ordinary share which, if approved at the Annual General Meeting, will be payable on 28 May 2009 to ordinary shareholders registered at 1 May 2009. The total dividend for the year will then amount to 2.50p per ordinary share (2007: 2.30p).

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.

The subsidiaries and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in Note 17 to the parent company financial statements on page 86.

Review of business and future developments

A review of the business and likely future developments of the Group is given in the chief executive's report on pages 4 and 5, the Aegis Media and Synovate operating reviews on pages 6 to 11 and the financial review on pages 12 to 17. Those sections form part of, and are incorporated by reference within, this directors' report.

Financial instruments

Information about the use of financial instruments by the Company and its subsidiaries is given in Note 21 to the financial statements on pages 60 to 66.

Post-balance sheet events

The directors are not aware of any significant post-balance sheet events that require disclosure in the financial statements.

Donations

The Group's policy with respect to charitable donations and the amounts donated are detailed on page 18.

Supplier payment policy

The Company does not impose a formal code of payment practice on its subsidiaries. However, the Group's policy is to try to create relationships with its suppliers 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.

At 31 December 2008, the Group had 62 days' purchases outstanding (2007: 59 days). The creditor day analysis is not applicable to the Company.

Directors

The names of the directors at the date of this report and their biographical details are given on pages 20 and 21.

Changes to the Board during the year were as follows.

David Verklin resigned on 21 April 2008.
Jerry Buhlmann was appointed on 2 June 2008.
John Napier was appointed on 30 June 2008.
Lord Sharman retired on 17 July 2008.
Mainardo de Nardis resigned on 5 September 2008.
Robert Lerwill resigned on 27 November 2008.

Leslie Van de Walle has advised the Board of his intention to step down as a director at the conclusion of the forthcoming Annual General Meeting.

The interests of the directors in the shares and share incentives of the Company are shown in the remuneration report on pages 32 to 35.

Re-election of directors

In accordance with the Articles of Association, Jerry Buhlmann and John Napier, having been appointed to the Board since the last Annual General Meeting, offer themselves for re-election at the forthcoming Annual General Meeting.

In accordance with the Articles of Association, the two directors, Bernard Fournier and Daniel Farrar, formally due to be considered for re-election are retiring at the conclusion of the Annual General Meeting after nine and six years' continuous service respectively.

Details of all the directors' service agreements, including notice periods, are given in the remuneration report on page 30.

Directors' indemnities

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

Directors who resign from the Board continue to have the benefit of the QTPI for potential liability to third parties that occurred prior to their resignation.

Substantial shareholdings

At 18 March 2009 the Company had been notified of the following interests of 3% or more in its ordinary shares, in accordance with Chapter 5 of the Disclosure and Transparency Rules:

Shareholder	Number of shares	%
Bolloré Group	344,276,446	29.71
Fidelity International	58,798,759	5.07
AXA Investment Managers	55,000,086	4.75
TCS Capital Group	54,872,440	4.74
Legal & General Group	46,239,051	3.99

Share capital

Details of the authorised and issued share capital, together with details of movements in the Company's issued share capital during the year, are shown in Note 24 to the financial statements on page 67.

The Company has one class of share capital that is divided into ordinary shares of 5p each and that carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a shareholding, the transfer of shares or voting rights, which are governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Share capital continued

The trustees of the Aegis Group Employee Share Trust ("AEST") have agreed to waive any right to all or any future dividend payments on shares held within the AEST except in certain limited circumstances, none of which are currently applicable. Details of the shares held are set out in Note 25 to the financial statements. The trustees of the AEST may vote or abstain from voting on shares held in the AEST in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the AEST

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The directors are authorised to allot unissued shares in the Company up to a maximum nominal amount of £15,209,696. No such shares have been issued or allotted under this authority, nor is there any current intention to do so, save for shares to be issued to satisfy existing obligations. This authority is valid until the date of the forthcoming Annual General Meeting at which time a resolution will be proposed to renew the authority as detailed in the accompanying circular.

The Company has not purchased, or created any charges over, its own shares in the year ended 31 December 2008. The Company has not had the authority to allot shares without regard to the pre-emption provisions of the Companies Acts or to purchase its own shares since the 2008 Annual General Meeting.

Amendments to Articles of Association

Any amendments to the Articles of Association of the Company may be made in accordance with the provisions of the Companies Act by special resolution. A resolution to amend the Articles of Association will be put to the forthcoming Annual General Meeting. The proposed changes derive from the Companies Act 2006. Details of the changes being proposed are set out in the accompanying circular.

Appointment and replacement of directors

With regard to the appointment of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation.

The Company shall have no fewer than two and no more than 16 directors. Directors may be appointed by the Company by ordinary resolution or by a resolution of the Board. A director appointed by the Board may only hold office until the following Annual General Meeting but is then eligible for election. He/she is not taken into account in determining the directors or the number of directors who are to retire by rotation at that meeting.

At every Annual General Meeting at least one-third of the directors must retire by rotation. Where the number of directors is not divisible by three, the minimum number of directors to retire will be the number which is nearest to and less than one-third. If there are fewer than three directors, they will all retire. The directors who will retire by rotation will be those who were in office at the time of the two previous Annual General Meetings and did not retire at either of them. If the number so retiring is less than the number required to retire, additional directors must retire. The further directors to retire will be those who have been directors the longest since they were last elected to the Board. If there are directors who were last elected on the same date, they can agree on who is to retire. If they cannot agree, they must draw lots to decide. At the Annual General Meeting at which a director retires, shareholders can pass an ordinary resolution to re-elect the director or to elect some other suitable person in his place.

The only people who can be elected as directors at an Annual General Meeting are: (i) directors retiring at the meeting; (ii) anyone recommended by the directors; and (iii) anyone nominated by a shareholder. The nominating shareholder must be entitled to vote at the meeting. He must deliver to the Company a letter stating that he intends to nominate another person for election and the written consent of that person to be elected. These documents must be delivered to the Company not less than seven and not more than 42 days before the day of the meeting.

The Company may by special resolution remove any director before the expiration of his term of office. A director automatically stops being a director if: (i) he resigns; (ii) he offers to resign and the Company accept his offer; (iii) all of the other directors (at least three of them) resolve to or sign a written notice requiring his resignation; (iv) he is or has been suffering from mental ill health; (v) he is absent without permission of the Board for a continuous period of six months and the directors pass a resolution removing him from office; (vi) he becomes bankrupt or compounds with his creditors generally; (vii) he is prohibited by law from being a director; or (viii) he ceases to be a director under legislation or is removed pursuant to the Articles of Association

Significant agreements

The following significant agreements contain provisions entitling the counterparties to those agreements to exercise termination or other rights in the event of a change of control of the Company:

- £450m multi-currency credit facility agreement dated 9 June 2006 (as amended) between, amongst others, the Company, The Royal Bank of Scotland plc (as agent) and the financial institutions named therein as banks (the 'Facility'). On a change of control of the Company, unless the Majority Banks (as defined therein) otherwise agree, all loans, letters of credit and guarantees, together with all accrued interest and other sums payable under the agreement, shall be prepaid and, upon such prepayment being made, the total commitments of the banks under the Facility shall be cancelled and reduced to zero.
- Note purchase agreements dated 28 July 2005 and 17 September 2007 (as amended, the 'Note Purchase Agreements') pursuant to which notes amounting in aggregate to US$342m (the '2005 Notes') and US$125m (the '2007 Notes', together with the 2005 Notes, the 'Notes') respectively were issued by the Company. Each holder of Notes has an option, on a change of control of the Company, to require the Company to prepay the entire principal amount of the Notes held by that holder together with interest accrued thereon and the Make-Whole Amount (as defined in each of the Note Purchase Agreements).

Employment policies

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

Human rights, diversity and disability

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

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

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

Employee involvement

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

Report of the directors continued

Annual General Meeting

The Annual General Meeting will be held in the Rutherford Theatre at the Institute of Physics, 76 Portland Place, London W1B 1NT on Friday, 22 May 2009 at 11am.

Enclosed with this report is a circular containing a letter from the chairman to shareholders and the formal notice convening the Annual General Meeting.

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and resolutions to re-appoint Deloitte 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 that he/she ought to have taken as a director in order 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.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and financial position and commentary on the Group's financial results, its cash flows, liquidity requirements, borrowing facilities and a summary of the Group principal risks and uncertainties are set out in the operating reviews and financial review on pages 6 to 17 and elsewhere within the financial statements. In addition, Note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to liquidity risk and credit risk.

The Board is satisfied that the Group balance sheet remains strong. We remain well-financed with considerable headroom under our current facilities and no major refinancings are due until 2011.

The financial statements at 31 December 2008 show that the Group generated a profit from continuing operations of £89.2m (2007: £93.3m) with cash generated from operating activities of £215.5m (2007: £136.2m). The financial statements also show that at 31 December 2008 the Group balance sheet was in a net asset position of £459.8m (2007: £306.3m) with net current liabilities of £3.2m (2007: net current assets of £36.4m) mainly due to restructuring costs. The Group has generated positive operating cash inflows from operations for each of the last five years to 31 December 2008.

The main factors contributing to these cash inflows are the retention and growth of the customer base, terms of trade with customers and suppliers and the continuing management of working capital balances within the Group. The Board has concluded that no matters have come to its attention which suggests that the Group will not be able to maintain its current terms of trade with customers and suppliers. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, indicate that the Group has sufficient funding to operate within the level of its available facilities.

The Board has considered various alternative operating and funding strategies should these be necessary and are satisfied that revised operating and funding strategies could be adopted if and when necessary to maintain these levels of funding.

After making these enquiries, the Board is satisfied that the Group has the sufficient resources to continue in operational existence for the foreseeable future and for this reason; the going concern basis continues to be adopted in preparing the financial statements.

Directors' responsibilities

The directors are responsible for preparing the annual report, remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the International Accounting Standards (IAS) Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

IAS 1 requires that IFRS financial statements present fairly for each financial year the Company'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 International 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. However, 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

John Ross
Company Secretary

18 March 2009

Corporate governance

The following sections explain how the Company applies the main and supporting principles and the provisions of Section 1 of the Combined Code 2006 (the "Code"). The Board confirms that throughout 2008 we have complied with the relevant provisions of the Code save as where detailed below and on page 30 of the remuneration report.

The Board

All directors are collectively responsible for the overall success of the Company and for the creation of long-term shareholder value. Executive directors have direct responsibility for business operations, whereas the non-executive directors have a responsibility to bring independent, objective judgement to bear on Board decisions. This includes constructively challenging management and helping to develop the Company's strategy.

The Board comprises ten directors – a chairman, three executive directors and six independent non-executive directors. Details of the directors and their biographies are set out on pages 20 and 21. The directors have a broad range of expertise and experience, which we believe contributes significantly to the effectiveness of the Board.

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 affect the exercise of their independent judgement. The chairman was independent at the time of his appointment.

The other commitments of the chairman and non-executive directors are set out in their biographies.

The Board believes, in principle, in the benefit of executive directors and other senior employees accepting external non-executive directorships in order to broaden their skills and knowledge for the benefit of the Company. The Board has adopted a policy on external appointments which is designed to ensure that employees remain able to discharge their responsibilities to the Group. Directors and employees are usually permitted to retain any fees in respect of such appointments.

Directors must not vote in respect of any contract or other proposal in which they (or any person connected with them) have a material interest otherwise than by virtue of their interests in securities of the Company. The Articles of Association were not amended by shareholders at the 2008 Annual General Meeting and so were not updated to address the new statutory provisions regarding directors' duties in relation to conflicts of interest which came into force on 1 October 2008 under the Companies Act 2006. However, the Company has taken steps to ensure compliance with the new law on conflicts of interest and has procedures in place to identify and deal with any conflict situations should they arise. Those procedures have operated effectively throughout 2008. They do not include procedures for the Board to authorise any conflicts that may arise as the Board does not have such authority under the current Articles of Association. However, if shareholders approve the proposed adoption of new Articles of Association at the forthcoming Annual General Meeting, the Company intends to implement a set of procedures that reflect best practice in this regard in light of institutional shareholders' guidance.

To avoid potential conflicts of interest, non-executive directors are expected to inform the chairman before taking up any additional external appointments.

Bernard Fournier is the senior independent director and he is responsible for undertaking the annual review of the chairman's performance and chairing the Nominations Committee when considering the role of chairman. He is available to shareholders if they need to convey concerns to the Board other than through the chairman or chief executive officer. As reported on page 22 he will retire from the Board at the conclusion of the forthcoming Annual General Meeting.

In accordance with the Articles of Association, one-third of the Board are required to retire by rotation each year.

The division of responsibilities between the chairman and chief executive officer is set out in writing and has been agreed by the Board.

The chairman is responsible for:

- the composition and leadership of the Board;
- monitoring corporate governance processes;
- ensuring effective communication with shareholders and other stakeholders; and
- supporting the chief executive officer by acting as confidant, adviser and mentor as requested.

The chief executive officer is responsible for:

- the development and execution of the Group's strategy and its operational performance;
- leading the executive team,
- leading the management of relationships with external stakeholders; and
- being accountable for the execution of strategy and the Group's operating performance.

In the normal course of business the roles of chairman and CEO are performed by separate individuals in accordance with A.2.1 of the Code. However, following the departure of Robert Lerwill at the end of November 2008, the chairman, John Napier, was appointed to the additional role of interim CEO as it was unanimously considered by the Board to be the most appropriate short-term arrangement. The Board expects to be in a position to be able to announce the appointment of a new Group CEO by the end of 2009.

Board meetings

The Board meets at least seven times a year and more frequently when business needs require. One Board meeting is usually followed by a second day devoted entirely to the ongoing development of the Company's strategic plans. Board meetings are structured to allow open discussion and all directors participate in discussing the strategy, trading and financial performance and risk management of the Company.

There is a list of matters that have been reserved to the Board for decision. These include approval of:

- Group strategy, annual budget and operating plans;
- formal results announcements;
- dividend policy;
- all circulars and listing particulars;
- matters relating to share capital; and
- major capital projects, investments and commitments.

All directors are fully briefed on important developments in the various business activities which the Group undertakes and regularly receive information concerning the Group's operations, finances, key risks and its employees, enabling them to fulfil their duties and obligations as directors.

The Board is supplied in advance of each meeting with an agenda and supporting documentation. At each Board meeting there are a number of standard agenda report items. External advisors are also invited to attend meetings where relevant input is needed. The Board also receives briefings from the chairmen of the Audit and Remuneration Committees following meetings of those Committees.

Corporate governance continued

The attendance of directors at meetings of the Board and at Board committees of which they were members during the year is set out below:

	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
No. of meetings in year	8	3	3	3
Lord Sharman (retired 17.07.08)	5	–	–	3
John Napier (appointed 30.06.08)	4	–	–	–
Jerry Buhlmann (appointed 02.06.08)	5	–	–	–
Adrian Chedore	7	–	–	–
Daniel Farrar	6	–	2	1
Bernard Fournier	8	3	–	3
Robert Lerwill (resigned 27.11.08)	7	–	–	2
Alicja Lesniak	8	–	–	–
Mainardo de Nardis (resigned 05.09.08)	2	–	–	–
Brendan O'Neill	8	3	–	3
Charles Strauss	7	–	3	1
Lorraine Trainer	8	–	3	3
David Verklin (resigned 21.04.08)	1	–	–	–
Leslie Van de Walle	8	3	–	2

Note

In addition to the above, Robert Lerwill and Alicja Lesniak regularly attended, by invitation, meetings of the Audit Committee and Robert Lerwill regularly attended meetings of the Remuneration Committee.

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.

Performance appraisal process

The non-executives, led by the senior independent 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 meets with the chairman to discuss any particular issues where it is felt that improvements could be made.

In the normal course of business an annual performance review of the Board and its committees is undertaken in accordance with A.6.1 of the Code. However, following the change of chairman mid-way through the year and with the other changes in the Board it was not considered appropriate to undertake the performance review of the Board and its committees during 2008. It is expected that this process will be reintroduced either late in 2009 or early in 2010.

Induction and training

Directors undertake an induction programme when they join the Board and receive a range of information about the Group. The induction programme also includes meetings with other members of the Board and various briefings and presentations regarding the Group's operations from senior executives. Ongoing training needs for all directors are met as required.

Director liability

The Company has in place an appropriate level of directors and officers insurance cover in respect of legal action against the directors. In addition, the Company has given an indemnity to its directors in respect of third party claims. Information about the indemnities is set out in the directors' report on page 22

All directors have access to the advice and services of the company secretary and, if required, external professional advice at the Company's expense. If a director has particular concerns, he or she can have these recorded in the Board minutes.

Board committees

Terms of reference for all Board committees are regularly reviewed and are available on the Company's website at www.aegisgroupplc.com and 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 to lead the Committee in its duties and deliberations. His colleagues on the Committee during 2008 were Bernard Fournier and Leslie Van de Walle. Details of the members of the Audit Committee, all of whom are independent non-executive directors, are set out on pages 20 and 21.

At the invitation of the chairman, meetings of the Committee were also attended, in whole or in part, by the CFO, the external auditors, the Group CEO as well as the company secretary and head of internal audit. In addition, other members of senior management were invited to attend as necessary to provide updates and background information on matters considered by the Committee.

The chairman of the Committee regularly meets with the auditors without executive directors or management present.

The Board considers that, through the Audit Committee, it has an objective and professional relationship with the Company's external auditors.

Work carried out by the Committee during 2008, in accordance with its responsibilities, included:

- monitoring the integrity of the Company's financial statements and reviewing significant reporting judgements;
- reviewing internal audit and risk management and controls, and considering progress reports from the Risk Committee and head of internal audit;
- reviewing the Company's internal financial controls and procedures;
- reviewing the external auditors' independence, objectiveness and effectiveness;
- approving the external auditors' terms of engagement, the scope of the audit and the applicable levels of materiality; and
- prior to the release of the preliminary announcement of the annual results, reviewing the year's results and audit findings.

In reviewing the half year and annual financial statements the Committee focused in particular on:

- any changes in accounting policies and practices;
- major judgemental areas;
- issues resulting from the external audit;
- the going concern assumption;
- compliance with accounting standards and the Code; and
- compliance with stock exchange and legal requirements.

Based on written reports submitted to it, the Committee reviewed with the external auditors the findings of their audit work, and confirmed that all significant matters had been satisfactorily resolved.

The Committee has responsibility for making recommendations to the Board in relation to the external auditors' independence 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 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.

Remuneration Committee
During the year the Remuneration Committee comprised Charles Strauss (chairman), Daniel Farrar and Lorraine Trainer. All three are independent non-executive directors. Members of the Committee have no personal financial interest, other than as shareholders, in the Committee's decisions and they have no conflict of interest arising from cross directorships.

Meetings of the Committee were also attended, in whole or in part, by the Group human resources director, the company secretary and a senior representative from Kepler Associates, advisors to the Committee. The Group CEO is invited to attend all meetings of the Committee. Also, the chairman of the Board may attend meetings and is consulted by the Committee on proposals relating to the remuneration of the CEO. The Committee, with advice from Kepler Associates, determined the additional fee payable to John Napier on his taking on the additional interim CEO role and John Napier was not party to such discussions. The non-Committee attendees are not present as of right and do not attend when their own remuneration is discussed.

The Committee meets three times a year and other times as required. Its main responsibilities are:

- determining and recommending the policy and framework for the remuneration of the chairman, CEO, executive directors and other senior executive management;
- within policy terms and in consultation with the chairman, CEO and external advisors as appropriate, determining the total remuneration packages of the chairman, CEO and other executive directors; and
- overseeing the design and operation of the Group's share-based long-term incentive schemes, including approving the value and timing of awards and overseeing the operation of performance conditions.

During the year the principal business of Committee meetings included the following:

- conducting the annual review of base salaries for executive directors and the CEO's recommendation for his executive team based on review of actual performance and suitably robust benchmarking;
- the consideration and approval of bonus payments for 2007;
- ongoing review and monitoring of performance conditions for vesting awards and approving new awards under the Group's share option scheme and performance share plan;
- reviewing the Group's executive reward arrangements in the context of an economic downturn;
- determination of the termination arrangements for those members of the senior executive team who left the Group;
- drafting of the remuneration report;
- reviewing the effectiveness of the Committee; and
- comprehensive review of the Group's share schemes' design.

Nomination Committee
The Nomination Committee comprises all of the non-executive directors together with the CEO and is chaired by the chairman of the Board. The Committee meets as and when required but at least once a year.

The Committee is responsible for:

- reviewing the Board structure, size and composition;
- identifying and nominating to the Board candidates for appointment or re-appointment as directors; and
- reviewing the renewal or otherwise of terms of appointment for non-executive directors, with any individual in question not taking part in the discussion.

During the year the principal business of Committee meetings included the following:

- considering and recommending to the Board the appointment of Jerry Buhlmann as CEO of Aegis Media;
- undertaking the search and recruitment of candidates for the position of chairman to replace Lord Sharman who retired on 17 July 2008 and recommending that John Napier be appointed chairman. The Committee was led in this process by the senior independent director and used the services of an external search and recruitment consultancy; and
- reviewing and renewing the terms of appointment of Brendan O'Neill and Lorraine Trainer who did not take part in the deliberations.

Internal control and risk management

The Group operates a system of internal control, which is maintained and reviewed in accordance with the Combined Code 2006, the revised Listing Rules, the Disclosure and Transparency Rules and the guidance contained in the Turnbull Report (revised).

Internal control governance
Responsibilities
The Board has ultimate responsibility for ensuring that the Group adopts a suitable system of internal control and reviews this annually to ensure its effectiveness It delegates some of this responsibility to the Audit Committee. In turn, the Audit Committee places reliance on reports it receives from the Group internal audit function. Day-to-day responsibilities for embedding the Group's system of internal controls lie with the executive and senior management teams.

Internal control framework
The Group's system of internal controls is designed to manage, but may not eliminate, the risk of the Group not achieving its overall objectives. The Group's internal control framework can only be expected to provide reasonable assurance that the Group's assets and reputation are safeguarded and we are not subject to material loss or financial misstatement. The Group's system incorporates controls designed to mitigate against strategic, financial, commercial, operational, governance and other risks.

The CEO and CFO of each company is required to complete an annual certificate to confirm, in relation to such company, that:

- the accounts as submitted were accurate and complete and prepared in accordance with Group accounting policies;
- there were no actual or potential breaches of laws or regulations;
- there were no known frauds;
- there were no related party transactions other than those properly disclosed;
- there were no conflicted directorships; and
- all relevant information was disclosed to the auditors.

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

The Audit Committee reports to the Board on the adequacy of the Group's internal controls system. The Audit Committee receives reports from the head of internal audit on the integrity of the control environment. The external auditors report to the Audit Committee on the control environment by exception following their half year review and full year audit. Copies of minutes of all Risk Committee meetings are also provided to members of the Audit Committee.

The Group continues to operate an annual risk self assessment questionnaire to confirm the adequacy of controls in place to mitigate identified risks and compliance with Group policies and practices. The results of the assessments are provided to the Audit Committee

The Board confirms that in 2008 it has reviewed the effectiveness of the system of internal controls and considers that there are ongoing processes in place for identifying, evaluating and managing the significant risks faced by the Group and that these processes have been in place during 2008 and up to the date of approval of the annual report and accounts. Following its review, the Board confirms that no significant weaknesses or deficiencies were identified. The Board considers that the information received was sufficient to monitor the process and review its effectiveness in accordance with the Turnbull Guidance on Internal Controls.

Internal audit

Our internal audit function is considered independent to the operations and monitors the business units' application of the Company's principles and policies and their overall control of risks.

The overall effectiveness of the internal audit function is monitored by the Audit Committee, which receives regular reports detailing the findings arising from the internal audit function's work.

Risk Committee

The Board has ultimate responsibility for ensuring that the Group has an effective framework in place for managing its risks. The Risk Committee structure supports the Board in fulfilling these responsibilities.

The Group's Risk Committee meets three to four times a year and in 2008 was attended by head office senior and executive management, as well as senior representatives from both Aegis Media and Synovate.

The Committee provides a forum for the discussion of key risks faced by the Group, the development of risk assessment techniques and the consideration and approval of risk management action plans.

Recognising that responsibility for the management of operational risks lies with the divisions, we have introduced two additional Risk Committee bodies, one for Aegis Media and one for Synovate. Each has a varied range of senior representatives (from different markets, disciplines and business streams). The principal duties of these two Risk Committees are to ensure that risks within their divisions are being identified and appropriately managed and to approve minimum standards and procedures to enhance the control environment.

The head of Group internal audit attends all meetings to ensure a cohesive approach and shared learnings of risks amongst the three Committees. The risks identified, and the control mechanisms applicable to each risk and how well they are being managed, are maintained in a risk register.

The members of the Risk Committee review the Group's key risks on an ongoing basis and receive input from internal audit reports and the risk-self assessment process on how well these are being managed. A summary of the Group's principal risks and uncertainties is included in the financial review on pages 15 to 17.

Internal audit reports

The Group's internal audit function is charged with assessing whether controls expected to mitigate risks are being implemented and operating effectively. Where any common gaps are identified across a number of business units, a solution is agreed through discussion at the Risk Committee meetings and a risk champion is assigned to improve the required controls, as appropriate Given that the Group operates in a fast-moving environment with frequent new offerings to clients, particularly via acquisitions, we accept that risks are constantly evolving and additional controls are required as a result. To try and identify these risks as quickly as possible, the internal audit functions' remit is to visit newly acquired subsidiary companies within 12 months of their joining the Group.

Risk self-assessments

Aegis Media and Synovate operate under different business models, so the risk self-assessment questionnaires are tailored for each of our divisions. Each year, the risks to be included are reviewed to make sure they are up-to-date and relevant to each business and that they will help management to assess how well their operations are run. The committees will provide input into the risks to be included in their separate risk self-assessment surveys and will assign risk champions as required for any risks not being appropriately managed.

Employee concerns

The Group has arrangements in place that allows employees, in confidence, to raise concerns about possible wrongdoing in matters of financial reporting or other matters, without fear of reprisal, provided that such concerns are raised in good faith. The Audit Committee regularly reviews these arrangements to ensure that there is proportionate and independent investigation of any reported concerns and that appropriate follow up is taken. There were no such material reports in 2008.

Relations with shareholders

The Group wants its shareholders to understand its prospects and to be able to interact with it constructively.

Executive directors meet regularly with major shareholders. In 2008 Aegis had a total of 301 investor contacts, consisting of one-to-one meetings, groups and investor events. This covered current shareholders and non-holders in 175 separate investing institutions. Overseas roadshows were held in North America, France, Belgium, Holland and Germany. Non-executive directors are available to meet with institutional shareholders on request.

The Group's brokers provide the Board with a written report (covering changes in valuation and ownership, market and sector issues) on a monthly basis, and are available for shareholder relations advice. In December, JPMorgan Cazenove was appointed sole broker.

The Annual General Meeting is an opportunity for shareholders to address questions to the chairman and the respective chairmen of the Board committees or the Board directly.

Published information, including press releases, presentations and webcasts of our results meetings, is available on our corporate website, www.aegisgroupplc.com.

For further information, please contact our communications director, Charlotte Elston, on 0207 070 7700 or communications@aegisplc.com.

John Ross
Company Secretary
18 March 2009

Remuneration report

The following report by the Remuneration Committee has been approved by the Board for submission to the shareholders at the 2009 AGM. Deloitte LLP have audited the following items stipulated in law for their review:

- The table of directors' remuneration and associated footnotes on page 31.
- The tables of disclosure of directors' share options and share awards and associated footnotes on pages 33 to 35.

The Committee's terms of reference are available from the Company's website at www.aegisgroupplc.com.

In developing remuneration strategy during the year, the Committee obtained its principal advice from Kepler Associates, who were appointed by the Committee. Kepler Associates provided no other services to the Group during the year and have no other connection with the Company.

Remuneration policy principles

The Committee's remuneration policy is focused on the delivery of a high performance culture across the Group. The key principles which underpin the remuneration policy are as follows:

- Total remuneration is set at a level which attracts, motivates and retains high calibre executive talent
- There is a strong link between remuneration and performance
- Short and long-term incentives are linked to measures of financial performance, delivery of shareholder value and a robust assessment of personal contribution
- Executive remuneration and shareholders' interests are aligned as far as possible.

In order to achieve these objectives, the Committee reviews base salaries in the context of total remuneration and determines remuneration levels to reflect the market value of each role plus the skills and experience of the individual. It also assesses the ratio of fixed and performance-based remuneration with a view to strengthening the link between remuneration and performance and reviews the level of challenge in the financial measures and the leverage of the incentive arrangements so that only exceptional performance attracts higher levels of reward.

Elements of remuneration

During 2008 the Committee has reviewed remuneration arrangements to ensure the Company continues to reward the right behaviours and motivate executives to drive strong performance in a difficult market. Remuneration for executive directors in 2009 will therefore consist of three principal elements as described below.

Base salary and benefits
Base salary and benefits are determined on an annual basis by the Committee with reference to market benchmarking from a comparative group, sector market trends, individual performance, and the performance of the Group and/or relevant business division.

A summary of the benefits payable to executive directors in 2008 is given on page 31.

In 2009, the salary arrangements for the three executive directors: Jerry Buhlmann, Adrian Chedore and Alicja Lesniak will remain unchanged at £485,000, £365,000 and £390,000 per annum respectively with a possible review later in the year depending on financial performance and forecast results at the half year.

Bonus schemes
i) Annual Cash Bonus Scheme
All the executive directors participate in the Group's Annual Cash Bonus Scheme which is based on a combination of Group and business division financial targets and personal performance.

In 2008 the financial targets were revised to include the specific targets for operating profit, operating profit margin, cash and revenue growth. The weighting between financial and personal elements remained the same. The on-target bonus opportunity was changed for the Group chief financial officer to align with market practice of the comparator group of media companies and other London Stock Exchange listed companies of similar size. This change took the on-target from 37.5% to 50% of salary with a maximum of 100%. The arrangements for Adrian Chedore and Jerry Buhlmann remain unchanged with an on-target at 25% of salary with a maximum of 75%. In 2009 the financial targets and bonus constructs will be reviewed in order to further strengthen the link between remuneration and performance and the alignment with shareholders' interests.

ii) Deferred Annual Cash Bonus Scheme
In addition to the Group's Annual Cash Bonus Scheme, Jerry Buhlmann and Adrian Chedore participate in a separate Deferred Annual Cash Bonus Scheme based on achievement of demanding year-on-year profit growth targets for their respective businesses. This additional scheme has been in operation since 2004 and is designed to reflect the individual's critical contribution to the Group, delivery of specific year-on-year profit growth financial targets and to provide competitive total remuneration relative to other media businesses. This additional bonus is potentially worth up to 200% of base salary. At each year end any bonus earned under the plan is accrued to a personal bonus pool. Half of the bonus pool is then paid out in any one year with the remaining 50% carried forward to the following year end. This deferred bonus pool will normally be forfeited if the director leaves the Group, unless specific approval is authorised by the Remuneration Committee.

As reported in last year's accounts the design of the scheme had been reviewed resulting in the introduction of one change for any new arrangements entered into with effect from 2008. The change requires the 50% deferred bonus pool to be retained in market purchased shares rather than cash. All other elements of the scheme remain unchanged.

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. In autumn 2007, Kepler Associates were asked to undertake a review of the trends and market practice with regards to the granting of options. This led to the decision to progressively withdraw from the practice of granting share options with effect from 2008. In autumn 2008, Kepler Associates were asked to review the 2003 Performance Share Plan in accordance with corporate governance guidelines and reward best practice. This concluded the scheme remained appropriate and no changes were made.

i) 2003 Executive Share Option Scheme
In any financial year, an executive can receive a conditional award of share options worth (at market value of share) no more than three times basic salary in normal circumstances. The exercise of options is based upon the Company's underlying earnings per share ("EPS") growth relative to inflation ("RPI"), and the following performance conditions will apply to options granted in 2008:

Average annual EPS growth in excess of RPI	Proportion of option grants exercisable
3%	Up to 0.5x salary
3% to 7%	0.5 to 1x salary (pro rata on a straight-line basis)
7% to 12%	1 to 2x salary (pro rata on a straight-line basis)
12% to 17%	2 to 3x salary (pro rata on a straight-line basis)

Following a review by the Remuneration Committee in 2005, the EPS growth targets were increased to those detailed above for grants made from 2005. The Committee has reviewed the EPS condition again in March 2009 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 33.

These EPS performance conditions are tested over three consecutive financial years beginning with the year prior to that 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 of share) no more than two times basic salary in normal circumstances. 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 underlying 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)

Remuneration report continued

The following companies continued to be included in the peer group for calculation of TSR performance in 2008:

Dentsu Inc.	Pearson plc
Havas S.A.	Publicis Groupe S.A.
The Interpublic Group of Companies Inc.	Reed Elsevier plc
Ipsos S.A.	Viacom Inc.
The News Corporation Limited	WPP Group plc
Omnicom Group Inc.	

In view of the acquisition of Taylor Nelson Sofres plc (TNS) by WPP Group plc in 2008 TNS was excluded from the comparator group for the 2006, 2007 and 2008 performance cycles. For the awards made in 2009 GfK Group will be included in the comparator group. The vesting schedule will remain unchanged.

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 2009 and believes that the targets as detailed above continue to be appropriate.

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 is carried out by Kepler Associates, the advisor to the Committee.

The use of EPS for both options and part of the performance share award is considered appropriate given the importance of EPS growth to the overall performance and strategy of the Company.

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 balanced long-term incentive for the Company's executives.

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 awards will be made under previously 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 29, 30, 33 and 34. Details of all share incentive awards outstanding for each executive director serving during 2008 are set out on pages 33 to 35.

Pensions

Alicja Lesniak receives a seperate salary supplement (25% of basic annual salary) with which to make her own pension arrangements, as did Mainardo de Nardis (25% of basic annual salary) and Robert Lerwill (40.7% of basic annual salary) while they were on the Board. Jerry Buhlmann is a member of a HM Revenue and Customs approved Group personal pension plan scheme. Pensionable salary is limited to base salary excluding all bonuses and other benefits. Adrian Chedore has, and David Verklin had, arrangements in line with local (Hong Kong and US respectively) market conditions and statutory obligations. Annual employer pension contributions or salary equivalent payments are shown in the audited directors' remuneration table on page 31.

Service contracts

Details of the service contracts of those who served as executive directors during the year are set out below. All executive 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 (resigned 27.11.08)	22.02.05	12 months	6 months
Adrian Chedore	21.02.03	12 months	6 months
Jerry Buhlmann (appointed 02.06.08)	08.05.08	12 months	6 months
Alicja Lesniak	21.03.07	12 months	6 months
Mainardo de Nardis (resigned 05.09.08)	18.08.06	12 months	6 months
David Verklin[a] (resigned 21.04.08)	01.07.98	6 months	6 months

Notes:

(a) Since his recruitment in 1998, David Verklin had retained 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 six months' notice period. This departure from B.1.6 of the Code was reviewed on an ad hoc basis and the Remuneration Committee considered this provision remained appropriate and in line with market practice in the US.

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. Kepler Associates provide external market data when fee levels are reviewed. The fee structure was last reviewed in 2008, and is shown below.

Base fee	£45,000
Plus:	
Chairman of Audit Committee	£10,000
Chairman of Remuneration Committee	£10,000
Senior independent director	£10,000

Non-executive directors have letters of engagement rather than service contracts. They 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 reappointment	Unexpired term as at 18 March 2009
Daniel Farrar	02.06.03	02.06.06	2 months
Bernard Fournier	01.06.00	01.06.03 and 01.06.06	2 months
Brendan O'Neill	08.08.05	08.08.08	2 years 4 months
Charles Strauss	05.09.03	05.09.06	6 months
Lorraine Trainer	02.08.05	02.08.08	2 years 4 months
Leslie Van de Walle	02.06.03	02.06.06	2 months
John Napier	30.06.08	none yet	2 years 2 months

Audited directors' remuneration

	Salary and Fees £'000	Benefits[b] £'000	Termination Payments[c] £'000	Annual Cash Bonus[d] £'000	Deferred Annual Bonus[d] £'000	Total 2008 £'000	Total 2007 £'000	Pensions 2008 £'000	Pensions 2007 £'000
Jerry Buhlmann (appointed 02.06.08)	287	23	–	140	324	774	–	77	–
Adrian Chedore	379	198	–	100	96	773	797	14	12
Daniel Farrar	42	–	–	–	–	42	40	–	–
Bernard Fournier	52	–	–	–	–	52	50	–	–
Robert Lerwill (resigned 27.11.08)	637	27	1,402	–	–	2,066	1,208	259	268
Alicja Lesniak	390	27	–	92	–	509	493	98	70
Mainardo de Nardis (resigned 05.09.08)	327	30	379	–	136	872	802	82	116
Brendan O'Neill	52	–	–	–	–	52	50	–	–
John Napier[a] (appointed 30.06.08)	124	–	–	–	–	124	–	–	–
Lord Sharman (retired 17.07.08)	96	–	–	–	–	96	175	–	–
Charles Strauss	52	–	–	–	–	52	50	–	–
Lorraine Trainer	42	–	–	–	–	42	40	–	–
David Verklin (resigned 21.04.08)	120	5	786	136	94	1,141	632	4	3
Leslie Van de Walle	42	–	–	–	–	42	40	–	–
Totals	2,642	310	2,567	468	650	6,637	4,377	534	469

Notes:

(a) John Napier's annual fee as chairman is £200,000. For taking on the additional role of interim CEO he is paid an additional annualised fee of £300,000. He receives no benefits nor participates in any short-term bonus or long-term incentive arrangement.

(b) Benefits relate generally to the provision of car cash allowance, life assurance, various disability and health insurances and, in the case of Adrian Chedore (resident in Hong Kong), a housing allowance of £65,522, home leave allowance of £2,912 and settlement of a personal tax liability of £101,196.

(c) Robert Lerwill resigned as a director on 27 November 2008 and left the employment of the Group on 30 November 2008. Mainardo de Nardis resigned as a director on 5 September 2008 and left the Group's employment on 5 March 2009. David Verklin resigned as a director on 21 April 2008 and left the Group's employment on 18 October 2008. In respect of all three the total figure in the termination payments column above is comprised of amounts paid in 2008 and amounts still payable in 2009 under their service contracts as part of a full and final settlement of claims.

(d) The main terms of the bonus schemes are summarised on page 29. For Alicja Lesniak, whose annual cash bonus is determined by the Company's financial performance, 24% of the maximum potential was awarded in respect of 2008. For Jerry Buhlmann and Adrian Chedore, whose annual cash bonuses are determined by business/division/Group performance, between 34% and 38% of the maximum potential was awarded in respect of 2008 for the annual cash bonus and between 0% and 5% of maximum potential was awarded in respect of the deferred annual cash bonus.

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 Alicja Lesniak had external non-executive directorships as follows:

Director	Company	Annual fees
Alicja Lesniak	DTZ Holdings	£35,000
Alicja Lesniak	SThree	£35,000

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 2008.

Remuneration report continued

Directors' share interests

The interests of the directors (including the interests of "connected persons" of the directors (as defined in the Disclosure and Transparency Rules)), in the ordinary shares of the Company were as follows:

	18 March 2009	31 December 2008	1 January 2008*
Jerry Buhlmann (appointed 02.06.08)	198,553	198,553	160,553
Adrian Chedore	480,289	480,289	380,289
Daniel Farrar	6,250	6,250	6,250
Bernard Fournier	10,000	10,000	10,000
Robert Lerwill (resigned 27.11.08)	–	–	100,000
Alicja Lesniak	40,591	40,591	20,000
John Napier (appointed 30.06.08)	–	–	–
Mainardo de Nardis (resigned 05.09.08)	–	–	350,000
Brendan O'Neill	10,000	10,000	10,000
Lord Sharman (retired 17.07.08)	–	–	35,000
Charles Strauss	20,000	20,000	20,000
Lorraine Trainer	33,200	33,200	13,200
David Verklin (resigned 21.04.08)	–	–	201,349
Leslie Van de Walle	61,549	61,549	61,549

*or at date of appointment if later

As at 18 March 2009 the executive directors (Jerry Buhlmann, Adrian Chedore and Alicja Lesniak) were also deemed to have an interest in the 24,875,971 shares, held by the Trustee of the Aegis Group 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 December 2008 and new issue shares had been used to satisfy all exercises, the dilution would have been 4.95% 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 01.01.08[c]	Granted during 2008	Lapsed during 2008	Exercised during 2008	Options held at 31.12.08[d]	Exercise price	Date from which exercisable	Expiry date
Robert Lerwill (resigned 27.11.08)	1,500,000**	–	–	–	1,500,000	105p	09.03.08	08.03.15
	484,615**	–	–	–	484,615	134p	20.03.09	19.03.16
	447,096**	–	–	–	447,096	147.5p	23.03.10	22.03.17
	–**	140,688	–	–	140,688	123.5p	03.06.11	02.06.18
Adrian Chedore	1,000,000*	–	1,000,000	–	–	109p	14.03.05	13.03.12
	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
	324,617**	–	–	–	324,617	147.5p	23.03.10	22.03.17
	–**	138,907	–	–	138,907	123.50p	03.06.11	03.06.18
Alicja Lesniak	254,668**	–	–	–	254,668	147.25p	12.04.10	11.04.17
Jerry Buhlmann (appointed 02.06.08)	69,958	–	–	–	69,958	121.5p	17.03.02	16.03.09
	43,995	–	–	–	43,995	94.00p	18.06.05	17.06.12
	72,414	–	–	–	72,414	145p	18.04.03	17.04.10
	96,033	–	–	–	96,033	119.75p	23.03.04	22.03.11
	300,000**	–	–	–	300,000	101.75p	31.03.08	30.03.15
	293,154**	–	–	–	293,154	134p	20.03.09	19.03.16
	271,646**	–	–	–	271,646	147.5p	23.03.10	22.03.17
Mainardo de Nardis (resigned 05.09.08)	345,489**	–	–	–	345,489	130.25p	06.09.09	05.09.16
	317,826**	–	–	–	317,826	147.5p	23.03.10	22.03.17
David Verklin (resigned 21.04.08)	641,398[a]	–	–	641,398	–	80.5p	09.04.01	08.04.08
	1,000,000[b]*	–	–	–	1,000,000	87p	15.05.01	14.05.08
	82,513	–	–	–	82,513	214.5p	09.03.03	08.03.10
	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
	285,229**	–	–	–	285,229	147.5p	23.03.10	22.03.17
Totals	11,417,137	279,595	2,000,000	641,398	9,055,334			

(a) David Verklin exercised 641,398 options on 08.04.08 at a market price of 126.50p, realising a total gross gain of £295,043. He retained all the shares at the time of exercise.

(b) David Verklin exercised and sold 1,000,000 options on 13.05.08 at a market price of 127.86p, realising a total gross gain of £408,600.

(c) Or at date of appointment.

(d) Or at date of resignation.

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 retesting 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 0.5x salary
3% to 5%	0.5 to 1x salary (pro rata on a straight-line basis)
5% to 10%	1 to 2x salary (pro rata on a straight-line basis)
10% to 15%	2 to 3x 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 continued

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 retest 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 2008 was 74 5p and the range during the year was 47 25p to 133p The share price on 17 March, 2009 the latest practicable date prior to signing of the annual report and accounts, was 76 25p

Treatment of outstanding options of David Verklin, Mainardo de Nardis and Robert Lerwill
The Remuneration Committee determined the following:

David Verklin
In accordance with the terms of his service contract all options outstanding vested in full and remain exercisable for a period of one year from 18 October 2008.

Mainardo de Nardis
All options outstanding vested, to the extent that performance conditions had been met and on a time prorated basis, and remain exercisable for a period of one year from 5 March 2009.

Robert Lerwill
All options outstanding vested, to the extent that performance conditions had been met, and remain exercisable for a period of two years from 30 November 2008.

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 08	Awards granted during year	Awards lapsed during year	Awards transferred during year	Maximum potential award of shares at 31 12 08	Performance period
Robert Lerwill (resigned 27.11.08)	1,000,000	–	400,000	600,000*	–	01.01.05 to 31.12.07
	726,923	–	–	–	726,923	01.01.06 to 31.12.08
	670,645	–	–	–	670,645	01.01.07 to 31.12.09
	–	1,125,506	–	–	1,125,506	01.01.08 to 31.12.10
Adrian Chedore	495,000	–	198,000	297,000*	–	01.01.05 to 31.12.07
	357,243	–	–	–	357,243	01.01.06 to 31.12.08
	324,617	–	–	–	324,617	01.01.07 to 31.12.09
	–	591,093	–	–	591,093	01.01.08 to 31.12.10
Alicja Lesniak	254,668	–	–	–	254,668	01.01.07 to 31.12.09
	–	527,368	–	–	527,368	01.01.08 to 31.12.10
Jerry Buhlmann (appointed 02.06.08)	300,000	–	120,000	180,000*	–	01.01.05 to 31.12.07
	293,000	–	–	–	293,154	01.01.06 to 31.12.08
	271,646	–	–	–	271,646	01.01.07 to 31.12.09
	–	567,935	–	–	567,935	01.01.08 to 31.12.10
	–	96,920	–	–	96,920	01.01.08 to 31.12.10
Mainardo de Nardis (resigned 05.09.08)	767,754	–	–	–	767,754	01.01.06 to 31.12.08
	611,205	–	–	–	611,205	01.01.07 to 31.12.09
David Verklin (resigned 21.04.08)	450,000	–	180,000	270,000*	–	01.01.05 to 31.12.07
	607,243	–	358,274	248,969*	–	01.01.06 to 31.12.08
	285,229	–	65,603	219,626*	–	01.01.07 to 31.12.09

The market price of Aegis shares at the date of the 2005 award was 101.75p, for the 2006 award 134p, for the 2007 awards between 147.25p and 147.5p and for the 2008 awards between 112p and 123.50p.

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 29 and 30.

Audited awards under the 2003 Performance Share Plan continued

Details of transferred awards

Name	Number vested	Date of award	Market price at date of transfer	Gross gain
Robert Lerwill	600,000	09.03.05	125.88p	£755,280
Adrian Chedore	297,000	31.03.05	123.828p	£367,769
Jerry Buhlmann	180,000	31.03.05	123.648p	£222,566
David Verklin	270,000	31.03.05	114.00p	£307,800
David Verklin	248,969	20.03.06	48.00p	£119,505
David Verklin	219,626	23.03.07	48.00p	£105,420

Treatment of outstanding Performance Share Plan awards of Mainardo de Nardis and Robert Lerwill
The Remuneration Committee determined in respect of both Mainardo de Nardis and Robert Lerwill that outstanding awards will vest and be transferred, to the extent that the performance conditions had been achieved and, where relevant, subject to time pro rating since the 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 2003 and 31 December 2008 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

18 March 2009

Independent auditors' report to the members of Aegis Group plc

We have audited the consolidated financial statements of Aegis Group plc ("the Group") for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense 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 31 December 2008.

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 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 operating reviews 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 directors' 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 2006 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 judgement 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 2008 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 LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London

18 March 2009

Consolidated income statement

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Turnover – amounts invoiced to clients		10,413.8	9,351.2
Revenue	4	1,342.0	1,106.4
Cost of sales		(189.0)	(159.8)
Gross profit		1,153.0	946.6
Operating expenses before restructuring charges		(989.2)	(806.3)
Restructuring charges	7	(27.4)	–
Operating expenses		(1,016.6)	(806.3)
Operating profit	4	136.4	140.3
Share of results of associates		2.7	6.4
Profit before interest and tax		139.1	146.7
Investment income	9	15.9	13.6
Finance costs	10	(30.4)	(28.6)
Net financial costs		(14.5)	(15.0)
Profit before tax		124.6	131.7
Tax	11	(35.4)	(38.4)
Profit for the financial year		89.2	93.3
Attributable to:			
Equity holders of the parent		82.8	88.5
Minority interests		6.4	4.8
		89.2	93.3
Earnings per ordinary share:			
Basic (pence)	13	7.3	7.8
Diluted (pence)	13	7.3	7.8
Underlying results:			
Underlying operating profit	4	185.4	146.2
Underlying profit before tax	4	166.8	132.7

Consolidated balance sheet

At 31 December 2008

	Notes	2008 £m	2007 £m
Non-current assets			
Goodwill	14	1,114.6	796.6
Intangible assets	15	104.9	49.2
Property, plant and equipment	16	73.5	53.8
Interests in associates and joint ventures	17	26.7	19.3
Deferred tax assets	22	23.5	15.8
Available-for-sale financial assets	18	0.4	2.3
Other financial assets	21	2.1	1.7
		1,345.7	938.7
Current assets			
Inventory: work in progress		22.5	15.5
Derivative financial assets	21	6.0	0.1
Trade and other receivables	19	2,324.0	2,090.6
Other financial assets	21	2.8	0.3
Cash at bank and in hand and short-term deposits	21, 31	412.7	356.8
		2,768.0	2,463.3
Total assets		4,113.7	3,402.0
Current liabilities			
Trade and other payables	20	(2,703.4)	(2,322.3)
Short-term borrowings and overdrafts	21	(52.7)	(85.1)
Derivative financial liabilities	21	(0.8)	(0.3)
Other financial liabilities	21	–	(0.1)
Current tax liabilities		(14.3)	(19.1)
		(2,771.2)	(2,426.9)
Net current (liabilities)/assets		(3.2)	36.4
Non-current liabilities			
Long-term borrowings	21	(657.5)	(516.9)
Other long-term liabilities	21, 29	(178.9)	(119.0)
Derivative financial liabilities	21	(11.1)	(15.9)
Deferred tax liabilities	22	(30.7)	(15.2)
Provisions	23	(4.5)	(1.8)
		(882.7)	(668.8)
Total liabilities		(3,653.9)	(3,095.7)
Net assets		459.8	306.3
Equity			
Share capital	24, 27	58.0	57.7
Shares to be issued	27	4.0	4.7
Own shares	25, 27	(30.6)	(30.9)
Share premium account	26, 27	243.5	238.7
Capital redemption reserve	27	0.2	0.2
Foreign currency translation reserve	27	107.9	6.4
Retained earnings	27	102.9	44.2
Equity attributable to equity holders of the parent		485.9	321.0
Minority interests	27	17.3	6.5
Potential acquisition of minority interests	27	(43.4)	(21.2)
Total equity		459.8	306.3

These financial statements were approved by the Board of directors on 18 March 2009 and were signed on its behalf by:

John Napier
Chief executive officer

Alicja Lesniak
Chief financial officer

Consolidated cash flow statement

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Cash flows from operations			
Cash inflows from operations	31	261.6	175.0
Income taxes paid		(46.1)	(38.8)
Net cash inflow from operations		215.5	136.2
Investing activities			
Interest received		15.9	13.6
Dividends received from associates		0.8	0.5
Return of capital from joint venture		–	2.3
Net cash paid on purchase of subsidiary undertakings		(55.5)	(77.9)
Disposal of subsidiary		–	1.6
Proceeds from disposal of associated undertakings		–	0.3
Payments of deferred consideration on current and prior period acquisitions		(47.8)	(48.3)
Purchase of property, plant and equipment		(29.4)	(19.0)
Purchase of intangible assets		(10.9)	(11.4)
Proceeds from disposal of property, plant and equipment		0.3	0.7
Proceeds from disposal of intangible assets		0.4	2.5
Net cash used in investing activities		(126.2)	(135.1)
Financing activities			
Dividends paid		(27.4)	(22.7)
Dividends paid to minority shareholders		(4.1)	(2.7)
Interest paid		(35.4)	(28.3)
Proceeds from borrowings		64.7	173.2
Repayments of loans		(86.8)	(81.2)
Proceeds on issue of ordinary share capital		4.4	9.8
Purchase of own shares		(8.9)	(12.8)
Disposal of other financial assets		–	16.6
Net cash (used in)/from financing activities		(93.5)	51.9
Net (decrease)/increase in cash and cash equivalents	31	(4.2)	53.0
Translation differences		82.4	19.5
Cash and cash equivalents at beginning of year		329.5	257.0
Cash and cash equivalents at end of year	31	407.7	329.5
Cash at bank and in hand and short-term deposits		412.7	356.8
Bank overdrafts		(5.0)	(27.3)
Cash and cash equivalents at end of year	31	407.7	329.5

Consolidated statement of recognised income and expense

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Profit for the financial year		89.2	93.3
Currency translation differences on foreign operations:			
– Group		101.5	22.6
– Minority interests		3.6	0.5
Available-for-sale investments: losses taken to equity		(0.9)	(0.4)
Cash flow hedges: gains taken to equity	21	5.9	1.4
Tax on items taken directly to equity		(1.7)	(0.4)
Actuarial loss recognised on defined benefit pension schemes	34	–	0.1
Other recognised gains		108.4	23.8
Total recognised income and expense	27	197.6	117.1
Attributable to:			
Equity holders of the parent		187.6	111.8
Minority interests	27	10.0	5.3
		197.6	117.1

Notes to the consolidated financial statements

For the year ended 31 December 2008

1. General information

Aegis Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 21. The nature of the Group's operations and its principal activities are set out in Note 4 and in the directors' report on page 22.

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 a going concern basis of accounting for the reasons set out in the Directors' report on page 24.

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 13) 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 1 (amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

IFRS 2 (amended) Share-based Payment – Vesting Conditions and Cancellations

IFRS 3 (revised 2008) Business Combinations

IFRS 8 Operating Segments

IAS 1 (revised 2007) Presentation of Financial Statements

IAS 23 (revised 2007) Borrowing Costs

IAS 27 (revised 2008) Consolidated and Separate Financial Statements

IAS 32 (amended)/IAS 1 (amended) Puttable Financial Instruments and Obligations Arising on Liquidation

IFRIC 12 Service Concession Arrangements

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

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.

Adjustment to prior period acquisition accounting
Following the determination of the final purchase price allocation under IFRS 3 'Business Combinations' in respect of a number of the Group's recent acquisitions, £19.3m has been reclassified from goodwill to intangible assets, this is £19.5m of gross intangibles and £0.2m of minority interests as at 31 December 2007. In addition, the Group has recognised deferred tax on these intangible assets of £6.9m.

These intangible assets have been recorded as if they existed from the respective original acquisition dates. As a result, amortisation has been charged on these assets and profits have been restated in accordance with IFRS 3. The impact for the year ended 31 December 2007 was a reduction in operating profit of £1.8m.

In addition, the Group has reassessed its provision in respect of a put option liability exercisable by an equity partner of the Group. The Group now considers that the initial liability recognised in respect of put option agreements as at 31 December 2007 should have been £6.2m higher, with a corresponding increase to the reserve for potential acquisition of minority interests. There is no impact on the income statement or the brought forward accumulated profits.

Notes to the consolidated financial statements continued

3. Accounting policies

Principal accounting policies
The principal accounting policies set out below have been consistently applied to all the periods presented in this annual report.

Basis of consolidation
(a) Subsidiaries
The consolidated financial statements incorporate the results, cash flows and net assets of Aegis Group plc and the entities controlled by it (its subsidiaries) after eliminating internal transactions and recognising any minority interests in those entities drawn up to 31 December each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities. Where subsidiaries are acquired or disposed of in the year, their results and cash flows are included from the date of acquisition or up to the disposal 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. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. 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 Section 264b 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. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The Group's share of its associates' post-acquisition profits or losses and any impairment of goodwill is recognised in the income statement and as a movement in the Group's share of associates' net assets in the balance sheet. Its share of any post-acquisition movements in reserves is recognised directly in equity. Losses of the associates in excess of the Group's interest in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

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, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interests of minority shareholders in the acquiree are initially measured at the minority's proportion of the net fair value of assets, liabilities and contingent liabilities recognised.

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 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.

3. Accounting policies continued

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 (both internally generated and separately acquired) are amortised to residual values over the useful economic life of the asset as follows:

Software	20% to 50% per annum
Customer relationships	20% per annum
Panel costs	33% per annum
Patents and trademarks	Nil to 20% per annum
Non-compete agreements	14% to 50% 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 (both internally generated and separately acquired) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the 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.

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.

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 sub-let, 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 sub-let income reasonably expected to be obtained. Future rental payments are charged against this provision in the period in which they are made.

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

Turnover (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.

3. Accounting policies continued

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

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

Share-based payment transactions
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.

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 project unit credit method with actuarial valuations being carried out at each balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds approximating to the terms of the related liability.

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 retranslated at the rate ruling on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the year end are retranslated at the exchange rate ruling at the balance sheet date. Exchange differences arising upon retranslation at the settlement date or balance sheet date are taken to the income statement.

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

Exchange differences arising on the 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 retranslation 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.

3. Accounting policies continued

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.

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

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

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.

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.

Impairment of financial assets

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

3. Accounting policies continued

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

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.

Trade payables

Trade payables are initially stated at fair value and then at amortised cost.

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.

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.

Equity instrument

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.

Liabilities in respect of option agreements

The Group is party to a number of put and call options over the remaining minority stakes in its subsidiaries. In accordance with IAS 39 these put options are treated as derivatives over equity instruments and are recorded on initial recognition as liabilities at the Group's best estimate of the amount likely to pay with a corresponding decrease in reserves.

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

Accounting estimates and uncertainties

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

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

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

3. Accounting policies continued

Accounting estimates and uncertainties continued

Contingent deferred/put option payments in respect of acquisitions

Estimates are required in respect of the amount of deferred consideration recognised on acquisitions. The Group determines the amount of deferred consideration to be recognised according to the formulae agreed at time of acquisition, normally related to the future earnings of the acquired entity. Carrying values of deferred consideration estimates are reviewed at each balance sheet date and changes in estimates are made to deferred consideration and goodwill.

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

Key areas of judgement in calculating the fair value of the put options are the expected future cash flows and earnings of the business and the discount rate

Recognition of share-based payments

The Group makes share-based payments to certain employees. These payments are measured at their estimated fair value at the date of grant. The fair value is determined by an external valuer using the stochastic model.

The fair value is expensed on a straight-line basis over the vesting period of the grant. The vesting period charge is calculated with reference to the estimated number of awards that are expected to vest, as determined by the anticipated number of leavers during the vesting period and based on an annual assessment of non-market performance conditions attached to certain awards. See Note 33 for further details.

Valuation of intangible assets

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

Goodwill impairment

In determining whether an impairment loss has arisen on goodwill and intangible assets the Group makes judgements over the value in use of its cash generating units. In calculating the value in use of a cash generating unit the Group makes estimates of future forecast cash flows and discount rates to derive a net present value of these cash flows to determine if an impairment has occurred. A key area of judgement is the determination of the long-term growth rate applicable to each cash generating unit. See Note 14 for further details.

Taxation

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

The Group is subject to income taxes and judgement is required in determining the appropriate provision for transactions where the ultimate outcome is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes due based on best information available and where the anticipated liability is probable and estimable. Where the final outcome of such matters differs from the amounts initially recorded, any differences will impact the income tax and deferred tax provisions in the period to which such determination is made. Where the potential liabilities are not considered probable, the amount at risk is disclosed unless an adverse outcome is considered remote.

Deferred tax

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

Notes to the consolidated financial statements continued

4. Segment reporting

Business segments
The Group operates in two business sectors: media communications (Aegis Media) and market research (Synovate). 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:

	2008 £m	2007 £m
Revenue:		
Aegis Media	823.8	673.4
Synovate	518.2	433.0
	1,342.0	1,106.4

			2008			2007
Segment result	Underlying £m	Adjustments £m	Statutory £m	Underlying £m	Adjustments £m	Statutory £m
Aegis Media	157.9	(36.1)	121.8	134.4	(4.2)	130.2
Synovate	42.2	(5.8)	36.4	34.9	(1.7)	33.2
Corporate costs	(14.7)	(7.1)	(21.8)	(23.1)	–	(23.1)
Operating profit	185.4	(49.0)	136.4	146.2	(5.9)	140.3
Share of results of associates	2.7	–	2.7	3.2	3.2	6.4
Impairment of goodwill on associates	–	–	–	–	–	–
Share of results of associates	2.7	–	2.7	3.2	3.2	6.4
Profit before interest and tax	188.1	(49.0)	139.1	149.4	(2.7)	146.7
Investment income	15.9	–	15.9	13.6	–	13.6
Finance costs	(37.2)	6.8	(30.4)	(30.3)	1.7	(28.6)
Net financial items	(21.3)	6.8	(14.5)	(16.7)	1.7	(15.0)
Profit before tax	166.8	(42.2)	124.6	132.7	(1.0)	131.7
Tax	(43.1)	7.7	(35.4)	(35.2)	(3.2)	(38.4)
Profit after tax	123.7	(34.5)	89.2	97.5	(4.2)	93.3

Further details of the underlying adjustments are provided in Note 5.

4. Segment reporting continued

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

	2008 £m	2007 £m
Segment assets:		
Aegis Media	3,308.0	2,779.0
Synovate	762.3	595.7
	4,070.3	3,374.7
Investment in eVerger joint venture	0.5	0.5
Corporate operations	42.9	26.8
Total assets	4,113.7	3,402.0
Segment liabilities:		
Aegis Media	(2,823.7)	(2,327.4)
Synovate	(234.7)	(198.5)
	(3,058.4)	(2,525.9)
Corporate operations	(595.5)	(569.8)
Total liabilities	(3,653.9)	(3,095.7)
Net assets	459.8	306.3
Capital expenditure:		
Aegis Media	17.1	12.2
Synovate	10.9	6.4
Corporate operations	1.4	0.4
Capital expenditure	29.4	19.0
Depreciation of property, plant and equipment:		
Aegis Media	15.2	13.2
Synovate	6.9	5.4
Corporate operations	0.9	0.5
Depreciation of property, plant and equipment	23.0	19.1
Amortisation of intangible assets:		
Aegis Media	16.4	5.9
Synovate	7.6	2.4
Corporate operations	0.3	1.1
Amortisation of intangible assets	24.3	9.4
Impairment losses:		
Aegis Media	–	2.0
Synovate	1.3	–
Corporate operations	4.4	–
Impairment losses	5.7	2.0

Notes to the consolidated financial statements continued

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:

	2008 £m	2007 £m
Revenue:		
Europe, Middle East & Africa	836.5	677.5
Americas	312.5	286.2
Asia-Pacific	193.0	142.7
	1,342.0	1,106.4

Segment result:	Underlying £m	Adjustments £m	2008 Statutory £m	Underlying £m	Adjustments £m	2007 Statutory £m
Europe, Middle East & Africa	142.8	(24.5)	118.3	122.9	(1.3)	121.6
Americas	34.4	(13.3)	21.1	32.4	(1.3)	31.1
Asia-Pacific	22.9	(4.1)	18.8	14.0	(3.3)	10.7
Corporate costs	(14.7)	(7.1)	(21.8)	(23.1)	-	(23.1)
Operating profit	185.4	(49.0)	136.4	146.2	(5.9)	140.3
Share of results of associates	2.7	-	2.7	3.2	3.2	6.4
Impairment of goodwill on associates	-	-	-	-	-	-
Share of results of associates	2.7	-	2.7	3.2	3.2	6.4
Profit before interest and tax	188.1	(49.0)	139.1	149.4	(2.7)	146.7
Investment income	15.9	-	15.9	13.6	-	13.6
Finance costs	(37.2)	6.8	(30.4)	(30.3)	1.7	(28.6)
Net financial items	(21.3)	6.8	(14.5)	(16.7)	1.7	(15.0)
Profit before tax	166.8	(42.2)	124.6	132.7	(1.0)	131.7
Tax	(43.1)	7.7	(35.4)	(35.2)	(3.2)	(38.4)
Profit after tax	123.7	(34.5)	89.2	97.5	(4.2)	93.3

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.

4. Segment reporting continued

Geographical segments continued

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

	2008 £m	2007 £m
Segment assets:		
Europe, Middle East & Africa	2,581.8	2,214.8
Americas	857.6	739.3
Asia-Pacific	630.9	420.6
	4,070.3	3,374.7
Investment in eVerger joint venture	0.5	0.5
Corporate operations	42.9	26.8
Total assets	4,113.7	3,402.0
Segment liabilities:		
Europe, Middle East & Africa	(2,064.1)	(1,789.7)
Americas	(557.3)	(461.5)
Asia-Pacific	(437.0)	(274.7)
	(3,058.4)	(2,525.9)
Corporate operations	(595.5)	(569.8)
Total liabilities	(3,653.9)	(3,095.7)
Net assets	459.8	306.3
Capital expenditure:		
Europe, Middle East & Africa	17.5	11.5
Americas	4.4	4.4
Asia-Pacific	6.1	2.7
Corporate operations	1.4	0.4
Capital expenditure	29.4	19.0

5. Underlying results

Underlying results are stated before the following adjusting items:

	2008 £m	2007 £m
Restructuring charges	(27.4)	–
Write-off of software tools	(4.4)	–
Impairment of goodwill	–	(2.0)
Loss on disposal of subsidiaries	–	(0.9)
Amortisation of purchased intangible assets	(17.2)	(3.0)
Impact on operating profit	(49.0)	(5.9)
Profit on deemed disposal of part of shareholding in associate	–	3.6
Loss on disposal of associate	–	(0.4)
Impact on profit before interest and tax	(49.0)	(2.7)
Impairment of available-for-sale financial assets	(1.3)	–
Unrealised gains on non-hedge derivatives	5.9	3.2
Fair value gains/(losses) on liabilities in respect of put option agreements	2.2	(1.5)
Impact on profit before tax	(42.2)	(1.0)
Deferred tax on goodwill	(3.9)	(3.9)
Tax on adjusted items	11.6	0.7
Impact on profit after tax	(34.5)	(4.2)

Notes to the consolidated financial statements continued

6. Operating profit

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

	2008 £m	2007 £m
Net foreign exchange gains	(10.4)	(3.1)
Impairment of goodwill	–	2.0
Impairment of intangible assets	4.4	–
Depreciation of property, plant and equipment	23.0	19.1
Amortisation of intangible assets included in operating expenses	24.3	9.4
Staff costs (see Note 8)	673.4	542.5

Staff costs include a share-based payment expense of £9.2m (2007: £9.1m)

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

	2008 £m	2008 %	2007 £m	2007 %
Audit fees				
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.3	8.1%	0.5	15.6%
Fees payable to the Company's auditors and their associates for other services to the Group:				
– The audit of the Company's subsidiaries pursuant to legislation	3.0	81.1%	2.3	71.9%
Total audit fees	3.3	89.2%	2.8	87.5%
Non-audit fees				
– Other services pursuant to legislation (interim review)	0.1	2.7%	0.1	3.1%
– Tax services	0.2	5.4%	0.1	3.1%
– Other services	0.1	2.7%	0.2	6.3%
Total non-audit fees	0.4	10.8%	0.4	12.5%
Total fees paid to the Company's auditors	3.7	100.0%	3.2	100.0%

A description of the work of the Audit Committee is set out in the corporate governance statement on page 26 and includes an explanation of how auditor objectivity is safeguarded when non-audit services are provided by the auditors.

7. Restructuring charges

During the year the Group incurred the following charges in respect of restructuring programmes:

	2008 £m	2007 £m
Severance and related expenditure	23.0	–
Property costs	4.4	–
	27.4	–

8. Staff costs

The average monthly number of employees was:

	2008 Number	2007 Number
Aegis Media	9,756	8,475
Synovate	6,137	5,773
Central	45	46
	15,938	14,294

Staff costs consist of:

	2008 £m	2007 £m
Wages, salaries, bonus and benefits	580.4	470.2
Social security costs	81.0	62.0
Other pension costs	12.0	10.3
	673.4	542.5

9. Investment income

	2008 £m	2007 £m
Interest receivable	15.9	13.6

Interest receivable includes £0.3m (2007: £0.2m) in respect of the expected return on pension scheme assets (see Note 34).

10. Finance costs

	2008 £m	2007 £m
Interest payable on bank loans and overdrafts	(5.1)	(3.3)
Interest payable on loan notes, other loans and pension scheme liabilities	(30.1)	(25.4)
Imputed interest on deferred consideration	(1.6)	(0.8)
Fair value movements on put options	2.2	(1.5)
Fair value movements on other derivative financial instruments	6.0	3.3
Fair value movements on other financial assets	(1.4)	(0.1)
	(30.0)	(27.8)
Amortisation of financing costs	(0.4)	(0.8)
	(30.4)	(28.6)

11. Tax on profit on ordinary activities

The tax charge is made up of the following:

	2008 £m	2007 £m
Current tax – UK taxation at 28.5% (2007: 30%)	0.3	0.2
Current tax – overseas	37.9	40.1
Adjustments in respect of prior years	0.5	(3.2)
	38.7	37.1
Deferred tax (Note 22)	(3.3)	1.3
	35.4	38.4

The underlying effective tax rate on underlying profits for the year ended 31 December 2008 is 25.84% (2007: 26.54%).

The tax charge for the year ended 31 December 2008 is £35.4m (2007: £38.4m) representing an effective tax rate (including deferred tax on goodwill) on statutory profits of 28.41% (2007: 29.16%). The tax charge for the year ended 31 December 2008 includes a deferred tax expense of £3.9m (2007: £3.9m) for tax deductions in respect of goodwill. IFRS requires that such deferred tax is recognised even if a liability would only unwind on the eventual sale or impairment of the business in question.

UK corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the year. The UK government changed the statutory tax rate with effect from 1 April 2008 from 30% to 28%. Therefore, the effective rate for the year ended 31 December 2008 is 28.5%. 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:

	2008 £m	2007 £m
Profit before taxation	124.6	131.7
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	35.5	39.5
Adjustments in respect of prior years	0.5	(3.2)
Tax effect of income/expenditure that is not taxable/deductible	0.7	0.8
Rate differences on overseas earnings	(2.7)	(2.7)
Tax losses carried forward in the period: UK	0.5	4.3
Tax losses utilised in the period: overseas	(1.1)	(0.1)
Other reconciling items	2.0	(0.2)
Tax expense for the year	35.4	38.4
Effective rate of statutory tax charge on statutory profits	28.41%	29.16%

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 and is therefore not included in the Group's total tax charge. Associates' tax included within 'Net income from associates' for the year ended 31 December 2008 is £0.2m (2007: £0.2m).

Notes to the consolidated financial statements continued

12. Dividends

	2008	2007
Ordinary shares of 5p each		
Dividend rate per share for the period (pence)	2.50	2.30

	2008 £m	2007 £m
Declared and paid during the period		
Final dividend for 2006 of 1.175p per share	–	13.2
Interim dividend for 2007 of 0.84p per share	–	9.5
Final dividend for 2007 of 1.46p per share	16.5	–
Interim dividend for 2008 of 0.96p per share	10.9	–
	27.4	22.7

	2008 £m	2007 £m
Proposed but not yet declared or paid at the balance sheet date		
Final dividend for 2007 of 1.46p per share	–	16.5
Final dividend for 2008 of 1.54p per share	17.8	–
	17.8	16.5

The final dividend for 2008, if approved, will be paid on 28 May 2009 to all ordinary shareholders on the register at 1 May 2009.

13. Earnings per share

	2008	2007
Basic		
Profit for the year attributable to equity holders of the parent (£m)	82.8	88.5
Adjusting items (Note 5) (£m)	34.5	4.2
Underlying profit for the year (£m)	117.3	92.7
Weighted average number of ordinary shares in issue (m)	1,133.5	1,130.2
Basic earnings per share (pence)	7.3	7.8
Adjusting items (Note 5) (pence)	3.0	0.4
Underlying basic earnings per share (pence)	10.3	8.2
Diluted		
Profit for the year attributable to equity holders of the parent (£m)	82.8	88.5
Adjusting items (Note 5) (£m)	34.5	4.2
Underlying profit for the year (£m)	117.3	92.7
Diluted weighted average number of ordinary shares in issue (m)	1,136.9	1,137.3
Diluted earnings per share (pence)	7.3	7.8
Adjusting items (Note 5) (pence)	3.0	0.4
Underlying diluted earnings per share (pence)	10.3	8.2
Weighted average number of ordinary shares (m)		
Basic weighted average number of ordinary shares	1,133.5	1,130.2
Dilutive potential ordinary shares: employee share options	0.7	3.7
Shares to be issued	2.7	3.4
Diluted weighted average number of ordinary shares	1,136.9	1,137.3

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 shares to be issued relate to the acquisition of AgenciaClick in Brazil and are dependent on certain performance conditions being met.

14. Goodwill

	£m
Cost	
At 1 January 2007	691.0
Additions	121.6
Other acquisition adjustments	0.1
Adjustments to prior period estimates of deferred consideration	1.1
Exchange differences	27.3
At 31 December 2007	841.1
Reclassification to Intangibles (following finalisation of purchase price allocation)	(19.3)
At 31 December 2007 (Restated)	821.8
Additions	92.2
Other acquisition adjustments	0.9
Adjustments to prior period estimates of deferred consideration	15.4
Exchange differences	209.5
At 31 December 2008	1,139.8

	£m
Accumulated impairment losses	
At 1 January 2007	23.2
Impairment losses for the year	2.0
At 31 December 2007	25.2
Impairment losses for the year	–
At 31 December 2008	25.2

	£m
Carrying amount	
At 31 December 2008	1,114.6
At 31 December 2007 – as restated	796.6
At 31 December 2007 – as reported	815.9

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.

	2008 £m	2007 £m
Aegis Media:		
– Europe, Middle East & Africa	346.8	230.4
– Americas	196.5	133.1
– Asia-Pacific	114.3	73.7
Total	657.6	437.2
Synovate:		
– Europe, Middle East & Africa	170.7	145.1
– Americas	207.1	147.5
– Asia-Pacific	79.2	66.8
Total	457.0	359.4
	1,114.6	796.6

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows based on estimated growth rates. These calculations reflect management's experience and future expectations of the markets in which the CGU operates. Long-term average growth rates used in the projections range between 0% (for mature markets) and 5% (for higher growth markets) and vary with management's view of the CGU's market position and maturity of the relevant market. The pre-tax rate used to discount the forecast cash flows is 11.0%.

Goodwill allocated to the Aegis Media Europe, Middle East and Africa generating unit is significant in comparison with the total amount of goodwill. The goodwill of £346.8m has arisen on a large number of individually small acquisitions. As with the approach for all CGUs, the Group has prepared cash flow forecasts of the Aegis Media Europe, Middle East and Africa CGU based on the most recent financial budgets. The key assumptions on which the forecasts are based are short and long term growth rates which have been made in line with recent externally sourced expectations of market growth.

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

Notes to the consolidated financial statements continued

15. Intangible assets

	Software £m	Customer relationships £m	Other £m	Total £m
Cost				
At 1 January 2007	37.5	–	9.9	47.4
Additions				
– internally generated	0.9	–	0.2	1.1
– separately acquired	9.1	–	1.2	10.3
Acquired on acquisition of a subsidiary	0.3	4.0	0.8	5.1
Disposals	(8.6)	–	(0.2)	(8.8)
Transfers	(1.5)	–	1.5	–
Exchange differences	1.5	–	0.2	1.7
At 31 December 2007	39.2	4.0	13.6	56.8
Acquired on acquisition of a subsidiary (following finalisation of purchase price allocation)	–	16.7	9.7	26.4
At 31 December 2007 (Restated)	39.2	20.7	23.3	83.2
Additions				
– internally generated	1.1	–	0.9	2.0
– separately acquired	8.0	–	0.9	8.9
Acquired on acquisition of a subsidiary	0.1	36.6	22.4	59.1
Disposals	(1.3)	–	(0.9)	(2.2)
Impairment	(7.7)	–	–	(7.7)
Transfers	0.2	–	(0.2)	–
Exchange differences	8.6	8.2	9.0	25.8
At 31 December 2008	48.2	65.5	55.4	169.1
Amortisation				
At 1 January 2007	25.3	–	5.0	30.3
Charge for the year	5.8	0.7	1.1	7.6
Disposals	(6.4)	–	0.1	(6.3)
Transfers	0.1	–	(0.1)	–
Exchange differences	1.2	–	0.1	1.3
At 31 December 2007	26.0	0.7	6.2	32.9
Reclassification from Goodwill (following finalisation of purchase price allocation)	–	0.6	0.5	1.1
At 31 December 2007 (Restated)	26.0	1.3	6.7	34.0
Charge for the year	6.1	9.7	8.5	24.3
Disposals	(0.9)	–	(1.1)	(2.0)
Impairment	(3.3)	–	–	(3.3)
Transfers	–	–	–	–
Exchange differences	6.6	1.5	3.1	11.2
At 31 December 2008	34.5	12.5	17.2	64.2
Carrying amount				
At 31 December 2008	13.7	53.0	38.2	104.9
At 31 December 2007 (restated)	13.2	19.4	16.6	49.2

The carrying amount of other intangible assets includes market research panel costs of £0.5m (2007: £0.9m), patents and trademarks of £5.6m (2007: £4.1m), other intangibles acquired on acquisition of subsidiaries of £29.3m (2007: £10.3m) and other intangibles of £2.8m (2007: £1.3m).

The carrying amount of intangible assets with indefinite useful economic lives is £5.0m (2007: £3.5m), 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. £4.6m (2007: £3.4m) of these assets are included within the Aegis Media business segment, principally in the Americas geographical segment. Internally-generated intangible assets of £2.0m (2007: £1.1m) have not yet been subject to amortisation as development of these assets is not yet complete.

16. 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 2007	5.8	39.5	105.3	150.6
Additions	0.1	4.8	14.1	19.0
Acquired on acquisition of a subsidiary	0.2	0.2	1.8	2.2
Disposals	–	(0.6)	(12.7)	(13.3)
Exchange differences	0.5	1.5	4.7	6.7
At 31 December 2007	6.6	45.4	113.2	165.2
Additions	–	10.6	18.8	29.4
Acquired on acquisition of a subsidiary	–	0.1	1.3	1.4
Disposals	–	(2.5)	(7.1)	(9.6)
Impairment	–	(0.1)	(0.3)	(0.4)
Transfer	(4.5)	4.8	(0.7)	(0.4)
Exchange differences	1.1	12.3	29.6	43.0
At 31 December 2008	3.2	70.6	154.8	228.6
Accumulated depreciation				
At 1 January 2007	2.0	21.6	76.5	100.1
Charge for the year	0.3	5.4	13.4	19.1
Disposals	–	(0.5)	(11.8)	(12.3)
Exchange differences	0.2	1.0	3.3	4.5
At 31 December 2007	2.5	27.5	81.4	111.4
Charge for the year	0.1	7.1	15.8	23.0
Disposals	–	(2.2)	(6.6)	(8.8)
Impairment	–	(0.2)	(0.2)	(0.4)
Transfer	(1.8)	2.1	(0.5)	(0.2)
Exchange differences	0.4	7.6	22.1	30.1
At 31 December 2008	1.2	41.9	112.0	155.1
Carrying amount				
At 31 December 2008	2.0	28.7	42.8	73.5
At 31 December 2007	4.1	17.9	31.8	53.8

At 31 December 2008, the Group had £nil capital commitments contracted, but not provided, for the acquisition of property, plant and equipment (2007: £0.7m). Proceeds from the disposal of property, plant and equipment are £0.3m (2007: £0.7m).

Notes to the consolidated financial statements continued

17. Interests in associates and joint ventures

a) Carrying amount

	Associates £m	Joint ventures £m	Total £m
At 1 January 2008	18.5	0.8	19.3
Share of profit	2.7	–	2.7
Dividends received	(0.8)	–	(0.8)
Exchange differences	6.5	–	6.5
Other movements	(1.0)	–	(1.0)
At 31 December 2008	25.9	0.8	26.7

Investments in associates and the eVerger joint venture at 31 December 2008 include goodwill of £7.0m and £nil respectively (2007: £5.4m 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:

	2008 £m	2007 £m
Total assets	37.0	27.0
Total liabilities	(18.1)	(13.9)
	18.9	13.1
Goodwill	7.0	5.4
	25.9	18.5
Total revenues	13.5	6.7
Total profit	2.7	3.2

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

	2008 £m	2007 £m
Total assets	199.9	122.6
Total liabilities	(79.0)	(49.0)
Total revenues	45.2	25.6
Total profit	15.7	12.6

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 15.80% interest (2007: 15.91%), which the directors believe is a significant interest by virtue of the representation of the Board of directors, in Qin Jia Yuan Advertising for which the fair value, based on a published price quotation, is £15.9m (2007: £29.4m), compared to the book value of £20.3m (2007: £13.2m).

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. The Group's share of assets at 31 December 2008 is £0.5m (2007: £0.5m). The Group's share of liabilities at 31 December 2008 is £nil (2007: £nil).

18. Available-for-sale financial assets

	2008 £m	2007 £m
Listed securities	0.4	2.3

The investment above represents a stake of approximately 2.1% in Harris Interactive, Inc.

19. Trade and other receivables

	2008 £m	2007 £m
Trade receivables	2,023.2	1,837.2
Prepayments and accrued income	146.7	129.7
Other receivables	154.1	123.7
	2,324.0	2,090.6

The average credit period taken for trade receivables is 55 days (2007: 55 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 allowance of £34.9m (2007: £24.8m).

	2008 £m
At 1 January	24.8
Additional charge in the year	5.7
Release of allowance	(1.1)
Utilisation of allowance	(1.5)
Exchange differences	7.0
At 31 December	34.9

As of 31 December 2008, trade receivables of £585.7m (2007: £540.8m) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2008 £m	2007 £m
Under 3 months	510.7	471.2
Over 3 months	75.0	69.6
	585.7	540.8

20. Trade and other payables

	2008 £m	2007 £m
Trade payables	1,981.4	1,703.3
Accruals and deferred income	243.8	237.1
Deferred consideration	71.8	41.9
Liabilities in respect of put option agreements	4.1	2.9
Other payables	402.3	337.1
	2,703.4	2,322.3

The average credit period taken for trade payables is 62 days (2007: 59 days). The directors consider that the carrying amount of trade payables approximates their fair value.

21. 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 these objectives and it is the responsibility of Group Treasury to implement these policies using the strategies set out below.

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

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

Management of financial risk

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

Currency risk

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

The Group's foreign currency management policy requires subsidiaries to hedge all transactions and financial instruments with material currency exposures. The Group is 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.

	2008 £m	2007 £m
Forward foreign exchange contracts	297.0	42.4

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.

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 2008, the Group had net debt (before issue costs of new debt) of £298.7m (2007: £246.8m). The Group had cash and cash equivalents of £412.7m at 31 December 2008 (2007: £356.8m) and gross borrowings of £711.4m (2007: £603.6m). The Group's principal debt instruments are subject to certain financial covenants.

Also included within gross borrowings is £234.6m (US$342m) (2007: £172.3m (US$342m)) of unsecured loan notes issued on 28 July 2005, which are repayable in full between 2012 and 2017, and £85.8m (US$125m) (2007: £63.0m (US$125m)) of unsecured loan notes issued on 17 September 2007, which are repayable in full between 2014 and 2017.

At 31 December 2008, the Group has undrawn committed facilities of £172.1m (2007: £185.6m).

Interest rate risk

The Group's unsecured loan notes, referred to above, are at fixed rates. All other borrowings are at 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.

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.

21. Financial instruments continued

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.

Private placement debt – November 2000
On 20 November 2000, the Group issued US$160m of unsecured loan notes, repayable between 2006 and 2008. These loan notes were guaranteed by the Company and certain of its subsidiaries. Interest rate swaps were 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 were 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$13.0m was settled during the year, representing the final repayment of this debt.

Interest rate swaps
The fair value of the interest rate swaps entered into at 31 December 2008 and included in the balance sheet is £0.1m (2007: £0.1m). The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised losses (2007: profits) which the Group expects to realise as a result of lower or higher variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan notes. 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$342m of unsecured loan notes, repayable between 2012 and 2017. The interest rates applicable on these loan notes ranges from 5.25% to 5.65%. These loan notes are guaranteed by the Company and certain of its subsidiaries. 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. The remaining US$150m of loan notes 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$150m of debt not impacted by the cross currency swaps are taken directly to reserves.

Cross currency swaps
The fair value of the cross currency swaps entered into at 31 December 2008 is £(11.1)m (2007: £(15.9)m). 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 presentational 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.

Multi-currency credit facility – June 2006
On 9 June 2006, the Group raised a five year £450m multi-currency credit facility with a group of international banks. The facility is committed and revolving and allows drawings under a variety of currencies. Pricing is based on the inter-bank rate of the relevant currency for the corresponding period of the drawing with the interest margin determined by reference to a grid based on the consolidated net borrowings to consolidated net EBITDA ratio. The facility is unsecured but guaranteed by the Company and certain of its subsidiaries.

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

a) Categories of financial instruments

	Carrying Value 2008 £m	Carrying Value 2007 £m
Financial Assets		
Fair value through profit and loss (FVTPL)		
– Held for trading	6.5	0.1
Derivative instruments in designated hedge accounting relationships	31.2	0.1
Held to maturity investments	0.1	0.1
Loans and receivables (including cash and cash equivalents)	2,741.5	2,449.3
Available-for-sale financial assets	0.4	2.3
Total financial assets	2,779.7	2,451.9
Financial Liabilities		
Fair value through profit and loss (FVTPL)		
– Held for trading	(42.7)	(22.5)
Derivative instruments in designated hedge accounting relationships	(42.4)	(15.9)
Amortised cost	(3,553.0)	(3,021.3)
Total financial liabilities	(3,638.1)	(3,059.7)

Notes to the consolidated financial statements continued

21. Financial instruments continued

b) Maturity profile of Group financial assets and liabilities
Financial assets

	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	No fixed maturity	2008 Total £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	No fixed maturity	2007 Total £m
Current												
Cash at bank and in hand and short-term deposits	412.7	–	–	–	–	412.7	356.8	–	–	–	–	356.8
Derivative financial assets:												
– Other financial assets	2.8	–	–	–	–	2.8	0.3	–	–	–	–	0.3
– Forward foreign exchange contracts	6.0	–	–	–	–	6.0	–	–	–	–	–	–
– Interest rate swaps	–	–	–	–	–	–	0.1	–	–	–	–	0.1
	421.5	–	–	–	–	421.5	357.2	–	–	–	–	357.2
Trade receivables	2,023.2	–	–	–	–	2,023.2	1,837.2	–	–	–	–	1,837.2
Other receivables	154.1	–	–	–	–	154.1	123.7	–	–	–	–	123.7
Total current	2,598.8	–	–	–	–	2,598.8	2,318.1	–	–	–	–	2,318.1
Non-current												
Available for sale financial assets	–	–	–	–	0.4	0.4	–	–	–	–	2.3	2.3
Other financial assets	–	–	–	–	2.1	2.1	–	–	–	–	1.7	1.7
Total non-current	–	–	–	–	2.5	2.5	–	–	–	–	4.0	4.0
Total	2,598.8	–	–	–	2.5	2,601.3	2,318.1	–	–	–	4.0	2,322.1

There are no material differences between the book and fair values of the Group's financial assets at 31 December 2008. The fair values of financial assets reflect market values or are based upon readily available market data.

21. Financial instruments continued

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

	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	2008 Total £m	1 year restated £m	Less than 1-2 years £m	2-5 years £m	More than 5 years £m	2007 Total £m
Current										
Bank overdrafts	5.0	–	–	–	5.0	27.3	–	–	–	27.3
Loans	48.1	–	–	–	48.1	58.3	–	–	–	58.3
	53.1	–	–	–	53.1	85.6	–	–	–	85.6
Less: Issue costs of debt to be amortised	(0.4)	–	–	–	(0.4)	(0.5)	–	–	–	(0.5)
	52.7	–	–	–	52.7	85.1	–	–	–	85.1
Derivative financial liabilities:										
– Interest rate swaps	0.1	–	–	–	0.1	–	–	–	–	–
– Forward foreign exchange contracts	0.7	–	–	–	0.7	0.3	–	–	–	0.3
	53.5	–	–	–	53.5	85.4	–	–	–	85.4
Trade payables	1,981.4	–	–	–	1,981.4	1,703.3	–	–	–	1,703.3
Deferred consideration	71.8	–	–	–	71.8	41.9	–	–	–	41.9
Other payables	402.3	–	–	–	402.3	340.0	–	–	–	340.0
Other financial liabilities	–	–	–	–	–	0.1	–	–	–	0.1
Total current	2,509.0	–	–	–	2,509.0	2,170.7	–	–	–	2,170.7
Non-current										
Bank loans	–	28.8	6.6	0.2	35.6	–	0.2	26.6	0.5	27.3
Loan notes	–	–	411.4	211.3	622.7	–	–	335.5	155.2	490.7
	–	28.8	418.0	211.5	658.3	–	0.2	362.1	155.7	518.0
Less: Issue costs of debt to be amortised	–	(0.4)	(0.4)	–	(0.8)	–	(0.4)	(0.7)	–	(1.1)
	–	28.4	417.6	211.5	657.5	–	(0.2)	361.4	155.7	516.9
Derivative financial liabilities:										
– Cross currency swap	–	–	9.9	1.2	11.1	–	–	12.2	3.7	15.9
	–	28.4	427.5	212.7	668.6	–	(0.2)	373.6	159.4	532.8
– Other long-term liabilities	–	52.9	105.5	20.5	178.9	–	52.6	47.4	19.0	119.0
Total non-current	–	81.3	533.0	233.2	847.5	–	52.4	421.0	178.4	651.8
Total	2,509.0	81.3	533.0	233.2	3,356.5	2,170.7	52.4	421.0	178.4	2,822.5

Included in the financial liabilities above, the Group had £41.3m (2007: £22.0m) of derivative financial liabilities in respect of put option agreements, further details of which are disclosed in Note 29b.

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

	2008 Fair Value £m	2008 Carrying Value £m	2007 Fair Value £m	2007 Carrying Value £m
2000 loan notes	–	–	6.8	6.5
2005 loan notes	218.2	234.6	167.7	172.3
2007 loan notes	79.9	85.8	62.5	63.0
Total	298.1	320.4	237.0	241.8

Notes to the consolidated financial statements continued

21. Financial instruments continued

Analysis of derivative financial instruments

	Current 2008 £m	Non-current 2008 £m	Current 2007 £m	Non-current 2007 £m
Derivative liabilities that are designated and effective as hedging instruments carried at fair value				
Cross currency swaps	–	(11.1)	–	(15.9)
Derivatives carried at fair value through profit and loss				
Forward foreign currency contracts	(1.2)	–	(0.3)	–
Interest rate swaps	(0.1)	–	–	–
Financial assets carried at fair value through profit and loss				
Held for trading derivatives that are not designated in hedge accounting relationships:				
Forward foreign currency contracts	6.5	–	–	–
Interest rate swaps	–	–	0.1	–
	5.2	(11.1)	(0.2)	(15.9)

Loans and receivables are discussed in this Note and Note 19, and financial assets available for sale are disclosed in Note 18. All other financial instruments are held at amortised cost except for forward exchange contracts which are financial liabilities held for trading at fair value through profit and loss. Derivative financial liabilities in respect of put option agreements are disclosed in Note 29b.

The total movement in the fair value of derivative liabilities that are designated and effective as hedging instruments is as follows:

	2008 £m	2007 £m
Cash flow hedge		
Cash flow hedge reserve	(5.9)	(1.4)
Income statement	(35.0)	1.3
Net investment hedge		
Foreign exchange reserve	36.4	10.0
Income statement	(0.3)	(3.3)
	(4.8)	6.6

Maturity of borrowings

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

	2008 External loans £m	2008 Other liabilities £m	2008 Total £m	2007 External loans £m	2007 Other liabilities £m	2007 Total £m
Less than 1 year	77.7	75.5	153.2	82.4	46.8	129.2
1-2 years	58.1	55.1	113.2	28.4	47.9	76.3
2-5 years	468.1	118.3	586.4	420.8	50.1	470.9
More than 5 years	237.8	15.8	253.6	183.2	19.0	202.2
	841.7	264.7	1,106.4	714.8	163.8	878.6
Effect of discount/financing rates	(222.2)	(10.4)	(232.6)	(231.8)	(4.6)	(236.4)
	619.5	254.3	873.8	483.0	159.2	642.2

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

	2008 Payable £m	2008 Receivable £m	2007 Payable £m	2007 Receivable £m
Less than 1 year	(302.9)	304.6	(46.9)	47.7
1-2 years	(5.9)	7.0	(4.5)	5.1
2-5 years	(11.6)	13.8	(12.1)	13.8
More than 5 years	(2.6)	3.0	(3.2)	3.6
	(323.0)	328.4	(66.7)	70.2

21. Financial instruments continued

Borrowing facilities continued

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:

	2008 £m	2007 £m
Expiring between two and five years	172.1	185.6

c) 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

	Floating rate £m	Non-interest bearing £m	2008 Total £m	Floating rate £m	Non-interest bearing £m	2008 Total £m
GBP	17.2	1.1	18.3	3.2	1.0	4.2
US$	52.7	7.1	59.8	67.2	9.7	76.9
EUR	132.3	6.8	139.1	128.4	3.7	132.1
Other worldwide currencies	174.4	21.1	195.5	129.0	14.6	143.6
	376.6	36.1	412.7	327.8	29.0	356.8
Trade receivables			2,023.2			1,837.2
Other receivables			154.1			123.7
Derivative financial assets			6.0			0.4
			2,596.0			2,318.1

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

The floating rate financial assets above are represented by cash and cash equivalents.

Financial liabilities

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	2008 Total £m	Fixed rate £m	Floating rate £m	Non-interest bearing £m	2007 Total £m
Sterling	1.8	78.1	–	79.9	1.8	181.9	0.2	183.9
US$	188.6	93.6	4.0	286.2	138.6	25.0	2.9	166.5
Euro	132.0	125.5	3.0	260.5	97.0	96.3	2.3	195.6
Other worldwide currencies	54.8	29.5	0.5	84.8	8.2	49.4	–	57.6
Gross borrowings	377.2	326.7	7.5	711.4	245.6	352.6	5.4	603.6
Issue costs of debt	–	–	(1.2)	(1.2)	–	–	(1.6)	(1.6)
	377.2	326.7	6.3	710.2	245.6	352.6	3.8	602.0
Trade payables				1,981.4				1,703.3
Deferred consideration				71.8				41.9
Other payables				402.3				340.0
Other long-term liabilities				178.9				112.8
Derivative financial liabilities				11.9				16.2
				3,356.5				2,816.2

The weighted average interest rates paid were as follows:

	2008 %	2007 %
Bank overdrafts	5.0	5.4
Bank loans	5.5	6.0
Loan notes	4.8	5.4

The Group's borrowings, excluding the US$342m of unsecured loan notes issued in 2005 and US$125m of unsecured loan notes issued in 2007, incur interest at floating rates.

At 31 December 2008, it is estimated that a general simultaneous parallel uplift of 1% in interest rates would reduce the Group's reported profit by approximately £0.7m (2007: £0.1m). The sensitivity is symmetrical.

Notes to the consolidated financial statements continued

21. Financial instruments continued

Sensitivity analysis

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

	Euro currency impact		US $ currency impact	
	2008 £m	2007 £m	2008 £m	2007 £m
Potential profit increase	–	0.1	0.9	0.7
Other equity	2.8	2.1	1.0	0.7

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the financial instruments are used to hedge exposures on recognised items that are outside the scope of IFRS 7. This sensitivity analysis excludes the foreign currency translation risk of the foreign operations, and had this been included the results would have been disclosed as follows:

	Euro currency impact		US $ currency impact	
	2008 £m	2007 £m	2008 £m	2007 £m
Sensitivity analysis including hedging instruments that are outside the scope of IFRS 7				
Potential profit reduction	–	0.1	(0.1)	–
Other equity	–	–	–	–

22. Deferred tax

	Recognition of financial liabilities £m	Other £m	Losses £m	Total £m
At 1 January 2008 – asset/(liability)	3.7	(0.4)	4.2	7.5
Deferred tax on intangibles	–	(6.9)	–	(6.9)
At 1 January 2008 (restated)	3.7	(7.3)	4.2	0.6
Exchange rate differences	–	3.1	–	3.1
Deferred tax on intangibles	–	(13.1)	–	(13.1)
Amount provided in reserves	–	(1.1)	–	(1.1)
Credit to profit	(0.1)	2.7	0.7	3.3
At 31 December 2008 – asset/(liability)	3.6	(15.7)	4.9	(7.2)

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).

	2008 £m	2007 £m
Deferred tax liability	(30.7)	(15.2)
Deferred tax asset	23.5	15.8
	(7.2)	0.6

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

	2008 £m
Losses – revenue	118.6
Losses – capital	82.2
Other temporary differences	23.1
	223.9

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 2007 was £201.4m.

Balances in the subsidiary entities are shown on a 100% basis, regardless of ownership percentage. Balances in associates and joint ventures 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 £579.3m (2007: £303.3m). 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.

The effect of the change in the rate for the deferred tax provision in the UK is a reduction in the deferred tax liability of £0.2m.

23. Provisions

	Vacant properties 2008 £m
At 1 January	1.8
Additional provision in the year	6.9
Utilisation of provision	(4.4)
Exchange differences	0.2
At 31 December	4.5

The Group's vacant leasehold properties are principally located in the US and the UK. Provision has been made for the residual lease commitments for the remaining period of the leases, which at 31 December 2008 is approximately five years.

24. Share capital

	2008 Number of ordinary shares	2008 £m	2007 Number of ordinary shares	2007 £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	1,153,519,030	57.7	1,141,784,840	57.1
Issue of shares by the Company	5,282,082	0.3	11,734,190	0.6
At 31 December	1,158,801,112	58.0	1,153,519,030	57.7

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 5,282,082 (2007: 11,734,190) shares in the year with an aggregate nominal value of £264,104 (2007: £586,710), 4,605,259 (2007: 11,734,190) of which were due to the exercise of share options. The total share premium arising on the issue of shares in the year was £4,810,846 (2007: £9,273,491).

Under the Group's share option schemes, there were 29,386,421 outstanding options over ordinary shares of 5p each at 31 December 2008 (2007: 42,297,035), for which the participants have the right to exercise their options at prices ranging from 0.78p to 2.15p. These options are exercisable between 31 December 2008 and 3 June 2018.

25. Own shares

	2008 £m	2007 £m
At 1 January	30.9	22.1
Purchase of own shares	8.9	12.8
Shares awarded by ESOP	(9.2)	(4.0)
At 31 December	30.6	30.9

At 31 December 2008, the Group's ESOP (the "Aegis Group Employee Share Trust") held 24,883,971 ordinary shares in the Company with a nominal value of £1,244,199 and a market value of £18.5m.

At 31 December 2007, the Group's ESOP (the "Aegis Group Employee Share Trust") held 24,516,101 ordinary shares in the Company with a nominal value of £1,225,805 and a market value of £28.7m.

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.

Notes to the consolidated financial statements continued

26. Share premium account

	2008 £m	2007 £m
At 1 January	238.7	229.4
Issue of shares by the Company	4.8	9.3
At 31 December	243.5	238.7

27. Consolidated reconciliation of total equity

	Share capital £m	Shares to be issued £m	Own shares £m	Share premium account £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Accumulated profits/(losses) £m	Total £m	Minority interest £m	Potential acquisition of minority interests £m	Total equity £m
At 1 January 2007	57.1	–	(22.1)	229.4	0.2	(16.2)	(27.4)	221.0	7.5	(11.9)	216.6
Total recognised income and expense	–	–	–	–	–	22.6	89.2	111.8	5.3	–	117.1
New share capital subscribed	0.6	–	–	9.3	–	–	–	9.9	–	–	9.9
Purchase of shares by ESOP	–	–	(12.8)	–	–	–	–	(12.8)	–	–	(12.8)
Shares awarded by ESOP	–	–	4.0	–	–	–	(4.0)	–	–	–	–
Credit for share-based incentive schemes	–	–	–	–	–	–	9.1	9.1	–	–	9.1
Other movements	–	4.7	–	–	–	–	–	4.7	(3.8)	(3.1)	(2.2)
Dividends	–	–	–	–	–	–	(22.7)	(22.7)	(2.7)	–	(25.4)
At 31 December 2007	57.7	4.7	(30.9)	238.7	0.2	6.4	44.2	321.0	6.3	(15.0)	312.3
Adjustment to prior period									0.2	(6.2)	(6.0)
At 1 January 2008	57.7	4.7	(30.9)	238.7	0.2	6.4	44.2	321.0	6.5	(21.2)	306.3
Total recognised income and expense	–	–	–	–	–	101.5	86.1	187.6	10.0	–	197.6
New share capital subscribed	0.3	(0.7)	–	4.8	–	–	–	4.4	–	–	4.4
Purchase of shares by ESOP	–	–	(8.9)	–	–	–	–	(8.9)	–	–	(8.9)
Shares awarded by ESOP	–	–	9.2	–	–	–	(9.2)	–	–	–	–
Credit for share-based incentive schemes	–	–	–	–	–	–	9.2	9.2	–	–	9.2
Other movements	–	–	–	–	–	–	–	–	4.9	(22.2)	(17.3)
Dividends	–	–	–	–	–	–	(27.4)	(27.4)	(4.1)	–	(31.5)
At 31 December 2008	58.0	4.0	(30.6)	243.5	0.2	107.9	102.9	485.9	17.3	(43.4)	459.8

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%.

28. 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
Aegis Media			
Client & Consumer	Spain	100	January
Heartland	China	70	January
Extenseo	Belgium	100	January
Whitesheep	Finland	100	January
Checkit	Netherlands	100	April
Jämterud, Jiffer & Partners	Sweden	100	April
Age	Brazil	100	May
rmsarcar.com	Germany	100	May
Adwatch	Russia	100	June
Globlet	Thailand	80	June
Men Company	Italy	70	June
Aposition	France	90	July
Tempo Vizeum	Romania	100	August
Range Online Media	US	100	September
Clownfish	UK	75	October
IF Interactive	Malaysia	70	October
Synovate			
CIMA Group	South America	100	January
PS&A	UK	100	March
Steadman Group	Africa	100	July

During the year the Group acquired the assets and contracts of Oncology Inc for a consideration of £1.6m.

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

Company	Country of incorporation	% Acquired (total Group holding)	Date of acquisition
Carat Korea	South Korea	70 (75)	June
Posterscope South East Asia	Singapore	40 (100)	October
Carat Media One Israel	Israel	30 (100)	December

If the acquisitions above (excluding additional stakes in existing subsidiaries) had been completed on the first day of the financial year, Group revenues for 2008 would have been £1,354.9m and Group profit attributable to equity holders of the Company would have been £83.6m. Post acquisition profit before interest and tax on 2008 acquisitions was £7.9m.

28. Acquisition of subsidiaries continued

Initial consideration, including acquisition costs, totalled £61.4m with estimated deferred consideration of £79.3m payable between 2009 and 2014, subject to performance criteria. A summary of the net assets acquired and goodwill arising is given below.

	Book value acquired £m	Fair value adjustments £m	Fair value of net assets £m
Net assets acquired:			
Intangible fixed assets	0.2	58.9	59.1
Property, plant and equipment	1.4	–	1.4
Deferred tax asset	0.3	–	0.3
Trade and other receivables	25.8	–	25.8
Inventory: work in progress	0.2	–	0.2
Other current assets	0.5	–	0.5
Cash and cash equivalents	8.7	–	8.7
Trade and other payables	(27.8)	(1.0)	(28.8)
Deferred tax liability	–	(12.5)	(12.5)
Short-term borrowings and overdrafts	(0.9)	–	(0.9)
Long-term borrowings	(1.9)	–	(1.9)
Net assets	6.5	45.4	51.9
Minority interest on current period acquisitions			(4.4)
Minority interest acquired on prior period acquisitions			1.0
			48.5
Goodwill capitalised in the period			92.2
Consideration			140.7
Satisfied by:			
Initial cash consideration			58.7
Direct costs of acquisition			2.7
Deferred consideration			79.3
			140.7

The fair value of the assets acquired remains provisional at the year end pending the final determination of the purchase price allocation.

29. Other long-term liabilities

	2008 £m	2007 £m
Deferred consideration	125.6	74.8
Liabilities in respect of put option agreements	37.2	19.1
Pensions (see Note 34)	8.9	7.1
Other	7.2	18.0
At 31 December	178.9	119.0

a) Deferred consideration

Deferred consideration, which has been included within trade and other payables to the extent that it is due within one year (Note 20), may be paid to the vendors of certain subsidiary undertakings in the years to 2014. 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 gross liability at 31 December 2008 for payments that may be due is as follows:

	2008 £m	2007 £m
Within one year	71.8	41.9
Between one and two years	41.7	40.0
Between two and five years	81.1	34.6
Greater than five years	2.8	0.2
At 31 December	197.4	116.7

The minimum potential liability is £61.2m and the maximum potential liability is £316.5m.

29. Other long-term liabilities continued

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.

	2008 £m	2007 £m
Put options exercisable within one year (Note 20)	4.1	2.9
Put options exercisable in more than one year	37.2	19.1
At 31 December	41.3	22.0

30. Contingent asset

As reported in prior years, during 2006 the Group became aware of a fraud perpetrated against Aegis Media Germany. The Group continues to take 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.

31. Notes to the cash flow statement

	2008 £m	2007 £m
Operating profit	136.4	140.3
Adjustments for:		
– Depreciation of property, plant and equipment	23.0	19.1
– Amortisation of intangible assets	24.3	9.4
– Write-off of software tools	4.4	–
– Impairment of goodwill	–	2.0
– Loss on disposal of subsidiaries	–	0.9
– Loss on disposal of property, plant and equipment	0.5	0.3
– Profit on disposal of intangible assets	(0.1)	–
– Share-based payments	9.2	9.1
– Other non-cash movements	(10.4)	0.2
– Increase in provisions	1.2	–
– Increase in restructuring related liabilities	18.2	–
	206.7	181.3
Decrease/(increase) in receivables	243.1	(374.9)
(Increase)/decrease in inventory: work in progress	(2.8)	1.4
(Decrease)/increase in payables	(185.4)	367.2
	54.9	(6.3)
Cash flows from operations	261.6	175.0

	1 January 2008 £m	Cash flow £m	Other non-cash charges £m	Exchange movements £m	31 December 2008 £m
Analysis of net debt					
Cash and cash equivalents	356.8	(27.3)	–	83.2	412.7
Overdrafts	(27.3)	23.1	–	(0.8)	(5.0)
	329.5	(4.2)	–	82.4	407.7
Debt due within one year	(58.3)	22.1	0.1	(12.0)	(48.1)
Debt due after more than one year	(518.0)	–	–	(140.3)	(658.3)
Net debt before issue costs of debt	(246.8)	17.9	0.1	(69.9)	(298.7)
Issue costs of debt	1.6	–	(0.4)	–	1.2
Total	(245.2)	17.9	(0.3)	(69.9)	(297.5)

Notes to the consolidated financial statements continued

32. Operating lease arrangements

	2008 Land and buildings £m	2008 Other £m	2008 Total £m	2007 Land and buildings £m	2007 Other £m	2007 Total £m
Lease payments under operating leases recognised in income for the year	44.2	6.4	50.6	38.1	3.5	41.6

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:

	2008 Land and buildings £m	2008 Other £m	2008 Total £m	2007 Land and buildings £m	2007 Other £m	2007 Total £m
Within one year	40.2	5.9	46.1	30.3	5.1	35.4
In the second to fifth years inclusive	98.6	8.6	107.2	72.3	8.6	80.9
After five years	59.6	0.3	59.9	62.6	–	62.6
	198.4	14.8	213.2	165.2	13.7	178.9

Operating lease payments principally represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5.3 years and rentals are fixed for an average of 1.5 years.

33. Share-based payments

The Group recognised a total expense of £9.2m (2007: £9.1m) 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 conditional 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 and Total Shareholder Return (TSR) performance conditions. Further details are provided in the remuneration report, see page 35.

	2008 Options (millions)	2008 Weighted average exercise price (£)	2007 Options (millions)	2007 Weighted average exercise price (£)
Outstanding at beginning of period	42.3	1.04	60.5	1.07
Granted during the period	0.3	1.24	2.7	1.47
Forfeited during the period	(8.6)	1.05	(6.1)	1.10
Exercised during the period	(4.6)	0.94	(14.8)	0.98
Outstanding at end of period	29.4	1.16	42.3	1.04
Exercisable at end of period	23.4	1.12	31.2	1.07

The weighted average share price at the date of exercise for share options exercised during the period was £0.94 (2007: £0.98). The options outstanding at 31 December 2008 had a weighted average exercise price of £1.16 (2007: £1.04), and a weighted average remaining contractual life of 5.1 years (2007: 4.9 years). The fair value per option granted (weighted average) in the year was £0.35 (2007: £0.38).

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

	2008	2007
Expected life	5 years	5 years
Weighted average share price	125.25	149.00
Weighted average exercise price	123.50	147.50
Expected volatility	26.5%	19.0%
Risk free rate	5.1%	5.7%
Expected dividend yield	1.8%	1.4%

Expected volatility was determined by considering the historical volatility of the Group's share price over the previous five 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 £0.7m (2007: £1.3m) 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 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 £8.5m (2007: £7.8m) in respect of conditional share awards in the year.

34. 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 £10.8m (2007: £9.5m) represents contributions payable in the year to these schemes at rates specified in the rules of the plans. As at 31 December 2008, contributions of £nil (2007: £nil) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

The Group operates a small number of defined benefit schemes, principally where required by local statutory regulations, 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 2008. 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.

	Germany	Italy	France	2008 Norway	Germany	Italy	France	2007 Norway
Discount rate	6.0%	4.0%	6.3%	4.3%	5.5%	4.0%	5.2%	4.7%
Expected rate of increase in pensionable salaries	–	2.0%	–	6.3%	–	2.0%	2.0%	5.8%
Expected rate of increase in pensions in payment	2.0%	2.0%	–	4.5%	1.8%	2.0%	–	4.5%
Expected long-term rate of return on plan assets	6.0%	–	–	4.3%	5.5%	–	–	4.3%
Inflation assumption	–	2.2%	2.0%	2.0%	–	2.2%	2.0%	2.0%

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.

	2008 %	2008 £m	2007 %	2007 £m
Equity instruments	55%	4.2	75%	4.5
Debt instruments	0%	–	4%	0.2
Other assets	45%	3.6	21%	1.2
Fair value of pension scheme assets	100%	7.8	100%	5.9
Present value of defined benefit obligations		(16.7)		(13.0)
Deficit in scheme		(8.9)		(7.1)
Related deferred tax asset		0.8		0.8
Net pension liability net of deferred tax asset		(8.1)		(6.3)

The actual loss on scheme assets was £0.6m (2007: £0.2m). 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:

	2008 £m	2007 £m
Current service cost	(1.1)	(0.6)
Past service cost	–	0.4
	(1.1)	(0.2)

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

	2008 £m	2007 £m
Expected return on pension scheme assets	0.3	0.2
Interest on pension scheme liabilities	(0.7)	(0.8)
	(0.4)	(0.6)

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

Notes to the consolidated financial statements continued

34. Retirement benefit schemes continued

Defined benefit schemes continued

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

	2008 £m	2007 £m
Actual return less expected return on pension scheme assets	(0.6)	(0.2)
Experienced gains and losses on scheme liabilities	0.6	0.3
Amount recognised in the statement of recognised income and expense	–	0.1

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

	2008 £m	2007 £m
At 1 January	13.0	12.7
Service cost	1.1	0.2
Interest cost	0.7	0.8
Contributions from scheme members	0.2	–
Actuarial gains and losses	(0.6)	(0.3)
Benefits paid	(0.6)	(0.1)
Other	(0.1)	(1.2)
Foreign exchange movement	3.0	0.9
At 31 December	16.7	13.0

Movements in the fair value of scheme assets were as follows:

	2008 £m	2007 £m
At 1 January	5.9	4.7
Expected return on scheme assets	0.3	0.2
Actuarial gains and losses	(0.6)	(0.2)
Benefits paid	0.8	0.4
Contributions from scheme members	0.1	0.1
Other	0.2	0.1
Foreign exchange movement	1.1	0.6
At 31 December	7.8	5.9

History of experienced gains and losses:

	2008	2007	2006	2005
Present value of defined benefit obligations (£m)	16.7	13.0	12.7	12.1
Fair value of scheme assets (£m)	7.8	5.8	4.7	3.9

Difference between the expected and actual return on scheme assets:

Amount (£m)	(0.6)	(0.2)	–	(0.1)
Percentage of scheme assets	-7.8%	-3.1%	0.0%	-2.6%

Experienced gains and losses on scheme liabilities:

Amount (£m)	0.6	0.3	–	–
Percentage of present value of scheme liabilities	3.6%	2.3%	0.0%	0.0%

Total amount recognised in statement of recognised income and expense:

Amount (£m)	–	0.1	–	(0.1)
Percentage of present value of scheme liabilities	-4.2%	-0.8%	0.0%	-2.6%

The estimated amount of contributions to be paid to the scheme during 2008 is £1.1m.

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 page 31.

	2008 £m	2007 £m
Short-term employee benefits	4.4	5.9
Post-employment benefits	0.7	0.7
Termination benefits	2.6	–
Share-based payment	2.7	2.7
	10.4	9.3

Transactions with associated undertakings
In 2008, Group subsidiary companies purchased media space from associated undertakings totalling £19.0m (2007: £37.6m). These transactions have occurred on an arm's length basis. The balance due from Group companies to associated undertakings at the end of 2008 was £0.8m (2007: £8.1m). The balance due from associated undertakings to Group companies at the end of 2008 was £3.5m (2007: £0.8m).

Five year summary

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Income statement					
Revenue	1,342.0	1,106.4	996.9	870.4	747.0
Underlying profit before interest and tax	188.1	149.4	133.8	115.0	97.9
Underlying profit before tax	166.8	132.7	116.2	100.2	94.0
Profit before tax	124.6	131.7	113.5	94.0	91.9
Profit attributable to equity holders of the company	82.8	88.5	76.3	61.9	61.0
Balance sheet					
Non-current assets	1,345.7	938.7	766.6	786.4	557.5
Net current assets (liabilities)	(3.2)	36.4	(97.2)	(212.2)	(144.1)
Non-current liabilities	(882.7)	(668.8)	(452.8)	(404.4)	(266.8)
Net assets	459.8	306.3	216.6	169.8	146.6
Financed by:					
Equity	485.9	321.0	221.0	177.3	138.9
Minority interests	(26.1)	(14.7)	(4.4)	(7.5)	7.7
	459.8	306.3	216.6	169.8	146.6

	Pence	Pence	Pence	Pence	Pence
Earnings per share					
– Basic	7.3	7.8	6.8	5.6	5.5
– Diluted	7.3	7.8	6.8	5.5	5.5
Underlying earnings per share					
– Basic	10.3	8.2	7.1	6.1	5.5
– Diluted	10.3	8.2	7.0	6.1	5.5
Dividend rate per share	2.50	2.30	1.90	1.65	1.45

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

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 2008 which comprise the balance sheet and the related notes 1 to 17. 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 2008 and on the information in the 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 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 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 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. The information given in the directors' report includes that specific information presented in the operating reviews and financial review that is cross-referenced from the review of business and future developments sections of the directors' report.

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 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 judgements 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 2008;
- 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 LLP Deloitte LLP
Chartered Accountants and Registered Auditors
London

18 March 2009

Company balance sheet

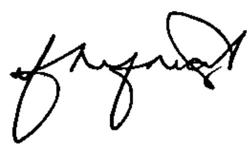
At 31 December 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Tangible assets	4	2.2	2.9
Investments	5	1,092.9	1,092.3
		1,095.1	1,095.2
Current assets			
Debtors			
– due within one year	6	290.2	306.7
– due after more than one year	7	16.3	22.2
Derivative financial assets	10	16.7	–
Cash at bank and in hand		–	5.9
		323.2	334.8
Creditors: Amounts falling due within one year	8	(249.7)	(342.9)
Net current assets (liabilities)		73.5	(8.1)
Total assets less current liabilities		1,168.6	1,087.1
Creditors: Amounts falling due after more than one year	9	(545.8)	(480.8)
Derivative financial liabilities	10	(11.1)	(15.9)
Net assets		611.7	590.4
Called up share capital	11	58.0	57.7
Shares to be issued	12	4.0	4.7
Share premium account	13	243.5	238.7
Capital redemption reserve	13	0.2	0.2
Merger reserve	13	13.0	13.0
ESOP trust shares	13	(30.6)	(30.9)
Capital reserve	13	301.4	301.4
Profit and loss account	14	22.2	5.6
Equity shareholders' funds		611.7	590.4

These financial statements were approved by the Board of directors on 18 March 2009 and were signed on its behalf by:

John Napier
Chief executive officer

Alicja Lesniak
Chief financial officer



Notes to the Company financial statements

For the year ended 31 December 2008

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 22 to 35.

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

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

In accordance with Related Party Disclosures ("FRS8"), the Company is exempt from disclosing transactions with entities that are part of the Group, or investees of the Group qualifying as related parties, as it is a parent publishing consolidated financial statements.

Further, the Company, as a parent company of a group drawing up consolidated financial statements that meet the requirements of IFRS 7, is exempt from disclosures that comply with its UK GAAP equivalent, FRS 29 'Financial Statements: Disclosures'.

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 applies the requirements of Share-based Payment ("FRS20"). 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.

UITF 44: Group and treasury share transactions
Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, UITF 44 requires the subsidiary to record an expense for such compensation in accordance with FRS 20 (Share-based payments), with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (Aegis Group plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £7.8m, with a credit to equity for the same amount.

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.

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 profit and loss account over the lease term on a straight-line basis.

Notes to the Company financial statements continued

1. Accounting policies continued

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% to 20% per annum or over the lease if shorter
Office furniture, fixtures, equipment and vehicles	10% to 50% per annum
Software	33% per annum
Other	5% to 10% per annum

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

Investments

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

Equity instruments

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

Loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption are charged to 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.

Derivative financial instruments

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

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

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

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 profit, before the payment of dividends, for the financial year ended 31 December 2008 of £38.1m (2007: a loss of £23.1m).

The profit for the year of £38.1m includes dividends received of £93.3m from Group companies.

The auditors' remuneration for audit services to the Company amounted to £0.4m (2007: £0.5m) and for non-audit services amounted to £0.1m (2007: £0.1m).

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

3. Staff costs

The monthly average number of persons employed by the Company (excluding directors) during the year was 42 (2007: 43).

Their aggregate remuneration comprised:

	2008 £m	2007 £m
Wages and salaries	5.2	5.1
Bonus costs	0.5	0.8
Social security costs	0.5	0.9
Pension costs	0.1	0.6
Severance costs	–	1.4
Staff costs	6.3	8.8

Staff costs include a share-based payment expense of £1.3m (2007: £1.3m).

Directors' remuneration is disclosed in the front section of this report, refer to remuneration report page 31.

4. Tangible assets

Cost	Leasehold land and buildings £m	Equipment, fixtures and fittings £m	Computer software £m	Other £m	Total £m
At 1 January 2008	0.9	1.4	1.3	1.0	4.6
Additions	0.8	0.5	0.1	0.3	1.7
Disposals	(0.9)	–	(1.4)	–	(2.3)
At 31 December 2008	0.8	1.9	–	1.3	4.0
Accumulated depreciation					
At 1 January 2008	0.6	0.8	0.1	0.2	1.7
Charge for the year	0.5	0.4	0.1	0.2	1.2
Disposals	(0.9)	–	(0.2)		(1.1)
At 31 December 2008	0.2	1.2	–	0.4	1.8
Carrying amount					
At 31 December 2008	0.6	0.7	–	0.9	2.2
At 31 December 2007	0.3	0.6	1.2	0.8	2.9

The net book value of other tangible assets includes trademarks of £0.9m (2007: £0.8m).

5. Investments

Cost	Joint venture £m	Interests in associates £m	Shares in subsidiary undertakings £m	Total £m
At 1 January 2008	20.4	0.2	1,255.7	1,276.3
Additions	–	–	424.5	424.5
Disposals	–	–	(415.5)	(415.5)
At 31 December 2008	20.4	0.2	1,264.7	1,285.3
Accumulated impairment losses				
At 1 January 2008	20.4	–	163.6	184.0
Additions	–	–	8.4	8.4
At 31 December 2008	20.4	–	172.0	192.4
Carrying amount				
At 31 December 2008	–	0.2	1,092.7	1,092.9
At 31 December 2007	–	0.2	1,092.1	1,092.3

A listing of principal subsidiary and associated undertakings is at Note 17.

Notes to the Company financial statements continued

5. Investments continued

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:

	Nature of operation	Country of incorporation	Effective interest in ordinary share capital
Carat Philippines Inc	Media Communications	Philippines	30%

6. Debtors due within one year

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

	2008 £m	2007 £m
Amounts owed by subsidiary undertakings	279.7	302.5
Other debtors	9.8	3.4
Prepayments and accrued income	0.7	0.8
	290.2	306.7

7. Debtors due after more than one year

	2008 £m	2007 £m
Amounts owed by subsidiary undertakings	16.3	22.2

8. Creditors: amounts falling due within one year

	2008 £m	2007 £m
Bank overdrafts	17.4	6.2
Loans	7.0	29.9
Less issue costs of debt to be amortised	(0.4)	(0.4)
	24.0	35.7
Trade creditors	4.3	2.3
Amounts owed to subsidiary undertakings	214.5	298.8
Taxation and social security	–	0.2
Other creditors	2.2	0.2
Accruals and deferred income	4.7	5.7
	249.7	342.9

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

Included within accruals and deferred income is provision for National Insurance contributions on share options of:

	2008 £m	2007 £m
At 1 January	1.2	1.5
Payment of National Insurance contributions	(0.6)	(0.4)
Charged to profit and loss account	–	0.1
At 31 December	0.6	1.2

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

	2008 £m	2007 £m
Loan notes	546.5	481.9
Less issue costs of debt to be amortised	(0.7)	(1.1)
	545.8	480.8

Private placement debt – November 2000
On 20 November 2000, the Company issued US$160m of unsecured loan notes, repayable between 2006 and 2008 These loan notes were guaranteed by the Company and certain of its subsidiaries US$13m was settled during the year.

Private placement debt – July 2005
On 28 July 2005, the Company issued US$342m 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.

Private placement debt – September 2007
On 17 September 2007, the Company issued US$125m of unsecured loan notes, repayable between 2014 and 2017. These loan notes are guaranteed by the Company and certain of its subsidiaries

Revolving credit facility – June 2006
On 9 June 2006, the Company raised a five-year £450m multicurrency credit facility with a group of international financial institutions. The facility is of a committed revolving nature with drawings allowable under a variety of currencies The facility is guaranteed by the Company and certain of its subsidiaries.

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

	2008 £m	2007 £m
Repayable within one year	24.4	36.1
Repayable between one and two years	–	–
Repayable between two and five years	335.2	326.7
Repayable after more than five years	211.3	155.2
Issue cost of debt	(1.1)	(1.5)
	569.8	516.5
Details of loans not wholly repayable within five years as follows:		
5.50% fixed rate 2005 $118m private placement debt repayable 28 July 2015	80.9	59.5
5.65% fixed rate 2005 $65m private placement debt repayable 28 July 2017	44.6	32.7
6.06% fixed rate 2007 $75m private placement debt repayable 14 September 2014	51.5	37.8
6.29% fixed rate 2007 $50m private placement debt repayable 17 September 2017	34.3	25.2
	211.3	155.2

The loan repayable within one year includes overdraft of £17.4m (2007: £6.2m).

10. Derivative financial instruments

	2008 £m	2007 £m
Derivative financial assets	16.7	–
Derivative financial liabilities	(11.1)	(15.9)

The derivative financial assets represent the fair value of external and inter-group foreign exchange contracts and inter-group options which are accounted for as fair value through the profit and loss.

The derivative financial liabilities represent the fair value of the cross currency swaps at 31 December 2008. 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 Company's functional currency of sterling. The US$/sterling leg of the swaps act as cash flow hedges against the Company's US$ loan notes. The euro/sterling leg of the swaps has been designated as a fair value through the profit and loss.

Details of the fair value of the Company's derivative financial instruments are set out in Note 21 of the Group's financial statements.

Notes to the Company financial statements continued

11. Share capital

Authorised	2008 £m	2007 £m
1,500,000,000 (2007: 1,500,000,000) ordinary shares of 5p each	75.0	75.0

Issued, allotted, called up and fully paid	2008 Number of ordinary shares	2008 £m	2007 Number of ordinary shares	2007 £m
At 1 January	1,153,519,030	57.7	1,141,784,840	57.1
Issue of shares by the company	5,282,082	0.3	11,734,190	0.6
At 31 December	1,158,801,112	58.0	1,153,519,030	57.7

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 5,282,082 shares (2007: 11,734,190) in the year with an aggregate nominal value of £264,104 (2007: £586,710), 4,605,259 (2007: 11,734,190) of which were due to the exercise of share options. The total share premium arising on the issue of shares in the year was £4,810,846 (2007: £9,273,491).

Under the Company's share option schemes, there were outstanding options over 29,386,421 ordinary shares of 5p each at 31 December 2008 (2007: 42,297,035), for which the participants have the right to exercise their options at prices ranging from 0.78p to 2.15p. These options are exercisable between 31 December 2008 and 3 June 2018.

12. Shares to be issued

The shares to be issued related to the acquisition of AgenciaClick in Brazil and are dependent on certain performance conditions being met.

13. Share premium account and reserves

	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	ESOP reserve £m	Capital reserve £m	Profit and loss account £m	Total £m
At 1 January 2008	238.7	0.2	13.0	(30.9)	301.4	5.6	528.0
Premium on shares issued	4.8	–	–	–	–	–	4.8
Purchase of shares by ESOP	–	–	–	(8.9)	–	–	(8.9)
Shares awarded by ESOP	–	–	–	9.2	–	(9.2)	–
Retained profit for the year	–	–	–	–	–	38.1	38.1
Dividends to shareholders	–	–	–	–	–	(27.4)	(27.4)
Credit for share-based incentive schemes	–	–	–	–	–	9.2	9.2
Cash flow hedge reserve	–	–	–	–	–	5.9	5.9
At 31 December 2008	243.5	0.2	13.0	(30.6)	301.4	22.2	549.7

At 31 December 2008, the Company's ESOP (the "Aegis Group Employee Share Trust") held 24,883,971 ordinary shares in the Company with a nominal value of £1,244,199 and a market value of £18.5m.

At 31 December 2007, the Company's ESOP (the "Aegis Group Employee Share Trust") held 24,516,101 ordinary shares in the Company with a nominal value of £1,225,805 and a market value of £28.7m.

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.

14. Profit and loss account

	2008 £m	2007 £m
At 1 January	5.6	52.7
Shares awarded by ESOP	(9.2)	(4.0)
Retained profit/(loss) for the year	38.1	(23.1)
Dividends to shareholders	(27.4)	(22.7)
Credit for share-based incentive schemes	9.2	1.3
Cash flow hedge reserve	5.9	1.4
At 31 December	22.2	5.6

For the year ended 31 December 2008, dividends paid to shareholders comprise the final 2007 dividend of £16.5m (1.46p per share) and the interim 2008 dividend of £10.9m (0.96p per share). For the year ended 31 December 2007, dividends paid to shareholders comprise the final 2006 dividend of £13.2m (1.175p per share) and the interim 2007 dividend of £9.5m (0.84p per share). The final dividend for 2008, if approved, will be paid on 28 May 2009 to all ordinary shareholders on the register at 1 May 2009.

15. Share-based payments

The Company recognised a total expense of £1.3m (2007: £1.3m) 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 ten 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 33 to the Group's financial statements.

The weighted average share price at the date of exercise for share options exercised during the period was £0.94 (2007: £0.98). The options outstanding at 31 December 2008 had a weighted average exercise price of £1.16 (2007: £1.04), and a weighted average remaining contractual life of 5.1 years (2007: 4.9 years). The fair value per option granted (weighted average) in the year was £0.35 (2007: £0.38).

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

	2008	2007
Expected life	5 years	5 years
Weighted average share price	125.25	149.00
Weighted average exercise price	123.50	147.50
Expected volatility	26.5%	19.0%
Risk free rate	5.1%	5.7%
Expected dividend yield	1.8%	1.4%

Expected volatility was determined by considering the historical volatility of the Company's share price over the previous five 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 £0.1m (2007: £0.3m) 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 £1.2m (2007: £1.0m) in respect of conditional share awards in the year.

Notes to the Company financial statements continued

16. Operating lease arrangements

	2008 £m	2007 £m
Operating lease payments recognised in income for the year	0.5	0.8

At 31 December 2008, there were the following annual commitments in respect of non-cancellable operating leases:

	2008 £m	2007 £m
Operating leases that expire		
Within 1 year	0.2	0.2
In the second to fifth years inclusive	–	–
After 5 years	0.5	0.4
	0.7	0.6

17. Principal subsidiary and associated undertakings

All shareholdings are of ordinary shares.

All of the principal subsidiary and associated undertakings disclosed below are directly held.

Principal subsidiary undertakings	Country of incorporation and operation	Effective interest in issued share capital at 31 Dec 2008
Media Communications		
Aegis Media France S.A.S	France	100%
Aegis Media Nederland BV	Netherlands	100%
Aegis Media Italia Srl	Italy	100%
Aegis Media Iberia S.L	Spain	100%
Aegis Media (Central Europe & Africa) GmbH	Germany	100%
Aegis Media Ltd	England and Wales	100%
Eaton Gate Inc	US	100%
AgecnioClick – Midia Interativa SA	Brazil	100%
Market Research		
Synovate Inc	US	100%
Synovate Holdings Pty Ltd	Australia	100%
Synovate Ltd	England and Wales	100%
Synovate (Asia Pacific – BVI) Ltd	British Virgin Islands	100%
Principal associate undertakings		
Media Communications		
Qin Jia Yuan Media Services Company Ltd	China	15.9%
L'Agence Citizen Press S.A.	France	49.8%
L'Agence Des Services del la Presse et de l'edition SAS	France	49.8%

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.

Net revenue
Research income after deduction of all direct costs which is equivalent to gross profit. This item is used in respect of Synovate only.

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 interest and tax, underlying profit before tax, and underlying profit after tax are operating profit, profit before interest and tax, 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 and other exceptional items which are material by nature or amount in the opinion of the directors, including 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 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.

Emerging markets
Emerging markets comprise Latin America, Central and Eastern Europe, Asia-Pacific (with the exception of Australia, New Zealand and Japan) and the Middle East and Africa.

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