Aegis Group plc
2009 Annual Report and Accounts

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Aegis at a glance

Aegis Group plc is one of the world's largest marketing services companies with annual revenues of over £1.3 billion and a worldwide coverage in over 80 countries. Aegis provides a broad range of marketing services through its two divisions: Aegis Media and Synovate

Aegis Media
The worlds largest independent media buyer

Aegis Media is the largest independent media buyer in the world Across all companies in the sector including vertically-integrated companies with creative divisions, Aegis ranks as the fourth largest globally

Although Aegis Media is managed and reports its performance on a geographical basis, it is the 'umbrella' brand for the four principal marketing-focused businesses It has become one of the world's largest media agencies with revenues in 2009 of £825m and has a market leading position in the fast growing digital sector which now accounts for over 30% of the business

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Carat

Carat is the largest independent media planning and buying agency in the world free from creative agency ties Carat covers the full spectrum of traditional media to digital interactive media buying and planning providing innovative and integrated advice and consultancy as well as buying services to its clients

Presence	Employees
82 countries	4,700 worldwide

Major clients
Philips, Pfizer, Proctor & Gamble

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Posterscope

Posterscope specialises in outdoor media for the Aegis Group The business targets the out of home segment centered around the medium of building wraps and digital displays It is the second largest global out-of-home agency operating through 48 offices with billings of over US$2 billion

Presence	Employees
20 countries	600 worldwide

Major clients
Coca Cola, MasterCard, Nestle

IMAGE REMOVED

Vizeum

Vizeum was established in 2003 as an alternative brand to Carat within the Aegis Media network Vizeum is building on its European base, where it has a top ten position, to penetrate the North American and Asia Pacific regions in a meaningful way

Presence	Employees
50 countries	1,100 worldwide

Major clients
20th Century Fox, Panasonic, Pernod Ricard

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Isobar

Isobar is one of the largest digital marketing networks in the world It provides clients with local and international digital services, including strategy and consulting online advertising and media, website build, paid and organic search, social and viral marketing mobile and CRM Each of Isobar's agencies is a leader in its field, either in its specialist expertise or as a leading local market capability

Presence	Employees
39 countries	2,600 worldwide

Major clients
Adidas-Reebok, Fiat, Johnson & Johnson

Synovate
The leading global research group

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Synovate

Synovate is Aegis' market research division with revenues in 2009 of £521m It was launched as a new global research brand in 2003 and now accounts for approximately 40% of Aegis revenues Synovate's strength is its custom research capability and its client base, which includes 53 of the Fortune 100 companies and over 4 000 clients worldwide

Presence	Employees
62 countries	6,000 worldwide

Major clients
Nokia, Shell, Unilever

Strategic priorities in 2009

Continuing to deliver a strong operating performance in challenging markets

Strengthening the Board

Maintaining a conservative balance sheet

Board strengthened, including appointment of Jerry Buhlmann as CEO

Cost-reduction programme successfully implemented

Strong operating cash flow performance

Chairman's statement

In our 2008 Preliminary Results announcement we detailed a series of management actions to meet the rapidly declining marketing environment we expected to face throughout 2009 Our objective was to limit the impact of an anticipated decline in revenues by reducing costs and thereby maintaining reasonable margins We set ourselves the task of being what we called 'resilient' in what was clearly a substantial downturn, with several key areas of focus, in particular

- continuing to deliver a strong operating performance in challenging markets, including right-sizing our cost base and making it more variable,
- maintaining a conservative balance sheet, and
- strengthening the Board

Continuing to deliver a strong operating performance in challenging markets

At the half year we reported on a marketplace which was more depressed and volatile than we originally expected, with greater month-to-month variations At that time, our Synovate business, with its relatively high exposure to custom research, was most impacted by the downturn, recorded a small operating loss Despite this, we expected a more stable second half across the business, including a recovery in Synovate and, allied to an increasing trend of cost saving delivery in the second half, we forecast that we expected to meet full year market expectations of underlying operating profit

I am pleased to report we have met that forecast Synovate dealt rapidly with a mix of market and management factors, delivered further cost savings and improved efficiencies, it also produced the expected revenue improvement, indicated by the level of confirmed orders The Aegis Media division remained robust with a more constant revenue performance slightly below expectations but supported by further cost reductions and a record year in net new business wins

As a result of our ongoing focus on delivering a strong operating performance at both Aegis Media and Synovate, and further corporate overhead savings, the overall performance of the business was strong, with underlying Group operating margins falling slightly to 12 6% This was an acceptable result given that organic revenue declined 9 7% in the year at constant currency

Strengthening the conservative balance sheet adding acquisition capability

Our balance sheet remains strong and our lines of credit remain secure Our financial and working capital and cash management continued to improve and we reduced net debt by £40 3m in the year We also took the opportunity to change our overall debt profile in December by raising US$225m by means of issuing eight and ten year US Private Placement Notes This has lengthened the tenure of our total debt facilities and has helped to increase the diversity of our capital structure

In addition we have announced a proposed convertible bond issue to raise £175m This fulfils, in the short term, a need to restore our previous levels of acquisition and development expenditure as markets become more stable and we explore more opportunities to make related acquisitions to strengthen our market positions and provide additional capabilities whilst maintaining a conservative balance sheet Acquisitions are likely to be plural rather than limited to one specific deal

Strengthening the Board

We continue to strengthen the management of the Company at all levels There have been several changes of our non-executive and executive directors, the impact of which has been very positive for the performance of the Company

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John Napier
Chairman and interim Chief Executive

These Board changes were outlined in detail at the full year results last year and came into full effect in September I am pleased to welcome as new non-executive directors Simon Laffin, Martin Read and John Brady, who bring a wide range of business, corporate and specialist expertise to the Company Simon Laffin has taken over from Brendan O'Neill as Chairman of the Audit Committee and Lorraine Trainer has become Chairman of the Remuneration Committee with Charles Strauss stepping down from that role on his appointment as senior independent director I would like to thank Brendan O'Neill for his long-term service to the Company and for his help and support in recruiting new directors and achieving a smooth transition

There were also two changes of executive director with Nick Priday stepping up to become Chief Financial Officer on the retirement of Alicja Lesniak and the appointment of Robert Philpott as an executive director this month recognising his successful transformation of the Synovate business following his appointment as its Chief Executive Officer in September and the retirement of Adrian Chedore in December 2009 On behalf of the Board, I would like to thank Alicja and Adrian for their contribution to the development of the Company during their time with us

I am also pleased to announce that, following an external evaluation and review process, Jerry Buhlmann has been appointed Chief Executive Officer of Aegis Group plc with effect from 1 May He will continue to report directly to the Board for the Aegis Media business Over the last 18 months Jerry, Nick and Robert have worked well together in their executive roles and will provide continuity and have the ability to improve the performance and growth of our businesses across the world I am particularly appreciative of their support over the last 18 months They deserve every credit for the delivery of a strong performance in what was an exacting year in 2009

The Board will remain focused on performance, governance and the strategic development and growth of the business

Cost savings and improved efficiencies together with a strong operating performance in both divisions helped to maintain margins in a challenging global economy

Outlook

The Board believes that our performance in 2009 places us in a good position to face the continuing challenges of 2010 The world outlook, although improved, is still very patchy and has elements of uncertainty Despite this we see ourselves well placed to resume modest growth Our increase in funding and liquidity has helped us to maintain a strong balance sheet and has also given us more scope to continue with some priority bolt on acquisitions

Our strategic challenge is to continue to transform the business, to improve services and deploy technologies that meet the needs of our clients who continue to face a demanding and competitive market environment Competitive, quality services with a high standard of service and delivery will be a minimum requirement for all successful companies We believe that we are well placed to continue to meet that challenge

Dividend

To support our confidence in the short-term outlook for the Company, the Board has recommended a full year dividend of 2 50p per share for 2009, in line with 2008

Our employees

The response of our staff to a more demanding and less personally rewarding market environment has been professional and energetic, and they have responded well to a more challenging management environment On behalf of the Board, I would like to thank them all for their hard work and effort during what was a challenging year

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John Napier
Chairman

With a strong balance sheet and competitive, quality services we are well placed to face the continuing challenges of 2010

Chief executive's report

In my report last year I set out the actions we had taken to position the Company to be resilient in the severe downturn in 2009 In summary, resilient was defined as minimising the expected impact of revenue falls by cost reductions and improved flexibility of variable costs in order to meet the challenge of reasonably maintaining margins in a severe downturn

Aegis delivered against guidance in challenging markets

At the half year we reported results where market revenue falls and month-to-month variations were greater than predicted, particularly in market research where performance at the half year was below expectations Given continuing market uncertainty and more fluctuating month by month numbers we made our focus on the full year result a key priority for action At the interims we gave our view that

- the underlying forward order position of Synovate was strengthening and revenue would be better going forward,
- the performance of Aegis Media would remain robust, and
- in both businesses the rate of cost reduction was increasing

Consequently, we expected the Group's full year underlying operating profit would be in line with market expectations at that time

The summary table of underlying results, showing an underlying operating profit of £170 3m and underlying pre-tax profit at £149 3m, confirms that we have delivered against that guidance This is a particularly satisfactory performance given that market conditions remained tough in Aegis Media and that significant improvements in Synovate performance needed to be delivered

The percentage movements in the summary table are also given at constant currency as foreign exchange variances continue to be significant The constant currency numbers reflect the real performance trends, particularly on the revenue and cost lines

On that basis, revenue was down 8 7% in the year, gross profit was down by 9 9% and operating costs were down by 8 9% Excluding the limited impact of prior year acquisitions, the decrease in Group organic revenue was 9 7%

The Business review and Financial review provide more detail on our performance during the year, particularly in relation to quarterly results The trend in variability of revenue persisted in the second half and the focus at the interims of giving clear guidance for the year end was based on management's view of the additional effects of significant management actions taken and planned

Tackling our cost base

Operating performance in the year was strong, with Group margins broadly maintained at 12 6% (2008 13 2%) This margin performance was supported by the cost reduction programme, initiated in 2008, benefits from which accelerated during the course of 2009 Further initiatives were implemented in the second half of the year and divisional savings in business costs were supported by further corporate overhead cost reductions

At the end of the year, we achieved £55 6m of staff related cost savings, equating to 7 6% of year-on-year savings in total staff costs excluding bonus and severance The impact of these cost savings, in both quantum and timing, was ahead of the original expectations we set at the initiation of this exercise

A strong second half performance from Synovate

All areas of the business contributed to our satisfactory performance for 2009 Of particular note, however, was the second half performance of Synovate which transformed a first half performance which saw organic net revenue down year-on-year by 15 5% and a half-year underlying operating loss of £3 2m

The strong second half performance resulted in full-year organic net revenue being down 13 7% and a full-year underlying operating profit of £36 9m

Summary table of results

£m	2009	2008[1]	Change %	Constant currency %
Revenue	1,346 5	1,342 0	0 3	(8 7)
Gross profit	1,147 0	1,153 0	(0 5)	(9 9)
Underlying results				
– Operating expenses	(976 7)	(976 0)	(0 1)	8 9
– Operating profit	170 3	177 0	(3 8)	(14 9)
– Profit before tax	149 3	166 8	(10 5)	(21 8)
– Diluted eps	9 5p	10 3p	(7 8)	(19 9)
– Operating margin	12 6%	13 2%		
Statutory results				
– Operating profit	114 6	128 0	(10 5)	(20 8)
– Profit before tax	91 2	124 6	(26 8)	(36 6)
– Diluted eps	5 5p	7 3p	(24 7)	(34 9)
Dividend per share	2 50p	2 50p		
Operating cash flow	199 1	261 6		

[1] 2008 results are presented on a restated basis to reflect the reclassification of financing-related exchange gains and losses This classification impacts statutory and underlying operating profit but has no effect on profit before tax or profit after tax

Under the leadership of its new Chief Executive, Robert Philpott, Synovate improved net revenue and reduced costs, implementing a wide range of measures to reduce overheads, simplify the management structures and give greater focus on specific accountabilities at a functional and country management level Although it began the implementation of its cost reduction programme later than Aegis Media, Synovate continued to improve its reduction of year-on-year staff costs by 78% in the second quarter, 10 8% in the third and 13 6% in the fourth making an average of 8 2% in the full year The recovery in net revenue was equally welcome and the sales order book at the end of the year is strong

A consistent performance from Aegis Media throughout the year

Aegis Media performed more consistently throughout the year with a full-year revenue decline of 8 7%, however with a stronger fourth quarter than third quarter The rate of year-on-year staff cost savings increased to 10 1% in the third quarter, falling to 9 2% in the last quarter, to give an average of 71% for the year The fourth quarter performance reflected a significantly higher level of activity and the fact that prior year comparisons included cost reduction measures taken earlier in the fourth quarter of 2008 Aegis Media ended the year with record net new business wins of US$2 7bn (2008 US$0 9bn) Client wins during the year included Nokia, Kellogg's and BMW There was limited incremental benefit in 2009 due to phasing issues as the current year wins were partly offset by account changes in the second half of 2008 We expect the full benefit to be derived in 2010

Aegis Media continued to be successful in its efforts to diversify, specifically in terms of geography and service offering The digital profile of the business grew further in 2009, with Isobar contributing 31% of Aegis Media's revenue Aegis Media also continued to increase its networks in the relatively buoyant emerging markets As evidence of this, we announced in January 2010 an extension of our operations in China, with the acquisition of a 177% stake in Charm Communications Inc, accelerating our presence in that key market

Financial position of Aegis strengthened

During the year, we continued to take further action to strengthen our financial position We ended the year with strong covenant positions and have undrawn available facilities at the year end totalling £376 4m (2008 £172 1m)

We extended our debt maturity profile with the issuance of eight and ten year US Private Placement Notes in December 2009 Further detail is provided in the Financial review

Dividend

To support our confidence in the short-term outlook for the Company, the Board has recommended a full year dividend of 2 50p per share for 2009, in line with 2008

Outlook

In conclusion, we delivered a satisfactory outcome in 2009 in difficult market circumstances An improved second half performance, with a particularly strong final quarter, against a background of a slightly more optimistic view of the world outlook for 2010 has led us to budget for modest growth

However global economic circumstances remain uncertain and there are specific country challenges, and we still have work to do to continue to transform and improve our business However, we have in place a management team that is responding to the challenges we are facing and we are confident that the Company is well positioned for the year ahead

John Napier
Chairman and interim Chief Executive

Satisfactory performance in tough market conditions

Aegis Media business review

Headlines

- Operating performance resilient, with operating margin of 18 2% (2008 19 2%)
- Operating profit down, but impact of revenue falls significantly offset by cost reductions
- Record new business performance globally at US$2 7bn (2008 US$0 9bn), including Kellogg's, BMW and Credit Agricole in EMEA and Nokia globally, limited incremental benefit in 2009 as partly offset by account changes in second half of 2008 but provides good momentum going into 2010
- Proportion of revenue derived from digital up from 29% to 31%

Overview

Revenue of £825 2m was in line with 2008 but 8 7% down on a constant currency basis reflecting the worldwide advertising recession in 2009 On an organic basis, revenue fell 9 7%, compared to a decline of 9 9% in the first half of the year The rate of decline, having increased to 11 8% in the third quarter, recovered to 8 0% in the last quarter The improvement in revenues in the last quarter together with the record levels of new business wins in the year provide good momentum going into 2010, with increasing benefit expected to arise

Organic change %	Q1	Q2	Q3	Q4	H1	H2	Full year
Revenue	(13 1)	(7 4)	(11 8)	(8 0)	(9 9)	(9 5)	(9 7)

The downturn in the global economy was severe in 2009 As clients reduced spend on media, our aims were to

- focus on growing market share through new business,
- maintain our service levels to clients,
- quickly adjust our cost base, and
- maintain our momentum in regional and service development and 'ring-fence' large elements of our training budgets

IMAGE REMOVED

As a consequence of these actions we had our best new business performance globally on record and our turnover conversion to revenue increased from 7 9% to 8 5% Our headcount fell by 6 0% across the year and operating costs decreased by 7 6% on a constant currency basis

These cost savings principally reflect the benefit of our targeted cost reduction programme, together with flexibility in the cost base in respect of performance pay arrangements Underlying staff costs excluding performance pay and exceptional severance charges were 7 1% lower than 2008 and the rate of cost savings accelerated during the year as the programme was implemented

Cost reduction vs prior year	Q1	Q2	Q3	Q4	H1	H2	Full year
Aegis Media	2 2%	7 0%	10 1%	9 2%	4 6%	9 6%	7 1% £35 0m

Operating profit at £150 4m was down 4 7%, or 13 5% at constant currency, reflecting a resilient performance as, given the revenue decline in the year, operating margin was reasonably maintained at 18 2% (2008 19 2%)

Key highlights for business across Aegis Media included winning the global Nokia business and European appointments from Kellogg's, Credit Agricole and the renewal of the General Motors contract

Our digital business now accounts for 31% of revenue, up from 29% in 2008, reflecting the more robust nature of digital spends especially in search marketing and also our growing success and focus in delivering integrated on and offline solutions which are now essential for effective marketing plans

The regional investments and adjustments implemented in 2008 brought benefits to our delivery especially in Asia, and Latin America performed very well as part of the new Iberia/Latam region Following a review of operations, a new region of 'Middle East and Africa' was created with a new internally promoted management team leading significant developments across the region

£m	2009	2008	Change %	Constant currency %
Revenue				
– EMEA	585 3	588 1	(0 5)	(7 5)
– Americas	158 6	167 3	(5 2)	(17 9)
– Asia Pacific	81 3	68 4	18 9	3 9
Worldwide	825 2	823 8	0 2	(8 7)
Operating costs	(674 8)	(665 9)	(1 3)	7 6
Operating profit	150 4	157 9	(4 7)	(13 5)
Operating margin	18 2%	19 2%		

Jerry Buhlmann
Chief Executive Officer, Aegis Media
Chief Executive Officer designate Aegis Group

A major feature of 2009 has been to maintain investments in extending our product, services and geographical reach which has greatly enhanced our network capability In product, our market leading insight product, CCS, has been extended into 12 additional markets and the 'Integrated Communications Planning', ICP, process has been introduced and ingrained into all regions with several thousand staff receiving direct training OCS, the Outdoor version of CCS, has also been rolled out across the Posterscope network In digital, the iProspect performance marketing product and brand is now operated in 22 markets and once again is regarded as 'overall' leader in the 'Forrester Wave' report

Aegis Media EMEA

Revenue across the region at £585 3m decreased by 0 5% and by 7 5% at constant currency reflecting an outperformance versus the difficult market conditions

The UK performed well in a very competitive market enjoying strong retention of key clients whilst winning not only the international clients of Nokia and Kellogg's but also Ikea, BMW, and adding the Coca-Cola owned Innocent Drinks business There were strong performances from Carat, Vizeum and in the digital performance marketing brand Diffiniti, whilst Glue London had an outstanding year winning the 'Campaign Agency of the Year' award

France had a challenging year Robust digital leadership was brought more centre stage to a business which now derives the majority of its revenue from diversified services whilst maintaining the market number one position in traditional media In addition, new business wins from Credit Agricole, Societe General and Beaute Prestige will give the business additional momentum going into 2010

Germany had a year of outperformance with customary tight cost control and the very significant wins of Beiersdorf and Tchibo in their home market Retention in a highly competitive market was also key to success and the renewal of General Motors and Ferrero were both positives in the business

Italy and especially Spain had difficult years due to the profound decrease in economic activity in these markets However, both markets have been effectively managed and in Spain good cost control and a consolidation of office locations have maintained the product, staff integrity and operating margins at highly respectable levels

In Spain a robust new business effort was also rewarded with the prestigious award of the Diageo and Coca Cola business which, added to other wins, means our Spanish business enters 2010 with a strong competitive operating base plus a four point market share advance In Portugal, we completed the acquisition of a 51% stake in View in January 2009

The Nordics, following a number of years of outstanding performance, had a difficult 2009 challenged by a tough market and the loss of Landbruckt, a large client in Norway This was balanced by the benefit of being the home region to the global Nokia win and good progress in integration and product development

The highlight of Eastern Europe was the extension into the region of Vizeum's Panasonic assignment and Hungary's win of Ferrero, our Russian business also continued to perform well with positive revenue growth, a full-year effect of the Adwatch digital acquisition and market outperformance with new business wins for Diageo, Mars, Megafon and other local wins

In Middle East and Africa good progress has been made in substantially increasing our geographic footprint and upgrading our product In Sub Saharan Africa our presence has been extended with 11 new markets with strong affiliation agreements in Nigeria, Ghana, Senegal and Ivory Coast and a new locally owned Carat business in Kenya In the Middle East new affiliate agreements have been signed in Egypt, Kuwait, Syria, Libya and Jordan All new markets have been very well supported by ICP training creating a consistent product across the region

Our already well established business in the Republic of South Africa also performed well with a strong flow of incoming new business across the year

Aegis Media continued to diversify; with Isobar contributing over 30% of revenues and increasing proportion of revenue from emerging profits

IMAGE REMOVED

Aegis Media Americas

Revenues of £158 6m declined 5 2% across North America and Latin America representing a 179% decline on a constant currency basis In North America a new management team led by a new Chief Executive was installed in May 2009 to transform and drive forward our US operations This change has manifested a major cultural change, new energy in the organisation, and delivered some concrete success with the additional appointment of Gillette from Procter and Gamble reinforcing our integrated communications planning credentials in the market

Also in the US in the last quarter of the year, a deal was concluded to transfer all the out-of-home planning and buying into Posterscope USA from MPG USA

In Latin America a solid performance from both Brazil and Mexico, where Carat was Agency of the Year, contributed to good revenue and profit growth In Brazil, we also added the acquisition of Midiaclick, a performance marketing agency now rebranded iProspect

The new management focus and structure in Latin America has also led to a stronger affiliate network footprint for Carat in Chile, Colombia and Venezuela and also created a stronger and more consistent international product

Aegis Media Asia Pacific

Senior and stable management plus a clear focus have produced solid numbers in Asia with revenue at £81 3m up 18 9% and up 3 9% at constant currency representing a very good regional performance

Carat and Isobar were awarded 'Agency of the Year' in China, and Carat 'Network of the Year' across the region with good business wins locally and additional assignments from international clients

In product development, iProspect launched in the region, Posterscope maximised its scale and reach and launched its advanced digital planning tool in China Region-wide training has added greatly to the consistent quality and capability now available across our Asia Pacific businesses

Whilst very good progress in China in 2009 was the key feature of the region, the full benefit of management changes the previous year in India and Australia have delivered good progress and success in the markets

As part of our geographic expansion in 2009 we also concluded affiliation agreements in Pakistan, Bangladesh and Vietnam

Since the year end, we have announced an extension of our operations in China, with the acquisition of a 177% shareholding in Charm Communications Inc ("Charm"), one of China's leading TV buying and advertising agencies In addition, Vizeum and Charm have established a joint venture which will operate as Vizeum China

IMAGE REMOVED

Jerry Buhlmann
Chief Executive Officer, Aegis Media

Strengthened management teams in the Americas delivered concrete success and a stronger international product

Synovate business review

Headlines

- Market research industry much weaker than expected from historical precedent, particularly in the first half
- More intensive action taken to reduce the cost base and reorganise activities
- An increased rate of cost savings and improved revenues resulted in excellent second-half performance
- Operating margins at 7 1%, from 8 1% in the prior year, with a net revenue fall of 12 6%
- Good full-year performance, given circumstances
- Well placed at the beginning of 2010

Overview

2009 proved to be a difficult year for the market research industry with an unprecedented contraction in revenues Whilst the industry has proven resilient during previous recessions, in 2009 it was just as negatively impacted as other industry sectors

The intensification of actions highlighted at the half year, to focus on sales and reduce the cost base, have resulted in the achievement of a higher level of operating profit in the second half of the year compared to 2008 However, despite this improvement in performance in the second half, Synovate was unable to fully offset the decline in revenues over the full year This resulted in a decline in both net revenue (12 6%) and operating profit (25 0%) on a constant currency basis

IMAGE REMOVED

Synovate's gross revenue increased by 0 6% to £521 3m, equivalent to a 8 7% decline at constant currency and a 9 6% decline on a fully organic basis However, Synovate has shown steady progression of revenue recovery in each of the last two quarters, as shown in the table below

Organic change %	Q1	Q2	Q3	Q4	H1	H2	Full year
Gross revenue	(9 1)	(14 6)	(10 1)	(5 5)	(12 3)	(7 4)	(9 6)
Net revenue	(12 0)	(18 1)	(14 4)	(10 8)	(15 5)	(12 2)	(13 7)

Net revenue (after direct costs) was down 2 2% to £321 8m, or down 12 6% at constant currency The net revenue conversion of 61 7% compares to 63 5% in 2008 This reflects several factors including some increased pricing pressure and work mix – for example a reduction in higher margin qualitative studies

Against this backdrop of declining revenues, total operating costs were 0 7% better than 2008 at £284 9m, an improvement of 10 7% at constant currency These savings principally reflect the benefit of the targeted cost reduction programme within Synovate, together with flexibility in the cost base in respect of performance pay arrangements Underlying staff costs excluding performance pay and exceptional severance charges were 8 2% down on 2008 The rate of cost savings accelerated during the year as the programme was implemented

Cost reduction vs prior year	Q1	Q2	Q3	Q4	H1	H2	Full year
Synovate	0 7%	7 8%	10 8%	13 6%	4 3%	12 2%	8 2% £18 8m

£m	2009	2008	Change %	Constant currency %
Gross revenue				
– EMEA	234 4	248 4	(5 6)	(10 2)
– Americas	151 1	145 2	4 1	(10 0)
– Asia Pacific	135 8	124 6	9 0	(4 4)
Worldwide gross revenue	521 3	518 2	0 6	(8 7)
Net revenue				
– EMEA	138 2	147 6	(6 4)	(12 2)
– Americas	102 5	100 5	2 0	(12 9)
– Asia Pacific	81 1	81 1	–	(13 0)
Worldwide net revenue	321 8	329 2	(2 2)	(12 6)
Net revenue conversion	61 7%	63 5%		
Operating costs	(284 9)	(287 0)	0 7	10 7
Operating profit	36 9	42 2	(12 6)	(25 0)
Operating margin	7 1%	8 1%		

[For the purpose of this announcement Synovate gross revenue is the same as revenue in the statutory results Net revenue is the same as gross profit in the statutory results]

Robert Philpott
Chief Executive Officer Synovate

Operating profit was £36 9m, down 12 6% from £42 2m in 2008, or 25 0% at constant currency However, 2009 was a year of two halves as shown by the split of operating profit between the first and second half of the year in the table below

£m	2009	2008	Change %	Constant currency %
Operating profit				
– first half	(3 2)	79	(140 5)	(132 0)
– second half	40 1	34 3	16 9	1 0
– full year	36 9	42 2	(12 6)	(25 0)

The excellent performance in the second half and a new management approach, together with a revitalised organisation and a stronger sales order book position is good news for the business It is well placed to maintain its performance and should gain further if improvements in the global markets for market research evidenced in the fourth quarter continue

In summary, Synovate had a year of two halves, and the overall full-year result was good given the circumstances

Synovate EMEA

For the EMEA region, gross revenue of £234 4m is down 5 6% on a reported basis or 10 2% on a constant currency basis Net revenue of £138 2m is down 6 4% on a reported basis or 12 2% on a constant currency basis

IMAGE REMOVED

Western Europe and Eastern Europe each presented a varied story in 2009 with strong performances in the UK, Netherlands and parts of Scandinavia, counterbalanced by weaker results elsewhere notably France, Germany and Spain where we have a smaller market presence Several of our Western European markets have had leadership changes in 2009 to ensure the businesses are best placed to return to growth as economic conditions improve Whilst the cost control measures in these latter markets were unable to compensate for the scale of lost revenue across 2009, the impact has been visible over the shorter term, with some improvement in fourth quarter profit performance

The growth of operating profit in the UK was driven by improved performance across several industry sectors – Consumer, Technology & Communications and Healthcare sectors all showing significant year-on-year profit improvement

Africa, where Synovate now has extensive coverage, produced an excellent performance with solid top line growth in 2009 across the entire continent The acquisition of Steadman Group in 2008 continues to be best in class in the Central African region, whilst in North Africa there has been good top and bottom line improvement from Egypt and Morocco Performance in South Africa was adversely impacted by the decline in the automotive sector and the full-year effect of the loss of the print media tracker in 2008 but, excluding these, our South African business achieved positive organic growth in operating profit

Synovate Americas

Gross revenue in the Americas was £151 1m, up 4 1% on 2008 but down 10 0% at constant currency Net revenue was £102 5m, up 2 0% in reported terms but 12 9% down on a constant currency basis

North America has had a challenging year with lower revenues necessitating significant cost reductions to maintain a similar level of profitability Latin America meanwhile has experienced good top line growth and combined with flat year-on-year costs, has seen a profit improvement from last year

An excellent performance in the second half led to a good overall result in a difficult year for the market research industry

In North America the Consumer and Custom Healthcare sectors have proven resilient Somewhat predictably, the more challenging sectors have been the Automotive and Financial Services industries Whilst revenue declined, good momentum on sales in the fourth quarter means that a much higher order book is carried into 2010

In Latin America the key drivers of revenue growth have been Mexico, Argentina and several countries from the recent CIMA acquisition, most notably Colombia, Ecuador and Peru The top line growth in each of these markets has converted to underlying operating profit growth Mexico, Ecuador and Colombia reported particularly strong profit performance Brazil, whilst exhibiting a small decline on 2008 in both net revenue and operating profit due to client delays in recommissioning major projects, has confirmed orders carried into 2010 at almost double the level entering 2009

Synovate Asia-Pacific

Gross revenue in the Asia-Pacific region was £135 8m, up 9 0% year-on-year but down 4 4% on a constant currency basis Net revenue was flat at £81 1m, but down 13 0% on a constant currency basis

The Asia-Pacific region, traditionally a driving force behind Synovate's growth, recorded mixed results for 2009 – top line revenues falling across many markets but partly offset through cost reductions In most countries the good recent sales momentum ensures a healthy order book is carried forward into 2010

Industry verticals

Growing our industry verticals is a key goal for Synovate, because it helps the business to meet client demands for sector specialist data and research expertise

Gross revenue in Synovate Healthcare performed consistently in 2009, up around 2% on a reported basis but down around 6% in constant currency

The relative resilience of the revenues, coupled with successful efforts to contain costs, saw operating profit across the vertical increasing from 2009 on a reported and organic basis With orders on hand well up year-on-year, the outlook for Healthcare is positive for 2010

Following a good year in 2008, Synovate's automotive business suffered significant revenue declines in 2009 as it caught up with the decline in the automotive industry At the top line gross revenue has halved from last year on an organic basis, although due to margin improvement, the net revenue decline is slightly less pronounced (40% decline)

Key accounts

Whilst sales and revenue for Synovate overall have declined in the year, performance with our larger clients, via our Global Client Relationship (GCR) programme, has proved more resilient When looking at our top 20 clients, organic net revenue increased by almost 2% in 2009 at constant currency

Capabilities

Despite a revenue decline in 2009 we have continued to invest in innovation to ensure the platform for future growth is maintained Our Branding and Communications practice had a strong 2009, growing gross revenue organically by 28%, whilst MarketQuest, Synovate's product research division, was ahead of 2008 performance Customer Experience fell by over 9% although this is more related to the alignment with the automotive sector as opposed to declines in the methodology

IMAGE REMOVED

Robert Philpott
Chief Executive Officer, Synovate

Strong focus on sales delivered a strong order book going into 2010

Financial review

Underlying results

£m	2009	2008[1]	Change %	Constant currency %
Turnover	9,684 6	10,413 8	(7 0)	(15 4)
Revenue	1,346 5	1,342 0	0 3	(8 7)
Gross profit	1,147 0	1,153 0	(0 5)	(9 9)
Operating expenses	(976 7)	(976 0)	(0 1)	8 9
Operating profit	170 3	177 0	(3 8)	(14 9)
Profit before interest and tax	170 0	179 7	(5 4)	(16 3)
Net financial items	(20 7)	(12 9)	(60 5)	(69 7)
Profit before tax	149 3	166 8	(10 5)	(21 8)
Diluted eps	9 5p	10 3p	(7 8)	(19 9)
Operating margin	12 6%	13 2%		

[1] 2008 results are presented on a restated basis to reflect the reclassification of financing-related exchange gains and losses This classification impacts statutory and underlying operating profit but has no effect on profit before tax or profit after tax

Headlines

- Underlying operating profit of £170 3m (2008 £177 0m) and underlying pre-tax profit of £149 3m (2008 £166 8) in line with guidance
- Revenue fell by 6 9% organically in fourth quarter compared with a 10 8% fall over the first nine months
- Cost reduction programme delivered increasing rate of savings during the year, with Group margins reasonably maintained given revenue reductions at 12 6% (2008 13 2%)
- Second half restructuring charges of £14 8m in line with guidance, full-year restructuring charge of £30 5m
- Strong operating cash inflow before restructuring
- Covenant position very healthy at year-end and headroom on central banking facilities increased to £376 4m following successful issue of US$225m US Private Placement Notes in December

Currency

The average exchange rates in the year saw Sterling weaken against both the US dollar and the Euro This gives a favourable effect on translation of reported growth rates expressed in sterling The US dollar average rate for 2009 was £1 $1 5659 (2008 was £1 US$1 8519) and the Euro average rate for 2009 was £1 €1 1229 (2008 was £1 €1 2574) On this basis the average US dollar rate strengthened versus Sterling by 18 3% and the Euro strengthened versus Sterling by 12 0% Consequently, reported results reflect a positive currency impact of 9 9% on reported revenue

Income statement

Revenue

Revenue grew 0 3% at reported exchange rates, and fell 8 7% at constant currency, to £1,346 5m (2008 £1,342 0m) The decrease in revenue at constant currency was less pronounced than the fall in turnover (down by 15 4% at £9,684 6m (2008 £10,413 8m) at constant currency), demonstrating the comparative resilience of the revenue model in Aegis Media, with an increasing proportion of revenues not directly related to adspend volumes

Excluding the limited impact of prior year acquisitions, the decrease in Group organic revenue was 9 7% as shown overleaf (Aegis Media 9 7%, Synovate gross revenue 9 6%)

Underling operating profit in line with guidance at £170.3m

IMAGE REMOVED

Nick Priday
Chief Financial Officer

Revenue Growth vs Prior Year

Group £m	2009	Change %	2008	Change %
Prior year revenue as reported	1,342 0		1,106 4	
Currency movements	133 2	99	112 5	10 2
Prior year revenue at constant currency	1,475 2		1,218 9	
Organic movement in year	(143 1)	(9 7)	56 1	4 6
Acquisition contribution in year	14 4	1 0	67 0	5 5
Total change in revenue at constant currency	(128 7)	(8 7)	123 1	10 1
Current year revenue as reported	1,346 5		1,342 0	

Aegis Media £m	2009	Change %	2008	Change %
Prior year revenue as reported	823 8		673 4	
Currency movements	80 3	9 7	75 5	11 2
Prior year revenue at constant currency	904 1		748 9	
Organic movement in year	(87 7)	(9 7)	45 7	6 1
Acquisition contribution in year	8 8	1 0	29 2	3 9
Total change in revenue at constant currency	(78 9)	(8 7)	74 9	10 0
Current year revenue as reported	825 2		823 8	

Synovate £m	2009	Change %	2008	Change %
Prior year revenue as reported	518 2		433 0	
Currency movements	52 9	10 2	36 8	8 5
Prior year revenue at constant currency	571 1		469 8	
Organic movement in year	(54 8)	(9 6)	10 8	2 3
Acquisition contribution in year	5 0	0 9	37 6	8 0
Total change in revenue at constant currency	(49 8)	(8 7)	48 4	10 3
Current year revenue as reported	521 3		518 2	

Revenue fell by 6 9% organically in the fourth quarter compared with a 10 8% fall over the first nine months and a 11 1% fall in the third quarter

Organic change %	Q1	Q2	Q3	Q4	H1	H2	Full year
Aegis Media	(13 1)	(7 4)	(11 8)	(8 0)	(9 9)	(9 5)	(9 7)
Synovate	(9 1)	(14 6)	(10 1)	(5 5)	(12 3)	(7 4)	(9 6)
Group	(11 6)	(10 2)	(11 1)	(6 9)	(10 8)	(8 6)	(9 7)

Aegis Media ended the year with record net new business wins of US$2 7bn (2008 US$0 9bn) There was limited incremental benefit in 2009 due to phasing issues as the current year wins were partly offset by account changes in the second half of 2008 We expect the full benefit to be derived in 2010

One-off accounting items impacting revenue

There are two significant one-off items included within revenue in 2009 which broadly offset one another and are explained below

Posterscope USA

In December 2009, an internal review process initiated by the new regional management team, supported by a comprehensive investigation into the business unit's accounting practices, concluded that former senior managers at Posterscope USA had improperly reported over stated revenues and profits between 2004 and 2008 by an aggregate £10 5m This has been reversed in full through underlying revenue in 2009 with no restatement of prior periods There was no direct cash impact

At 31 December 2009, Posterscope USA's books and records properly recognise its assets and liabilities

Recovery of funds relating to the fraud perpetrated against Aegis Media Germany between 2003 and 2006

During 2006, the Group became aware of a fraud perpetrated against Aegis Media Germany In prior years the recovery of funds, although probable, was not sufficiently certain to be recognised as an asset In 2009, the Group has recognised £9 5m in respect of recoveries under insurance policies relating to this fraud

The net impact of the above items is a reduction in revenue of £1m

In addition to these items, there is a further 'year-on-year' impact connected to Posterscope USA, whereby £4 6m of the over-statement in prior year revenues was recorded as revenue in 2008 but is not recurring in 2009 Therefore, there is a total one-off shortfall in year-on-year revenue of £5 6m

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Gross profit (net revenue)

The difference between the Group's revenue and net revenue is attributable to pass-through and direct costs at Synovate Total Group net revenue was £1,1470m, down 0 5% or 9 9% at constant currency Synovate's net revenue decreased by 2 2%, or 12 6% at constant currency, which was higher than the decrease in gross revenue as shown below

Synovate £m	2009	2008	Change %	Constant currency %
Gross revenue	521 3	518 2	0 6	(8 7)
Net revenue	321 8	329 2	(2 2)	(12 6)
	61 7%	63 5%		

The net revenue conversion of 61 7% compares to 63 5% in 2008 This reflects several factors including some increased pricing pressure and work mix – for example a reduction in higher margin qualitative studies

Operating performance

Operating expenses increased to £976 7m (2008 £976 0m), an increase of 0 1% at reported exchange rates or a decrease of 8 9% at constant currency The bulk of Group-wide savings have been achieved through reductions in salary and related costs as a result of the Group-wide restructuring programme and recruitment freeze Detail on the exceptional restructuring charge relating to the programme is provided on page 57

This targeted cost reduction programme has resulted in a significant level of savings in 2009 and the rate at which savings have been delivered has accelerated during the course of the year The table below shows year-on-year percentage savings in total staff costs (excluding bonus and severance), stated at constant currency

Cost reduction vs prior year	Q1	Q2	Q3	Q4	H1	H2	Full year
Aegis Media	2 2%	7 0%	10 1%	9 2%	4 6%	9 6%	7 1% £35 0m
Synovate	0 7%	7 8%	10 8%	13 6%	4 3%	12 2%	8 2% £18 8m
Group	2 0%	7 5%	10 5%	10 6%	4 8%	10 5%	7 6% £55 6m

The Group total also includes head office staff cost savings which were down some £6 1m year-on-year The majority of savings came from reductions in core Head Office costs due to changes made in the last quarter of 2008 and reductions in project based professional fees and external consultants

There has also been a measure of protection provided to the Group results from much reduced levels of performance bonus elements in 2009

Operating profit was £170 3m (2008 £177 0m), down 3 8% or 14 9% at constant currency

The Group operating margin was broadly maintained at 12 6% (2008 13 2%) Given the unprecedented nature of the 2009 downturn across our markets, the full-year operating margin demonstrates the resilience of both of our divisions and of Aegis as a whole

Profit before interest and tax

After a loss from associates of £0 3m (2008 profit £2 7m), profit before interest and tax was down 5 4% to £170 0m (2008 £179 7m), equivalent to a decrease of 16 3% at constant currency

Net financial items

£m	2009	2008[1]	Change %	Constant currency %
Interest income	7 9	15 9	(50 3)	(55 4)
Interest payable	(29 7)	(37 2)	20 2	22 8
Net interest charge (before fx gains)	(21 8)	(21 3)	(2 0)	(3 4)
Foreign exchange gains	1 1	8 4	(86 9)	(86 9)
Net financial items	(20 7)	(12 9)	(60 5)	(69 7)

[1] 2008 net financial items have been restated to reflect the reclassification of financing-related exchange gains and losses

The Group's net charge in respect of financial items was £20 7m (2008 £12 9m) an increase of 60 5% or 69 7% at constant currency However, before the effect of foreign exchange gains relating to financing items, the net interest charge in 2009 was broadly flat year-on-year at £21 8m (2008 £21 3m) Within the net interest charge, interest income reduced to £7 9m (2008 £15 9m), principally due to the significantly lower level of average interest rates available on cash deposits during the year, and interest payable reduced to £29 7m (2008 £37 2m), reflecting the reduced funding costs applicable on the Group's variable rate debt

Profit before tax

Profit before tax of £149 3m (2008 £166 8m) decreased by 10 5%, or 21 8% at constant currency

Tax

Our underlying tax rate for the year was 25 5% (2008 25 8%) The statutory tax rate was 29 6% (2008 28 4%) The total of income taxes paid in cash in the year was £34 2m (2008 £46 1m)

Profit attributable to equity holders of the parent

Minorities' share of income decreased to £1 5m (2008 £6 4m) reflecting the purchase of certain minority interests, principally towards the end of 2008, and a lower level of profitability relating to some non-100% owned entities Profit attributable to equity holders of the parent was £62 7m (2008 £82 8m) down 24 3% or 32 3% at constant currency

Earnings per share

Diluted earnings per share decreased by 78% to 9 5p (2008 10 3p) Statutory diluted earnings per share were 5 5p (2008 7 3p) a decrease of 24 7%, due principally to the reconciling items between underlying profit before tax and statutory profit before tax described below, primarily restructuring 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 for the year The final dividend will be paid on 1 July 2010 to shareholders on the register at 4 June 2010

Statutory results

Reconciliation of underlying operating profit to statutory operating profit

£m	2009	2008[†]	Change %	Constant currency change %
Underlying operating profit	170 3	177 0	(3 8)	(14 9)
Less				
Restructuring costs	(30 5)	(27 4)		
Amortisation of purchased intangible assets	(24 2)	(17 2)		
Write-off of software	–	(4 4)		
Disposals of subsidiaries	(1 0)	–		
Total adjustments	(55 7)	(49 0)		
Statutory operating profit	114 6	128 0	(10 5)	(20 8)

[†] 2008 results are presented on a restated basis to reflect the reclassification of financing-related exchange gains and losses This classification impacts statutory and underlying operating profit but has no effect on profit before tax or profit after tax

Restructuring costs

Our statutory results are presented after deduction of a £30 5m restructuring charge (2008 £27 4m) incurred during the year Details are set out in the table that follows The total restructuring charge in 2009 is made up of £28 3m in severance and related costs and £2 2m in property-related costs

The charge in the second half was £14 8m, in line with previous guidance

Full year cost reductions of £55.6m (7.6%)

Dividend held at 2.5p per share

2009 restructuring charge

£m	Severance	Property	Total
Aegis Media	10 2	0 4	10 6
Synovate	17 5	1 8	19 3
Corporate head office	0 6	–	0 6
Total	28 3	2 2	30 5
Recognised in H1	13 9	1 8	15 7
Recognised in H2	14 4	0 4	14 8

The total charge relating to the Group's cost reduction programme in both 2008 and 2009 is £57 9m as shown in the table below

£m	Severance	Property	Total
Aegis Media			
– 2008	20 1	3 2	23 3
– 2009	10 2	0 4	10 6
– Total	30 3	3 6	33 9
Synovate			
– 2008	0 2	1 2	1 4
– 2009	17 5	1 8	19 3
– Total	17 7	3 0	20 7
Corporate head office			
– 2008	2 7	–	2 7
– 2009	0 6	–	0 6
– Total	3 3	–	3 3
Group			
– 2008	23 0	4 4	27 4
– 2009	28 3	2 2	30 5
– Total	51 3	6 6	57 9

Other adjustments

Other reconciling items between underlying and statutory operating profit include the amortisation of purchased intangibles, such as intellectual property and client relationships in acquired businesses The amortisation charge increased from £17 2m in 2008 to £24 2m in 2009 reflecting the annualisation effect relating to purchased intangibles recognised in the prior year The Group recorded a £1 0m loss on disposal of stakes in operations in Korea and Brazil In 2008, there was also a write-off in respect of software tools

Operating profit

As a result of the reorganisation costs and other adjustments to statutory profit referred to above, statutory operating profit was down 10 5% at £114 6m (2008 £128 0m)

Reconciliation of underlying profit before tax to statutory profit before tax

£m	2009	2008	Change %	Constant currency change %
Underlying profit before tax	149 3	166 8	(10 5)	(21 8)
Less				
Adjustments to operating profit	(55 7)	(49 0)		
IAS 39 adjustments	(2 9)	6 8		
Gain on disposal of JV and associate	0 5	–		
Total adjustments	(58 1)	(42 2)		
Statutory profit before tax	91 2	124 6	(26 8)	(36 6)

Profit before tax

Statutory profit before tax is stated after the adjustments made in arriving at statutory operating profit and certain other items recorded within net financial items These other items include IAS 39 adjustments relating to non-hedge derivatives and movements in put option liabilities, an IAS 39 impairment charge relating to assets available for sale and a gain on disposal of a joint venture and associate in Europe As a result, statutory profit before tax was down 26 8% at £91 2m (2008 £124 6m) Our statutory tax charge was £27 0m (2008 £35 4m), equivalent to a tax rate of 29 6% (2008 28 4%) Basic and diluted earnings per share were 5 5p (2008 7 3p)

Balance sheet

£m	2009	2008
Goodwill	1,010 9	1,114 6
Intangible assets	85 5	104 9
Property, plant and equipment	59 9	73 5
Other non-current assets	44 4	52 7
Total non-current assets	1,200 7	1,345 7
Net receivables/(payables)	(309 3)	(281 0)
Net debt	(257 2)	(297 5)
Earn-out liabilities	(70 2)	(197 4)
Liabilities in respect of put options	(31 4)	(41 3)
Other	(88 1)	(68 7)
Net assets	444 5	459 8

Balance sheet movements year-on-year were significantly affected by exchange movements at the closing date

Goodwill and intangible assets

The reduction of £103 7m in goodwill predominantly arises due to downward revisions of estimated future earnout liabilities and exchange movements, offset by a £9 7m increase arising on current year acquisitions

Intangible assets decreased to £85 5m (31 December 2008 £104 9m) as a result of the current year amortisation charge of £32 2m, together with exchange movements and a lower level of additions in the year

Property, plant and equipment

The net decrease in property, plant and equipment of £13 6m was due to depreciation, foreign exchange and the aggregated impact of office moves Net capital expenditure for the year was £26 0m (2008 £39 6m)

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

The profile of net debt at the year-end was as follows

£m	2009	2008	Change
Cash and short-term deposits	391 1	412 7	(21 6)
Current borrowings and overdrafts	(43 2)	(52 7)	9 5
Non-current borrowings	(605 1)	(657 5)	52 4
Net debt	(257 2)	(297 5)	40 3

Net debt at the year-end reduced to £257 2m (2008 £297 5m), principally due to net operating cash inflows and some currency impact

Earn-outs

Our estimated future earn-out liabilities decreased by £127 2m to £70 2m at the balance sheet date As acquisitions were substantially reduced in 2009, there were no material additional earn-out liabilities arising in the year Increases in liabilities due to foreign exchange movements were offset by payments made in the period and some reductions in future estimates The vast majority of our earn-out commitments depend on the post-acquisition financial performance of businesses acquired

Liabilities in respect of put options decreased by £9 9m to £31 4m (2008 £41 3m)

Successful US$225m private placement in December increased central facilities to £376m

Pensions

The Group does not operate any material defined benefit pension schemes and has a small deficit on certain statutory schemes of £8 4m 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 £199 1m (2008 £261 6m), down 23 9% Cash conversion decreased from 147 8% of operating profit to 116 9% We had a net working capital inflow of £27 0m (2008 inflow of £54 9m) Net capital expenditure was £26 0m (2008 £39 6m) reflecting the property moves noted earlier, in addition to continued information technology spend

Net cash outflow on acquisitions was £73 5m (2008 £103 3m) Dividends paid to equity holders amounted to £28 5m (2008 £27 4m) On 17 December 2009, the Group issued US$225m (comprising £25m and US$183m) of unsecured loan notes in the US private placement market repayable between 2017 and 2019

Financing

Covenant	Requirement	2009	2008
Leverage	Less than 3x	1 2x	1 2x
Interest cover	Greater than 4x	6 9x	6 0x

We ended the year with a comfortable covenant position Our leverage covenant (net debt/EBITDA) was 1 2x (compared to a covenant requirement of <3x) and our interest cover covenant (EBITA/gross interest) was 6 9x (compared to a covenant requirement of >4x)

Under our committed central facilities, we had undrawn available facilities at the year-end of £376 4m (2008 £172 1m) The improvement in central headroom is a result of a new facilities agreed in the year, the new tranche of US Private Placement debt of circa £136m (US$225m) referred to above and the reduction in borrowings discussed above

We do not have any term facilities maturing in 2010 Our £450m revolving credit facility is due for renewal in June 2011 Five tranches of existing 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

IMAGE REMOVED

Nick Priday
Chief Financial Officer

Principal risks and uncertainties

As with many global companies, Aegis faces many different types of risks, including market and strategy, financial, operational and HR 2009 has also seen an increased focus on 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 2009 and are still likely to face well into 2010 and our strategies for managing them

Due to the economic climate, a number of the risks outlined below have remained subject to a heightened level of monitoring, and will continue to be so The level of communication of status of the risks has also increased and improved reporting has been put in place as necessary

Counterparty relationships

In the past year, counterparty risk remains a significant focus of attention for many organisations, including our own We have maintained 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 2009 we have also continued to face the risk of credit insurers withdrawing previously available cover and the continued viability risk of our domestic and overseas banking partners

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, imposing credit limits and taking out credit insurance, broadening cover in markets where it remains available We have also closely monitored our exposure to relationships with our banking partners, ensuring that deposits held with any one banking group do not exceed £30m

Liquidity and working capital

Our funding arrangements and cash management have continued to be a priority for us in 2009 and will remain so in 2010 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

Our cash pooling arrangements were extended during the year and will be further extended in 2010

During 2009 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 2010

Our principal borrowing arrangement, a five-year revolving credit facility of £450m with a syndicate of 11 banks will expire in June 2011 We have an active programme of regular communication with our relationship banks and bondholders, who are long-standing and supportive, and continue to have a good understanding of our business performance and prospects Furthermore, in June and July 2009, we increased our central facilities by £85m and in December 2009, we raised US$225m by issuing eight and ten-year private placement notes, further extending the Group's debt maturity profile

Client relationships

Although the winning and retaining of clients is at the core of our business, we are conscious that in the volatile economic climate we have endured in 2009 that is continuing into 2010, 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 2009 we integrated our digital and traditional services in a number of markets and in global client services, to give clients one point of contact to deliver to all their needs across our entire range of communications services We also increased our activity in emerging markets, where advertising spend was continuing to grow, in contrast with developed markets, and focused on more resilient fee-based revenues

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 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 It 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, some in excess of 20 years, and have built up a strong sense of partnership We have also reduced our overheads in 2009 to retain as much flexibility as possible in our cost base, which has enabled us to remain competitive on pricing

We have a broad portfolio of some of the world's most prestigious multinational and national clients across 80 countries worldwide No single client exceeds 3% of revenues

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 2009, the number of acquisitions completed was significantly lower than in previous years, reflecting the uncertainty and volatility of the market as a whole However, acquisitions and joint ventures remain a key feature of Aegis' long-term strategy There is a risk that our investment in an acquisition is based on incorrect assumptions and does not have the long-term future on which we based our investment case, resulting in overpayment There is also a risk that our integration plans for them are not successful, particularly if the acquired company operates a business model that we not are already familiar with

All of our acquisitions require approval and independent due diligence We measure the price paid by reference to an internal hurdle rate of return which exceeds our internal cost of capital Acquisition sponsors from within our existing businesses are assigned to each new acquisition and robust post-integration plans are put in place for all acquisitions

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

Security 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 whose strength we continually seek to improve and monitor by performing IT vulnerability testing, as well as IT security audits These audits also review internal access rights to client data We also take precautions to protect 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 market competitive incentive plans to attract and retain quality staff We also aim to promote within so that our staff can develop an enduring career 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 business 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

Corporate responsibility at Aegis

We recognise that our future success depends on our taking into account the interests of our stakeholders, including our employees, clients, shareholders and the wider community and environment We are committed to the operation of a responsible business model and to the development of ways to contribute to and engage with the communities and environment in which we work In 2009, we further developed the Corporate Responsibility strategy, first launched in 2008, across our businesses

The strategy is developed and implemented by a dedicated Corporate Responsibility Team, with strategic oversight from the Corporate Responsibility Steering Group, which meets eight times a year Its remit is to set the Group's global Corporate Responsibility strategy and monitor its implementation Overall responsibility for Corporate Strategy rests with the Board

Aegis's Corporate Responsibility strategy is designed to be flexible, respecting the international and diverse nature of the markets in which Aegis Media and Synovate operate and to harness the entrepreneurial spirit of our businesses and employees The strategy also recognises that corporate responsibility means different things in different places A common approach, a global policy framework, centralised programme management and standardised tools help our businesses to focus on the overall purpose but we encourage our businesses to deliver the strategy in the way that best complements their local market, business sector and employees' skills

Country and office champions have been appointed to drive initiatives locally, with central support from the Corporate Responsibility Manager This network of champions also measures and reports Aegis's environmental and community impacts on a yearly basis A consistent and comprehensive internal reporting survey has been developed to measure community initiatives We measured our environmental impacts in the European Union using the Guidelines to Defra/DECC's GHG Conversion Factors for Company Reporting (Version 2 0, September 2009) and using the WRI GHG Emission Factors Protocol for countries outside of the European Union Our calculations are based on the number of full time equivalent employees of year end (31 December 2009)

5,077 of our employees took part in community initiatives – representing 33% of our workforce

Report on progress in 2009

Social

- As a result of our first Group-wide survey on social and community activities in 2008, we set ourselves the target to improve upon our performance and develop a more coherent community initiative across all our businesses
- A network of champions across Aegis Media and Synovate (called Synovate CARES) organises community initiatives in all of our markets These champions volunteered for the role and both monitor and implement the global strategy in a way that is locally effective
- In 2009, our champions organised a wide range of initiatives that positively contributed to local communities These activities included the donation of redundant office equipment to local charities, using the specific skills of our employees to the benefit of charitable organisations, and fundraising by our employees for specific causes
- Our 2009 survey covered all countries and businesses in the Group Out of 74 countries, 31% reported to have organised community initiatives, with a total of 5,077 of our employees taking part This represented 33% of our employees in 2009 Compared to 2008, employees' involvement and activity levels have remained broadly constant
- The estimated total value of community initiatives in 2009 was £1 46m, equivalent to 1% of pre-tax profit The approximate value of time donated by employees was £0 29m The approximate value of in-kind donations from our businesses was £0 85m and financial donations and funds raised were £0 31m This overall sum was substantially lower than that raised in 2008 (£2 7m), reflecting the challenging economic circumstances that many markets and businesses encountered during this year
- 20% of the total value of employees' community initiatives was raised in the form of financial donations and cash raised, the value of in-kind donations represented 59%, with the value of employees' donated time representing the balance of 21% Compared to 2008, there was a clear shift away from pure financial donations to in-kind and time donations and the leveraging of our employees' skills and knowledge for charitable purposes

Environmental

- As a result of the first report on Aegis's environmental impacts in 2008, we set ourselves a target to reduce our carbon footprint as a business by 20% by 2010 and to use the network of champions to increase data accuracy and reliability
- These champions, called 'Green Beans', organise environmental awareness raising campaigns amongst our employees and help each market to reduce our energy consumption and business travel and their impact
- Examples of the steps taken during the year by Green Beans to ensure our businesses become more environmentally sustainable were ensuring recycling practices meet the latest standards, switching to renewable energy sources, reducing the consumption of energy through standby of IT equipment, and using sustainable procurement practices to select reliable suppliers
- For the third successive year, we submitted our global carbon footprint to the Carbon Disclosure Project
- In 2009, the data submitted covered 68% of our employees, and 32% of our global carbon footprint is based on extrapolated and estimated data To ensure like-for-like comparison, we re-calibrated our 2008 data on a constant carbon conversion basis This resulted in a higher baseline than previously disclosed but we are confident that it is a more accurate picture of our actual emissions for 2008
- Energy consumption and business travel were identified as the main drivers of CO_2 impact, which was 44,946 metric tonnes, or 3 09 metric tonnes per full-time employee Compared to 2008, this is a significant increase Across Aegis Media and Synovate, energy use contributed 25,831 metric tonnes or 1 77 per full-time employee Business travel was measured to contribute 19,115 metric tonnes in 2009, or 1 31 metric tonnes per full-time employee
- On a constant carbon conversion basis, our carbon footprint increased by 14% compared to 2008 This is mainly due to an apparent increase in our energy carbon footprint As local market evidence strongly suggests that both our energy consumption and business travel actually decreased in 2009, the increase in Aegis's carbon footprint can be attributed to increased reliability of and accuracy in the capture of emissions data across our markets and businesses

IMAGE
REMOVED

Future targets

Social

New target coordinate community initiatives across Aegis Media and Synovate

For 2010, we intend to continue to build a clearer picture of the extent of our employees' and businesses' engagement with the communities they operate in and further embed community initiatives across our businesses Quarterly global themes will be used to reach all employees around social and community initiatives, each of which will be relevant and appropriate to the local market The provision of materials, toolkits and activity ideas by our Corporate Responsibility Team will ensure a coordinated variety of community initiatives in 2010

Environmental

Existing target reiterated Reduce 2008 carbon footprint per full time employee by 20% by 2010

For 2010, we will continue to work towards a 20% reduction of our carbon footprint with 2008 as our baseline Reducing our environmental impacts makes business sense it delivers financial efficiencies as well as environmental benefits Working in partnership with the Green Beans, our businesses will highlight energy efficiency to our employees and institute corporate best practice to reduce our environmental impacts in areas such as IT, business travel, stationery and waste

We will continue to work towards a 20% reduction in our carbon footprint

Board of directors

IMAGE REMOVED

IMAGE REMOVED

John Napier
Chairman and interim Chief Executive

Member of the Remuneration Committee
Member of the Nomination 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 RSA Insurance Group plc 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

Jerry Buhlmann
Chief Executive Officer, Aegis Media
(Chief Executive Officer designate)

Jerry Buhlmann became Chief Executive of Aegis Media joined the Board in June 2008 and will become Group Chief Executive on 1 May 2010 Jerry has some 25 years experience in the media and advertising industries From 2003 to May 2008 he was Chief Executive of Aegis Media EMEA Between 2000 and 2003, Jerry was Chief Executive of Carat International In 1989 he founded media agency BBJ, which was sold to Aegis in 1999

IMAGE REMOVED

IMAGE REMOVED

Nick Priday
Chief Financial Officer

Nick Priday was appointed Chief Financial Officer in September 2009 Nick has held a variety of finance roles at Aegis since joining in 2003 and was previously director of financial reporting analysis and control He qualified as a chartered accountant with Ernst & Young

Robert Philpott
Chief Executive Officer, Synovate

Robert Philpott joined the Board in March 2010 having been appointed global Chief Executive Officer of Synovate in September 2009 Robert is a career market researcher having worked at Synovate for almost 15 years He previously held the position of global Chief Operating Officer from March 2006 During his time in research he has played senior leadership roles in Europe, Asia and the Americas Robert began his marketing career at IBM

Advisors

Company Secretary
Emma Thomas

Ultimate parent entity
Aegis Group plc

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Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Stockbrokers
JPMorgan Securities Ltd
20 Moorgate
London EC2R 6DA

IMAGE REMOVED

John Brady
Non executive director

Member of the Remuneration Committee
Member of the Nomination Committee

John Brady joined the Board in August 2009 He also serves on the Boards of Greene King plc and Invest Northern Ireland as a non-executive director and was previously a non-executive director of Hanson plc Between 1980 and 2004 he worked for McKinsey & Company, the international management consultancy He was made a director in 1994 and had a range of senior roles including responsibility for McKinsey's European Retail and Marketing practices

IMAGE REMOVED

Simon Laffin
Non-executive director

Chairman of the Audit Committee
Member of the Nomination Committee

Simon Laffin joined the Board in August 2009 He is also a non-executive director of Quintain Estates & Development PLC, an advisor to CVC Capital Partners and chairman of Hozelock Group From 2007 to 2008 he served as a non-executive director of Northern Rock, as part of the rescue team, and from 2009 to 2010 served on the Board of Mitchells & Butlers plc Between 1995 and 2004 he was group Chief Financial Officer of UK grocery retailer Safeway which he joined in 1990 He is a qualified accountant

IMAGE REMOVED

Lorraine Trainer
Non executive director

Chairman of the Remuneration Committee
Member of the Nomination 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

IMAGE REMOVED

Martin Read
Non-executive director

Member of the Audit Committee
Member of the Nomination Committee

Dr Martin Read joined the Board in August 2009 He is a non-executive director of Invensys plc and Lloyds of London and is a senior advisor to Indian technology company HCL He was chief executive of Logica plc the international IT services company from 1993 to 2007, and has served as a non-executive director on the boards of British Airways Siemens Holdings Boots and ASDA

IMAGE REMOVED

Charles Strauss
Senior non-executive director

Member of the Audit Committee
Member of the Nomination Committee

Charles Strauss joined the Board in September 2003 He is a US national with 35 years' international experience in consumer products businesses including 18 with Unilever From 2000 to 2004 Charles served on the Unilever Board as group president, Unilever Home & Personal Care, chairman of Unilever's North American Committee and its US president and Chief Executive Officer He is a former director of The Hershey Company and currently a director of The Hartford Financial Services Group

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2009 The Business and Financial reviews set out on pages 06 to 19 and the corporate governance statement set out on pages 28 to 32 form part of this report

Results and dividends

The consolidated income statement is set out on page 40 and shows a profit for the financial year of £64 2m (2008 £89 2m) An interim dividend of 0 96p per ordinary share was paid on 25 September 2009 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 1 July 2010 to ordinary shareholders registered at 4 June 2010 The total dividend for the year will then amount to 2 5p per ordinary share (2008 2 50p)

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 subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in Note 16 to the parent company financial statements

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 04 and 05, the Business Review on pages 06 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 20 to the financial statements

Post-balance sheet events

The directors are not aware of any significant post-balance sheet events that require disclosure in the financial statements other than those disclosed in Note 34 to the financial statements at page 83

Donations

The Group's policy with respect to charitable donations and the amounts donated are detailed on page 20 No political donations were made during the year

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 2009, the Group had 50 days' purchases outstanding (2008 62 days) The creditor day analysis is not applicable to the holding company

Directors

The names of the directors at the date of this report and their biographical details are given on pages 22 and 23

Changes to the Board during the year were as follows

Bernard Fournier retired on 22 May 2009
Leslie van der Walle retired on 22 May 2009
Daniel Farrar retired on 22 May 2009
John Brady was appointed on 1 August 2009
Simon Laffin was appointed on 1 August 2009
Martin Read was appointed on 1 August 2009
Nick Priday was appointed on 1 September 2009
Alicja Lesniak retired on 1 October 2009
Brendan O'Neill retired on 1 October 2009
Adrian Chedore retired on 31 December 2009

The interests of the directors in the shares and share incentives of the Company are shown in the Remuneration report on pages 33 to 38

Re-election of directors

In accordance with the Articles of Association, John Brady, Simon Laffin, Nick Priday and Martin Read, 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, Charles Strauss will be retiring at the forthcoming Annual General Meeting and will offer himself for re-election

Details of all the directors' service agreements, including notice periods, are given in the Remuneration report on page 34

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 (the "Companies Act"), 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 17 March 2010 the Company had been notified of the following interests of 3% or more in its ordinary shares, in accordance with chapter five of the Disclosure and Transparency Rules

Shareholder	Number of shares	%
Bollore Group	344,276,446	29 62
Fidelity International	57,562,000	4 95
AXA Investment Managers	55,000,086	4 73
Legal & General Group	46,239,051	3 98

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 23 to the financial statements on page 77

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

The trustees of the Aegis Group Employee Share Trust ("the Trust") have agreed to waive any right to all or any future dividend payments on shares held within the Trust except in certain limited circumstances, none of which are currently applicable

Details of the shares held are set out in Note 24 to the financial statements The trustees of the Trust may vote or abstain from voting on shares held in the Trust 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 Trust

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 £15,590,623 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 2009 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 relate to the recent implementation of the remaining provisions of the Companies Act 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 Act 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 any director who held office at the time of two preceding annual general meetings and who did not retire at either of them must retire by rotation and may offer himself for re-election In addition, any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting must also retire and may offer himself for re-election 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 and the directors pass a resolution removing him from office, (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

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

- £450,000,000 multicurrency 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, 17 September 2007 (as amended) and 17 December 2009, the "Note Purchase Agreements") pursuant to which notes amounting in aggregate to US$342m (the "2005 Notes"), US$125m (the "2007 Notes") and US$225m (the "2009 Notes", together with the 2005 Notes and the 2007 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 and are discussed on page 19

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 it operates

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

Annual General Meeting

The Annual General Meeting will be held in the Wren Room at the Royal Institute of British Architects, 66 Portland Place London W1B 6DW, on Wednesday, 16 June 2010 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 418 of the Companies Act

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 business and financial review on pages 18 and 19 and elsewhere within the financial statements In addition, Note 20 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 2009 show that the Group generated a profit from continuing operations of £64 2m (2008 £89 2m) with cash generated from operating activities of £164 9m (2008 £215 5m) The financial statements also show that at 31 December 2009 the Group balance sheet was in a net asset position of £444 5m (2008 £459 8m) with net current liabilities of £6 5m (2008 net current liabilities of £5 4m) mainly due to restructuring costs The Group has generated positive operating cash inflows from operations for each of the last six years to 31 December 2009

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

By order of the Board

Emma Thomas
Company Secretary

17 March 2010

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing the parent company financial statements, the directors are required to

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

In preparing the Group financial statements, International Accounting Standard 1, 'Presentation of Financial Statements' requires that directors

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

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

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

Responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the Business and Finance Review, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

John Napier
Interim Chief Executive

Nick Priday
Chief Financial Officer

17 March 2010

Corporate governance

The following sections explain how the Company applies the main and supporting principles and the provisions of the Combined Code 2008 (the "Code") The Board confirms that throughout 2009 the Company has complied with the relevant provisions of the Code save as where detailed below

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 nine directors – a Chairman (who throughout the year also acted as interim Chief Executive), three executive directors and five independent non-executive directors Details of the directors and their biographies are set out on pages 22 and 23 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 amended by shareholders at the 2009 Annual General Meeting 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 and 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 2009 They include procedures for the Board to authorise any conflicts that may arise if necessary and a regular review of all such actual and potential conflicts

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

Since August 2009 Charles Strauss has been the Senior Independent Non-Executive Director and he is responsible for undertaking the annual review of the Chairman's performance and chairing the Nomination 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 Prior to May 2009, this role was undertaken by Bernard Fournier, who retired from the Board at the conclusion of the 2009 Annual General Meeting

In accordance with the Articles of Association, directors appointed to the Board since the previous Annual General Meeting, those who have not been subject to re-election at the previous two years' annual general meetings and non-executive directors who have served more than nine years on the Board are all required to retire and to offer themselves for re-election at the next annual general meeting

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,
- supporting the Chief Executive Officer by acting as confidant, advisor 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 Chief Executive Officer are performed by separate individuals in accordance with A 2 1 of the Code However, following the departure of Robert Lerwill in November 2008, the Chairman, John Napier, was appointed to the additional role of interim Chief Executive as it was unanimously considered by the Board to be the most appropriate short term arrangement Jerry Buhlmann currently Chief Executive Officer of Aegis Media will be appointed as Chief Executive Officer on 1 May 2010

Board meetings

The Board meets at least seven times a year and more frequently when business needs require During the year, the Board met ten times At least one Board meeting is extended in length to consider fully 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,
- results announcements,
- dividend policy,
- circulars and listing particulars,
- matters relating to share capital,
- 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

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	Audit Committee	Remuneration Committee	Nomination Committee
No of meetings in year	10	4	5	3
John Napier	10	–	4	3
John Brady (appointed 01 08 09)	5	–	2	3
Jerry Buhlmann	10	–	–	–
Simon Laffin (appointed 01 08 09)	5	3	–	2
Alicja Lesniak (retired 01 10 09)	7	–	–	–
Nick Priday (appointed 01 09 09)	3	–	–	–
Martin Read (appointed 01 08 09)	4	3	–	2
Charles Strauss	9	3	3	3
Lorraine Trainer	9	–	4	3
Adrian Chedore (retired 31 12 09)	9	–	–	–
Daniel Farrar (retired 22 05 09)	3	–	1	–
Bernard Fournier (retired 22 05 09)	4	1	–	–
Brendan O'Neill (retired 01 10 09)	7	2	–	–
Leslie Van de Walle (retired 22 05 09)	4	1	–	–

Notes

In addition to the above John Napier Alicja Lesniak and Nick Priday regularly attended, by invitation meetings of the Audit Committee and John Napier regularly attended meetings of the Remuneration Committee before his appointment (in his capacity as Chairman) in March 2009

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-executive directors, 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, in the light of substantial changes to the Board's composition made during the year, it was not considered appropriate to undertake the performance review of the Board and its committees during 2009 It is expected that this process will be reintroduced in 2010, following the appointment of Jerry Buhlmann as Chief Executive Officer

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 – see the Directors' report on page 24

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 may specifically request that they be 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

Simon Laffin 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 Other members of the Committee during 2009 were Bernard Fournier and Leslie Van de Walle until their retirement on 22 May 2009, Charles Strauss (from 22 May 2009) and Martin Read (from his appointment on 1 August 2009) Brendan O'Neill served as chairman of the Committee until his retirement from the Board on 1 October 2009 Biographical details of the members of the Audit Committee, all of whom are independent non-executive directors, are set out on pages 22 and 23

At the invitation of the Committee's chairman, some meetings of the Committee were also attended, in whole or in part, by the Chief Financial Officer, the external auditors and the interim Chief Executive 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 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 2009, 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,
- reviewing its own terms of reference, 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 Combined 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 5 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 current overall tenure of the external auditor dates from 2004 The audit engagement partner rotates every five years Any decision to open the external auditor to tender is taken on the recommendation of the Audit Committee There are no contractual obligations that restrict the Company's current choice of external auditor

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

The Remuneration Committee is chaired by Lorraine Trainer, who was appointed on 1 August 2009, upon the retirement from the Committee as chairman of Charles Strauss John Napier (acting in his capacity as Chairman) was appointed as a member of the Committee in March 2009 and John Brady became a member on his appointment as a director in August 2009 Both Lorraine Trainer and John Brady are independent non-executive directors and John Napier was considered to be independent on his appointment as Chairman in June 2008 Members of the Committee have no personal financial interest, other than as shareholders, in the Committee's decisions (John Napier receives only a fixed basic fee for his additional responsibilities as interim Chief Executive) and they have no conflict of interest arising from cross directorships Daniel Farrar also served as a member of the Committee until his retirement from the Board on 22 May 2009

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 Chief Executive Officer is invited to attend meetings of the Committee During the year, the Committee, with advice from Kepler Associates, determined the additional fee payable to John Napier on his taking on the additional interim Chief Executive role and John Napier was not party to such discussions John Napier did not attend those parts of any meetings where matters of his remuneration were discussed These attendees are not present as of right and do not attend when their own remuneration is discussed

The Committee meets at least three times a year and more frequently if required Its main responsibilities are

- determining and recommending the policy and framework for the remuneration of the Chairman, Chief Executive Officer, executive directors and other senior executive management,
- within policy terms and in consultation with the Chairman, Chief Executive Officer and external advisors as appropriate, determining the total remuneration packages of the Chairman, Chief Executive Officer 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 Chief Executive Officer's recommendation for his executive team based on review of actual performance and suitably robust benchmarking,
- the consideration and approval of bonus payments for 2008,
- 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
- review of the Group's share schemes' design

Nomination Committee

The Nomination Committee comprises all of the non-executive directors together with the Chief Executive Officer 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,
- 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 appointments of Nick Priday as Chief Financial Officer,
- considering and recommending to the Board the appointments of John Brady, Simon Laffin and Martin Read as non-executive directors The Committee used the services of an external search and recruitment consultancy in this process, and
- determining the brief and role specification for the recruitment of the Chief Executive Officer and monitoring the selection process The Committee used the services of an external search and recruitment consultancy in this process

Internal control and risk management

The Group operates a system of internal control, which is maintained and reviewed in accordance with the Combined Code 2008, the revised Listing Rules, the Disclosure and Transparency Rules and the guidance contained in the Turnbull Report (as 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 responsibility for embedding the Group's system of internal controls lies with the executive and senior management teams, and the reporting and detailed consideration of internal control matters are the responsibility of the Group's Risk Committees

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 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 Chief Executive Officer and Chief Financial Officer of each entity is required to complete an annual certificate to confirm, in relation to such entity, 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 Group's 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 made available to members of the Audit Committee

The Group requires operational management to complete 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 these questionnaires are provided to the Audit Committee

The Board confirms that in 2009 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 2009 and up to the date of approval of the Annual Report and Accounts Following its review, the Board confirms that, with the exception of the Posterscope USA matter described in the Financial review on page 13, where appropriate action has been taken to strengthen the control environment in that unit, 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

The Group's 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

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 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, risks are constantly evolving and additional controls required as a result To identify and manage these risks as quickly as possible, the internal audit function's remit is to visit newly acquired subsidiary companies within 12 months of their joining the Group

Risk Committees

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 Head Office Risk Committee meets three to four times a year and in 2009 was attended by senior head office management

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 It also ensures that effective risk management policies and procedures are established for matters which relate to the Group Head Office's functional expertise, such as tax, treasury and Group finance

Recognising that day-to-day responsibility for the management of operational risks lies with the Chief Executive Officer of each of the Group's two divisions, additional risk committee bodies have been established in Aegis Media and in Synovate Each comprises a varied range of senior representatives (from different markets, disciplines and business streams) The principal duties of these committees are to ensure that risks within the divisions are identified and appropriately managed and to approve minimum standards and procedures to enhance the control environment

The head of internal audit attends all meetings to ensure a cohesive approach to risk and the dissemination of good practice 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

A summary of the Group's principal risks and uncertainties is included in the Business review section on pages 18 and 19

Risk self-assessments

In recognition of the fact that Aegis Media and Synovate operate different business models, the risk self assessment questionnaires referred to above are tailored to the operation of each division Each year, risks previously identified are reviewed to ensure they are up-to-date and relevant to each division and that they will help management to assess how well their operations are run The divisional risk committees provide input into the risks to be included in their separate risk self assessment surveys and 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 reviews these arrangements to ensure that there is proportionate and independent investigation of any reported concerns and that appropriate follow up is taken and has recently instigated a review to ensure the effectiveness of the Group's worldwide 'Speak Up' policy There were no such material reports in 2009

Relations with shareholders

The Board encourages an active policy of constructive dialogue with its shareholders, which is led by the Chairman and Chief Executive Officer

Executive directors meet regularly with major shareholders The Board encourages investor contact, including holding one-to-one meetings and group events with existing shareholders and non-holders alike During the year, overseas roadshows were held in North America, France, Spain, Belgium, Holland and Germany Non-executive directors are available to meet with institutional shareholders on request

JPMorgan Securities, the Group's stockbrokers provide the Board with written reports (covering changes in valuation and ownership, market and sector issues) on a monthly basis, and are available for shareholder relations advice

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

Published information, including press releases, presentations and webcasts of our results meetings, is available on the Group's website, www aegisgroupplc com

Further information about the Group can be obtained by contacting 020 7070 7700 or communications@aegisplc com

Emma Thomas
Company Secretary

17 March 2010

Remuneration report

The following report by the Remuneration Committee has been approved by the Board for submission to the shareholders at the 2010 Annual General Meeting Deloitte LLP has audited the following items stipulated in law for their review

- The table of directors' remuneration and associated footnotes on page 35
- The table of disclosure for directors' share options and share awards on pages 36 to 38 and associated footnotes

The Committee's Terms of Reference are available from the Company's website at www aegisgroupplc com

During the year, the Committee principally obtained advice from Kepler Associates, who were appointed by the Committee and provided no other services to the Group during the period The Committee also received advice where appropriate from the interim Chief Executive, the Group human resources director and the Company Secretary

Remuneration policy principles

The Committee's remuneration policy is focussed on the delivery of a high performance culture across the Group The key principles which underpin the remuneration policy are

- 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 at a business and individual level,
- short- and long-term incentives are linked to measures of financial performance balancing delivery of shareholder value, the need to retain talent and a robust assessment of individual performance,
- executive remuneration and shareholders' interests are strongly aligned,
- where relevant, consideration is given to environmental, social and governance risks to ensure positive behaviours are reinforced

In order to achieve these objectives, the Committee reviews base salaries in the context of total remuneration and determines remuneration levels to be aligned with relevant market practice plus the experience, performance and retention value 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, the mix of short and long-term reward, the level of challenge of financial targets and the leverage of incentive arrangements so that the higher levels of reward are focused on the highest performing individuals

Elements of remuneration

During the year the Committee reviewed remuneration arrangements to ensure the Company continues to improve the alignment between reward and performance, recognise the right behaviours and motivate executives to drive strong performance in difficult trading conditions Remuneration for executive directors in 2010 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 relevant market practice, individual performance, and the performance of the Group and/or relevant business Division

A summary of the benefits payable to executive directors in 2009 is given on page 35 These mainly comprise company car benefits, medical insurance and, in respect of Adrian Chedore (who was resident in Hong Kong), an overseas living allowance

Bonus schemes

i) Annual Cash Bonus Scheme

All executive directors participate in the Groups Annual Cash Bonus Scheme which is based on a combination of Group and divisional financial targets and personal performance

In 2009 the Company's existing cash bonus scheme was extensively revised in the light of the challenging economic environment with the intent to ensure that an equitable balance of management and shareholders' interests was maintained in more difficult market conditions which were likely to impact on the Company's profit performance In 2010 the scheme's financial targets and structure will be further reviewed to strengthen the links between stretching levels of performance, shareholders interests and reward It is also likely that the scheme will be amended to reflect shareholders' concerns that bonuses be paid in a mixture of cash and shares by introducing a deferred element in the form of bonus shares, to be held by directors for a minimum period

Share-based incentives

The key policy objective of providing annual share-based awards to executives is to ensure alignment with shareholders' interests During the year, the Company continued to make such awards under its 2003 Performance Share Plan (PSP), which is designed to comply with the requirements of institutional guidelines and corporate governance best practice, and to reflect the Committee's remuneration policy The Committee has reviewed the PSP and is of the view that it remains well aligned with its remuneration policy, as well as corporate governance guidelines and reward best practice

Under the PSP, in any financial year, an executive is eligible to 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)

The following companies were included in the peer group for calculation of TSR performance in 2009

Dentsu Inc	Pearson plc
Havas SA	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
GfK	
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 2007, 2008 and 2009 performance cycles This peer group and vesting schedule will remain unchanged in 2010

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The following EPS performance conditions apply

Average annual EPS growth in excess of RPI	Proportion of award vesting
3% or less	Nil
3% to 15%	Nil to 50% (pro rata on a straight line basis)
15%	50%

The Committee has reviewed the EPS condition in March 2010 and believes that the target remains appropriate

These performance conditions are tested on the third anniversary of grant of the award There is no provision for retesting To the extent that the performance conditions are not satisfied, the awards lapse

The Committee believes that using both EPS growth and TSR for awards under the PSP provides a balanced incentive between assessing the Company's relative returns to shareholders and its underlying financial performance

The blend also provides a balanced long term incentive for the Company's executives

Overall, the Committee believes that the value of long term incentives is considered to be in line with market comparisons and provide an appropriate balance to the 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 2003 Executive Share Option Scheme Details of these schemes are given on pages 36 and 37 Details of all share incentive awards outstanding for each executive director serving during 2009 are set out on pages 36 to 38

Pensions

The Company aims to provide pension benefits in line with market practice and which allows executives to plan effectively for their retirement

Both Jerry Buhlmann and Nick Priday are members of a UK Inland Revenue approved group personal pension plan scheme Pensionable salary is limited to base salary excluding all bonuses and other benefits Annual employer pension contributions or salary equivalent payments are shown in the audited directors' remuneration table on page 35

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
Adrian Chedore (retired 31 12 09)	21 02 03	12 months	6 months
Jerry Buhlmann	08 05 08	12 months	6 months
Alicja Lesniak (retired 30 09 09)	21 03 07	12 months	6 months
Nick Priday (appointed 1 09 09)	01 09 09	12 months	6 months

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

Non-executive directors

Non-executive directors, including the Chairman, are appointed under letters of engagement 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 provided external market data when fee levels were 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

The Chairman's annual fee remains £200,000 In addition, he receives a further payment of £300,000 in respect of his duties as interim Chief Executive He holds this position under the terms of a letter of appointment dated 6 January 2009 He receives no benefits, pension contributions or other emoluments as a result of his position as interim Chief Executive and will receive no compensation for termination of his executive appointment

Non-executive directors do not receive benefits or pension contributions and do not participate in any incentive scheme Dates of appointment and unexpired terms are shown below

Non-executive Director	Date of first appointment to the Board	Date(s) of re-appointment	Unexpired term as at 17 March 2009
John Napier	30 06 08	–	1 year 3 months
John Brady	01 08 09	–	2 years 4 months
Simon Laffin	01 08 09	–	2 years 4 months
Martin Read	01 08 09	–	2 years 4 months
Charles Strauss	05 09 03	05 09 06 and 22 05 09	2 years 2 months
Lorraine Trainer	02 08 05	02 08 08	1 year 4 months
Daniel Farrar	02 06 03	02 06 06	retired 22 05 09
Bernard Fournier	01 06 00	01 06 03 and 01 06 06	retired 22 05 09
Brendan O'Neill	08 08 05	08 08 08	retired 01 10 09
Leslie Van de Walle	02 06 03	02 06 06	retired 22 05 09

Audited directors' remuneration

	Salary and Fees[a] £'000	Benefits[b] £'000	Termination Payments £'000	Annual Cash Bonus[c] £'000	Deferred Annual Bonus[c] £'000	Total 2009 £'000	Total 2008 £'000	Pensions 2009 £'000	Pensions 2008 £'000
John Brady (appointed 01 08 09)	19	–	–	–	–	19	–	–	–
Jerry Buhlmann	476	40	–	–	334	850	774	124	77
Adrian Chedore (retired 31 12 09)	417	145	168	–	114	844	773	17	14
Daniel Farrar (retired 22 05 09)	18	–	–	–	–	18	42	–	–
Bernard Fournier (retired 22 05 09)	22	–	–	–	–	22	52	–	–
Simon Laffin (appointed 01 08 09)	21	–	–	–	–	21	–	–	–
Robert Lerwill (retired 27 11 08)	–	–	–	–	–	–	2,066	–	259
Alicja Lesniak (retired 01 10 09)	293	17	448	–	–	758	509	76	98
Mainardo de Nardis (retired 05 09 08)	–	–	–	–	–	–	872	–	82
Brendan O'Neill (retired 01 10 09)	41	–	–	–	–	41	52	–	–
John Napier	510	–	–	–	–	510	124	–	–
Nick Priday (appointed 01 09 09)	83	9	–	–	–	92	–	21	–
Martin Read (appointed 01 08 09)	19	–	–	–	–	19	–	–	–
Lord Sharman (retired 17 07 08)	–	–	–	–	–	–	96	–	–
Charles Strauss	55	–	–	–	–	55	52	–	–
Lorraine Trainer	49	–	–	–	–	49	42	–	–
David Verklin (retired 21 04 08)	–	–	–	–	–	–	1,141	–	4
Leslie Van de Walle (retired 22 05 09)	18	–	–	–	–	18	42	–	–
Totals	2,041	211	616	–	448	3,316	6,637	238	534

The figures above relate to remuneration earned by directors during the year or, if shorter, their term of office during the year

Notes

(a) John Napier's annual fee as Chairman is £200 000 For taking on the additional role of interim Chief Executive he is paid an additional annualised fee of £300 000 A further £10 000 was paid in 2009 representing fees earned but unpaid in 2008 He receives no benefits nor does he participate in any short-term bonus or long-term incentive arrangement

The fee payable in respect of Simon Laffin's services is paid to Simon Laffin Business Services Limited

(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 £77848 home leave allowance of £3 460 and the settlement of a personal UK tax liability of £27764

(c) The main terms of the bonus schemes are summarised on page 33 For Nick Priday whose annual cash bonus is determined by the Company's financial performance no bonus was earned in respect of 2009 For Jerry Buhlmann whose annual cash bonus is determined by a combination of business, divisional and the Groups performance no bonus was earned in respect of either the annual cash bonus or the deferred annual bonus although an amount equal to £375 000 was paid in respect of deferred bonus earned in previous years

In respect of Adrian Chedore, the amount of £113,673 in respect of deferred annual bonus was paid as part of his termination arrangements due to his 'good leaver' status

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 may accept an external non-executive position permission must be sought from the Chairman who will take into consideration the amount of time involvement required by the role As at the date of retirement, Alicja Lesniak had external non-executive directorships at DTZ Holdings plc and SThree plc for each of which her annual fees were £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 2009

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 2010	31 December 2009	1 January 2009*
John Brady (appointed 01 08 09)	–	–	–
Jerry Buhlmann	228,823	228,823	198,553
Adrian Chedore (retired 31 12 09)	–	558,911	480,289
Daniel Farrar (retired 22 05 09)	–	6,250	6,250
Bernard Fournier (retired 22 05 09)	–	10,000	10,000
Simon Laffin (appointed 01 08 09)	–	–	–
Alicja Lesniak (retired 01 10 09)	–	40,591	40,591
John Napier	100,000	100,000	–
Brendan O'Neill (retired 01 10 09)	–	10,000	10,000
Nick Priday (appointed 01 09 09)	–	–	–
Martin Read (appointed 01 08 09)	–	–	–
Charles Strauss	40,000	40,000	20,000
Lorraine Trainer	33,200	33,200	33,200
Leslie Van de Walle (retired 22 05 09)	–	61,549	61,549

* or at date of appointment if later than 1 January 2009
** or at date of retirement if earlier

As at 17 March 2010 the executive directors Jerry Buhlmann and Nick Priday were also deemed to have an interest in the 18,873,210 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 2009 and new issue shares had been used to satisfy all exercises, the dilution would have been 4 37% 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 09	Granted during 2009	Lapsed during 2009	Exercised during 2009	Options held at 31 12 09(a)	Exercise price	Date from which exercisable	Expiry date
Jerry Buhlmann	69,958	–	69,958	–	–	121 50p	17 03 02	16 03 09
	43,995	–	–	–	43,995	94 00p	18 06 05	17 06 12
	72,414	–	–	–	72,414	145 00p	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	134 00p	20 03 09	19 03 16
	271,646	–	–	–	271,646	147 50p	23 03 10	22 03 17
Adrian Chedore (retired 31 12 09)	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	134 00p	20 03 09	19 03 16
	324,617	–	–	–	324,617	147 50p	23 03 10	22 03 17
	138,907*	–		–	138,907	123 50p	03 06 11	03 06 18
Alicja Lesniak (retired 01 10 09)	254,668	–	–	–	254,668	147 25p	12 04 10	01 10 10
Totals	2,933,635	–	69,958	–	2,863,677			

(a) or at date of retirement if earlier than 31 December 2009

Notes

All of the above options were granted for nil consideration

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 Retesting is not permitted for options granted since 2004

All other options are granted under the closed 1995 Executive Share Option Scheme (whose performance condition required that EPS growth over the performance period exceeded RPI plus 5% per annum and that the Company's TSR performance be greater than that of the FTSE 100 company ranked 33rd over the performance period) It was possible to retest the conditions annually over the life of the option if they were 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 2009 was 119 40p and the range during the year was 67 50p to 119 90p The share price on 17 March 2010, the latest practicable date prior to signing of the Annual Report and Accounts, was 127 6p

The Remuneration Committee has determined that in respect of Alicja Lesniak, all options outstanding will vest to the extent that the performance conditions are met at the end of performance period and will remain exercisable for a period of one year from the date of her retirement In respect of Adrian Chedore, all options outstanding will vest at the end of the performance period subject to achievement of the performance conditions, except those granted in 2008 where up to two-thirds may vest to the extent that performance conditions have been met, and remain exercisable for a period of one year from 31 December 2009

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 09	Awards granted during year	Awards lapsed during year	Awards vested during year	Maximum potential award of shares at 31 12 09[a]	Performance period
Jerry Buhlmann	293,154	–	146,577	146,577*	–	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
	–	925,657	–	–	925,657	01 01 09 to 31 12 11
Adrian Chedore (retired 31 12 09)	357,243	–	178,621	178,622	–	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
	–	834,286	–	–	834,286	01 01 09 to 31 12 11
Alicja Lesniak (retired 01 10 09)	254,668	–	–	–	254,668	01 01 07 to 31 12 09
	527,368	–	175,790	–	351,578	01 01 08 to 31 12 09
	–	744,343	496,229	–	248,114	01 01 09 to 31 12 09

(a) or at date of retirement if earlier than 31 December 2009

The market price of Aegis shares at the date of the 2006 award was 134p, for the 2007 awards was between 147 25p and 147 5p, for the 2008 awards was between 112p and 123 50p and for the 2009 awards was 87 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 33 and 34

Notes

*details of vested awards

Name	Number vested	Date of award	Market price at date of transfer	Gross gain
Adrian Chedore	178,622	20 03 06	86 00p	£153,614 92
Jerry Buhlmann	146,577	20 03 06	88 57p	£129,824 56

The Remuneration Committee has determined in respect of both Adrian Chedore and Alicja Lesniak 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 reflecting the termination of their employment prior to the end of the performance period Accordingly on her retirement awards granted to Ms Lesniak in 2008 and 2009 were time pro-rated by one year and two years respectively and awards granted to Adrian Chedore similarly reduced on his retirement at 31 December 2009

2005 Performance Restricted Share Plan

Nick Priday also holds awards under the 2005 Performance Restricted Share Plan, granted before the date of his appointment as a director

Details of awards granted under the 2005 Performance Restricted Share Plan are shown in the table below

Name	Maximum potential award of shares at appointment at 01 09 09	Awards lapsed during year	Awards transferred during year	Maximum potential award of shares at 31 12 09	Performance period
Nick Priday	9,168	–	–	9,168	01 01 07 to 31 12 09
	40,160	–	–	40,160	01 01 08 to 31 12 10
	85, 714	–	–	85,714	01 01 09 to 31 12 11
	250,000	–	–	250,000	01 01 09 to 31 12 11

The market price of Aegis shares at the date of the awards granted in 2007 was 147 50p, for the 2008 awards was 124 50p and for the 2009 awards 87 50p and 102 90p respectively Awards are provided in the form of nil cost options and vest in full provided the Company's average annual EPS growth over a three-year performance period reaches RPI plus 3%

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

Shareholding guidelines

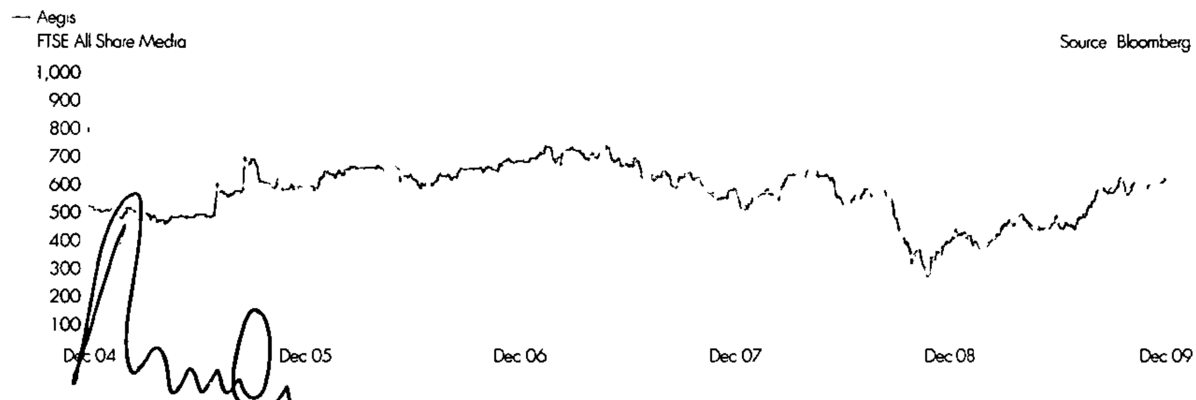
The Company has share ownership guidelines which operate in tandem with the executive share incentive schemes introduced in 2003 Executive directors and other senior executives are required to retain at least 35% (50% in the case of the Chief Executive Officer) of any profit made (after paying the exercise 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 will be granted unless executives retain shares in accordance with these guidelines

Performance graph

The following graph illustrates the Company's TSR between 31 December 2004 and 31 December 2009 relative to the FTSE All Share Media Index 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

Aegis vs FTSE All Share TSR performance

Total shareholder return over last five years



Lorraine Trainer
Chairman of the Remuneration Committee

17 March 2010

Independent auditors' report to the members of Aegis Group plc

We have audited the Group financial statements of Aegis Group plc for the year ended 31 December 2009 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the related Notes 1 to 34 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the Group financial statements

— give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit for the year then ended,

— have been properly prepared in accordance with IFRSs as adopted by the European Union, and

— have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Opinion on other matter prescribed by the Companies Act 2006

In our opinion

— the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006, and

— the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Group financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

— certain disclosures of directors' remuneration specified by law are not made, or

— we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

— the directors' statement contained within the Directors' report in relation to going concern, and

— the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Other matter

We have reported separately on the parent Company financial statements of Aegis Group plc for the year ended 31 December 2009

William Touche
Senior Statutory Auditor
for and on behalf of
Deloitte LLP Chartered Accountants and
Statutory Auditors London, UK

17 March 2010

Consolidated income statement

For the year ended 31 December 2009

	Notes	2009 £m	2008* £m
Turnover – amounts invoiced to clients		9,684 6	10 413 8
Revenue	4	1,346 5	1,342 0
Cost of sales		(199 5)	(189 0)
Gross profit		1,147 0	1,153 0
Operating expenses before restructuring charges		(1,001 9)	(997 6)
Restructuring charges	6	(30 5)	(27 4)
Operating expenses		(1,032 4)	(1,025 0)
Operating profit	4	114 6	128 0
Share of results of associates		0 2	2 7
Profit before interest and tax		114 8	130 7
Investment income	8	7 9	15 9
Finance costs	9	(31 5)	(22 0)
Net financial costs		(23 6)	(6 1)
Profit before tax		91 2	124 6
Tax	10	(27 0)	(35 4)
Profit for the financial year		64 2	89 2
Attributable to:			
Equity holders of the parent		62 7	82 8
Minority interests		1 5	6 4
		64 2	89 2
Earnings per ordinary share:			
Basic (pence)	12	5 5	7 3
Diluted (pence)	12	5 5	7 3
Dividend per ordinary share (pence)	11	2 50	2 50
Underlying results:			
Underlying operating profit	4	170 3	177 0
Underlying profit before tax	4	149 3	166 8
Underlying earnings per ordinary share:			
Basic (pence)	12	9 5	10 3
Diluted (pence)	12	9 5	10 3

The basis for calculating the Group's underlying results and underlying earnings per share is set out in Note 2

*Prior year results are restated for the reclassification of financing-related exchange gains and losses as explained in Note 2 This reclassification impacts statutory and underlying operating profit but has no effect on profit before tax or profit after tax

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Profit for the financial year		64 2	89 2
Currency translation differences on foreign operations			
– Group		(32 3)	65 1
– Minority interests		(1 2)	3 6
Exchange movements on hedged items taken to equity		(11 5)	36 4
Available-for-sale investments movements taken to equity		0 5	(0 9)
Cash flow hedges movements taken to equity	20	(5 7)	5 9
Actuarial loss recognised on defined benefit pension schemes	32	(0 1)	–
Tax on movements taken to equity		1 6	(1 7)
Other comprehensive gains and losses recognised directly in equity		(48 7)	108 4
Total comprehensive income and expense		15 5	197 6
Attributable to:			
Equity holders of the parent		15 2	187 6
Minority interests		0 3	10 0
		15 5	197 6

Consolidated balance sheet

At 31 December 2009

	Notes	2009 £m	2008* £m	2007* £m
Non-current assets				
Goodwill	13	1,0109	1,114 6	796 6
Intangible assets	14	85 5	104 9	49 2
Property, plant and equipment	15	59 9	73 5	53 8
Interests in associates and joint ventures	16	3 3	26 7	19 3
Deferred tax assets	21	25 5	23 5	15 8
Available-for-sale financial assets	17	14 9	0 4	2 3
Other financial assets	20	0 7	2 1	1 7
		1,200 7	1,345 7	938 7
Current assets				
Work in progress		15 2	22 5	15 5
Trade and other receivables	18	2,006 2	2,324 0	2,090 6
Derivative financial assets	20	0 2	6 0	0 1
Other financial assets	20	–	2 8	0 3
Cash at bank and in hand and short term deposits	20, 29	391 1	412 7	356 8
		2,412 7	2,768 0	2,463 3
Total assets		3,613 4	4,113 7	3,402 0
Current liabilities				
Trade and other payables	19	(2,365 1)	(2,699 3)	(2,319 4)
Borrowings	20	(43 2)	(52 7)	(85 1)
Derivative financial liabilities	20	(3 6)	(4 9)	(3 2)
Other financial liabilities	20	–	–	(0 1)
Provisions	22	(2 3)	(2 2)	(0 8)
Current tax liabilities		(5 0)	(14 3)	(19 1)
		(2,419 2)	(2,773 4)	(2,427 7)
Net current (liabilities)/assets		(6 5)	(5 4)	35 6
Non-current liabilities				
Borrowings	20	(605 1)	(657 5)	(516 9)
Other non-current liabilities	20, 27	(52 9)	(141 7)	(99 9)
Derivative financial liabilities	20	(54 8)	(48 3)	(35 0)
Provisions	22	(1 1)	(2 3)	(1 0)
Deferred tax liabilities	21	(35 8)	(30 7)	(15 2)
		(749 7)	(880 5)	(668 0)
Total liabilities		(3,168 9)	(3,653 9)	(3,095 7)
Net assets		444 5	459 8	306 3
Equity				
Share capital	23	58 1	58 0	57 7
Shares to be issued		–	4 0	4 7
Own shares	24	(23 3)	(30 6)	(30 9)
Share premium account	25	245 5	243 5	238 7
Capital redemption reserve		0 2	0 2	0 2
Foreign currency translation reserve		64 1	107 9	6 4
Retained earnings		134 5	102 9	44 2
Potential acquisition of minority interests		(47 2)	(43 4)	(21 2)
Equity attributable to equity holders of the parent		431 9	442 5	299 8
Minority interests		12 6	17 3	6 5
Total equity		444 5	459 8	306 3

*See Note 2 for details of reclassifications applied to the 2008 and 2007 balance sheets

These financial statements were approved by the Board of Directors on 17 March 2010 and were signed on its behalf by

John Napier
Chief Executive interim

Nick Priday
Chief Financial Officer

Consolidated cash flow statement

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Cash flows from operations			
Cash inflows from operations	29	199 1	261 6
Income taxes paid		(34 2)	(46 1)
Net cash inflow from operations		164 9	215 5
Investing activities			
Interest received		8 2	15 9
Dividends received from associates		0 2	0 8
Net cash paid on purchase of subsidiary undertakings		(12 6)	(55 5)
Proceeds from disposal of subsidiary		2 7	–
Proceeds from disposal of associated undertakings		2 4	–
Payments of deferred consideration on prior period acquisitions		(60 9)	(47 8)
Purchase of property, plant and equipment and intangible assets		(27 4)	(40 3)
Proceeds from disposal of property, plant and equipment and intangible assets		1 4	0 7
Net cash outflows from investing activities		(86 0)	(126 2)
Financing activities			
Dividends paid to equity holders of the parent		(28 5)	(27 4)
Dividends paid to minority shareholders		(3 2)	(4 1)
Interest paid		(26 9)	(35 4)
Proceeds from borrowings		192 3	64 7
Repayments of loans		(215 5)	(86 8)
Proceeds on issue of ordinary share capital		2 1	4 4
Purchase of own shares		–	(8 9)
Other financing activities		(1 2)	–
Net cash outflows from financing activities		(80 9)	(93 5)
Net decrease in cash and cash equivalents	29	(2 0)	(4 2)
Translation differences		(19 5)	82 4
Cash and cash equivalents at beginning of year		407 7	329 5
Cash and cash equivalents at end of year	29	386 2	407 7
Represented by:			
Cash at bank and in hand and short term deposits		391 1	412 7
Bank overdrafts		(4 9)	(5 0)
Cash and cash equivalents at end of year	29	386 2	407 7

	1 January 2009 £m	Cash flow £m	Other non-cash charges £m	Exchange movements £m	31 December 2009 £m
Analysis of net debt					
Cash and cash equivalents	407 7	(2 0)	–	(19 5)	386 2
Gross debt after issue costs of debt	(705 2)	23 2	3 5	35 1	(643 4)
Total	(297 5)	21 2	3 5	15 6	(257 2)

Consolidated statement of changes in equity

For the year ended 31 December 2009

	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	Potential acquisition of minority interests £m	Total £m	Minority interest £m	Total equity £m
At 1 January 2008	577	4 7	(30 9)	238 7	0 2	6 4	44 2	(21 2)	299 8	6 5	306 3
Profit for the year	–	–	–	–	–	–	82 8	–	82 8	6 4	89 2
Currency translation differences on foreign operations	–	–	–	–	–	65 1	–	–	65 1	3 6	68 7
Exchange movements on hedged items taken to equity	–	–	–	–	–	36 4	–	–	36 4	–	36 4
Available-for-sale investments movements taken to equity	–	–	–	–	–	–	(0 9)	–	(0 9)	–	(0 9)
Cash flow hedges movements taken to equity	–	–	–	–	–	–	5 9	–	5 9	–	5 9
Tax on movements taken to equity	–	–	–	–	–	–	(1 7)	–	(1 7)	–	(1 7)
Other comprehensive gains and losses recognised directly in equity	–	–	–	–	–	101 5	3 3	–	104 8	3 6	108 4
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	–	–	–	–	–	–	–	(22 2)	(22 2)	4 9	(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	(43 4)	442 5	17 3	459 8

Consolidated statement of changes in equity continued

	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	Potential acquisition of minority interests £m	Total £m	Minority interest £m	Total equity £m
At 31 December 2008	58 0	4 0	(30 6)	243 5	0 2	107 9	102 9	(43 4)	442 5	17 3	459 8
Profit for the year	–	–	–	–	–	–	62 7	–	62 7	1 5	64 2
Currency translation differences on foreign operations	–	–	–	–	–	(32 3)	–	–	(32 3)	(1 2)	(33 5)
Exchange movements on hedged items taken to equity	–	–	–	–	–	(11 5)	–	–	(11 5)	–	(11 5)
Available-for-sale investments movements taken to equity	–	–	–	–	–	–	0 5	–	0 5	–	0 5
Cash flow hedges movements taken to equity	–	–	–	–	–	–	(5 7)	–	(5 7)	–	(5 7)
Actuarial loss recognised on defined benefit pension schemes	–	–	–	–	–	–	(0 1)	–	(0 1)	–	(0 1)
Tax on movements taken to equity	–	–	–	–	–	–	1 6	–	1 6	–	1 6
Other comprehensive gains and losses recognised directly in equity	–	–	–	–	–	(43 8)	(3 7)	–	(47 5)	(1 2)	(48 7)
New share capital subscribed	0 1	–	–	2 0	–	–	–	–	2 1	–	2 1
Shares awarded by ESOP	–	–	7 3	–	–	–	(7 3)	–	–	–	–
Credit for share-based incentive schemes	–	–	–	–	–	–	7 1	–	7 1	–	7 1
Other movements	–	(4 0)	–	–	–	–	1 3	(3 8)	(6 5)	(1 8)	(8 3)
Dividends	–	–	–	–	–	–	(28 5)	–	(28 5)	(3 2)	(31 7)
At 31 December 2009	58 1	–	(23 3)	245 5	0 2	64 1	134 5	(47 2)	431 9	12 6	444 5

Notes to the consolidated financial statements

For the year ended 31 December 2009

1. General information

Aegis Group plc is a company incorporated in the United Kingdom under the Companies Act 2006 The address of the registered office is given on page 22 The nature of the Group's operations and its principal activities are set out in Note 4 and in the Directors' report on pages 24 to 26

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

2. Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union and comply with Article 4 of the EU IAS Regulation The financial statements have been prepared on the going concern basis of accounting for the reasons set out in the Directors' report on page 26

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

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

IFRS for small and medium sized entities

IFRS 1 (amended) Additional exemptions for first-time adopters and improved structure

IFRS 2 (amended) Group cash-settled share-based payment transactions

IFRS 9 Financial Instruments

IAS 24 (revised) Related Party Transactions

IAS 32 Classification of rights issues

IAS 39 (amended) Eligible Hedged Items

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

IFRIC 17 Distributions of Non-Cash Assets to Owners

IFRIC 18 Transfers of Assets from Customers

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

In addition, IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements become effective for the Group from 1 January 2010 Adoption of these standards will impact any business combinations completed after 1 January 2010 For any such business combinations

- All acquisition related costs must be expensed as they are incurred
- Contingent consideration must be measured at fair value at the acquisition date and form part of the total consideration Subsequent changes in fair value must be recognised in profit or loss as they arise
- Where step acquisitions occur, the equity holding at the date on which control is achieved must be re-measured to its fair value at that date, with the difference between carrying value and fair value recognised in profit or loss
- Transactions between equity holders, including increases or decreases in ownership that do not result in a change of control, are reported within equity with no impact on profit or loss

These standards apply prospectively and therefore have no impact on acquisitions completed by the Group prior to 1 January 2010 The expected impact on the Group's financial statements cannot be estimated as this will depend on the terms of any business combinations that may arise after 1 January 2010

Adoption of standards

In the current financial year, the Group has adopted International Financial Reporting Standard 8 Operating Segments and International Accounting Standard 1 Presentation of Financial Statements (revised 2007), which have resulted in presentational changes to the 2009 Annual Report

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's chief operating decision-maker, which in the case of Aegis Group plc is the Group Chief Executive Officer, to allocate resources to the segments and to assess their performance In contrast, the predecessor standard (IAS 14 Segmental Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments As a result, segmental information is presented in accordance with IFRS 8 within Note 4 The comparatives have been re-presented accordingly

2. Basis of preparation continued

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income A consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented In addition, due to reclassifications discussed below, IAS 1 (revised) requires that two comparative years be provided in the balance sheet and related notes

Reclassification of exchange movements on financing items

The Group has reclassified foreign exchange gains relating to financing items from operating profit to net finance costs to more appropriately reflect the nature of such items Net foreign exchange gains of £8 4m have been reclassified from operating expenses to net finance costs in respect of the year ended 31 December 2008 There is no impact on pre-tax profit or earnings per share As a result of this change in presentation, a new line has been added to the Finance Costs note (Note 9) 'Exchange movements on financing items ' This line includes the impact of foreign exchange on financing balances net of any movements on forward foreign exchange contracts taken out as economic hedges of such balances

Reclassification in the 2008 balance sheet

The balance sheet comparatives for the years ended 31 December 2008 and 31 December 2007 have been restated to reclassify certain provisions from non-current liabilities to current liabilities and to reclassify the put option liability from trade and other payables and other non-current liabilities (for the current and non-current portions respectively) to current and non-current derivative liabilities to reflect the classification of these liabilities under IAS 39 Financial Instruments Recognition and Measurement In addition, the equity reserve for the potential acquisition of minority interest, which arises on liabilities of the Group to minority shareholders, is reclassified within equity attributable to equity holders of the parent

Underlying profit

The Group believes that underlying results (Note 4) and underlying earnings per share (Note 12) provide additional useful information on underlying trends to shareholders These measures are used for internal performance analysis and incentive compensation arrangements for employees The term underlying is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies It is not intended to be a substitute for, or superior to, IFRS measurements of profit In the opinion of the directors, the principal adjustments made are in respect of items which are significant by nature or amount, and may include impairment charges, 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 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

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

3. Accounting policies continued

b) Associates

Associated companies are entities in which the Group has a participating interest, 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 within the associates carrying amount 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 The acquiree's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS 3 are recognised at their fair value at the acquisition date 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 net fair value of the identifiable 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 less any subsequent accumulated impairment losses

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 ("CGUs") expected to benefit from the synergies of the combination CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period The Group's CGUs are given in Note 13

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 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

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 liability and goodwill

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

3. Accounting policies continued

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 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

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 sublet, provision is made in full for the outstanding rental payments together with other outgoings for the remaining period of the lease This provision takes into account any future sublet income reasonably expected to be obtained Future rental payments are charged against this provision in the period in which they are made

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

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

For 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 as soon as it becomes clear that a loss will arise 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

Cost of media

The direct cost of media bookings is the difference between turnover (amounts invoiced to clients) and revenue

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 applies 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 The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market based vesting conditions The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity

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

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 comprehensive income 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

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

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

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

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

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

For consolidation purposes, the trading results and cash flows arising in operations with non-Sterling functional currencies are translated into Sterling at average exchange rates for the period Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date Exchange differences arising upon consolidation are 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

Financial instruments
Financial assets

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

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, highly liquid deposits with an original maturity of three months or less which are subject to an insignificant risk of changes in value and bank overdrafts This classification is used only in the cash flow statement

Trade receivables

Trade receivables are initially recorded at the invoiced value and subsequently reduced by appropriate allowances for estimated irrecoverable amounts Trade receivables do not carry any interest charge

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 FVPTL '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

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

3. Accounting policies continued

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 where they are considered to be significant The Group does not use derivative financial instruments for speculative purposes

Derivative financial instruments are held at fair value at the balance sheet date 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 Where such changes are intended to provide a natural hedge of a particular risk, the income statement classification reflects this

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting At that point in time, any cumulative gains or losses on the hedging instrument recognised in 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 Note 20 includes further information on hedge accounting as applied by the Group

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, put options are treated as derivatives over equity instruments and are recorded at fair value on initial recognition with a corresponding decrease in reserves Fair value is calculated based on the discounted value of expected future payments

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

Equity instruments

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

Accounting estimates and uncertainties

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

Revenue

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

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

Contingent deferred/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 The liability for deferred consideration is reviewed at each balance sheet date and changes in estimates are made to deferred consideration and goodwill

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

3. Accounting policies continued

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 a 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 31 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 the assets purchased

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 (CGUs) In calculating the value in use of a CGU the Group makes estimates of future forecast cash flows and discount rates to derive a net present value of these cash flows to determine if an impairment has occurred Key areas of judgement include the determination of the long-term growth rate applicable to each CGU and the determination of the CGUs themselves
See Note 13 for further details

Taxation

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

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

Deferred tax

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

4. Segment reporting

Business segments

The adoption of IFRS 8 leads to changes in the way in which the Group segments its result, with only one form of segmentation now required, driven by information provided to the Group's chief operating decision-maker, the Group Chief Executive Officer Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance focuses on the two business divisions through which the Group operates Aegis Media and Synovate This segment presentation reflects the management structure of the Group These divisions, which operate in the media and market research sectors respectively, are therefore the Group's reportable segments under IFRS 8, having previously been the primary segments under IAS 14 Intersegment trading is not significant to either operating segment and no intersegment trading information is included in reports to the Group's Chief Executive Officer Therefore all information reported below relates to external trade

The accounting policies of the reportable segments are the same as the Group's accounting policies, which are described in Note 3 Segment result represents segment underlying operating profit, which is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance The Group's Chief Executive Officer also monitors the tangible, intangible and financial assets attributable to each segment All assets and liabilities are allocated to reportable segments with the exception of centrally-managed financial instruments, tax and other centrally-managed balances Goodwill is allocated to the segments as described in Note 13

4. Segment reporting continued

An analysis of revenue and operating segment result by reportable segment is set out below

Underlying performance	2009		2008	
	Revenue £m	Result £m	Revenue £m	Result £m
Aegis Media	825 2	150 4	823 8	1579
Synovate	521 3	369	518 2	42 2
Reportable segment revenue/result	1,346 5	1873	1,342 0	200 1
Corporate costs	–	(170)	–	(23 1)
	1,346 5	170 3	1,342 0	1770

Synovate achieved gross profit (or net revenue), after external direct costs, of £321 8m (2008 £329 2m) See below for a reconciliation of reportable segment results to statutory results

2009	Underlying results £m	Restructuring costs £m	Amortisation of purchased intangibles £m	IAS 39 adjustments[1] £m	Other tax adjustment[2] £m	Disposal of subsidiaries and associates £m	Statutory results £m
Aegis Media	150 4	(10 7)	(18 5)	–	–	(1 0)	120 2
Synovate	369	(19 2)	(5 7)	–	–	–	12 0
Reportable segment result	1873	(299)	(24 2)	–	–	(1 0)	132 2
Corporate	(170)	(0 6)	–	–	–	–	(176)
Operating profit	170 3	(30 5)	(24 2)	–	–	(1 0)	114 6
Share of results of associates	(0 3)	–	–	–	–	0 5	0 2
Profit before interest and tax	170 0	(30 5)	(24 2)	–	–	(0 5)	114 8
Investment income	79	–	–	–	–	–	79
Finance costs	(28 6)	–	–	(2 9)	–	–	(31 5)
Net financial costs	(20 7)	–	–	(2 9)	–	–	(23 6)
Profit before tax	149 3	(30 5)	(24 2)	(2 9)	–	(0 5)	91 2
Tax	(38 1)	6 6	6 4	–	(1 9)	–	(270)
Profit after tax	111 2	(239)	(178)	(2 9)	(1 9)	(0 5)	64 2

(1) IAS 39 adjustments comprise gains of £13 5m on revaluation of put option liabilities and losses of £10 0m and £6 4m on revaluation of non hedge derivatives and impairment of available-for sale investments respectively

(2) Included in other tax adjustments is a deferred tax adjustment for tax amortisation of goodwill of £5 0m

The total impact of adjusting items between underlying and statutory profit after tax is £470m, as presented above

The disposal of associates and subsidiaries in the current year led to a loss of £0 5m This total includes cumulative exchange movements taken to and recycled from reserves to the income statement on disposal Impairment charges in the current year relate to impairment of the Group's investment in QJY and certain other available-for sale investments and are explained further in Note 17

4. Segment reporting continued

2008 (re-presented)	Underlying results £m	Restructuring costs £m	Amortisation of purchased intangibles £m	IAS 39 adjustments[1] £m	Other tax adjustment[2] £m	Impairment charges £m	Statutory results £m
Aegis Media	157 9	(23 3)	(12 8)	–	–	–	121 8
Synovate	42 2	(1 4)	(4 4)	–	–	–	36 4
Reportable segment result	200 1	(24 7)	(17 2)	–	–	–	158 2
Corporate	(23 1)	(2 7)	–	–	–	(4 4)	(30 2)
Operating profit	177 0	(27 4)	(17 2)	–	–	(4 4)	128 0
Share of results of associates	2 7	–	–	–	–	–	2 7
Profit before interest and tax	179 7	(27 4)	(17 2)	–	–	(4 4)	130 7
Investment income	15 9	–	–	–	–	–	15 9
Finance costs	(28 8)	–	–	6 8			(22 0)
Net financial costs	(12 9)	–	–	6 8	–	–	(6 1)
Profit before tax	166 8	(27 4)	(17 2)	6 8	–	(4 4)	124 6
Tax	(43 1)	8 1	3 7	–	(4 1)	–	(35 4)
Profit after tax	123 7	(19 3)	(13 5)	6 8	(4 1)	(4 4)	89 2

(1) IAS 39 adjustments comprise gains of £2 2m and £6 0m on revaluation of put option liabilities and revaluation of non-hedge derivatives respectively and losses of £1 4m due to impairment of available-for-sale financial assets

(2) Included in other tax adjustments is a deferred tax adjustment for tax amortisation of goodwill of £3 9m

The total impact of adjusting items between underlying and statutory profit after tax for 2008 was £34 5m, as presented above

Segment assets and other segment information

2009	Assets £m	Liabilities £m	Depreciation and amortisation £m	Additions to non-current assets £m	Impairment £m
Aegis Media	2,899 8	(2,325 0)	38 6	12 9	6 4
Synovate	700 5	(197 3)	16 5	3 5	0 2
Reportable segment total	3,600 3	(2,522 3)	55 1	16 4	6 6
Corporate	13 1	(646 6)	0 8	0 4	–
Consolidated total	3,613 4	(3,168 9)	55 9	16 8	6 6

2008 (re-presented)	Assets £m	Liabilities £m	Depreciation and amortisation £m	Additions to non-current assets £m	Impairment £m
Aegis Media	3,308 0	(2,823 7)	31 6	17 1	–
Synovate	762 3	(234 7)	14 5	10 9	1 3
Reportable segment total	4,070 3	(3,058 4)	46 1	28 0	1 3
Corporate	43 4	(595 5)	1 2	1 4	4 4
Consolidated total	4,113 7	(3,653 9)	47 3	29 4	5 7

Revenues from major products and services

Aegis Media's business comprises the provision of a number of integrated media services, which are considered to represent a single group of closely-related services Similarly, the Synovate business of market research is considered to be a single group of closely-related services Therefore, no further analysis by service is necessary

4. Segment reporting continued

Geographical information

The Group operates in numerous countries throughout the world Management has determined that revenues from external customers attributed to an individual foreign country are material if they make up more than 10% of consolidated Group revenue, and in such cases the revenue arising in these countries is disclosed separately The Group's country of domicile is the UK

	Revenue		Non-current assets	
	2009 £m	2008 £m	2009 £m	2008 £m
UK	184 7	194 2	146 0	175 7
USA	247 8	253 6	341 3	376 5
Other	914 0	894 2	713 4	793 5
Consolidated total	1,346 5	1,342 0	1,200 7	1,345 7

Major customers

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

5. Operating profit

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

	2009 £m	2008 £m
Net foreign exchange losses/(gains)	0 1	(2 0)
Impairment of intangible assets	–	4 4
Depreciation of property, plant and equipment	23 7	23 0
Amortisation of intangible assets included in operating expenses	32 2	24 3
Bad debt expense (see Note 18)	7 5	4 6
Operating lease expense (see Note 30)	61 9	50 6
Staff costs (see Note 7)	665 5	673 4

Staff costs include a share-based payment expense of £7 1m (2008 £9 2m)

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

	2009 £m	2009 %	2008 £m	2008 %
Audit fees				
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0 3	7 3%	0 3	8 1%
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 1	75 6%	3 0	81 1%
Total audit fees	3 4	82 9%	3 3	89 2%
Non audit fees				
– Other services pursuant to legislation (interim review)	0 1	2 4%	0 1	2 7%
– Tax services	0 2	4 9%	0 2	5 4%
– Other services	0 4	9 8%	0 1	2 7%
Total non-audit fees	0 7	17 1%	0 4	10 8%
Total fees paid to the Company's auditors	4 1	100 0%	3 7	100 0%

A description of the work of the Audit Committee is set out in the corporate governance statement on page 29 and includes an explanation of how auditor objectivity is safeguarded when non-audit services are provided by the auditors

6. Restructuring charges

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

	2009 £m	2008 £m
Severance and related expenditure	28 3	23 0
Property costs	2 2	4 4
	30 5	27 4

7. Staff costs

The average monthly number of employees was

	2009 Number	2008 restated Number
Aegis Media	9,408	9,756
Synovate	6,501	6,677
Corporate	40	45
	15,949	16,478

The 2008 comparative increases Synovate staff numbers by 540 from the total of 6,137 previously reported

Staff costs consist of

	2009 £m	2008 £m
Wages, salaries, bonus and benefits	570 4	580 4
Social security costs	82 1	81 0
Other pension costs	13 0	12 0
	665 5	673 4

Wages, salaries, bonus and benefits includes a share-based payment charge of £7 1m (2008 £9 2m) See Note 31

8. Investment income

	2009 £m	2008 £m
Interest receivable	7 9	15 9

Interest receivable includes £0 4m (2008 £0 3m) in respect of the expected return on pension scheme assets (see Note 32)

9. Finance costs

	2009 £m	2008 £m
Interest payable on bank loans and overdrafts	(3 3)	(5 1)
Interest payable on loan notes, other loans and pension scheme liabilities	(23 2)	(30 1)
	(26 5)	(35 2)
Imputed interest on deferred consideration	(1 1)	(1 6)
Fair value movements on acquisition put options	13 5	2 2
Exchange movements on financing items	1 1	8 4
Fair value movements on non-hedge derivatives	(10 0)	6 0
Fair value movement arising on derivatives in a designated fair value hedge	(3 5)	–
Adjustment to hedged items in a designated fair value hedge	3 5	–
Impairment of available-for-sale financial assets	(6 4)	(1 4)
Amortisation of financing costs	(2 1)	(0 4)
	(31 5)	(22 0)

Exchange movements on financing items includes fair value movements in derivative instruments intended to provide a natural hedge of exchange rate risk See Note 2 for detail on the reclassification of such exchange movements from 2008

10. Tax on profit on ordinary activities

The tax charge is made up of the following

	2009 £m	2008 £m
Current tax – UK taxation at 28 0% (2008 28 5%)	–	0 3
Current tax – overseas	27 7	37 9
Adjustments in respect of prior years	(1 8)	0 5
	25 9	38 7
Deferred tax (Note 21)	1 1	(3 3)
	27 0	35 4

The underlying effective tax rate on underlying profits for the year ended 31 December 2009 is 25 52% (2008 25 84%)

The tax charge for the year ended 31 December 2009 is £27 0m (2008 £35 4m) representing an effective tax rate (including deferred tax on goodwill) on statutory profits of 29 61% (2008 28 41%) The tax charge for the year ended 31 December 2009 includes a deferred tax expense of £5 0m (2008 £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 0% (2008 28 5%) of the estimated assessable profit for the year Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions

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

	2009 £m	2008 £m
Profit before taxation	91 2	124 6
Tax at the UK corporation tax rate of 28 0% (2008 28 5%)	25 5	35 5
Adjustments in respect of prior years	(1 8)	0 5
Tax effect of income/expenditure that is not taxable/deductible	2 5	0 7
Rate differences on overseas earnings	(3 0)	(2 7)
Tax losses carried forward in the period UK	1 2	0 5
Tax losses utilised in the period overseas	0 5	(1 1)
Impact of short-term temporary differences not recognised for deferred tax	2 1	2 0
Tax expense for the year	27 0	35 4
Effective rate of statutory tax charge on statutory profits	29 61%	28 41%

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 not in the Group's tax charge Associates' tax included within 'Net income from associates' for the year ended 31 December 2009 is £0 1m (2008 £0 2m)

11. Dividends

	2009	2008
Ordinary shares of 5p each		
Dividend rate per share for the period (pence)	2 50	2 50

	2009 £m	2008 £m
Declared and paid during the period		
Final dividend for 2007 of 1 46p per share	–	16 5
Interim dividend for 2008 of 0 96p per share	–	10 9
Final dividend for 2008 of 1 54p per share	17 8	–
Interim dividend for 2009 of 0 96p per share	11 1	–
	28 9	27 4
Proposed but not yet declared or paid at the balance sheet date		
Final dividend for 2008 of 1 54p per share	–	17 8
Final dividend for 2009 of 1 54p per share	17 9	–
	17 9	17 8

The employee share trust has an ongoing arrangement with the Group to waive all dividends As a result, the total cash paid in settlement of the final dividend for 2008 was £17 5m Based on the number of shares held by the employee share trust as at 31 December 2009, the expected cash payment in settlement of the 2009 final dividend is £17 6m

The final dividend for 2009, if approved, will be paid on 1 July 2010 to all ordinary shareholders on the register at 4 June 2010

12. Earnings per share

	2009	2008
Basic		
Profit for the year attributable to equity holders of the parent (£m)	62 7	82 8
Adjusting items (£m)	45 5	34 5
Underlying profit for the year (£m)	108 2	117 3
Weighted average number of ordinary shares in issue (millions)	1,138 5	1,133 5
Basic earnings per share (pence)	5 5	7 3
Adjusting items (pence)	4 0	3 0
Underlying basic earnings per share (pence)	9 5	10 3
Diluted		
Profit for the year attributable to equity holders of the parent (£m)	62 7	82 8
Adjusting items (Note 4) (£m)	45 5	34 5
Underlying profit for the year (£m)	108 2	117 3
Diluted weighted average number of ordinary shares in issue (millions)	1,139 1	1,136 9
Diluted earnings per share (pence)	5 5	7 3
Adjusting items (pence)	4 0	3 0
Underlying diluted earnings per share (pence)	9 5	10 3
Weighted average number of ordinary shares (millions)		
Basic weighted average number of ordinary shares	1,138 5	1,133 5
Dilutive potential ordinary shares employee share options	0 6	0 7
Shares to be issued	–	2 7
Diluted weighted average number of ordinary shares	1,139 1	1,136 9

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

13. Goodwill

	£m
Cost	
At 1 January 2008	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
Additions	9 7
Other acquisition adjustments	6 7
Adjustments to prior period estimates of deferred consideration	(66 8)
Exchange differences	(53 3)
At 31 December 2009	1,036 1

	£m
Accumulated impairment losses	
At 1 January and 31 December 2008	25 2
Impairment losses for the year	–
At 31 December 2009	25 2

	£m
Carrying amount	
At 31 December 2009	1,0109
At 31 December 2008	1,114 6
At 1 January 2008	796 6

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 geographic areas of operation for the Group's two divisions as set out below

	2009 £m	2008 £m	2007 £m
Aegis Media			
– Europe, Middle East and Africa	292 6	346 8	230 4
– Americas	172 9	196 5	133 1
– Asia Pacific	117 0	114 3	73 7
Total	582 5	657 6	437 2
Synovate			
– Europe, Middle East and Africa	156 7	170 7	145 1
– Americas	188 3	207 1	147 5
– Asia Pacific	83 4	79 2	66 8
Total	428 4	457 0	359 4
	1,0109	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 Short term average growth rates used for projections are based on published industry-wide forecasts by region and vary between 0 7% and 5 5% Long term average growth rates used in the projections range between 2 0% (for mature markets) and 5 0% (for higher growth markets) and vary with management's view of the CGU's market position and maturity of the relevant market The pre-tax rate used to discount the forecast cash flows is 10 5%

Further disclosures in accordance with paragraph 134 of IAS 36 Impairment of Assets are given for CGUs comprising at least 20% of the total carrying value of goodwill for the Group

13. Goodwill continued

Goodwill allocated to the Aegis Media Europe, Middle East and Africa cash generating unit is significant in comparison with the total amount of goodwill The goodwill of £292 6m has arisen on a large number of individually small acquisitions As with the approach for all CGU's, 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

14. Intangible assets

	Software £m	Customer Relationships £m	Non-compete Agreements £m	Other £m	Total £m
Cost					
At 1 January 2008	39 2	20 7	2 9	20 4	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	11 2	11 2	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	2 3	6 7	25 8
At 31 December 2008	48 2	65 5	16 4	39 0	169 1
Additions					
– internally generated	2 0	–	–	2 2	4 2
– separately acquired	4 6	–	–	1 8	6 4
Acquired on acquisition of a subsidiary	–	1 2	3 1	(0 1)	4 2
Disposals	(0 4)	–	–	(0 1)	(0 5)
Impairment	–	–	–	(0 1)	(0 1)
Transfers and other movements	(3 5)	(2 2)	4 3	5 9	4 5
Exchange differences	(2 9)	(3 6)	(0 9)	(2 1)	(9 5)
At 31 December 2009	48 0	60 9	22 9	46 5	178 3
Amortisation					
At 1 January 2008	26 0	1 3	0 1	6 6	34 0
Charge for the year	6 1	9 7	2 0	6 5	24 3
Disposals	(0 9)	–	–	(1 1)	(2 0)
Impairment	(3 3)	–	–	–	(3 3)
Exchange differences	6 6	1 5	0 3	2 8	11 2
At 31 December 2008	34 5	12 5	2 4	14 8	64 2
Charge for the year	6 2	12 1	4 8	9 1	32 2
Disposals	(0 1)	–	–	(0 1)	(0 2)
Impairment	–	–	–	0 1	0 1
Transfers	(1 0)	–	–	1 0	–
Exchange differences	(2 0)	(0 4)	(0 1)	(1 0)	(3 5)
At 31 December 2009	37 6	24 2	7 1	23 9	92 8
Carrying amount					
At 31 December 2009	10 4	36 7	15 8	22 6	85 5
At 31 December 2008	13 7	53 0	14 0	24 2	104 9
At 1 January 2008	13 2	19 4	2 8	13 8	49 2

The carrying amount of other intangible assets includes market research panel costs of £0 3m (2008 £0 5m, 2007 £0 9m), patents and trademarks of £5 3m (2008 £5 6m, 2007 £4 1m) and other intangibles of £17 0m (2008 £18 1m, 2007 £8 8m)

14. Intangible assets continued

The carrying amount of intangible assets with indefinite useful economic lives is £4 9m (2008 £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 enhanced This continued investment involves expenditure on training, recruitment, technological development and legal protection £4 1m (2008 £4 6m, 2007 £3 4m) of these assets are included within the Aegis Media operating segment, principally in the Americas Internally-generated intangible assets of £4 2m (2008 £2 0m, 2007 £1 1m) have not yet been subject to amortisation as development of these assets is not yet complete

15. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold and leasehold improvements £m	Office furniture fixtures equipment and vehicles £m	Total £m
Cost				
At 1 January 2008	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
Additions	–	5 7	11 1	16 8
Acquired on acquisition of a subsidiary	–	–	0 1	0 1
Disposals	(0 1)	(3 1)	(9 1)	(12 3)
Impairment	–	(0 3)	–	(0 3)
Transfer	–	(0 1)	(0 1)	(0 2)
Exchange differences	(0 2)	(4 2)	(8 9)	(13 3)
At 31 December 2009	2 9	68 6	147 9	219 4
Accumulated depreciation				
At 1 January 2008	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
Charge for the year	0 1	6 8	16 8	23 7
Disposals	(0 1)	(2 5)	(7 4)	(10 0)
Exchange differences	(0 1)	(2 7)	(6 5)	(9 3)
At 31 December 2009	1 1	43 5	114 9	159 5
Carrying amount				
At 31 December 2009	1 8	25 1	33 0	59 9
At 31 December 2008	2 0	28 7	42 8	73 5
At 1 January 2008	4 1	17 9	31 8	53 8

At 31 December 2009, the Group had no capital commitments contracted, but not provided, for the acquisition of property, plant and equipment (2008 £nil, 2007 £0 7m) Proceeds from the disposal of property, plant and equipment are £1 4m (2008 £0 3m, 2007 £0 7m)

16. 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)
Other movements	(1 0)	–	(1 0)
Exchange differences	6 5	–	6 5
At 31 December 2008	25 9	0 8	26 7
Transfer to available-for-sale asset	(18 9)	–	(18 9)
Disposal	(1 8)	(0 5)	(2 3)
Dividends received	(0 2)	–	(0 2)
Exchange differences	(2 0)	–	(2 0)
At 31 December 2009	3 0	0 3	3 3

Investments in associates at 31 December 2009 include goodwill of £2 0m (2008 £7 0m, 2007 £5 4m)

During the year, the Group determined that its investment in Qin Jia Yuan Advertising (QJY), a company listed in Hong Kong, no longer meets the definition of an associate, as defined in IAS 28, due to a decrease in the Group's influence over the company following a dilution to its equity holding Therefore, QJY is reclassified as an available-for-sale investment and measured in accordance with IAS 39

Profit on disposal of associates and the eVerger joint venture totalling £0 5m in the year includes the cumulative exchange movement previously taken to equity in relation to the entities disposed This is excluded from the share of profit shown in the table above, as it is not part of the asset movement There were no such disposals in 2008

A Group share of joint venture losses of £0 3m (2008 £nil) is allocated against receivables representing part of the Group's net investments in the relevant ventures, since the carrying amount as presented above has been reduced to nil in previous years Losses of £0 3m arising in associates have been excluded from the Group share of the result of associates in the current year (2008 £nil) since the carrying amount as presented above has been reduced to nil in previous years This represents the cumulative total of the unrecognised share of losses

b) Investments in associates

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

	2009 £m	2008 £m	2007 £m
Total assets	10 9	37 0	27 0
Total liabilities	(9 9)	(18 1)	(13 9)
	1 0	18 9	13 1
Goodwill	2 0	7 0	5 4
	3 0	25 9	18 5
Total revenues	5 4	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

	2009 £m	2008 £m	2007 £m
Total assets	27 0	199 9	122 6
Total liabilities	(25 1)	(79 0)	(49 0)
Total revenues	13 7	45 2	25 6
Total (loss)/profit	(0 7)	15 7	12 6

All associates have year end reporting dates of 31 December

17. Available-for-sale financial assets

	2009 £m	2008 £m	2007 £m
Equity investments	14 9	0 4	2 3

The equity investments held at the 2009 year end represent a stake of approximately 2 1% in Harris Interactive Inc and a stake of approximately 15 0% in QJY, along with a number of smaller unlisted securities The unlisted securities are held by a number of Group companies and represent numerous small investments in private companies

The investment in QJY was recognised as an associate in 2007 and 2008 (see Note 16) In the current period, the reclassification to available-for-sale asset and the resulting change in measurement requirements led to an impairment loss of £5 9m recognised within finance costs as the reduction in value is not considered to be temporary The remaining £0 5m impairment loss relates to a number of other small investments Impairments of £1 4m were recognised in 2008 in relation to available-for-sale assets

18. Trade and other receivables

	2009 £m	2008 £m	2007 £m
Trade receivables	1,723 1	2,023 2	1,837 2
Prepayments and accrued income	167 9	146 7	129 7
Other receivables	115 2	154 1	123 7
	2,006 2	2,324 0	2,090 6

The average credit period taken for trade receivables is 43 days (2008 55 days, 2007 55 days) The directors consider that the carrying amount of trade and other receivables approximates their fair value Trade receivables for the Group are stated net of an allowance for doubtful receivables of £37 8m (2008 £34 9m, 2007 £24 8m)

	2009 £m
At 1 January	34 9
Additional charge in the year	10 4
Release of allowance	(2 9)
Utilisation of allowance	(2 4)
Exchange differences	(2 2)
At 31 December	37 8

As of 31 December 2009, trade receivables of £396 2m (2008 £585 7m, 2007 £540 8m) were past due but not impaired The ageing analysis of these receivables is as follows

	2009 £m	2008 £m	2007 £m
Under three months	336 6	510 7	471 2
Over three months	59 6	75 0	69 6
	396 2	585 7	540 8

19. Trade and other payables

	2009 £m	2008 £m	2007 £m
Trade payables	1,737 6	1,981 4	1,703 3
Accruals	172 5	140 9	117 0
Deferred income	105 8	102 9	120 1
Taxation and social security	75 9	84 6	58 8
Deferred consideration	34 4	71 8	41 9
Other payables	238 9	317 7	278 3
	2,365 1	2,699 3	2,319 4

The average credit period taken for trade payables is 50 days (2008 62 days, 2007 59 days) The directors consider that the carrying amount of trade payables approximates their fair value

20. Financial instruments

The Group has established objectives concerning the holding and use of financial instruments which are discussed in the Business and Financial reviews on pages 2 to 17 The key objective is to manage the financial risks faced by the Group, which are discussed below

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

The Group manages its capital to enable the entities in the Group to continue as going concerns while maximising the return to stakeholders through the optimisation of 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

	2009 £m	2008 £m	2007 £m
Forward foreign exchange contracts – notional principal	242 3	297 0	42 4

The fair values of currency derivatives included in the balance sheet are based on a discounted cash flow analysis using the applicable yield curve for the duration of the instrument Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted rates matching the maturities of the contracts Interest rate swaps are measured at the present value of future cash flows calculated and discounted based on the applicable yield curves derived from quoted interest rates Cross currency interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable interest yield curves and quoted forward exchange rates Movements in the fair value of forward foreign exchange contracts are taken to the income statement Other instruments are in designated hedge relationships and movements are treated accordingly

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 in section c) of this note

Liquidity risk

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

At 31 December 2009, the Group had net debt (before issue costs of new debt) of £258 6m (2008 £298 7m, 2007 £246 8m) The Group had cash and cash equivalents of £391 1m at 31 December 2009 (2008 £412 7m, 2007 £356 8m) and gross borrowings of £649 7m (2008 £711 4m, 2007 £603 6m) The Group's principal debt instruments are subject to certain financial covenants

Also included within gross borrowings is US$342 0m of unsecured loan notes issued on 28 July 2005, equivalent to £211 8m at year end exchange rates (2008 £234 6m, 2007 £172 3m), which are repayable in full between 2012 and 2017, US$125 0m of unsecured loan notes issued on 17 September 2007, equivalent to £77 4m at year end exchange rates (2008 £85 8m, 2007 £63 0m), which are repayable in full between 2014 and 2017, £25 0m (2008 and 2007 £nil) of unsecured loan notes issued on 17 December 2009, repayable in full in 2017, and US$183 0m of unsecured loan notes issued on 17 December 2009, equivalent to £113 3m at year end exchange rates (2008 and 2007 £nil), which are repayable in full between 2017 and 2019

At 31 December 2009, the Group has undrawn committed facilities of £376 4m (2008 £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

20. Financial instruments continued

Credit risk

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

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

Current receivables and payables and currency disclosures

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

Private placement debt – July 2005

On 28 July 2005, the Group issued US$342m of unsecured loan notes, repayable 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 Euro fixed rate borrowing The remaining US$150m of loan notes are used to provide a net investment hedge against US dollar-denominated investments until 1 April 2009 To the extent that this hedging relationship was effective, exchange differences arising on the retranslation of the US$150m of debt not impacted by the cross currency swaps was taken directly to reserves From 1 April 2009 the net investment hedge was de-designated and the US$150m of loan notes were used to provide a natural hedge against US dollar-denominated assets

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 Euro drawings from this facility during the period 7 July 2009 to 13 October 2009 averaging €69 4m were used to provide a net investment hedge against Euro denominated investments To the extent that the hedge relationship was effective, exchange differences arising on the re-translation of these drawings were taken directly to reserves

Private placement debt – September 2007

On 17 September 2007, the Group issued US$125m of unsecured loan notes repayable between 2014 and 2017 The interest rates applicable on these loan notes ranges from 6 06% to 6 29% These loan notes are guaranteed by the Company and certain of its subsidiaries

Central Sterling facility – June 2009

The Group secured an additional Sterling facility up to a value of £40m in June 2009 This facility is available until 2011 and is priced based on the inter bank rate throughout this period

Term loan – July 2009

In July 2009 the Group secured a loan of £45m available until 2011 at a variable interest rate In 2011, there is a mechanism to increase the facility to £60m and accept a fixed rate dependent on the market conditions at that time or to exit the arrangement

Private placement debt – December 2009

On 17 December 2009, the Group issued US$183m and £25m of unsecured loan notes repayable between 2017 and 2019 The interest rates applicable on these loan notes range from 6 07% to 6 50% These loan notes are guaranteed by the Company and certain of its subsidiaries On 17 November 2009, an interest rate swap was entered into for US$50m of the loan notes due 2019 to convert the USD fixed rate debt to USD floating rate debt On 17 November 2009, cross currency interest rate swaps were entered into for US$18m of the loan notes due in 2017 and US$115m of the loan notes due in 2019 to convert the USD fixed rate borrowing to GBP floating rate borrowing

20. Financial instruments continued

Cross currency swaps

The fair value of the cross currency swaps at 31 December 2009 is £(22 1)m (2008 £(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/USD foreign exchange spot rate and in Euro and USD interest rate yields The cross currency swaps are synthetically split, for accounting purposes, to reflect the Group's presentational currency of Sterling The USD/Sterling leg of the swaps act as cash flow hedges against the Group's USD 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

Interest rate swaps

The fair value of the interest rate swaps at 31 December 2009 is £1 7m (2008 £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 (2008 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

Cross currency interest rate swaps

The fair value of the cross currency interest rate swaps at 31 December 2009 is £(1 2)m (2008 £nil, 2007 £nil) The fair value is based on a discounted cash flow model and market yield curves applicable and represents movements in the Sterling/USD foreign exchange spot rate and in Sterling and USD interest rate yields Movements in the fair value of the cross currency interest rate swaps excluding the credit spread are taken to the income statement where they offset against opposite movements in the fair value of the USD loan notes Movements in the fair value of the cross currency interest rate swaps relating to the credit spread are taken to reserves and released to the income statement when the underlying portion of US loan notes interest is recognised in the income statement

Covenants

Covenant requirements under the current Group financing arrangements and the performance against these requirements for the current year are given in the Financial review on page 17

a) Categories of financial instruments

	Carrying value 2009 £m	Carrying value 2008 £m	Carrying value 2007 £m
Financial assets			
Fair value through profit and loss (FVTPL)			
– Held for trading	0 2	6 0	0 1
Held to maturity investments	0 1	0 1	0 1
Loans and receivables (including cash and cash equivalents)	2,230 0	2,594 8	2,319 6
Available-for-sale financial assets	14 9	0 4	2 3
Total financial assets	2,245 2	2,601 3	2,322 1
Financial liabilities			
Fair value through profit and loss (FVTPL)			
– Currency derivatives held for trading	2 0	0 8	0 5
– Acquisition put option derivatives	31 4	41 3	22 0
Derivative instruments in designated hedge accounting relationships	25 0	11 1	15 9
Amortised cost	2,788 0	3,307 4	2,784 1
Total financial liabilities	2,846 4	3,360 6	2,822 5

Throughout the financial instruments note, comparatives are restated to exclude prepayments and accrued income, accruals and deferred income

20. Financial instruments continued

b) Maturity profile of Group financial assets and liabilities

Financial assets

2009	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	No fixed maturity £m	Total £m
Current						
Cash at bank and in hand and short-term deposits	391 1	–	–	–	–	391 1
Derivative financial assets						
– Forward foreign exchange contracts	0 2	–	–	–	–	0 2
	391 3	–	–	–	–	391 3
Trade receivables	1,723 1	–	–	–	–	1,723 1
Other financial asset receivables	115 2	–	–	–	–	115 2
Total current	2,229 6	–	–	–	–	2,229 6
Non-current						
Available-for-sale financial assets	–	–	–	–	14 9	14 9
Other Financial assets	–	–	–	–	0 7	0 7
Total non-current	–	–	–	–	15 6	15 6
Total	2,229 6	–	–	–	15 6	2,245 2

2008	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	No fixed maturity £m	Total £m
Current						
Cash at bank and in hand and short-term deposits	412 7	–	–	–	–	412 7
Derivative financial assets						
– Forward foreign exchange contracts	6 0	–	–	–	–	6 0
Other financial assets	2 8	–	–	–	–	2 8
	421 5	–	–	–	–	421 5
Trade receivables	2,023 2	–	–	–	–	2,023 2
Other financial asset receivables	154 1	–	–	–	–	154 1
Total current	2,598 8	–	–	–	–	2,598 8
Non-current						
Available-for-sale financial assets	–	–	–	–	0 4	0 4
Other financial assets	–	–	–	–	2 1	2 1
Total non-current	–	–	–	–	2 5	2 5
Total	2,598 8	–	–	–	2 5	2,601 3

20. Financial instruments continued

b) Maturity profile of Group financial assets and liabilities continued

2007	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	No fixed maturity £m	Total £m
Current						
Cash at bank and in hand and short term deposits	356 8	–	–	–	–	356 8
Derivative financial assets						
– Interest rate swaps	0 1	–	–	–	–	0 1
Other financial assets	0 3	–	–	–	–	0 3
	3572	–	–	–	–	3572
Trade receivables	1,8372	–	–	–	–	1,8372
Other financial asset receivables	123 7	–	–	–	–	123 7
Total current	2,318 1	–	–	–	–	2,318 1
Non-current						
Available-for sale financial assets	–	–	–	–	2 3	2 3
Other financial assets	–	–	–	–	1 7	1 7
Total non-current	–	–	–	–	4 0	4 0
Total	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 2009
The fair values of financial assets reflect market values or are based upon readily available market data

Financial liabilities

2009	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	4 9	–	–	–	4 9
Loans	38 6	–	–	–	38 6
	43 5	–	–	–	43 5
Less Issue costs of debt to be amortised	(0 3)	–	–	–	(0 3)
	43 2	–	–	–	43 2
Derivative financial liabilities					
– Forward foreign exchange contracts	2 0	–	–	–	2 0
– Put option liabilities	1 6	–	–	–	1 6
	46 8	–	–	–	46 8
Trade payables	1,7376	–	–	–	1,7376
Deferred consideration	34 4	–	–	–	34 4
Other payables	314 8	–	–	–	314 8
Total current	2,133 6	–	–	–	2,133 6
Non-current					
Bank loans	–	6 2	20 7	0 1	270
Loan notes	–	158 3	144 9	276 0	579 2
Less Issue costs of debt to be amortised	–	(0 2)	(0 4)	(0 5)	(1 1)
	–	164 3	165 2	275 6	605 1
Derivative financial liabilities					
– Cross currency swap	–	–	16 7	5 4	22 1
– Cross currency interest rate swap	–	–	–	1 2	1 2
– Interest rate swap	–	–	–	1 7	1 7
– Put option liabilities	–	10 2	13 5	6 1	29 8
Other non-current liabilities	–	27 4	11 5	14 0	52 9
Total non-current	–	201 9	206 9	304 0	712 8
Total	2,133 6	201 9	206 9	304 0	2,846 4

20. Financial instruments continued

b) Maturity profile of Group financial assets and liabilities continued

Financial liabilities

2008	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	5 0	–	–	–	5 0
Loans	48 1	–	–	–	48 1
	53 1	–	–	–	53 1
Less Issue costs of debt to be amortised	(0 4)	–	–	–	(0 4)
	52 7	–	–	–	52 7
Derivative financial liabilities					
– Interest rate swaps	0 1	–	–	–	0 1
– Forward foreign exchange contracts	0 7	–	–	–	0 7
– Put option liabilities	4 1				4 1
	57 6	–	–	–	57 6
Trade payables	1,981 4	–	–	–	1,981 4
Deferred consideration	71 8	–	–	–	71 8
Other payables	402 3	–	–	–	402 3
Total current	2,513 1	–	–	–	2,513 1
Non-current					
Bank loans	–	28 8	6 6	0 2	35 6
Loan notes	–	–	411 4	211 3	622 7
	–	28 8	418 0	211 5	658 3
Less Issue costs of debt to be amortised	–	(0 4)	(0 4)	–	(0 8)
	–	28 4	417 6	211 5	657 5
Derivative financial liabilities					
– Cross currency swap	–	–	9 9	1 2	11 1
– Put option liabilities	–	11 8	19 9	5 5	37 2
Other non-current liabilities	–	41 1	85 6	15 0	141 7
Total non-current	–	81 3	533 0	233 2	847 5
Total	2,513 1	81 3	533 0	233 2	3,360 6

20. Financial instruments continued

b) Maturity profile of Group financial assets and liabilities continued

Financial liabilities

2007	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	27 3	–	–	–	27 3
Loans	58 3	–	–	–	58 3
	85 6	–	–	–	85 6
Less Issue costs of debt to be amortised	(0 5)	–	–	–	(0 5)
	85 1	–	–	–	85 1
Derivative financial liabilities					
– Forward foreign exchange contracts	0 3	–	–	–	0 3
– Put option liabilities	2 9	–	–	–	2 9
	88 3	–	–	–	88 3
Trade payables	1,703 3	–	–	–	1,703 3
Deferred consideration	41 9	–	–	–	41 9
Other payables	337 1	–	–	–	337 1
Other financial liabilities	0 1	–	–	–	0 1
Total current	2,170 7	–	–	–	2,170 7
Non-current					
Bank loans	–	0 2	26 6	0 5	27 3
Loan notes	–	–	335 5	155 2	490 7
	–	0 2	362 1	155 7	518 0
Less Issue costs of debt to be amortised	–	(0 4)	(0 7)	–	(1 1)
	–	(0 2)	361 4	155 7	516 9
Derivative financial liabilities					
– Cross currency swap	–	–	12 2	3 7	15 9
– Put option liabilities	–	2 6	13 9	2 6	19 1
Other non-current liabilities	–	50 0	33 5	16 4	99 9
Total non-current	–	52 4	421 0	178 4	651 8
Total	2,170 7	52 4	421 0	178 4	2,822 5

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

	2009 Fair value £m	2009 Carrying value £m	2008 Fair value £m	2008 Carrying value £m	2007 Fair value £m	2007 Carrying value £m
2000 loan notes	–	–	–	–	6 8	6 6
2005 loan notes	203 7	216 7	218 2	240 0	167 7	176 3
2007 loan notes	77 0	78 8	79 9	87 3	62 5	64 1
2009 loan notes	136 2	138 7	–	–	–	–
Total	416 9	434 2	298 1	327 3	237 0	247 0

20. Financial instruments continued

b) Maturity profile of Group financial assets and liabilities continued

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes held-to-maturity investments and quoted available-for-sale investments)
- The fair values of derivative instruments, other than put options over acquisition of minorities, are calculated using quoted prices and yield curves derived from these quoted prices
- The fair values of put option liabilities are calculated as the best estimate of the gross cash expected to be paid discounted to present value

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

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

	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value 2009 £m
Financial assets				
Fair value through profit and loss (FVTPL)				
– Held for trading	–	0 2	–	0 2
Derivative instruments in designated hedge accounting relationships	–	12 2	–	12 2
Held to maturity investments	0 1	–	–	0 1
Available-for-sale financial assets – quoted	14 1	–	–	14 1
Total financial assets	14 2	12 4	–	26 6
Financial liabilities				
Fair value through profit and loss (FVTPL)				
– Currency derivatives held for trading	–	2 2	–	2 2
– Acquisition put option derivatives	–	–	31 4	31 4
Derivative instruments in designated hedge accounting relationships	–	37 2	–	37 2
Total financial liabilities	–	39 4	31 4	70 8

There were no transfers between categories during the year

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

	Acquisition put option derivatives £m
Balance at 1 January 2009	(41 3)
Revisions of estimated fair value recognised in the income statement	13 5
Issues	(9 8)
Settlements	3 6
Exchange differences	2 6
Balance at 31 December 2009	(31 4)

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

An increase of 1% in the rate used to discount the expected gross value of payments would lead to a decrease in the recorded liability of £0 6m

20. Financial instruments continued

b) Maturity profile of Group financial assets and liabilities continued

Analysis of derivative financial instruments

	Current 2009 £m	Non-current 2009 £m	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	–	(22 1)	–	(11 1)	–	(15 9)
Cross currency interest rate swaps	–	(1 2)	–	–	–	–
Interest rate swaps	–	(1 7)	–	–	–	–
Derivatives carried at fair value through profit and loss						
Forward foreign currency contracts	(2 0)	–	(1 2)	–	(0 3)	–
Interest rate swaps	–	–	(0 1)	–	–	–
Put option liabilities	(1 6)	(29 8)	(4 1)	(37 2)	(2 9)	(19 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	0 2	–	6 5	–	–	–
Interest rate swaps	–	–	–	–	0 1	–
	(3 4)	(54 8)	1 1	(48 3)	(3 1)	(35 0)

Loans and receivables are discussed in this note and Note 18, and financial assets available for sale are disclosed in Note 17 All other financial instruments are held at amortised cost except for derivative financial instruments which are held for trading at fair value through profit and loss

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

	2009 £m	2008 £m	2007 £m
Cash flow hedges			
Cash flow hedge reserve	5 7	(5 9)	(1 4)
Income statement	12 8	(35 0)	1 3
Net investment hedges			
Foreign exchange reserve	(11 5)	36 4	10 0
Income statement	3 4	(0 3)	(3 3)
Fair value hedges			
Income statement	3 5	–	–
	13 9	(4 8)	6 6

20. Financial instruments continued

b) Maturity profile of Group financial assets and liabilities continued

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

	2009 External loans £m	2009 Other liabilities £m	2009 Total £m	2008 External loans £m	2008 Other liabilities £m	2008 Total £m	2007 External loans £m	2007 Other liabilities £m	2007 Total £m
Less than one year	676	46 1	113 7	777	75 5	153 2	82 4	46 8	129 2
One – two years	192 2	38 6	230 8	58 1	55 1	113 2	28 4	479	76 3
Two – five years	228 3	26 6	254 9	468 1	118 3	586 4	420 8	50 1	470 9
More than five years	335 9	21 0	356 9	237 8	15 8	253 6	183 2	19 0	202 2
	824 0	132 3	956 3	841 7	264 7	1,106 4	714 8	163 8	878 6
Effect of discount/financing rates	(295 1)	(3 6)	(298 7)	(222 2)	(10 4)	(232 6)	(231 8)	(4 6)	(236 4)
	528 9	128 7	657 6	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

	2009 Payable £m	2009 Receivable £m	2008 Payable £m	2008 Receivable £m	2007 Payable £m	2007 Receivable £m
Less than one year	(248 6)	252 7	(302 9)	304 6	(46 9)	47 7
One – two years	(9 6)	13 6	(5 9)	7 0	(4 5)	5 1
Two – five years	(19 2)	29 8	(11 6)	13 8	(12 1)	13 8
More than five years	(20 6)	36 0	(2 6)	3 0	(3 2)	3 6
	(298 0)	332 1	(323 0)	328 4	(66 7)	70 2

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

	2009 £m	2008 £m	2007 £m
Expiring between one and two years	376 4	–	–
Expiring between two and five years	–	172 1	185 6
	376 4	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

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

	Floating rate £m	Non-interest bearing £m	2009 Total £m	Floating rate £m	Non-interest bearing £m	2008 Total £m	Floating rate £m	Non-interest bearing £m	2007 Total £m
GBP	3 6	1 3	4 9	17 2	1 1	18 3	3 2	1 0	4 2
USD	70 1	4 9	75 0	52 7	7 1	59 8	67 2	9 7	76 9
EUR	104 7	6 4	111 1	132 3	6 8	139 1	128 4	3 7	132 1
Other currencies	176 5	23 6	200 1	174 4	21 1	195 5	129 0	14 6	143 6
	354 9	36 2	391 1	376 6	36 1	412 7	327 8	29 0	356 8
Trade receivables			1,723 1			2,023 2			1,837 2
Other receivables			115 2			154 1			123 7
Derivative financial assets			0 2			6 0			0 4
			2,229 6			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 at bank and in hand and short-term deposits

20. Financial instruments continued

c) Interest rate profile continued

Financial liabilities

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	2009 Total £m	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
GBP	25 0	240 5	(4 5)	261 0	1 8	78 1	–	79 9	1 8	181 9	0 2	183 9
USD	170 3	32 4	2 2	204 9	188 6	93 6	4 0	286 2	138 6	25 0	2 9	166 5
EUR	119 2	0 7	2 3	122 2	132 0	125 5	3 0	260 5	97 0	96 3	2 3	195 6
Other currencies	16 0	45 4	0 2	61 6	54 8	29 5	0 5	84 8	8 2	49 4	–	57 6
Gross borrowings	330 5	319 0	0 2	649 7	377 2	326 7	7 5	711 4	245 6	352 6	5 4	603 6
Issue costs of debt	–	–	(1 4)	(1 4)	–	–	(1 2)	(1 2)	–	–	(1 6)	(1 6)
	330 5	319 0	(1 2)	648 3	377 2	326 7	6 3	710 2	245 6	352 6	3 8	602 0
Trade payables				1,737 6				1,981 4				1,703 3
Deferred consideration				34 4				71 8				41 9
Other payables				314 8				402 3				337 1
Other non-current liabilities				52 9				141 7				99 9
Derivative financial liabilities				58 4				53 2				38 2
Other financial liabilities				–				–				0 1
				2,846 4				3,360 6				2,822 5

The weighted average interest rates paid were as follows

	2009 %	2008 %	2007 %
Bank overdrafts	4 3	5 0	5 4
Bank loans	4 1	5 5	6 0
Loan notes	3 1	4 8	5 4

The Group's borrowings, excluding the US$342m of unsecured loan notes issued in 2005, US$125m of unsecured loan notes issued in 2007 and US$183m and £25m of the unsecured loan notes issued in 2009 incur interest at floating rates

At 31 December 2009, it is estimated that a general simultaneous parallel uplift of 1% in interest rates would reduce the Group's reported profit by approximately £0 1m (2008 £0 7m, 2007 £0 1m) The sensitivity is symmetrical

d) 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 dollar currency impact		
	2009 £m	2008 £m	2007 £m	2009 £m	2008 £m	2007 £m
Potential profit (decrease)/increase	(0 1)	–	0 1	1 7	0 9	0 7
Other equity	1 4	2 8	2 1	0 9	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 retranslation of the Group's operations denominated in currencies other than Sterling, which 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 sensitivities would have been disclosed as follows

	Euro currency impact			US dollar currency impact		
Sensitivity analysis including hedging instruments that are outside the scope of IFRS 7	2009 £m	2008 £m	2007 £m	2009 £m	2008 £m	2007 £m
Potential profit (decrease)/increase	(0 1)	–	0 1	(0 2)	(0 1)	–
Other equity	–	–	–	–	–	–

21. Deferred tax

	Recognition of financial liabilities £m	Purchased intangibles £m	Deductions in respect of goodwill £m	Losses £m	Other short-term temporary differences £m	Total £m
At 1 January 2008	3 7	(6 9)	(5 4)	4 2	5 0	0 6
Goodwill and minority interests	–	(13 1)	–	–	–	(13 1)
Amounts credited/(charged) to equity	–	0 6	–	–	(1 7)	(1 1)
Amounts credited/(charged) to the income statement	(0 1)	3 7	(3 9)	0 7	2 9	3 3
Exchange rate differences	–	(2 8)	–	–	5 9	3 1
At 31 December 2008 – asset/(liability)	3 6	(18 5)	(9 3)	4 9	12 1	(7 2)
Deferred tax on intangibles	–	(6 1)	–	–	–	(6 1)
Amounts credited/(charged) to equity	–	–	–	–	1 6	1 6
Amounts credited/(charged) to the income statement	(0 2)	6 5	(5 0)	0 4	(2 8)	(1 1)
Exchange rate differences	–	1 1	–	–	1 4	2 5
At 31 December 2009 – asset/(liability)	3 4	(17 0)	(14 3)	5 3	12 3	(10 3)

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)

	2009 £m	2008 £m	2007 £m
Deferred tax liability	(35 8)	(30 7)	(15 2)
Deferred tax asset	25 5	23 5	15 8
	(10 3)	(7 2)	0 6

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

	2009 £m
Losses – revenue	109 7
Losses – capital	101 9
Other temporary differences	20 5
	232 1

The tax losses and other temporary differences have no expiry date The total amount of tax losses and other temporary differences for which no deferred tax was recognised at 31 December 2008 was £223 9m

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

No deferred tax liability is recognised on temporary differences of £97 3m (2008 £579 3m, 2007 £303 3m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future The temporary differences at 31 December 2009 are significantly reduced from the previous year as a result of a change to UK tax legislation which largely exempts from UK tax, overseas dividends received on or after 1 July 2009 The temporary differences at 31 December 2009 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate

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

22. Provisions

	Onerous lease provision £m
At 1 January 2008	1 8
Additional provision in the year	6 9
Utilisation of provision	(4 4)
Exchange differences	0 2
At 31 December 2008	4 5
Additional provision in the year	3 6
Utilisation of provision	(4 6)
Exchange differences	(0 1)
At 31 December 2009	3 4

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 2009 is approximately 1 5 years (2008 five years)

Contingent liabilities

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

23. Share capital

	2009 Number of ordinary shares	2009 £m	2008 Number of ordinary shares	2008 £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	1,158,801,112	58 0	1,153,519,030	57 7
Issue of shares by the Company	2,467,798	0 1	5,282,082	0 3
At 31 December	1,161,268,910	58 1	1,158,801,112	58 0

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

24. Own shares

At 31 December 2009, the Aegis Group Employee Share Trust (the "Trust") held 18,898,210 ordinary shares in the Company (31 December 2008 24,883,971, 1 January 2008 24,516,101) with a nominal value of £0 9m (31 December 2008 £1 2m, 1 January 2008 £1 2m) and a market value of £22 6m (31 December 2008 £18 5m, 1 January 2008 £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 an ongoing arrangement with the Group to waive all dividends The Trust has purchased the shares to satisfy future share options and share awards under the Group's share-based payment schemes

25. Share premium account

	2009 £m	2008 £m
At 1 January	243 5	238 7
Issue of shares by the Company	2 0	4 8
At 31 December	245 5	243 5

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26. 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			
View	Portugal	51 0	January
Midia Click	Brazil	92 5	October

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
Dr Pichutta	Germany	45 0 (100 0)	January
Creo Communication	Norway	49 0 (100 0)	April
Vizeum Malmo	Sweden	49 0 (100 0)	May
Carat Taiwan	Taiwan	10 0 (100 0)	May
DataCom CRM	Spain	9 0 (73 0)	September
Aegis Media Hellas	Greece	24 5 (100 0)	September
Globlet	Thailand	20 0 (100 0)	September
Carat Middle East	Lebanon	49 0 (100 0)	September

If the acquisitions above (excluding additional stakes in existing subsidiaries) had been completed on the first day of the financial year, Group revenues for 2009 would have been £1,347 0m and Group profit attributable to equity holders of the parent would have been £62 7m Post-acquisition profit before interest and tax on 2009 acquisitions was £0 2m

Consideration paid, including acquisition costs, totalled £12 8m with estimated deferred consideration of £2 7m payable between 2010 and 2015, subject to performance criteria A summary of the net assets acquired and goodwill arising in respect of all acquisitions made in the year is given below

	Book value acquired £m	Fair value adjustments £m	Fair value of net assets £m
Net assets acquired:			
Intangible fixed assets	–	4 3	4 3
Property, plant and equipment	0 2	–	0 2
Trade and other receivables	0 6	–	0 6
Cash and cash equivalents	0 2	–	0 2
Trade and other payables	(0 6)	–	(0 6)
Deferred tax liability	–	(1 4)	(1 4)
Net assets	0 4	2 9	3 3
Minority interest on current period acquisitions			(0 8)
Minority interest acquired on prior period acquisitions			2 6
			5 1
Excess of put liability over equity provision			0 7
Goodwill capitalised in the period			9 7
Consideration			15 5
Satisfied by:			
Consideration paid			12 8
Deferred consideration			2 7
			15 5

27. Other non-current liabilities

	2009 £m	2008 £m	2007 £m
Deferred consideration	35 8	125 6	74 8
Pensions (see Note 32)	8 4	8 9	7 1
Other	8 7	7 2	18 0
At 31 December	52 9	141 7	99 9

Deferred consideration

Deferred consideration, which has been included within trade and other payables to the extent that it is due within one year (Note 19), may be paid to the vendors of certain subsidiary undertakings in the years to 2015 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 discounted liability at the balance sheet date for payments that may be due is as follows

	2009 £m	2008 £m	2007 £m
Within one year	34 4	71 8	41 9
Between one and two years	25 8	41 7	40 0
Between two and five years	9 8	81 1	34 6
Greater than five years	0 2	2 8	0 2
At 31 December	70 2	197 4	116 7

The minimum potential liability is £29 0m and the maximum potential liability is £200 6m

Liabilities in respect of put options are disclosed as derivative liabilities and their expected maturities are given in Note 20

28. Contingent asset

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

29. Notes to the cash flow statement

	2009 £m	2008 £m
Operating profit	114 6	128 0
Adjustments for		
Depreciation of property, plant and equipment	23 7	23 0
Amortisation of intangible assets	32 2	24 3
Impairment of intangibles and property, plant and equipment	0 4	4 4
Loss on disposal of subsidiaries	1 0	–
Net loss on disposal of intangibles and property, plant and equipment	1 2	0 4
Share-based payment charge	7 1	9 2
Other non-cash movements	(0 1)	(2 0)
Increase in provisions	(1 0)	1 2
(Decrease)/increase in restructuring related liabilities	(7 0)	18 2
	172 1	206 7
Decrease in receivables	174 4	243 1
Decrease/(increase) in inventory work in progress	6 1	(2 8)
Decrease in payables	(153 5)	(185 4)
	27 0	54 9
Cash flows from operations	199 1	261 6

29. Notes to the cash flow statement continued

	1 January 2009 £m	Cash flow £m	Other non-cash charges £m	Exchange movements £m	31 December 2009 £m
Analysis of net debt					
Cash at bank and in hand and short term deposits	412 7	(1 3)	–	(20 3)	391 1
Overdrafts	(5 0)	(0 7)	–	0 8	(4 9)
Cash and cash equivalents	407 7	(2 0)	–	(19 5)	386 2
Debt due within one year	(48 1)	6 5	1 4	1 6	(38 6)
Debt due after more than one year	(658 3)	14 4	4 2	33 5	(606 2)
Net debt before issue costs of debt	(298 7)	18 9	5 6	15 6	(258 6)
Issue costs of debt	1 2	2 3	(2 1)	–	1 4
Total	(297 5)	21 2	3 5	15 6	(257 2)

30. Operating lease arrangements

	2009 Land and buildings £m	2009 Other £m	2009 Total £m	2008 Land and buildings £m	2008 Other £m	2008 Total £m
Lease payments under operating leases recognised in operating expenses	56 6	5 3	61 9	44 2	6 4	50 6

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

	2009 Land and buildings £m	2009 Other £m	2009 Total £m	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	38 1	5 5	43 6	40 2	5 9	46 1	30 3	5 1	35 4
In the second to fifth years inclusive	91 3	10 1	101 4	98 6	8 6	107 2	72 3	8 6	80 9
After five years	46 2	–	46 2	59 6	0 3	59 9	62 6	–	62 6
	175 6	15 6	191 2	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 4 1 years and rentals are fixed for an average of 3 3 years

31. Share-based payments

The Group recognised a total expense of £7 1m (2008 £9 2m) 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, unless otherwise approved by the Remuneration Committee at their discretion, and are subject to EPS performance conditions Further details are provided in the Remuneration report, on pages 33 to 38

	2009 Options (m)	2009 Weighted average exercise price (£)	2008 Options (m)	2008 Weighted average exercise price (£)
Outstanding at beginning of period	29 4	1 16	42 3	1 04
Granted during the period	–	–	0 3	1 24
Forfeited during the period	(4 7)	1 29	(8 6)	1 05
Exercised during the period	(2 5)	0 91	(4 6)	0 94
Outstanding at end of period	22 2	1 17	29 4	1 16
Exercisable at end of period	19 6	1 13	23 4	1 12

The weighted average share price at the date of exercise for share options exercised during the period was £0 91 (2008 £0 94) The options outstanding at 31 December 2009 had a weighted average exercise price of £1 17 (2008 £1 16), and a weighted average remaining contractual life of 3 8 years (2008 5 1 years) No options were granted in 2009 The Group recognised a total expense of £0 4m (2008 £0 7m) in respect of share options in the year

31. Share-based payments continued

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 below

	2009	2008
Weighted average share price (£)	0 88	125 3
Expected volatility	37 2%	26 5%
Risk free rate	3 4%	5 1%
Expected dividend yield	3 2%	1 8%

The Group recognised a total expense of £6 7m (2008 £8 5m) in respect of conditional share awards in the year

32. 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 income statement of £11 9m (2008 £10 8m) represents contributions payable in the year to these schemes at rates specified in the rules of the plans As at 31 December 2009, contributions of £3 5m (2008 £nil) due in respect of the current reporting period had not been paid over to the schemes

Other retirement benefit schemes

The Group operates a small number of retirement benefit schemes that do not fall under the definition of defined contribution schemes, principally where required by local statutory regulations The principal schemes are located in Germany, Italy, France and Norway Under these schemes, the Group's liabilities in respect of past service are fixed as a percentage of past salaries, but the schemes do not meet the definition of defined contribution schemes because contributions have not been paid to a separate entity These schemes are not considered by management to represent standard defined contribution schemes and do not vary significantly in terms of the Group's liability However, IAS 19 requires that these schemes be disclosed as defined benefit schemes The 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 2009 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

				2009				2008
	Germany	Italy	France	Norway	Germany	Italy	France	Norway
Discount rate	5 8%	4 0%	5 2%	4 4%	6 0%	4 0%	6 3%	4 3%
Expected rate of increase in pensionable salaries	–	2 0%	–	5 6%	–	2 0%	–	6 3%
Expected rate of increase in pensions in payment	2 0%	2 0%	–	4 3%	2 0%	2 0%	–	4 5%
Expected long-term rate of return on plan assets	5 8%	–	–	4 0%	6 0%	–	–	4 3%
Inflation assumption	–	2 2%	2 0%	1 5%	–	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

	2009 %	2009 £m	2008 %	2008 £m
Equity instruments	53%	5 5	55%	4 2
Other assets	47%	4 9	45%	3 6
Fair value of pension scheme assets	100%	10 4	100%	7 8
Present value of defined benefit obligations		(18 8)		(16 7)
Deficit in scheme		(8 4)		(8 9)
Related deferred tax asset		1 2		0 8
Net pension liability net of deferred tax asset		(7 2)		(8 1)

The actual loss on scheme assets was £0 3m (2008 £0 6m) The plan assets do not include any of the Group's own financial assets, nor any property occupied by, or other assets used by, the Group

32. Retirement benefit schemes continued

The amounts charged to operating profit are as follows

	2009 £m	2008 £m
Current service cost	(1 1)	(1 1)

There were no charges in relation to past service in either the current or prior years

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

	2009 £m	2008 £m
Expected return on pension scheme assets	0 4	0 3
Interest on pension scheme liabilities	(0 8)	(0 7)
	(0 4)	(0 4)

Actuarial gains and losses have been reported in the consolidated statement of comprehensive income

The amounts recognised in the consolidated statement of comprehensive income are as follows

	2009 £m	2008 £m
Actual return less expected return on pension scheme assets	(0 3)	(0 6)
Experience gains and losses on scheme liabilities	0 2	0 6
Amount recognised in the consolidated statement of comprehensive income	(0 1)	–

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

	2009 £m	2008 £m	2007 £m
At 1 January	16 6	13 0	12 7
Service cost	1 1	1 1	0 2
Interest cost	0 8	0 7	0 8
Contributions from scheme members	0 4	0 2	–
Actuarial gains and losses	(0 2)	(0 6)	(0 3)
Benefits paid	(0 3)	(0 6)	(0 1)
Other	0 7	(0 1)	(1 2)
Exchange differences	(0 3)	3 0	0 9
At 31 December	18 8	16 7	13 0

Movements in the fair value of scheme assets were as follows

	2009 £m	2008 £m	2007 £m
At 1 January	7 7	5 9	4 7
Expected return on scheme assets	0 4	0 3	0 2
Actuarial gains and losses	(0 3)	(0 6)	(0 2)
Benefits paid	0 4	0 8	0 4
Contributions from scheme members	1 3	0 1	0 1
Other	0 1	0 2	0 1
Exchange differences	0 1	1 1	0 6
At 31 December	9 7	7 8	5 9

32. Retirement benefit schemes continued

History of experience gains and losses

	2009	2008	2007	2006	2005
Present value of defined benefit obligations (£m)	18 8	16 7	13 0	12 7	12 1
Fair value of scheme assets (£m)	9 7	7 8	5 8	4 7	3 9
Difference between the expected and actual return on scheme assets					
Amount (£m)	(0 3)	(0 6)	(0 2)	–	(0 1)
Percentage of scheme assets	(3 1)%	(7 8)%	(3 1)%	–	(2 6)%
Experience gains and losses on scheme liabilities					
Amount (£m)	0 2	0 6	0 3	–	–
Percentage of present value of scheme liabilities	1 1%	3 6%	2 3%	–	–
Total amount recognised in consolidated statement of comprehensive income					
Amount (£m)	(0 1)	–	0 1	–	(0 1)
Percentage of present value of scheme liabilities	(0 5)%	(4 2)%	(0 8)%	–	2 6%

The estimated amount of contributions to be paid to the scheme during 2009 is £1 5m

33. Related party transactions

Remuneration of key management personnel

The following is the compensation of Directors and key management Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 33 to 38

	2009 £m	2008 £m
Short-term employee benefits	2 7	4 4
Post-employment benefits	0 2	0 7
Termination benefits	0 6	2 6
Share-based payment	1 0	2 7
	4 5	10 4

Transactions with associated undertakings

In 2009, Group subsidiary companies purchased media space from associated undertakings totalling £18 7m (2008 £19 0m) These transactions have occurred on an arms-length basis The balance due from Group companies to associated undertakings at the end of 2009 was £8 6m (2008 £0 8m) The balance due from associated undertakings to Group companies at the end of 2009 was £2 8m (2008 £3 5m)

34. Subsequent events

In January 2010, the Group acquired a 17 7% shareholding (fully diluted) in Charm Communications Inc ("Charm"), one of China's leading TV buying and advertising agencies In addition, the Group's Vizeum arm and Charm are establishing a joint venture which will operate as Vizeum China Vizeum's existing China operation will form the initial 40% of the JV's revenues and Charm will transfer local clients to the JV to form the remaining 60% The shareholder structure of 40% Aegis and 60% Charm will move towards 100% Aegis ownership by 2024 via incremental put and call options

Charm has a blue chip local client base and the joint venture will combine the business's domestic expertise and relationships with Vizeum's international scope and client base, creating a powerful platform in China with international media agency standards

Five-year summary

	2009 £m	2008* £m	2007* £m	2006* £m	2005* £m
Income statement					
Revenue	1,346 5	1,342 0	1,106 4	996 9	870 4
Underlying profit before interest and tax	170 0	179 7	149 4	133 8	115 0
Underlying profit before tax	149 3	166 8	132 7	116 2	100 2
Profit before tax	91 2	124 6	131 7	113 5	94 0
Profit attributable to equity holders of the parent	62 7	82 8	88 5	76 3	61 9
Balance sheet					
Non current assets	1,200 7	1,345 7	938 7	766 6	786 4
Net current (liabilities)/assets	(6 5)	(5 4)	35 6	(97 2)	(212 2)
Non-current liabilities	(749 7)	(880 5)	(668 0)	(452 8)	(404 4)
Net assets	444 5	459 8	306 3	216 6	169 8
Financed by:					
Equity	431 9	442 5	299 8	209 1	161 0
Minority interests	12 6	17 3	6 5	7 5	8 8
	444 5	459 8	306 3	216 6	169 8

	Pence	Pence	Pence	Pence	Pence
Earnings per share					
– Basic	5 5	7 3	7 8	6 8	5 6
– Diluted	5 5	7 3	7 8	6 8	5 5
Underlying earnings per share					
– Basic	9 5	10 3	8 2	7 1	6 1
– Diluted	9 5	10 3	8 2	7 0	6 1
Dividend rate per share	2 50	2 50	2 30	1 90	1 65

The amounts disclosed for all years have been prepared under IFRS

*All comparatives are restated as discussed in Note 2

Independent auditors' report to the members of Aegis Group plc

We have audited the parent company financial statements of Aegis Group plc for the year ended 31 December 2009 which comprise the Balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matters

We have reported separately on the Group financial statements of Aegis Group plc for the year ended 31 December 2009 and on the information in the Directors' remuneration report that is described as having been audited.

William Touche
Senior Statutory Auditor
for and on behalf of
Deloitte LLP Chartered Accountants and
Statutory Auditors London, UK

17 March 2010

Company balance sheet

At 31 December 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Tangible assets	4	2 1	2 2
Investments	5	1,461 8	1,092 9
		1,463 9	1,095 1
Current assets			
Debtors			
– due within one year	6	214 4	290 2
– due after more than one year	7	11 2	16 3
Derivative financial assets	10	–	16 7
Cash at bank and in hand		3 2	–
		228 8	323 2
Creditors: Amounts falling due within one year	8	(485 5)	(249 7)
Derivative financial liabilities	10	(0 1)	–
Net current (liabilities)/assets		(256 8)	73 5
Total assets less current liabilities		1,207 1	1,168 6
Creditors: Amounts falling due after more than one year	9	(533 1)	(545 8)
Derivative financial liabilities	10	(25 0)	(11 1)
Net assets		649 0	611 7
Called up share capital	11	58 1	58 0
Shares to be issued	12	–	4 0
Share premium account	12	245 5	243 5
Capital redemption reserve	12	0 2	0 2
Merger reserve	12	13 0	13 0
ESOP trust shares	12	(23 3)	(30 6)
Capital reserve	12	301 4	301 4
Profit and loss account	13	54 1	22 2
Equity shareholders' funds		649 0	611 7

Company number 1403668 England and Wales

These financial statements were approved by the Board of Directors on 17 March 2010 and were signed on its behalf by

John Napier
Chief Executive interim

Nick Priday
Chief Financial Officer

Notes to the Company's financial statements

For the year ended 31 December 2009

1. Basis of preparation and accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006 They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law

The Directors' report, Corporate governance and Directors' remuneration report disclosures have been made in the Group section of this annual report, refer to pages 24 to 38

Accounting policies

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 FRS 1 (revised) and has not presented a cash flow statement The Group's cash flow statement has been presented in the Group financial statements

In accordance with Related Party Disclosures ("FRS 8"), the Company is exempt from disclosing transactions with entities that are part of the Aegis Group, or investees of the Group qualifying as related parties, as it is a parent publishing consolidated financial statements

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

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 profit and loss is the contribution payable in the year

Share-based payments

The Company applies the requirements of FRS 20 (Share based payments) 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

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, the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £6 0m (2008 £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

Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation

Depreciation is provided to write-off the cost of all fixed assets to their residual value over their expected useful lives It is calculated on the historic cost of the assets at the following rates

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

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

1. Basis of preparation and accounting policies continued

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 profit and loss as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise

Derivative financial instruments

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

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

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

2. Profit for the year

As permitted by Section 408 of the Companies Act 2006 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 2009 of £66 3m (2008 £38 1m)

The profit for the year of £66 3m includes dividends received of £75 9m from Group companies

The auditors' remuneration for audit services to the Company amounted to £0 3m (2008 £0 4m) and for non audit services amounted to £0 1m (2008 £0 1m)

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

3. Staff costs

The monthly average number of persons employed by the Company (excluding directors) during the year was 38 (2008 42)

Their aggregate remuneration comprised

	2009 £m	2008 £m
Wages and salaries	3 6	5 2
Bonus costs	0 2	0 5
Social security costs	0 4	0 5
Pension costs	0 4	0 1
Staff costs	4 6	6 3

Staff costs include a share-based payment expense of £1 1m (2008 £1 3m)

Directors remuneration is disclosed in the front section of this report, refer to Remuneration report on page 35

4. Tangible assets

	Leasehold land and buildings £m	Equipment fixtures and fittings £m	Computer software £m	Other £m	Total £m
Cost					
At 1 January 2009	0 8	1 9	–	1 3	4 0
Additions	–	0 4	0 2	0 2	0 8
Disposals	–	(0 1)	–	–	(0 1)
At 31 December 2009	0 8	2 2	0 2	1 5	4 7
Accumulated depreciation					
At 1 January 2009	0 2	1 2	–	0 4	1 8
Charge for the year	0 2	0 5	–	0 1	0 8
At 31 December 2009	0 4	1 7	–	0 5	2 6
Carrying amount					
At 31 December 2009	0 4	0 5	0 2	1 0	2 1
At 31 December 2008	0 6	0 7	–	0 9	2 2

The net book value of other tangible assets includes trademarks of £1 0m (2008 £0 9m)

5. Investments

	Joint venture £m	Interests in associates £m	Shares in subsidiary undertakings £m	Total £m
Cost				
At 1 January 2009	20 4	0 2	1,264 7	1,285 3
Additions	–	–	368 9	368 9
Disposals	(20 4)	–	–	(20 4)
At 31 December 2009	–	0 2	1,633 6	1,633 8
Accumulated impairment losses				
At 1 January 2009	20 4	–	172 0	192 4
Disposals	(20 4)	–	–	(20 4)
At 31 December 2009	–	–	172 0	172 0
Carrying amount				
At 31 December 2009	–	0 2	1,461 6	1,461 8
At 31 December 2008	–	0 2	1,092 7	1,092 9

A listing of principal subsidiary and associated undertakings is included in Note 16

During the period the joint venture with eVerger Limited, an investment company incorporated in Guernsey was liquidated (2008 44 65% shareholding)

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

	2009 £m	2008 £m
Amounts owed by subsidiary undertakings	212 7	279 7
Other debtors	1 1	9 8
Prepayments and accrued income	0 6	0 7
	214 4	290 2

7. Debtors due after more than one year

	2009 £m	2008 £m
Amounts owed by subsidiary undertakings	11 2	16 3

8. Creditors: amounts falling due within one year

	2009 £m	2008 £m
Bank overdrafts	14 4	17 4
Loans	6 3	7 0
Less issue costs of debt to be amortised	(0 2)	(0 4)
	20 5	24 0
Trade creditors	1 3	4 3
Amounts owed to subsidiary undertakings	456 3	214 5
Other creditors	–	2 2
Provision for liabilities	0 4	–
Accruals and deferred income	7 0	4 7
	485 5	249 7

Amounts owed to subsidiary undertakings are on demand and interest bearing

Included within accruals is National Insurance Contributions (NIC) of £0 7m (2008 £0 6m) which will become payable on exercise of share options The amount payable is dependent on the Company's share price at the date of exercise of the options The accrual has been calculated based on the share price at the balance sheet date of 119 4p (2008 74 5p) and that the rate of NIC is 12 8%

The provision of liabilities is the Company's vacant leasehold properties which are located in the UK Provision has been made for the residual lease commitments for the remaining period of the leases split as current £0 4m and non-current £0 3m

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

	2009 £m	2008 £m
Borrowings	533 9	546 5
Less issue costs of debt to be amortised	(1 1)	(0 7)
	532 8	545 8
Provision for liabilities	0 3	–
	533 1	545 8

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 USD fixed rate borrowing into Euro 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 Multi-currency 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

Central Sterling facility – June 2009

The Company secured an additional Sterling facility up to a value of £40m in June 2009 This facility is available until June 2011 and is priced based on the inter bank rate throughout the period

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

Private placement debt – December 2009

On 17 December 2009, the Company issued US$183m and £25m of unsecured loan notes repayable between 2017 and 2019 These loans are guaranteed by the Company and certain of its subsidiaries On 17 November 2009, an interest rate swap was entered into for US$50m of the loan notes due 2019 to convert the USD fixed rate debt to USD floating rate debt On 17 November 2009, cross currency interest rate swaps were entered into for US$18m of the loan notes due 2017 and US$115m of the loan notes due 2019 to convert the USD fixed rate borrowing to GBP floating rate borrowing

Loans repayable, included within creditors, are analysed as follows

	2009 £m	2008 £m
Repayable within one year	20 7	24 4
Repayable between one and two years	113 0	–
Repayable between two and five years	144 8	335 2
Repayable after more than five years	276 1	211 3
Issue cost of debt	(1 3)	(1 1)
	553 3	569 8
Details of gross borrowings at amortised cost not wholly repayable within five years as follows		
5 50% fixed rate 2005 US$118m private placement debt repayable 28 July 2015	73 1	80 9
5 65% fixed rate 2005 US$65m private placement debt repayable 28 July 2017	40 3	44 6
6 06% fixed rate 2007 US$75m private placement debt repayable 17 September 2014	–	51 5
6 29% fixed rate 2007 US$50m private placement debt repayable 17 September 2017	31 0	34 3
6 39% fixed rate 2009 £25m private placement debt repayable 17 December 2017	25 0	–
6 07% fixed rate 2009 US$18m private placement debt repayable 17 December 2017	11 1	–
6 50% fixed rate 2009 US$165m private placement debt repayable 17 December 2019	102 2	–
	282 7	211 3

The loan repayable within one year includes bank overdrafts of £14 4m (2008 £17 4m)

10. Derivative financial instruments

	2009 £m	2008 £m
Current		
Derivative financial assets	–	16 7
Derivative financial liabilities	(0 1)	–
Non-current		
Derivative financial liabilities	(25 0)	(11 1)

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

The derivative financial liabilities represent the fair value of the cross currency swaps, interest rate swaps and cross currency interest rate swaps which are accounted for as fair value through profit and loss

Cross currency swaps

The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents movements in the Euro/USD foreign exchange spot rate and in euro and USD interest rate yields The cross currency swaps are synthetically split to reflect the Company's functional currency of Sterling The USD/Sterling leg of the swaps act as cash flow hedges against the Company's USD loan notes The Euro/Sterling leg of the swaps has been designated as fair value through profit and loss

Interest rate swaps

The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised movements which the Company expects to realise as a result of lower or higher variable interest payments under the swaps 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 profit and loss where they offset against similar but opposite movements in the fair value of the debt caused by movements in interest rates

10. Derivative financial instruments continued

Cross currency interest rate swaps

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

Details of the fair value of the Company's derivative financial instruments are set out in Note 20 of the Group's financial statements

11. Share capital

Authorised	2009 £m	2008 £m
1,500,000,000 (2008 1,500,000,000) ordinary shares of 5p each	75 0	75 0

Issued allotted called up and fully paid	2009 Number of ordinary shares	2009 £m	2008 Number of ordinary shares	2008 £m
At 1 January	1,158,801,112	58 0	1,153,519,030	57 7
Issue of shares by the Company	2,467,798	0 1	5,282,082	0 3
At 31 December	1,161,268,910	58 1	1,158,801,112	58 0

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 2,467,798 shares (2008 5,282,082) in the year with an aggregate nominal value of £123,390 (2008 £264,104), 2,467,798 (2008 4,605,259) of which were due to the exercise of share options The total share premium arising on the issue of shares in the year was £2,120,268 (2008 £4,810,846)

Under the Company's share option schemes, there were outstanding options over 22 2 million ordinary shares of 5p each at 31 December 2009 (2008 29 4m), 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 2009 and 3 June 2018

12. Share premium account and reserves

	Shares to be issued £m	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 2009	4 0	243 5	0 2	13 0	(30 6)	301 4	22 2	553 7
Retained profit for the year	–	–	–	–	–	–	66 3	66 3
Cash flow hedge reserve	–	–	–	–	–	–	(5 7)	(5 7)
Share capital subscribed	–	2 0	–	–	–	–	–	2 0
Shares awarded by ESOP	–	–	–	–	7 3	–	(7 3)	–
Credit for share-based incentive schemes	–	–	–	–	–	–	7 1	7 1
Other movements	(4 0)	–	–	–	–	–	–	(4 0)
Dividends to shareholders	–	–	–	–	–	–	(28 5)	(28 5)
At 31 December 2009	–	245 5	0 2	13 0	(23 3)	301 4	54 1	590 9

At 31 December 2009, the Aegis Group Employee Share Trust (the "Trust") held 18,898,210 ordinary shares in the Company with a nominal value of £0 9m and a market value of £22 6m

At 31 December 2008, the 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

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

13. Profit and loss account

	2009 £m	2008 £m
At 1 January	22 2	5 6
Shares awarded by ESOP	(7 3)	(9 2)
Retained profit/(loss) for the year	66 3	38 1
Dividends to shareholders	(28 5)	(27 4)
Credit for share-based incentive schemes	7 1	9 2
Cash flow hedge reserve	(5 7)	5 9
At 31 December	54 1	22 2

For the year ended 31 December 2009, dividends paid to shareholders comprise the final 2008 dividend of £17 8m (1 54p per share) and the interim 2009 dividend of £11 1m (0 96p per share) 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) The final dividend for 2009, if approved, will be paid on 1 July 2010 to all ordinary shareholders on the register at 4 June 2010

14. Share-based payments

The Company recognised a total expense of £1 1m (2008 £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 31 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 91 (2008 £0 94) The options outstanding at 31 December 2009 had a weighted average exercise price of £1 17 (2008 £1 16), and a weighted average remaining contractual life of 3 8 years (2008 5 1 years) No options were granted in 2009

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

	2009	2008
Weighted average share price	0 88	125 25
Expected volatility	37 2%	26 5%
Risk free rate	3 4%	5 1%
Expected dividend yield	3 2%	1 8%

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 (2008 £0 1m) 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 Company recognised a total expense of £1 0m (2008 £1 2m) in respect of conditional share awards in the year

15. Operating lease arrangements

At 31 December 2009, there were the following annual commitments in respect of non-cancellable operating leases

	2009 £m	2008 £m
Operating lease payments recognised in income for the year	0 5	0 5
Operating leases that expire		
Within one year	–	0 2
After five years	0 5	0 5
	0 5	0 7

16. Principal subsidiary and associated undertakings

All shareholdings are of ordinary shares

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

Principal subsidiary undertakings	Country of incorporation and operation	Effective interest in issued share capital at 31 December 2009
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%
AgenciaClick – 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 Citzen Press S A	France	48 8%
L'Agence Des Services del la Presse et de Ledition 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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