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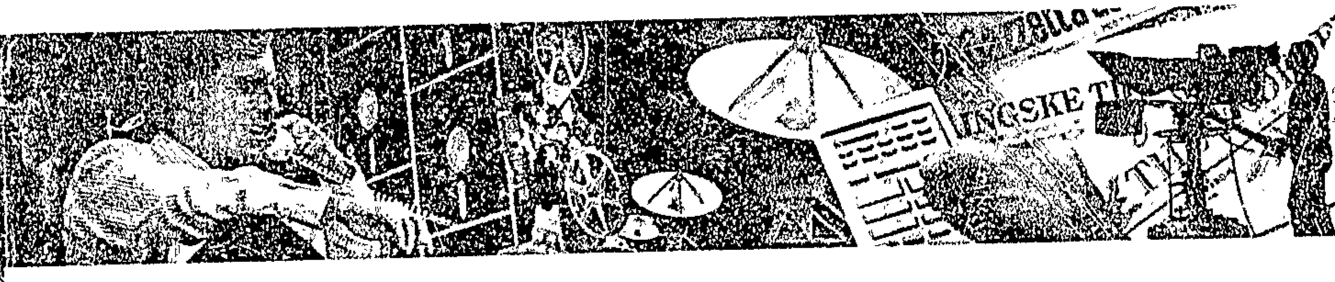

Aegis Group plc *Report and Accounts 1993*

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Report of the Directors
Report of the Auditors
Consolidated Profit and Loss Account
Consolidated Statement of Total Recognised Gains and Losses
Note of Historical Cost Profits and Losses
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Corporate Statement

Aegis is the holding company for Carat which is Europe's largest group of media specialists. Carat's national operating companies are leaders in most European markets.

Carat's services are an integral part of the advertiser's marketing process and embrace the total range of media services including media strategy, planning and buying, amongst others.

Carat's comprehensive knowledge of the media marketplace combined with the scale of its buying enables advertisers to get the best possible value from their media budgets.

Aegis est la société holding de Carat, le plus important groupe de spécialistes médias en Europe. Les filiales opérationnelles de Carat sont leaders dans la plupart des marchés Européens.
Les services fournis par Carat font partie intégrante de la chaîne des activités de marketing des annonceurs et couvrent l'ensemble du spectre des services médias avec, entre autres, la stratégie média, le média planning et l'achat d'espaces.
Les annonceurs obtiennent le meilleur rapport qualité-prix pour leurs budgets médias, grâce à la connaissance approfondie qu'a Carat du marché des médias et à l'importance de son volume d'achat.

Aegis ist die Holding-Gesellschaft von Carat, Europas zur Zeit mit weitem Abstand größter Agentur-Gruppe von Media-Spezialisten. Die zum Agenturnetz von Carat gehörenden europäischen Gesellschaften sind überwiegend und seit Jahren Marktführer in ihren Ländern.
Carat versteht die Media-Disziplin als wesentlichen Bestandteil im Marketing-Mix und bietet Werbungtreibenden einen umfassenden Service in allen Fragen des Media-Geschäftes, insbesondere in fachkundiger Beratung, qualifizierter Media-Forschung, strategischer Planung und effizientem Einkauf.
Durch diese hohe Professionalität ist Carat in allen Ländern in der Lage, Werbungtreibenden eine optimale qualitative und quantitative Ausschöpfung ihrer Media-Budgets zu ermöglichen.

Aegis es la compañía holding de Carat que, a su vez, es el mayor grupo europeo de especialistas en medios. Carat es líder en los mercados europeos más importantes.
Los servicios que ofrece Carat son parte integrante del proceso publicitario y engloban la totalidad de los servicios de medios existentes, incluyendo, entre otros, estrategia, planificación y compra de medios.
La experiencia de Carat en el mercado de medios, complementada con su volumen de compra, permite a los clientes obtener el mejor rendimiento de sus inversiones en medios.

Aegis è la holding finanziaria di Carat, il più grande gruppo di specialisti media in Europa. Carat raggruppa solo agenzie media indipendente, la maggior parte leader nel proprio mercato.
Carat fornisce servizi integrati al processo di marketing delle aziende, e copre il servizio media completo, dalla strategia e pianificazione media all'acquisto degli spazi.
Grazie alla profonda conoscenza del mercato media unita alla grande capacità di acquisto spazi, Carat garantisce ai suoi clienti la più alta efficacia dell'investimento media.

A Successful Refinancing... a far more robust Capital Structure

Your Company experienced great changes in 1993 as the Board took steps to overcome the difficulties created by structural changes in the French advertising market and continuing weakness in many European economies. We are increasingly benefiting from having put in place our Europe-wide operating network, Carat, both by winning new business and by reducing costs through the consolidation of operations. Also, during 1993 we successfully restructured the Group's finances to provide a far more robust capital structure to underpin future development.

We are increasingly benefiting from having put in place our Europe wide operating network, Carat.

1993 Initiatives

During the year a series of successful initiatives were completed.

- £61 million of new equity and non-equity finance was raised in October with support from existing shareholders and substantial investments being made by Electra and the international advertising group Omnicom. The proceeds were used to reduce outstanding liabilities, reduce debt and purchase the outstanding 50 per cent of HMS – our German business.
- £104 million of convertible securities were exchanged into ordinary shares eliminating the associated fixed financing costs.

Net bank debt levels have been reduced from £68.2 million at 31 December 1992 to £5.8 million at 31 December 1993. This achievement is partly due to the refinancing but is also the product of an aggressive programme to improve the use of working capital.

- The acquisition of the outstanding shares in HMS, which is the clear market leader in Germany, will enable the business to become a full member of the Carat network. This strengthens the Group and gives it a better geographical balance
- Operating costs in 1993 were reduced by 14 per cent from 1992 Further reductions are being implemented.
- Net new billings of some US$450 million were won in 1993.

These achievements were made against a background of increasing competition and major structural changes in France.

The acquisition of the outstanding shares in HMS, which is the clear market leader in Germany ... strengthens the Group and gives it a better geographical balance.

1993 results

Your Group produced underlying pre-tax profits of £22 million which is in line with the Board's expectations at the time we proposed the refinancing of the Group last October. There was a significant reduction in gross income from France compared with previous years reflecting the structural changes in that market.

The Group's turnover was lower as a result of our decision to resign certain accounts in Spain and the Netherlands, and a reduction in spending by clients notably in France reflecting the underlying weakness of the economy. I am glad to say that these reductions have been virtually compensated by growth in other markets.

Cost of change

Exceptional non-recurring items of £40.0 million were greater than the £14.1 million that had been anticipated at the time of the refinancing of the Group in October 1993. Of the additional £25.9 million, some £18.2 million relates to four specific items:

i) the requirement, pursuant to FRS4, which we have chosen to adopt early, that dividends on preference shares issued by subsidiaries (but guaranteed by the parent) should be accounted for as "quasi-interest" in the parent company's books. This results in a charge of £6.2 million.

ii) the FRS4 requirement that one off refinancing costs, which amounted to £3.3 million in 1993, should be charged against profit.

iii) the setting up of a reserve to cover in full the £4.2 million fine proposed by the Conseil de la Concurrence in France, even though the Company has appealed against it.

iv) the decision to establish an additional reserve of £4.5 million to write off in full the fixed assets of the Company's headquarters on Avenue Raphaël in Paris which were vacated in May 1994.

The remaining £7.7 million of additional non recurring costs reflects the creation of restructuring reserves, to allow us to respond to the greater than anticipated impact of the Loi Sapin, reduce costs at the corporate centre and reorganise our businesses in certain countries.

Value to clients

At the core of our activities is the proposition that we help our clients get the best possible value for their media budgets – in effect helping them to make their advertising money work harder.

It is part of our strategy for profitable future growth to ensure that the value of this work is reflected in our fees. We are confident that our size and expertise can provide superior value for clients which should lead to increased fee income.

Current trading and prospects

Following the full impact of the *Loi Sapin*, our gross margins in France have now been reduced to levels similar to those achieved in other European territories.

Following the full impact of the Loi Sapin, our gross margins in France have now been reduced to levels similar to those achieved in other European territories. The Board believes that the actions necessary to compensate for the changed structure of the French market have now been identified and that the streamlining being undertaken will ensure that future operating profit margins in France will continue at the level of our other operating companies.

In 1994, the Group will benefit from a substantial reduction in fixed financing costs resulting from our refinancing in late 1993 and from the lower operating expenses produced by our continuing cost reduction programmes for which provisions have been made in the year-end accounts. Also, we expect that the economic recovery seen in the USA and the UK will begin to be seen elsewhere in Europe, which will help our turnover and profits. We will, of course, have four quarters of Loi Sapin in 1994, compared with only three in 1993; this will affect us adversely, but with the actions being taken, we believe France should produce satisfactory profits.

We face 1994 with optimism and confidence. Aegis has been through some wrenching changes in the last two years. We have survived them; and we are now stronger financially than for some years. With Carat handling some 11 per cent of all European media purchasing, we are well positioned to take advantage of better economic conditions as they develop.

Dividend

I told shareholders in August last year there would be no final dividend for 1993, but as we stated in our Circular of October last year we believe the successful refinancing has left us better placed to resume dividend payments in due course. We do not, however, propose to pay dividends in 1994.

Board and management

As a result of the refinancing, the rationalisation of our operations and the ongoing cost reduction programmes the tasks for the Group's central management have been reduced in scale and changed in emphasis. Accordingly we have made changes in our team. Mr Thierry Vial Collet, the Chief Operating Officer, and Mr Michel Lefebvre, the Chief Financial Officer, will be leaving the Group.

The Board itself was strengthened in December by the appointment of an additional non-Executive director — Mr Fred Meyer — the Chief Financial Officer of Omnicom Group Inc.

1993 was a period of great change and I would like to thank the Group's staff for their hard work and loyalty which has seen us come through in a much stronger position than when the year started.

Frank S Law, CBE
Chairman

Management Objectives for 1993 have been achieved

At the start of 1993 we set two main management objectives:

i) To continue the initiatives to:
   - streamline the Group's management structure and central costs.
   - win new business in an increasingly competitive market.
   - improve service levels to existing clients.
   - develop additional services in the areas of media planning and media strategy.

ii) To adapt to the new and difficult market conditions in France through the radical restructuring of our business in that country.

These objectives have been achieved.

New business

Now that the period of acquisition of companies is over, Carat's main source of growth is the winning of new client assignments. 1993 was a good year with net new billings of some US$450 million. Some of our new clients started spending in 1993; the rest of this work is scheduled to start in 1994.

Our strategy is to seek to extend relationships with existing clients by handling more of their brands in more markets as well as to develop relationships with new clients.

Major new projects from existing clients include work from American Express, EMI Music, Martini-Bacardi and Reckitt & Colman.

Clients who have appointed us for the first time in two or more markets include Bang & Olufsen, and Volkswagen. Details of major new national clients are given in the Review of National Operations on page 14.

International client service

Many of our international clients require us to provide service in multiple markets and to create a management structure to report directly to their central team. During the past year we have been investing in that structure and have made senior account management appointments

To respond to the increasing needs and demands of the more sophisticated international clients we are developing techniques of inter country comparison of performance and of assessing client satisfaction. In addition, our network, by virtue of its size and geographical spread can provide advertisers with the centralised co ordination and information needed to control their costs.

To respond to the increasing needs and demands of the more sophisticated international clients we are developing techniques of inter country comparison of performance and of assessing client satisfaction.

Operating cost reductions

Out of total non recurring costs of £40.0 million, £13.7 million of provisions relate to the Conseil de la Concurrence fine and FRS4 costs. The remaining £26.3 million relates to reorganisation and is described below.

The headquarters functions of the Group are split between Paris and London. Following our reductions in head-count in both cities we are disposing of empty office space. The vacated part of our London headquarters is to be re-let. The Group vacated its Paris headquarters at Avenue Raphaël in May as the building was far larger than is now required. The headquarters team moved into the new French national operations centre in La Défense, locating all our Paris-based staff in one building.

The closure of Avenue Raphaël required us to write off some £8.0 million of fixed assets and to provide fully for the unexpired lease which will cost approximately £2.0 million.

To streamline further our French operations in the light of the full impact of the Loi Sapin and to reduce our operating costs across the Group we have made a provision of £11.2 million. The Board believes that this provision is realistic.

The remaining £5.1 million relates to bad debts and other assets written-off following a review of our businesses in Spain, Portugal and the Netherlands.

Central management

As mentioned in the Chairman's Statement we are reducing the size of our central management team.

The post of Chief Operating Officer which was set up in 1991 to oversee the consolidation of network operations is to be discontinued and the holder Thierry Vial Collet will be leaving.

We will concentrate on developing new services aimed at improving the performance of our clients' advertising budgets and through these extra services we expect to be able to increase our income.

The post of Chief Financial Officer which has been very much concerned with installing financial control systems and harmonising procedures is to become more oriented toward corporate issues and corporate finance. The present Chief Financial Officer Michel Lefebvre will be leaving the Group and will be replaced later in the year.

Both Mr Vial Collet and Mr Lefebvre have made a significant contribution to the successful changes in the Group and I thank them on behalf of the Board and shareholders.

We will continue to pursue a policy of decentralisation and I anticipate further reductions in the size and cost of the central management team combined with a policy of strict cost control in our operating companies.

1994 objectives

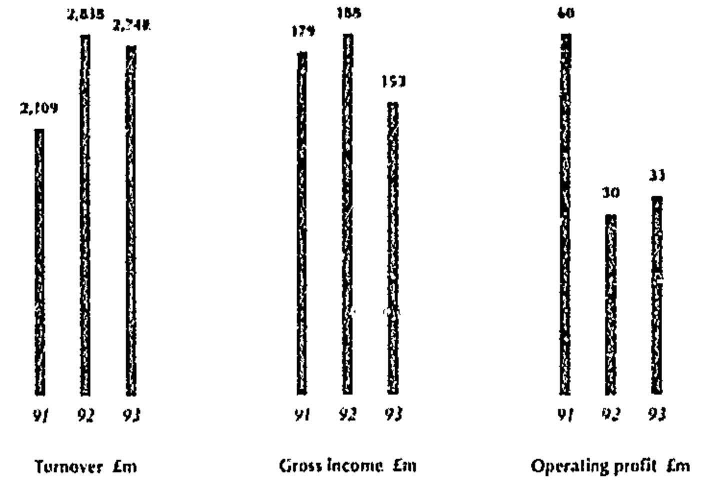
Now that the difficulties in France have been addressed, we will concentrate on developing new services aimed at improving the performance of our clients' advertising budgets and through these extra services we expect to be able to increase our income. During the year we will be seeking to extend the package of services provided to clients to help them take full advantage of new developments in the media market place.

Prospects

As Europe's leading media specialist we have observed a number of trends in 1993 which show every sign of continuing in 1994:

- The appointment by international advertisers of media specialists to undertake assignments on a pan-European basis.
- The further centralisation of the media planning and buying function into one media agency by large advertisers with a portfolio of brands.
- The unbundling of media planning and buying from the creative aspects of advertising so that the two tasks are done by different organisations.

These trends, combined with some signs of revival in the major European markets, lead us to anticipate a growth in our billings and turnover in 1994 over 1993.



The Financial Structure has been transformed

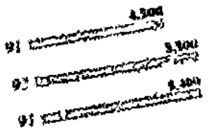
During 1993 the financial structure of Aegis has been transformed making it a far simpler and stronger Group. However the financial results for 1993 cannot be regarded as a good guide to the future because of the changes that have occurred. This section of the report is intended to help shareholders interpret the results and understand the economics of our business.

In operating terms 1993 is the first year that Aegis derived all of its gross income from what is now the core business of media specialisation with other businesses such as advertising, public relations and sport and event sponsorship having been disposed of.

The last nine months of the year were adversely affected by the Loi Sapin which changed the structure of the French market, producing a significant reduction in gross income. In addition the new law created unstable conditions, which had an additional negative effect during 1993.

Billings

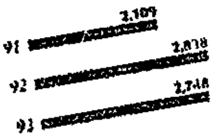
Billings represent the value of media purchased or handled by Carat companies on behalf of clients. Billings are usually expressed at rate card value (i.e. the price list published by media owners) in US$. The total European display advertising market was worth some US$50 billion in 1993 (at average 1993 exchange rates) meaning Carat had a market share of some 11 per cent. The billings figures shown in the table are estimated by Carat companies using third party market monitoring data. The decline in billings between 1992 and 1993 reflects the decision by the Group to resign certain unprofitable accounts in Spain, Portugal and the Netherlands and also a reduction in spending by many existing clients. These reductions were partly compensated by the net new business gains of US$450 million, a proportion of which has been reflected in the 1993 billings.



Billings US$m
Billings are shown in US$ at constant exchange rates (1993 average) in line with convention to provide comparison with other companies and to calculate market share

Turnover

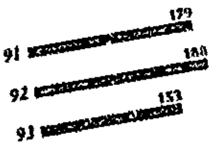
The Group's turnover reflects the value of media purchases which go through the books of the operating companies but it is not the best guide to the Group's market position or level of activity. Turnover is a combination of the money paid to media owners by Carat companies (acting on behalf of clients) and of fees and commissions paid to Carat by clients. In some cases advertising budgets are managed by Carat although the client (the advertiser) will pay the media owner directly. When this happens Carat companies will receive a fee for their management work but will not actually process the transaction and it will not appear as turnover although it is shown in billings. This is currently a feature of the Italian market.



Turnover £m

Gross Income

This represents fees and commissions paid to Group companies. In some markets it includes the profit margin received, when the price paid by the client is greater than the price paid to the media owner, reflecting Carat's wholesaling role.



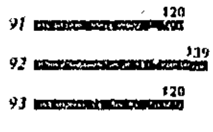
Gross Income £m

The significant reduction in gross margin in recent years is a reflection of the changed business mix of the Group and, in 1993, the changed structure of the French market which has eliminated wholesaling profits in France.

As a general rule media specialists like Carat can expect to produce a gross income related to the value of the media handled by them (i.e. billings not turnover). The exact size of the margin depends on the complexity of the service package provided and local market conditions.

Gross income is a reflection of the value of the services provided by the Group's operating companies to their clients. As Carat becomes increasingly involved in media planning and media strategy work there are reasonable prospects that the income associated with this "value-added" will increase.

Operating costs



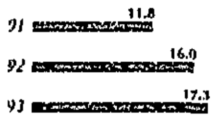
Operating costs £m

The Carat network was built through a series of acquisitions and start-ups. The holding company once managed a far larger and more diverse group of companies.

The rationalisation in 1992 and 1993 and the single focus on media specialisation has allowed significant cost savings to be made both in the Group's headquarters and some of the operating companies.

Average Group head-count has been reduced from 1,851 in 1992 to 1,757 in 1993 and operating costs reduced by some £19 million. Further cost savings have since been implemented and more are planned.

Net interest payable



Net interest payable £m

The refinancing and the reduction in the Group's working capital requirements have significantly reduced borrowing needs.

The year end net debt position of £5.8 million reflects a positive seasonal position. The average bank debt for the year was approximately £75 million. We are currently budgeting for a reduced level of debt and net interest payable in 1994.

Interpretation of 1993

The 1993 results cannot be regarded as a clear guide to the future because of a number of factors:

- The Loi Sapin in France only came into effect in April. Thus the first quarter's trading was under pre Sapin conditions and for the remainder of the year the French market was unstable and chaotic as a result of a rapidly drafted and hurriedly enforced law which changed the way of doing business.
- The full impact of the Group's cost cutting programme both centrally and in the operating companies will not be seen until the 1994 results.
- The refinancing which significantly reduced debt burden and interest and dividend payments was not implemented until November 1993.

Refinancing/ownership

In October Aegis raised £46 million by issuing 231 million new ordinary shares at 20 pence per share. This issue was underwritten by our existing major shareholders, Warburg, Pincus and SFEC II, and subscribed to by our new shareholder Omnicom, who were also granted warrants to subscribe for 50 million ordinary shares. In addition the investment group Electra underwrote £15 million new convertible preference shares which will convert into 68 million ordinary shares.

The proceeds of the issues were used to purchase the outstanding 50 per cent interest in our German subsidiary HMS, to pay off some £16 million of outstanding deferred payments to the Carat Vendors and to reduce debt.

At the same time we converted all existing convertible preference shares and loan stock into ordinary shares. To achieve this we issued 405 million new ordinary shares and thus retired interest and fixed dividend bearing instruments.

Holder:	At 31 December 1992	At 31 December 1993	Fully Diluted
Ordinary Shares in Issue	[illegible]	606,000,000	934,000,000
Warburg Pincus	12%	33%	29%
Carat Vendors/ SFEC II/SCP	37%	14%	12%
Omnicom	Nil	9%	13%
Electra	Nil	Nil	7%
Others	51%	44%	39%

Ownership structure following refinancing

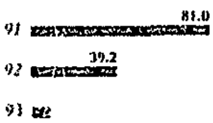
* *The fully diluted figure assumes the new convertible shares are converted, that Omnicom exercise their warrants and that management options are exercised*

Impact of FRS4

In December 1993 the Accounting Standards Board "ASB" issued its Fourth Financial Reporting Standard on Capital Instruments "FRS4". We welcome the publication of FRS4 and in the light of the significant changes in the capital structure of the Group during the year, the Board has decided that it is timely and appropriate to implement its requirements early as encouraged by the ASB.

The effect of implementing FRS4 is that costs incurred directly in connection with the issue of the new capital instruments are being amortised over the life of those instruments and other costs have been written-off in the period. In addition, following implementation of FRS4, the 9.75 per cent guaranteed redeemable convertible preference shares 2004 which were in existence prior to the refinancing have been reclassified from shareholders' funds to debt and the preference dividend payable on these shares is reclassified as interest.

Deferred payments



Deferred payments outstanding at year end £m

Like many companies in the advertising and media sector Aegis has made acquisitions which involved making deferred payments to the vendors of companies.

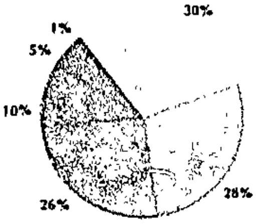
At 31 December 1993 the total amount of fixed deferred payments was £8.4 million down from £39.2 million at 31 December 1992. In addition certain minority put options exist depending on the profit performance of acquired companies. The Directors estimate these to total a maximum of £20.0 million in the years to 2004.

Carat, Europe's leading Media Specialist

Advertising Expenditure by Medium 1993

Key to charts on pages 15 – 20, showing European advertising expenditure by medium in Carat operating company areas

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



The Carat network is the largest and the best known of Europe's media specialists. Each of the Carat operating companies is run by its own national management team.

Germany, Austria and Eastern Europe

This market is now our largest in terms of the value of advertising handled with HMS Carat enjoying a 12 per cent share of the German market. Despite difficult economic conditions, advertising expenditure continued to grow up by some 9 per cent in 1993 compared to 1992 - this growth was mostly from the continuing deregulation of television.

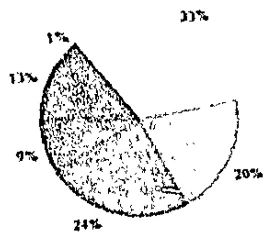
In December we completed our purchase of the remaining 50 per cent of the shares in HMS and the company continues to make its transition from what was once a private partnership to a more structured part of a public company.

HMS has continued its investment in the developing Eastern markets taking full control of offices in Prague and Budapest and opening a new operation in Warsaw.

In Vienna, Carat Austria moved into new offices and, following a new business drive, has added 16 new clients. The state monopoly in Austrian broadcasting ended in January 1994 which should lead to an expansion of advertising opportunities.

The highlight of a good year for new business gains was the appointment by Volkswagen which has annual Billings of some US$70 million in Germany. In addition major new assignments came from Benckiser, Chanel, EMI, and Polygram.

Advertising expenditure in Germany is forecast to grow by 7 per cent in 1994 but competitive pressures are expected to continue.



France

Our French company has been through a dramatic reconstruction as it responded to the changes in the French market brought about by the Loi Sapin.

Until April 1993 the French legal structure allowed media buyers to obtain substantial volume related discounts from media owners. This enabled buyers to reduce their clients' media costs and to keep fees charged to clients low.

Since April 1993 the Loi Sapin has required all discounts to be passed directly from media owners onto advertisers. As a result the only income to media specialists is now the fees paid by clients which have had to be substantially increased. The potential for media buyers to make profits from trading in media has been eliminated.

Overall revenues have been substantially reduced by the new legal environment. However the new conditions have created some advantages for Carat:

- it is now far easier for advertisers to compare fees charged with services provided
- there has been a sharp reduction in working capital required
- large buyers are still able to obtain volume discounts on behalf of their clients.

Carat France has significantly reduced its cost base through rationalising its structure and working practices. Further cost reductions are planned and have been provided for in the 1993 accounts.

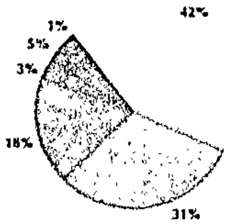
Overall advertising expenditure in France in 1993 continued to be depressed - down by 2 per cent on 1992.

Major new clients won during 1993 include Eco-Emballages, Roche Laboratoires, Samsonite, Schweppes and Virgin Music. The media buying of Volkswagen in France was won just after the year end. The major losses were the mail-order company La Redoute and Total Oil, both of whom left us as part of an international realignment of their accounts.

Cable TV and local TV have just begun to develop and, despite their current low penetration, Carat France has taken a lead in researching this market in the expectation of future growth.

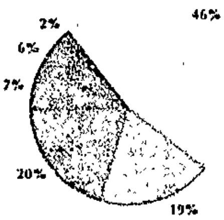
In December Carat France was informed it was one of 24 companies being fined by the Conseil de la Concurrence (the French competition authority) in respect of activities in the 1980's. The fine of 35 million French francs was confirmed after the year-end but is recorded in the 1993 accounts. Carat France is appealing against this decision.
Carat France remains profitable and continues to adapt to its new environment.

United Kingdom



Carat UK had an excellent year in terms of growth with billings in 1993 up by 14 per cent on 1992. New accounts include Cadburys, EMI, News Group, Premier Beverages, RHM and Sterling Health.
Carat UK has benefited from the trends for clients to unbundle their media planning and buying from conventional advertising agencies and for clients to centralise all their buying for various brands with one specialist.
For most of 1993 advertising spending remained relatively depressed but recovery was seen in the fourth quarter. Overall 1993 was 5.5 per cent up on 1992. The outlook for 1994 is positive with growth of 6 per cent forecast.

Spain and Portugal



The Spanish advertising market declined by some 7 per cent at rate-card prices in 1993 following the very rapid growth of previous years. In fact the real decline in cash terms has been much greater as Spanish television companies have been offering very large discounts from published rate-card prices which has made the market unstable and hard to value.
In 1994, display advertising is forecast to show a further drop of 1 per cent. This, combined with pressure on the margins of advertising agencies and media specialists, is likely to accelerate the restructuring of the industry.
The Spanish Government has now decided to implement a European Directive on television which should bring more control to the market by 1995.

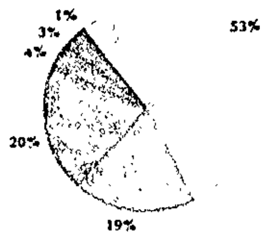
Carat España undertook an extensive review of its client list during 1993 as a result of which it terminated its contracts with many small and medium sized advertising agencies some of which were unprofitable and some of which had a high level of credit risk. However, new contracts have been entered into with a number of large advertising agencies to undertake their media buying.

New direct clients won during the year include the TV channel Antena 3, the bakery company Bimbo and the publisher Salvat.

The two offices in Barcelona were merged to improve efficiency.

Mr Alvaro Gomez-Acebo joined the company as Chief Operating Officer

In Portugal we also reviewed our client list and our operations. As a result we resigned a number of agency clients and a new management team has been recruited.

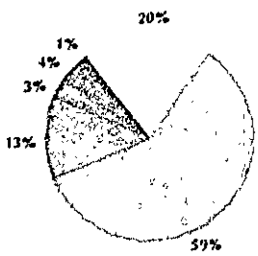


Italy

The Italian advertising market in 1993 was flat (a decline of more than 4 per cent in real terms after inflation) and within that television has gained share at the expense of print media. It is expected that the Italian parliament will introduce legislation to control the cross ownership of media by media conglomerates. The prospect for 1994 is growth of just 1 per cent.

Carat Italia had a good new business record in 1993. New clients included American Express, Arc Linea, Bacardi, Cinzano, Colussi, Coop, Safilo, Volvo and Zuegg.

Carat Italia has implemented a cost reduction programme. A new Chief Executive, Giuseppe Conti, has been appointed. The founder, Bruno Furetta, remains as Chairman.

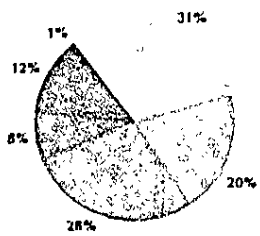


Sweden, Norway, Denmark and Finland

Our Scandinavian operations are managed as a group from Copenhagen with operations in each of the four national markets. Overall Carat Scandinavia is the clear market leader in the region.

In Sweden the introduction of terrestrial commercial television in 1992 and of advertising on radio in 1993 has profoundly changed the market.

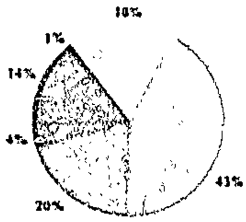
TV took a 19 per cent share of display advertising in 1993.
Carat Sweden, which is well established as market leader, has been in the forefront of developing new analytical and administrative techniques to enable advertisers to use the new broadcast media. A new Managing Director, Dag Harsing, and a new Finance Director were appointed in September and three new key account managers have been added to the team.
The Norwegian display advertising market grew by 10 per cent in 1993 with much of the growth driven by a new national television station TV2 which was launched late in 1992. Carat Norway remained the clear market leader handling some 25 per cent of display advertising.
Carat Denmark achieved an 11 per cent increase in billings against a market which recorded no growth in 1993. Carat has been pursuing a policy of developing its strategic consulting and planning services and was recognised in research commissioned by one of the TV stations as the best regarded media specialist for having "a strategic partnership with its clients".
Carat Finland increased its billings by 9 per cent in a market which once again declined in line with the weak economy. Display advertising in Finland is now back to the same level as in 1986.
The prospects for Scandinavia are positive as the underlying economies appear to be improving.



Belgium

Growth in the advertising market remained slow in 1993 with total spending up by 4 per cent. The outlook for 1994 is for continued low growth. Per capita advertising spending in Belgium remains one of the lowest in Europe.
Carat Crystal maintained its position as market leader with a share of some 14 per cent. More than half of the company's billings now come from direct advertisers and that proportion is set to grow to 65 per cent in 1994.
The company made a significant investment during the past year in a new research department.

Netherlands

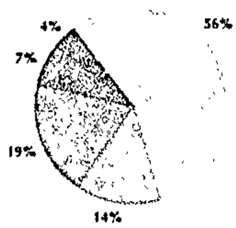


Carat Nederland was substantially reorganised during the year with a complete new management team being brought in under the new Chief Executive Aege Steensma. The client portfolio has been radically reviewed and most smaller national accounts have been resigned, significantly reducing the company's overall billings. At the same time the head count has been reduced by some 50 per cent

The strategic focus and structure of Carat Nederland is now to concentrate on serving a small number of large, mostly international, clients.

Substantial losses were recorded in 1993 but, following the reorganisation, the company has now budgeted for an acceptable level of loss in 1994. A return to profit will require a significant increase in sales. However, we continue to trade in the Netherlands due to its strategic importance to our international clients.

Greece



1993 was the third year of operation for Carat Hellas and the company is now well established as one of Greece's leading media specialists with a market share of 6 per cent. The company moved into new, larger, offices and is now trading at a healthy profit.

The concept of "unbundling" (ie the separation of media planning and buying from conventional advertising agencies) is now accepted in Greece and we expect to continue to benefit from this trend.

The Greek advertising market continues to grow rapidly, 21 per cent up in 1993.

Charles Hochman
Chief Executive

The Growth of Media Specialists

"The future shape of media planning and buying in Europe rests with the advertisers. And they are turning their attention from saving money by rationalising plants and distribution to that other big raw material of an FMCG manufacturer – media spend".
MEDIA INTERNATIONAL

"According to a poll of multinational advertisers in July 1993, 59 per cent of multinational clients believe media specialists are better at negotiations, and 52 per cent think media specialists are better at planning".
MEDIA & MARKETING EUROPE

The ROLE of the media specialist

For most major advertisers media space and airtime represents one of the biggest costs in getting their products and services to the market; in most instances only raw materials and staff take a bigger proportion. Eighty-five per cent of an advertiser's total advertising spend is typically allocated to buying media; only fifteen per cent goes to making the advertisement.

Yet for many years advertisers spent weeks agonising over creative details and merely nodded through media plans. In a world in which commercial media choice was limited, in which an advertiser could reach half the population of a nation with a single television spot, such an approach was understandable.

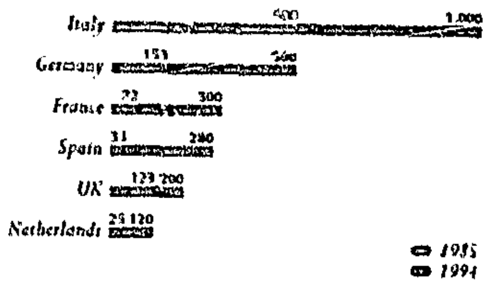
But as commercial media in Europe have become increasingly deregulated and the markets ever more complex and fragmented, driving up the cost of reaching large numbers of people with a commercial message, so clients have begun to approach media with the high level of management attention they employ in monitoring other procurement areas to ensure maximum cost efficiency and quality.

It is within this context that media specialists have emerged and continue to grow, winning a growing share of media work on the basis of efficient and effective use of the advertising budget.

The image on the preceding page is a photograph of a glass sculpture of the Carat logo, specially commissioned for use in a corporate brochure which was sent to clients in May 1994.

	1981	1994
Terrestrial TV stations	40	80
Satellite TV channels	0	180
Radio stations	1,800	8,000
Newspapers	7,000	9,000
Consumer magazines	5,300	10,000
Poster sites	1,200,000	1,400,000

Explosion of media outlets



Commercial spots broadcast per year (000's)

The development of advertising media

Driven by technology and deregulation, the commercial media opportunities available to the advertiser are becoming increasingly complex.

Advances in print technology have made colour standard in national newspapers and allowed extensive use of sections, and they have dramatically reduced the cost of launching magazines so allowing a plethora of niche specialist publications, segmenting readers into tightly defined groups.

New commercial TV channels have been licensed in virtually every European country in the past five years. In most countries new radio stations are fragmenting and segmenting audiences.

Satellite television technology is gaining a stronger foothold in most markets, for the first time pulling in subscription revenues for commercial services and making multi-channel television a reality in a growing proportion of European homes. The Astra satellite system alone has the capacity for 48 television channels. Already there are 180 satellite channels targeting Europe.

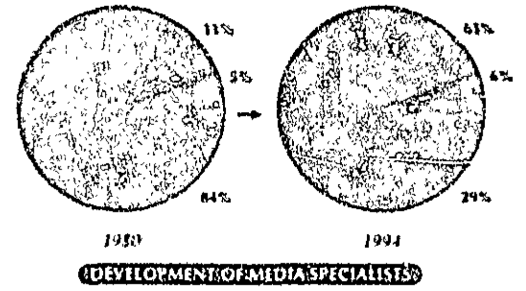
And the challenges for the advertiser laid down by these developments may be nothing when compared to the potential effects of digital communication technology when it reaches consumer markets.

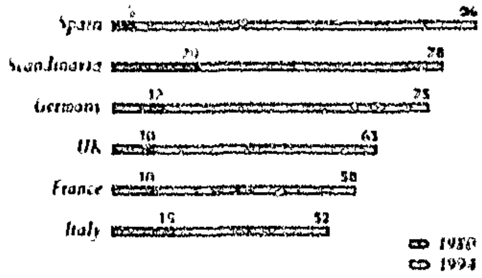
In the past, with simple media choices, simple media research and simple products, the planning and buying of media was relatively low risk.

As media become ever more fragmented – and as clients increasingly target their products far more closely – the use of basic standard industry research is becoming increasingly inadequate in constructing and implementing media strategy and media planning.

When complexity means that there is an increased chance of getting media wrong, it is media specialists which are positioned to minimise the risks and realise the potential benefits of the new media environment.

Media buying in Europe





Media specialists: market share (%)

The RISE of the media specialist

In 1980, media specialists accounted for just 11 per cent of total display advertising spend across Europe. By 1989, that figure had risen to 42 per cent and in 1994 it is forecast to rise to some 65 per cent.

First into most markets have been independent media specialists, winning business through a commitment to achieving cost savings, focusing solely on media issues and investing heavily in research to understand how the media work.

Full service advertising agencies have typically reacted in one of three ways:

- Where volume discounts are a feature of the market, they have formed buying clubs to pool media billings.
- Where markets are relatively non-negotiable, or where volume is less important, many have established their own so called "dependent" media specialists by setting up their media departments as separately branded profit centres to try to attract media only business.
- Some agencies have closed their media departments and contracted out the work to independent specialists.

New agencies are increasingly setting up without media departments as the entry costs in personnel and systems are too great.

"Economic and strategic factors are radically reshaping the way advertisers choose to use media. And nothing has symbolised those changes more than the rise of independent media planning and buying agencies"
ADVERTISING AGE

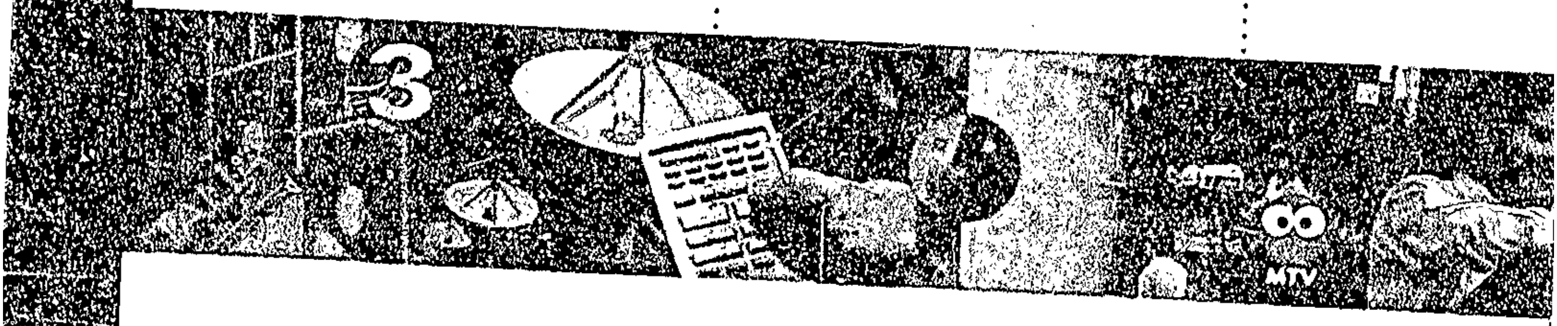
"Buying performance is no longer simply about talent - it is also about technology. It is about planning systems and computers which will improve someone's buying performance more than sheer size".
MEDIA WEEK

Although they have grown at a differing pace in different countries, media specialists have tended to follow a similar pattern of development in each market.

The initial proposition tends to be cost saving – managing price – negotiating discounts. As the market becomes more sophisticated, the focus shifts to value added services – managing complexity. Increasingly media specialists are becoming involved at an earlier and deeper stage, in setting strategy and helping manage internal business processes of the client, thus providing new sources of income – both fee and commission based.

"Buyers need to be daily players in each market to get the attention of media owners. In negotiable markets buyers need to know the going rates. Even in less negotiable markets, having preferred customer status is important for the supply of good positions and ratings".
MEDIA & MARKETING EUROPE

"Media buying and planning companies have become the most qualified media experts by investing a large amount of resources in research".
IPMARK, SPAIN



The VALUE of the media specialist

As the basic media tasks become more complicated, the benefits of both size and an exclusive focus on media become apparent:

Buying: Getting the basics right

The ability to produce cost efficiencies was the original selling point for media specialists, and it is still, for many clients, particularly in the lesser developed markets, the most important.

Where media owners give volume discounts, the buyers with the greatest volume will, other things being equal, achieve the biggest discounts.

But the negotiating muscle which comes from sheer size is only part of the story. Even where ratecards are non negotiable, respected buyers with a consistent presence in all media markets, monitoring developments on a daily basis, are best placed to take advantage of opportunities for their clients as they arise.

Planning: The best use of resources

Leading media specialists have chosen to invest in technology and systems to cope with the plethora of new commercial media opportunities. The bigger the operation, the easier it becomes to justify the costs of the widest possible range of tools. Proprietary planning and audience research tools are becoming widely-used in the major media specialists as means of providing a competitive edge.

"The past decade's growth in media options has placed the media planner squarely on the podium to orchestrate the effective investment of the client's media resources".
MEDIAWEEK

"By providing advertisers with a comparative link between the media plan's delivery and effective reach of potential product buyers, the value of the media process takes on greater business relevance for the product manager at client companies".
ADWEEK

Strategy. The new era

In some markets, and particularly in international activities, media specialists are beginning to become far more involved in the clients' internal business processes, providing European media coordination and acting as consultants in devising and implementing media strategies.

Information exchange, best practices transfer, and consistency of communication of the brand message are all becoming integral elements in the service demanded by multi-national advertisers.

In the past, advertising agencies have claimed to be the main custodian of the brand, but as communication opportunities proliferate and the nature of the medium begins to influence the nature of the message, it is those organisations with the deepest understanding of the media process which are beginning to develop new business partnerships with advertisers.

Media Specialists.

STRATEGY *Overall use of media in marketing*

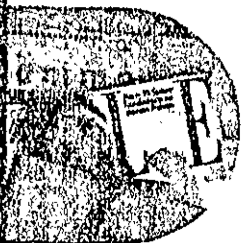
PLANNING *Where and how to spend*

BUYING *The best terms/placement on offer*

OPTIMISATION *Capturing market opportunities*

RESEARCH: A thorough knowledge of the media marketplace

The media task



The elements of the media task

Strategy: How should media be used as part of the marketing strategy?

Planning: How should the commercial message be placed to best achieve the marketing and communications objectives?

Buying: What is available in the marketplace and what represents the best value?

Optimisation: What can be done to make the budget "work harder"?

Research: How does the media market really work?

Directors of Aegis Group plc

Frank S Law, CBE (non-executive Chairman)
John L Vogelstein (non-executive Deputy Chairman)
Charles Hochman (Chief Executive)
Gilles Gobin (non-executive)
Raymond F Kelly
Bruno Kemoun
Sir Kit McMahon (non-executive)
Fred J Meyer (non-executive)
Eryck Rebbouh
Dominic H Shorthouse (non-executive)
Sir Peter Thompson (non-executive)

Secretary

Elizabeth A Richardson

Registered office

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London SW1W 9BL
Tel: 071 730 1001
Fax: 071 823 6750

Registered number

1403668 (England)

Solicitors
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35 Basinghall Street, London EC2V 5DB

Principal Bankers
Samuel Montagu & Co Limited
10 Lower Thames Street, London EC3R 6AE

Stockbrokers
Hoare Govett Corporate Finance Limited
4 Broadgate, London EC2M 7LE

Registrars
The Royal Bank of Scotland plc
P O Box 435, Owen House,
8 Bankhead Crossway North, Edinburgh EH11 4BR

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

Financial Advisers
Morgan Grenfell & Co Limited
23 Great Winchester Street, London EC2P 2AX

On 1 December 1992 the Cadbury Committee published its report on the Financial Aspects of Corporate Governance which included a suggested Code of Best Practice. Your Board considers that the Company complies with this Code of Best Practice in all material respects with the following exceptions:

(a) the recommendations which relate to the reporting on internal control and going concern upon which further guidance is awaited from the accounting profession; and

(b) the recommendation concerning non-executive Directors being appointed for a specified term and the recommendations relating to the selection of non-executive Directors. Four of the Company's non-executive Directors have been nominated by major shareholders. The major shareholders and their nominees are:

Affiliates of Warburg, Pincus & Co ....John Vogelstein and Dominic Shorthouse
SFEC II ....Gilles Gobin
Omnicom ....Fred Meyer

These non-executive Directors do not have a specified term of appointment.

Frank Law, CBE, who was appointed to the Board in 1987 and is currently non-executive Chairman, has no specific term of appointment. He has expressed the wish to step down as Chairman at the Annual General Meeting to be held in 1995 and, accordingly, the Board does not consider it appropriate to fix his term of office.

Your Board currently has thirteen Directors, comprising six executive Directors and seven non-executive Directors and meets regularly throughout the year.

Committees appointed by the Board include:

Audit Committee

The Audit Committee comprises Frank Law, CBE, John Vogelstein, Dominic Shorthouse, Gilles Gobin and Sir Peter Thompson and meets at least twice a year. It has particular responsibility for ensuring that the Group's financial statements present a true and fair view of your Group's financial position and that appropriate financial controls are in operation. These meetings are attended by the Group Finance Director and the external auditors. The Board considers that, through the Audit Committee, it has an objective and professional relationship with the auditors.

Remuneration and Nomination Committee

The Remuneration Committee comprises Frank Law, CBE, John Vogelstein and Sir Kit McMahon. The Committee meets as and when necessary to review salaries of executive Directors and senior management together with incentive schemes for the Group as a whole. It is empowered to grant share options under the existing Share Option Schemes. As the Nomination Committee it meets as and when necessary and has responsibility for nominating to the Board candidates for appointment as Directors.

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 1993.

Results and dividends

The Group Profit and Loss account is set out on page 36 and shows a loss on ordinary activities of £23.6 million after taxation of £5.5 million.

The Directors do not propose to pay a final dividend for the year. There is accordingly no ordinary dividend paid in 1993 (1992: 1.375p per share).

The retained loss for the year of £29.3 million is carried to reserves.

Principal activity

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

Review of business and future developments

A review of the business and likely future developments of the Group is given in the Chairman's Statement on page 2 and the Chief Executive's Review on page 6.

Fixed assets

Information relating to changes in tangible fixed assets is given in Note 14 to the financial statements.

Research and development

The Group is involved in media research and development in order to offer clients the most advanced media planning and buying methods. During the year the Group spent £10.4 million (1992: £10.5 million) on research and development.

Directors' and Officers' liability insurance

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

Donations

The Group made charitable donations of £15,780 (1992: £6,000) during the year in the United Kingdom. There were no political donations during the year in the United Kingdom (1992: £nil).

Employment policies

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

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

Directors and Directors' interests

The Directors in office at the end of the year and their interests in the share capital of the Company are given in Note 10 to the financial statements. As has been announced Thierry Vial Collet and Michel Lefebvre will be resigning from the Board of Directors.

Charles Hochman, Frank Law, CBE and John Vogelstein retire from the Board by rotation in accordance with the Articles of Association and, being eligible, are proposed for re-election. Messrs Law and Vogelstein do not have service contracts with the Company. Charles Hochman has a service contract with Carat Group Management SNC which is terminable upon six months' notice. In the event that Carat Group Management SNC terminates this agreement other than by reason of misconduct, a payment equivalent to 24 months' remuneration must be made.

Fred Meyer, who was appointed to the Board on 1 December 1993, becomes eligible for re-election in accordance with the terms of the Articles of Association.

Except as detailed in Note 10, the Board is not aware of any contract of significance with the Company or its subsidiaries in which any Director has, or has had, a material interest.

Non-executive Directors

Frank Law, CBE was appointed to the Board on 1 November 1987. He is Chairman of the Varta Group of Companies in the UK, a director of NFC International Holdings Limited, Siemens plc and a number of other international companies.

Gilles Gobin was appointed to the Board on 30 May 1990. He is General Partner at Rubis & Co, Chairman and Chief Executive Officer of Preal Finance and Co, FGCP Partners, Magyl International & Co and a director of a number of other companies including SFEC II.

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

Dominic Shorthouse was appointed to the Board on 16 September 1992. He is a Managing Director of E M Warburg, Pincus & Co International Ltd. He is also a director of Argent Group plc, Sterling Publishing Group plc and a number of other European companies.

Sir Kit McMahon was appointed to the Board on 26 May 1993. He is also Chairman of Coutts Consulting Group plc and Pentos plc and a director of Taylor Woodrow Plc and the Royal Opera House. He is a former Deputy Governor of the Bank of England and was Chairman of Midland Bank plc from 1987 to 1991.

Sir Peter Thompson was appointed to the Board on 26 May 1993. He is, inter alia, Chairman of Community Hospitals Group plc, FI Group plc, M-33 Publishing and Child Base Ltd. He is Deputy Chairman of Wembley plc and a director of Smiths Industries plc. He chaired the CBI Wider Share Ownership Task Force in 1990 which led to the formation of ProShare Ltd, of which he is President. He was formerly Chairman of NFC PLC.

Fred Meyer was appointed to the Board on 1 December 1993. He is Chief Financial Officer of Omnicom Group Inc.

Substantial shareholdings

In accordance with the requirements of the International Stock Exchange of the United Kingdom and Republic of Ireland Limited, as at 26 April 1994, the following interests in the issued ordinary shares of 5p each of Aegis Group plc are noted:

Affiliates of Warburg, Pincus & Co.	32.89%
Carat Vendors	13.69%
Omnicom Group Inc	9.31%
FMR Corp	3.94%

The Carat Vendors comprise the holdings of SFEC II, SCP Lagoon, Gilbert Gross and Florence Gross.

Share capital

Details of the movements in authorised and issued share capital during the year are given in Note 21 to the financial statements.

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

Resolution 7 set out in the Notice of Meeting provides the Directors with authority to allot securities in the Company up to an aggregate nominal value of £13,428,494.

Resolution 8 set out in the Notice of Meeting is a special resolution disapplying pre-emption rights and granting authority to the Directors to make allotments of equity securities for cash by way of (a) rights issues and (b) other issues up to an aggregate nominal amount of £2,015,000. In compliance with the guidelines issued by the International Stock Exchange of the United Kingdom and Republic of Ireland Limited, the authority conferred by resolution 8 is limited as regards issues of shares other than by way of rights issues up to 5% of the issued ordinary share capital of the Company as at 31 December 1993.

The authorities sought by these resolutions replace the existing powers of the Directors.

Authority for the Company to purchase its own shares

The authority for the Company to purchase its own shares expires at the conclusion of the Annual General Meeting. No purchases have been made to the date of this report and there are no outstanding contracts to purchase shares as of this date. It is proposed to seek a renewal of this authority to purchase up to 40,299,000 ordinary shares (approximately 5% of the present issued capital of this class) at the forthcoming Annual General Meeting.

The maximum price at which any share may be purchased is the price equal to 5% above the average of the middle market quotations of such share as derived from the Daily Official List of the International Stock Exchange of the United Kingdom and Republic of Ireland Limited for the ten business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share. If granted, the Directors will only exercise the authority if to do so would result in an increase in earnings per share and if it is in the best interests of shareholders generally.

Close company status

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

Auditors

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

Directors' responsibilities for the financial statements

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

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

By order of the Board

E A Richardson

Secretary

6 Eaton Gate

London SW1W 9BL

26 April 1994

Report of the Auditors

to the members of Aegis Group plc

We have audited the financial statements on pages 36 to 60 which have been prepared under the historical cost convention, as modified by the revaluation of the Company's fixed asset investments, and the accounting policies set out on pages 43 and 44.

Respective responsibilities of Directors and Auditors

As described above, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1993 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

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

Price Waterhouse

26 April 1994

Consolidated Profit and Loss Account

for the year ended 31 December 1993

	Notes	Underlying 1993 £m	Reorganisation Conseil fine refinancing and FRS4 1993 £m	Total 1993 £m	Restated total (Note 1) 1992 £m
Turnover	2	2,748.4	—	2,748.4	2,845.3
Cost of sales		(2,595.5)	—	(2,595.5)	(2,655.4)
Gross income		152.9	—	152.9	189.9
Operating expenses:					
– normal		(119.8)	—	(119.8)	(138.6)
– reorganisation costs	3	—	(26.3)	(26.3)	(22.0)
– fine levied by the Conseil de la Concurrence	4	—	(4.2)	(4.2)	—
– refinancing costs	5	—	(3.3)	(3.3)	(2.0)
Share of profit/(loss) from associated undertakings		0.1	—	0.1	(0.2)
Operating profit/(loss)		33.2	(33.8)	(0.6)	27.1
Loss on disposal of discontinued operations	6	—	—	—	(22.0)
Profit/(loss) on ordinary activities before interest		33.2	(33.8)	(0.6)	5.1
Interest receivable		5.2	—	5.2	7.4
		38.4	(33.8)	4.6	12.5
Interest payable and other items:					
– interest payable	7	(16.3)	—	(16.3)	(16.4)
– quasi interest payable	7	—	(6.2)	(6.2)	(7.0)
– amortisation of refinancing costs	7	(0.2)	—	(0.2)	—
Profit/(loss) on ordinary activities before taxation	9	21.9	(40.0)	(18.1)	(10.9)
Tax on loss on ordinary activities	11			(5.5)	(12.6)
Loss on ordinary activities after taxation				(23.6)	(23.5)
Minority interests				(5.4)	(4.9)
Loss for the financial year				(29.0)	(28.4)
Dividends:					
– preference	12			(0.3)	(0.6)
– ordinary	12			—	(1.6)
Retained loss for the financial year				(29.3)	(30.6)
Earnings per ordinary share	13				
Basic				(12.1)p	(20.8)p
Reorganisation costs and Conseil fine				12.6p	15.8p
Refinancing costs				1.4p	1.4p
Disposal of discontinued operations				—	15.8p
Underlying				1.9p	12.2p

Underlying operations represent ordinary activities excluding reorganisation, Conseil fine, refinancing and FRS4 costs.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 1993

	1993 £m	Restated (Note 1) 1992 £m
Loss for the financial year	(29.0)	(28.4)
Exchange adjustments on foreign currency net investments	3.5	(17.7)
Total recognised loss relating to the year	(25.5)	(46.1)
Prior year adjustment arising from restatement of dividend on 9.75% guaranteed redeemable convertible preference shares 2004 of 1p each issued by a subsidiary	(7.0)	
Prior year adjustment arising from restatement of refinancing costs written-off under FRS4	(2.0)	
Total losses recognised since last annual report	(34.5)	(46.1)

Note of Historical Cost Profits and Losses

for the year ended 31 December 1993

There is no material difference between the reported result for 1993 and 1992 and the result for those years restated on an unmodified historical cost basis.

Balance Sheets

at 31 December 1993

		Group		Company	
			Restated 1992 (Note 1)		Restated 1992 (Note 1)
	Notes	1993 £m	£m	1993 £m	£m
Fixed assets					
Tangible assets	14	15.4	31.1	0.1	0.2
Investments	15	2.3	2.1	121.6	105.0
		17.7	33.2	121.7	105.2
Current assets					
Debtors	16	433.1	604.7	66.0	221.7
Investments	17	4.6	3.5	—	—
Cash at bank and in hand	24	56.8	54.3	32.4	9.8
		494.5	662.5	98.4	231.5
Creditors					
Amounts falling due within one year	18	560.8	724.6	86.0	93.0
Net current (liabilities)/assets		(66.3)	(62.1)	12.4	138.5
Total assets less current liabilities		(48.6)	(28.9)	134.1	243.7
Creditors					
Amounts falling due after more than one year	19	36.5	177.3	5.5	54.2
Provisions for liabilities and charges	20	26.9	17.6	4.1	—
Equity minority interests		5.9	11.0	—	—
		(117.9)	(234.8)	124.5	189.5
Capital and reserves					
Called-up share capital					
– equity	21	40.3	8.3	40.3	8.3
– non-equity	21	3.4	1.2	3.4	1.2
		43.7	9.5	43.7	9.5
Share premium account					
– equity	22	261.7	134.6	261.7	134.6
– non-equity	22	11.3	8.4	11.3	8.4
		273.0	143.0	273.0	143.0
Capital redemption reserve	22	0.2	—	0.2	—
Revaluation reserve	22	—	—	—	5.3
Goodwill reserve	22	(458.0)	(442.4)	—	—
Merger reserve	22	—	—	13.0	12.8
Profit and loss account	22	23.2	55.1	(205.4)	18.9
		(117.9)	(234.8)	124.5	189.5

C Hochman
Director

26 April 1994

Consolidated Cash Flow Statement

for the year ended 31 December 1993

	1993 £m	Restated 1992 (Note 1) £m
Net cashflow from operating activities	**76.0**	**56.7**
Returns on investments and servicing of finance		
Interest received	5.2	7.5
Interest paid	(14.6)	(16.9)
Dividends paid	(0.4)	(13.2)
Amounts paid to minority shareholders in subsidiary undertakings	(2.7)	(3.7)
Net cash outflow from returns on investments and servicing of finance	(12.5)	(26.3)
Taxation		
Corporation and overseas tax paid	(6.9)	(12.2)
Investing activities		
Purchase of tangible fixed assets	(4.9)	(8.1)
Sale of tangible fixed assets	2.8	5.2
Purchase of minority interests in subsidiary undertakings	(14.4)	(27.6)
Purchase of investments	(1.3)	(1.4)
Deferred payments on prior period acquisitions	(24.2)	(22.6)
Sale of subsidiary undertakings	—	(0.7)
Sale of investments	—	0.9
Net cash outflow from investing activities	(42.0)	(54.3)
Net cash inflow/(outflow) before financing	14.6	(36.1)
Financing		
Issue of ordinary shares of 5p each	36.6	3.4
Issue of variable rate convertible cumulative redeemable preference shares 2003 of 5p each	15.0	—
Redemption of 51.1% convertible cumulative redeemable preference shares of 10p each	(2.7)	—
Refinancing costs charged to share premium account	(1.1)	—
Net cash inflow from financing	47.8	3.4
Decrease/(increase) in net bank indebtedness	62.4	(32.7)

Major non-cash transaction

Under the terms of the refinancing described in the Circular to Shareholders dated 20 October 1993, the Company raised £61.2 million of new equity and non-equity finance. Of the total amount raised, £46.2 million was in respect of the issue of ordinary shares of 5p each and £15.0 million related to the issue of variable rate convertible cumulative redeemable preference shares 2003 of 5p each.

The consolidated cash flow statement includes proceeds of £36.6 million for the issue of ordinary shares of 5p each. The difference between this amount and the £46.2 million noted above arises from shares issued directly to the Carat Vendors, as partial consideration for certain deferred payments due to them.

All of the Company's issues of share capital for cash consideration during 1993 were in respect of the refinancing referred to above.

Analysis of net cashflow from operating activities

	1993 £m	Restated (Note 1) 1992 £m
Operating (loss)/profit	(0.6)	27.1
– restatement for refinancing costs written-off under FRS4	—	2.0
	(0.6)	29.1
Share of (profit)/loss from associated undertakings	(0.1)	0.2
Depreciation of tangible fixed assets		
– regular	7.2	7.1
– accelerated	8.0	—
Loss/(profit) on sale of tangible fixed assets	0.5	(0.1)
Decrease in work in progress	—	0.9
Decrease/(increase) in debtors	171.6	(126.2)
(Decrease)/increase in creditors	(112.3)	128.5
Other non cash movements including foreign exchange	1.7	17.2
Net cashflow from operating activities	76.0	56.7

Analysis of changes in cash, bank and loan balances during the year

	1993 £m	1992 £m
Balance at 1 January	(68.2)	(35.5)
Net cash inflow/(outflow)	62.4	(32.7)
Balance at 31 December	(5.8)	(68.2)

Cash, bank and loan balances comprise:

	1993 £m	1992 £m	Change in year £m
Cash at bank and in hand	56.8	54.3	2.5
Bank loans and overdrafts due within one year	(36.2)	(64.8)	28.6
Bank loans and overdrafts due after more than one year	(26.4)	(57.7)	31.3
	(5.8)	(68.2)	62.4

Analysis of changes in financing during the year

	1993 Share capital (including premium) £m	Restated (Note 1) 1992 Share capital (including premium) £m
At 1 January		
– as reported	152.5	215.7
– restatement for 9.75% guaranteed redeemable convertible preference shares 2004 of 1p each issued by a subsidiary	—	(71.9)
– restatement for refinancing costs written-off under FRS4	—	2.0
As restated	152.5	145.8
Cash inflows from financing		
– equity	36.6	3.4
– non-equity	15.0	—
Redemption of non-equity share capital	(0.2)	—
Issue of equity shares in respect of current period acquisitions	—	0.3
Issue of equity shares in respect of prior period acquisitions	0.7	3.0
Other non-cash equity share issues	120.3	—
Other non-cash redemption of non-equity shares	(7.1)	—
Refinancing costs charged to share premium account	(1.1)	—
At 31 December	316.7	152.5

The redemption of non-equity share capital above was at a cost of £2.7 million of which £2.5 million was paid out of the profit and loss account.

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings and minority interests

	1993 £m	1992 £m
Cash consideration	14.4	14.5
Net debt in subsidiary undertakings acquired	—	13.1
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings and minority interests	14.4	27.6

Reconciliation of Consolidated Movements in Shareholders' Funds

for the year ended 31 December 1993

	1993 £m	Restated 1992 (Note 1) £m
Loss for the financial year		
– as reported	(29.0)	(19.4)
– restatement for refinancing costs written-off under FRS4	—	(2.0)
– restatement of quasi interest payable (preference dividend on 9.75% guaranteed redeemable convertible preference shares 2004 of 1p each following adoption of FRS4)	—	(7.0)
Loss for the financial year as restated	(29.0)	(28.4)
Preference dividends	(0.3)	(0.6)
Ordinary dividends	—	(1.6)
Exchange adjustments	3.5	(17.7)
Conversion, issue and redemption of shares (net of expenses)	161.9	8.7
Goodwill written-off in the year	(19.2)	(37.3)
Goodwill transferred to the profit and loss account on disposals	—	13.7
Net increase/(decrease) in shareholders' funds	116.9	(63.2)
Shareholders' funds at 1 January	(234.8)	(171.6)
Shareholders' funds at 31 December	(117.9)	(234.8)

Goodwill written-off in the year arises principally as a result of the acquisition of the outstanding minority in HMS Carat and acquisition net asset adjustments within Publintegral, which was merged with Carat España in 1992.

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of the Company's fixed asset investments, and in accordance with applicable accounting standards, adopting the following principal accounting policies:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Aegis Group plc and its subsidiaries from the date of acquisition up to 31 December 1993. All significant inter-company balances and transactions are eliminated. The Group's results also include its share of attributable results of associated undertakings made up to 31 December 1993.

Early compliance with Fourth Financial Reporting Standard (FRS4) on Capital Instruments

The Accounting Standards Board issued its Fourth Financial Reporting Standard (FRS4) on Capital Instruments in December 1993. Although the Standard is effective for accounting periods ending on or after 22 June 1994, in the opinion of the Directors, it is appropriate for the Group to adopt the Standard early. Accordingly, the comparative information has been restated in the financial statements as follows:

(i) A subsidiary of Aegis Group plc had issued 9.75% guaranteed redeemable convertible preference shares 2004 of 1p each which were guaranteed by the holding company. These shares were included in capital and reserves in the 1992 financial statements. Under the provisions of FRS4 they have now been treated as creditors falling due after more than one year in the comparative information.

(ii) Financing costs associated with the preference shares in (i) above were treated as dividends in the 1992 financial statements. Under the provisions of FRS4 these costs have now been included in interest payable and other items in the comparative information.

(iii) In previous years refinancing costs were charged against reserves. Under the provisions of FRS4 certain of these costs are now charged against the profit and loss account. The comparative amounts have been restated to reflect this treatment.

Goodwill

Goodwill, including any additional goodwill arising from the contingent capital payments set out in Note 24, is written-off against reserves in the year in which it arises.

Research and development

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

Associated undertakings

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

Turnover

In the 1992 statutory accounts, it was noted that legislation, the Loi Sapin, had been implemented on 31 March 1993, regulating the way advertising time and space is bought and sold in France and requiring all advertising intermediaries to adopt the legal status of "agent". As an agent, our French operation earns commissions and fees based on media purchased. For statutory purposes turnover represents the value of media handled on behalf of clients.

Recognition of revenue

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

1 Principal accounting policies *continued*

Fixed assets and depreciation

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

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

Freehold buildings ....2-3% per annum
Leasehold buildings..........Over the period of the lease
Leasehold improvements..........10% per annum
Office furniture, fixtures & equipment..........10-20% per annum
Vehicles..........10-25% per annum

Where assets are not in use or foreseen not to be in use, accelerated depreciation is recorded to write down the assets to their residual value.

Investments in subsidiaries are stated at Directors' valuations less any amounts written off. Investments in related companies are included in the consolidated balance sheet at cost less goodwill plus attributable post-acquisition retained profits.

Foreign currencies

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

Deferred taxation

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

Leased assets

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

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

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

Pension costs

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

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

2 Operating performance and net (liabilities)/assets by sector and geographical analysis

	Net (liabilities)/assets		(Loss)/profit on ordinary activities before taxation	
	31 December 1993 £m	31 December 1992 £m	12 months to 31 December 1993 £m	Restated 12 months to 31 December 1992 £m
Geographical analysis:				
UK	(175.2)	(232.8)	(0.8)	(3.5)
Mainland Europe	73.2	76.3	33.9	55.2
USA and Pacific Basin	(10.1)	(10.1)	—	(0.4)
Net borrowings	(5.8)	(68.2)		
	(117.9)	(234.8)	33.1	51.3
Reorganisation costs			(26.3)	(22.0)
Fine levied by the Conseil de la Concurrence			(4.2)	
Refinancing costs			(3.3)	(2.0)
Share of profit/(loss) from associated undertakings			0.1	(0.2)
Operating (loss)/profit			(0.6)	27.1
Loss on disposal or closure of discontinued operations			—	(22.0)
Other net charges including interest			(17.5)	(16.0)
Loss on ordinary activities before taxation			(18.1)	(10.9)

The loss in the UK reflects central costs. The UK trading company, Carat UK Limited, traded profitably.

A further analysis of profit before reorganisation costs has not been given since, in the opinion of the Directors, this would be seriously prejudicial to the interests of the Group.

The Group operates in only one business sector; media planning and buying.

An analysis of turnover by geographical area is set out below:

	12 months to 31 December 1993 £m	12 months to 31 December 1992 £m
UK	322.2	297.9
France	763.8	791.8
Germany	746.9	658.6
Italy	71.5	94.9
Spain	408.1	511.0
Scandinavia	274.3	265.6
Rest of Europe	161.6	225.1
Subtotal – Mainland Europe	2,426.2	2,547.0
USA and Pacific Basin	—	0.4
	2,748.4	2,845.3

Turnover in Italy reflects the fact that the Italian companies act as agents for many clients who pay media invoices directly.

Turnover in 1992 includes £7.6 million relating to discontinued activities, principally in the UK and the USA.

3 Reorganisation costs

Costs and provisions totalling £26.3 million have been charged as reorganisation. This amount arises in relation to the restructuring of the continuing activities of the Group, principally as a result of the continuing impact of the Loi Sapin on consolidated profits. Of this total, £8.0 million (Note 14) has been charged in respect of accelerated depreciation on certain fixed assets in Paris arising from the consolidation of activities into one new office.

4 Fine levied by the Conseil de la Concurrence

The Conseil de la Concurrence in France (the "Conseil") has been conducting an investigation into the operation of the French advertising and media marketplace. Its findings were announced in January 1994 whereupon a fine of FFr35 million was imposed on Carat France SA as a result of certain practices which the Conseil considered to be anti-competitive.

Carat France SA is currently appealing against this decision. However, in the opinion of the Directors, it is considered prudent to provide for the amount of the fine, together with the related legal costs, in the 1993 financial statements. Accordingly, a charge of £4.2 million is included in the profit and loss account.

5 Refinancing costs

In November 1993, the Group completed a refinancing of its capital structure, which included conversion into equity of its convertible instruments, the raising of £61.2 million of new equity and non-equity finance, new bank facilities and the acquisition of the outstanding 50% of HMS Carat, the Group's German business, for £14.4 million.

Before the introduction of FRS4, a substantial element of the costs associated with this refinancing would have been charged against share premium. Under FRS4, however, such issue costs must be written-off and accordingly a charge against Group profits of £3.3 million has been made. A similar charge of £2.0 million has been made in restating the comparative amounts for 1992.

Under FRS4, it is also necessary to set off costs associated with the granting of new bank facilities against the loans or overdrafts arising under those facilities and to amortise such costs over the term of the facilities. £2.9 million has accordingly been carried forward, after an amortisation charge in 1993 of £0.2 million (1992: £nil).

6 Continuing and discontinued operations

There are no operations that were discontinued by the Group during the year. The 1992 comparative information for continuing and discontinued operations (as restated) is as follows:

	Continuing Operations £m	Discontinued Operations £m	Restated Total £m
Turnover	2,837.7	7.6	2,845.3
Cost of sales	(2,649.8)	(5.6)	(2,655.4)
Gross income	187.9	2.0	189.9
Operating expenses	(136.1)	(2.5)	(138.6)
Reorganisation costs	(22.0)	—	(22.0)
Refinancing costs	(2.0)	—	(2.0)
Share of loss from associated undertakings	(0.2)	—	(0.2)
Operating profit/(loss)	27.6	(0.5)	27.1
Loss on disposal of discontinued operations	—	(22.0)	(22.0)
Profit/(loss) on ordinary activities before interest	27.6	(22.5)	5.1

7 Interest payable and other items

	12 months to 31 December 1993 £m	Restated 12 months to 31 December 1992 £m
Interest payable		
On bank loans and overdrafts and other loans repayable within five years	14.0	14.7
Other	2.3	1.7
	16.3	16.4
Quasi interest payable	6.2	7.0
Amortisation of refinancing costs	0.2	–
	22.7	23.4

Following adoption of FRS4, interest payable includes quasi interest payable of £6.2 million (1992: £7.0 million), being the preference dividend on the 9.75% guaranteed redeemable convertible preference shares 2004 of 1p each issued by *Aegis (Netherlands Antilles) Finance NV* which were guaranteed by Aegis Group plc. This fixed charge was included in preference dividends in prior years.

8 Employees and other operating expenses

	12 months to 31 December 1993 £m	12 months to 31 December 1992 £m
Staff costs consist of:		
Wages and salaries	49.8	54.4
Social security costs	13.3	13.2
Other pension costs	0.6	0.7
	63.7	68.3

The average number of full-time employees of the Group during the year, all of whom were employed in *media planning and buying*, was 1,757 *(1992: 1,851)*.

Other operating expenses amounted to £89.9 million (1992: £94.3 million) comprising £56.1 million (1992: £70.3 million) of normal costs and £33.8 million (1992: £24.0 million) in respect of reorganisation, Conseil fine and refinancing.

9 Profit/(loss) on ordinary activities before taxation

	12 months to 31 December 1993 £m	12 months to 31 December 1992 £m
This is after charging:		
Depreciation of owned fixed assets		
– regular	7.2	7.1
– accelerated	8.0	–
Operating lease rentals		
– hire of plant and machinery	0.4	0.3
– other	7.4	7.2
Auditors' remuneration and expenses	0.7	0.5
Loss/(profit) on sale of tangible fixed assets	0.5	(0.1)

Fees paid to the auditors of the parent company for services other than statutory audits, supplied to the Company and its UK subsidiary undertakings during 1993, were £0.8 million (1992: £0.2 million).

10 Directors' remuneration

	12 months to 31 December 1993 £'000	12 months to 31 December 1992 £'000
Emoluments	1,814	2,295
Fees	25	212
Compensation for loss of office	167	3,620
Pension contributions	72	187
	2,078	6,314

The compensation for loss of office above is in respect of a payment made to G Gobin upon his ceasing to hold office with Carat Group SA, a subsidiary undertaking.

Emoluments, excluding pension contributions, of F S Law, CBE as Chairman, from 15 September 1992	£115,930	£40,308
Emoluments, excluding pension contributions and compensation for loss of office, of highest paid Director, T Vial Collet (1992: P J Scott as Chairman until 15 September 1992)	£442,973	£477,504

F S Law, CBE received no pension contributions in 1993. T Vial Collet received pension contributions of £2,827 in 1993.

The remuneration (excluding pension contributions) of the Directors (including the Chairman) were within the following ranges:

	12 months to 31 December 1993	12 months to 31 December 1992
Up to £5,000	3	3
£10,001 – £15,000	2	—
£20,001 – £25,000	—	1
£40,001 – £45,000	—	1
£85,001 – £90,000	—	1
£110,001 – £115,000	—	1
£115,001 – £120,000	1	—
£130,001 – £135,000	1	—
£135,001 – £140,000	—	1
£140,001 – £145,000	—	2
£210,001 – £215,000	1	—
£220,001 – £225,000	1	—
£240,001 – £245,000	1	—
£245,001 – £250,000	1	—
£270,001 – £275,000	—	1
£340,001 – £345,000	—	2
£360,001 – £365,000	1	—
£380,001 – £385,000	—	1
£440,001 – £445,000	1	—
£475,001 – £480,000	—	1
	13	15

10 Directors' remuneration *continued*

Emoluments of £600,851 (1992: £456,769) were paid to three former Directors as part of their termination arrangements on resigning from office. These amounts were fully provided on the acquisition of HBM/Creamer, Inc in July 1986 and the reorganisation of the US advertising interests in August 1988. £250,000 (1992: £250,000) was paid to a former Director arising from his termination arrangements resulting from the disposal of the UK advertising interests in 1990. This amount was also fully provided in preceding years.

The Directors of the Company in office at the end of the year, and their interests in the share capital of the Company as at 26 April 1994, all of which are beneficial to the Directors and their immediate families, which have been notified to the Company pursuant to Sections 324 or 328 of the Companies Act 1985 (the "Act") or are required to be entered into the Register required to be kept under Section 325 of the Act, and of persons connected (within the meaning of Section 346 of the Act) with the Directors, were as follows:

	Ordinary shares of 5p each			Variable rate convertible cumulative redeemable preference shares 2003 of 5p each		Deferred shares of 1p each
	26 April 1994	31 December 1993	31 December 1992	26 April 1994	31 December 1993	31 December 1992
Beneficial						
G Gobin	4,000	4,000	4,000	—	—	—
C Hochman	84,712	84,712	26,927	10,968	10,968	4,488
R F Kelly	287,188	287,188	277,188	—	—	—
B Kemoun	3,011,740	3,011,740	2,011,740	—	—	—
F S Law, CBE (a)	1,024,752	24,752	7,854	3,198	3,198	1,309
M Lefebvre	—	—	—	—	—	—
Sir Kit McMahon	61,860	61,860	—	9,390	9,390	—
F J Meyer	—	—	—	—	—	—
E Rebbouh	3,011,740	3,011,740	2,011,740	—	—	—
D H Shorthouse	—	—	—	—	—	—
Sir Peter Thompson	96,806	96,806	—	4,069	4,069	—
T Vial Collet	—	—	—	—	—	—
J L Vogelstein	—	—	—	—	—	—

(a) Pursuant to a two year Consultancy Agreement dated 11 February 1994 with SFEG II, a major shareholder, F S Law, CBE will receive 500,000 ordinary shares of 5p each in Aegis Group plc to be paid over a two year period in equal six-monthly instalments.

On 11 February 1994, affiliates of Warburg, Pincus, a major shareholder, transferred 500,000 ordinary shares of 5p each to Mrs N Law.

These 1,000,000 shares are included within the figure of 1,024,752 stated above.

At 31 December 1992 none of the Directors had any interest in either the 5.5% convertible cumulative redeemable preference shares 1999 of 10p each or the 51.1% convertible cumulative redeemable preference shares of 10p each. F S Law, CBE held 275 warrants. In addition, at 31 December 1992, C Hochman and F S Law, CBE respectively held 4,488 and 1,309 units of the 9.875% convertible unsecured loan stock 2002.

10 Directors' remuneration continued

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

	Option price	Exercisable	26 April 1994	31 December 1993	31 December 1992
G Gobin (i) (ii)	(iii)	1993	—	—	481,928
C Hochman (ii)	28p	1995–2003	1,000,000	1,000,000	1,000,000
R F Kelly	30p	1996–2003	225,000	225,000	—
B Kemoun (ii)	28p	1995–2002	250,000	250,000	250,000
M Lefebvre	30p	1996–2003	250,000	250,000	—
E Rebbouh (ii)	28p	1995–2002	250,000	250,000	250,000
T Vial Collet (iv)	28p	1995–2002	1,000,000	1,000,000	1,500,000

(i) These options were not granted pursuant to the various share option schemes operated by Aegis Group plc but were options over existing ordinary shares.

(ii) Pursuant to the acquisition of the remaining 50% of Carat Holdings SA, described in the circular to shareholders dated 9 November 1989, Aegis Group plc granted, inter alia, to each of G Gobin, C Hochman, B Kemoun and E Rebbouh, options to exchange the shares resulting from the exercise of options granted to them in Carat Espace SA, for ordinary shares in Aegis Group plc calculated by reference to a fixed number of Aegis Group plc ordinary shares, exercisable at 296p per share. In the case of G Gobin, B Kemoun, and E Rebbouh, this was to be satisfied by the allotment and issue to them of 1,183,256 ordinary shares each and, in the case of C Hochman, by the allotment and issue to him of 2,366,512 ordinary shares. These options were cancelled in October 1993.

(iii) Total exercise price fixed at FFr14,600,000.

(iv) In addition at 31 December 1992 T Vial Collet held options over 1.5 million ordinary shares of 5p each of Aegis Group plc which were granted to him by certain existing shareholders of Aegis Group plc. These options could have been exercised at a price of 200p per share. These options lapsed during 1993.

During 1993 the Carat Vendors, including SFEC II, received deferred consideration of £26.2 million arising from the acquisition of the Carat Group of Companies. SFEC II is a major shareholder and a company of which three of the Company's Directors, G Gobin, B Kemoun and E Rebbouh, are also directors.

Two of the Company's non-executive Directors, J Vogelstein and D Shorthouse, are partners in the partnership which is the general partner of Warburg, Pincus, Investors, LP. During the year Warburg, Pincus Investors, LP were paid underwriting fees arising on the refinancing of the Group of £150,000 and other expenses of £26,000.

Other than as previously disclosed to shareholders, 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 1993.

11 Tax on loss on ordinary activities

	12 months to 31 December 1993 £m	12 months to December 1992 £m
UK corporation tax at 33% (1992: 33%) based on profit for the year	—	1.2
Overseas taxation	5.5	12.0
Transfer from deferred taxation	—	(0.6)
	5.5	12.6

A tax charge is shown in 1993 and 1992 as a result of profits arising in certain countries which are not able to be offset against the losses in other jurisdictions.

12 Dividends

	12 months to 31 December 1993 £m	Restated 12 months to December 1992 £m
Preference		
5.5% convertible cumulative redeemable preference shares 1999 of 10p each	0.3	0.5
$1.6% convertible cumulative redeemable preference shares of 10p each	—	0.1
	0.3	0.6
Ordinary		
Interim dividend of £nil (1992: 1.375p)	—	1.6
Final proposed dividend of £nil (1992: £nil)	—	—
	—	1.6

The Directors have decided that it is not appropriate to pay a final ordinary dividend for the current year.

13 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a loss of £29.3 million (1992: £29.0 million) net of tax, minority interests and preference dividends, and an average number of ordinary shares in issue of 242.3 million (1992: 139.2 million, as restated).

Since the earnings per share figure is negative, no fully diluted calculation has been prepared.

The loss of £29.3 million includes net charges after tax of £30.5 million (1992: £22.0 million) in respect of reorganisation costs and the Conseil fine and £3.3 million (1992: £2.0 million, as restated) for refinancing costs. The underlying earnings per share is therefore calculated as follows:

	1993 pence	Restated 1992 pence
Basic	(12.1)	(20.8)
Reorganisation costs and Conseil fine	12.6	15.8
Refinancing costs	1.4	1.4
Disposal of discontinued operations	—	15.8
Underlying	1.9	12.2

The 1992 earnings per share amounts shown above have been restated to give effect to the bonus element inherent in the issue of shares during 1993.

14 Tangible fixed assets

Group:	Freehold land & buildings £m	Long leasehold buildings £m	Leasehold improvements £m	Office furniture fixtures & equipment £m	Vehicles £m	Total £m
Cost at 1 January 1993	5.9	0.1	3.3	33.5	7.4	50.2
Additions	0.2	—	0.2	3.7	0.8	4.9
Disposals	—	—	(0.7)	(2.0)	(3.2)	(5.9)
Reclassifications	—	—	17.3	(17.3)	—	—
Exchange adjustments	(1.0)	—	(0.4)	(1.9)	—	(3.3)
At 31 December 1993	5.1	0.1	19.7	16.0	5.0	45.9
Depreciation at 1 January 1993	0.4	0.1	1.7	14.4	2.5	19.1
Accelerated depreciation*	—	—	8.0	—	—	8.0
Provided for the year	0.3	—	1.8	4.2	0.9	7.2
Disposals	—	—	(0.4)	(1.1)	(1.1)	(2.6)
Reclassifications	—	—	1.5	(1.5)	—	—
Exchange adjustments	—	—	(0.1)	(1.1)	—	(1.2)
At 31 December 1993	0.7	0.1	12.5	14.9	2.3	30.5
Net book value						
At 31 December 1993	4.4	—	7.2	1.1	2.7	15.4
At 31 December 1992	5.5	—	1.6	19.1	4.9	31.1

*Accelerated depreciation arises as a result of the consolidation of business activities in Paris into one new office (Note 3).

The net book value of tangible fixed assets includes an amount of £0.7 million (1992: £0.8 million) in respect of assets held under finance leases.

Company:						
Cost at 1 January 1993	0.1	—	—	0.1	—	0.2
Disposals	(0.1)	—	—	—	—	(0.1)
At 31 December 1993	—	—	—	0.1	—	0.1
Depreciation at 1 January 1993 and 31 December 1993	—	—	—	—	—	—
Net book value						
At 31 December 1993	—	—	—	0.1	—	0.1
At 31 December 1992	0.1	—	—	0.1	—	0.2

	Group 31 December 1993 £m	Group 31 December 1992 £m	Company 31 December 1993 £m	Company 31 December 1992 £m
Capital commitments:				
Contracted for but not provided	0.2	0.2	—	—
Authorised but not contracted for	1.6	—	—	—

15 Fixed asset investments

	Associated undertakings share of tangible net assets £m	Other unlisted investments £m	Total investments £m
Group:			
At 1 January 1993	0.2	1.9	2.1
Additions	—	0.2	0.2
Profit retained in associated undertakings	0.1	—	0.1
Disposals	—	(0.2)	(0.2)
Exchange movements	—	0.1	0.1
At 31 December 1993	0.3	2.0	2.3

	£m
Company:	
Valuation at 1 January 1993	105.0
Additions	129.1
Revaluation	(112.5)
Valuation at 31 December 1993	121.6

The Company's fixed asset investments principally relate to shares in subsidiary undertakings.

The Directors have valued fixed asset investments and amounts due from Group undertakings of the Company at 31 December 1993 on an earnings basis and this valuation has been incorporated in the financial statements. The historical cost of the Company's fixed asset investments is £228.8 million.

The Group and Company have UK listed fixed asset investments with a market value at 31 December 1993 of £3,000 (31 December 1992: £9,000).

Principal subsidiary undertakings:	Principal country of incorporation and operation	Class of share	Effective interest in issued share capital at 31 December 1993	Nature of business
Carat Crystal	Belgium	Ordinary	52%	Media planning and buying
Carat Denmark	Denmark	Ordinary	100%	Media planning and buying
Carat Finland	Finland	Ordinary	100%	Media planning and buying
Carat France	France	Ordinary	100%	Media planning and buying
HMS Carat	Germany	Ordinary	100%	Media planning and buying
Carat Hellas	Greece	Ordinary	51%	Media planning and buying
Carat Italia	Italy	Ordinary	100%	Media planning and buying
Carat Nederland	Netherlands	Ordinary	100%	Media planning and buying
Carat Norway	Norway	Ordinary	100%	Media planning and buying
Carat Portugal	Portugal	Ordinary	60%	Media planning and buying
Carat España	Spain	Ordinary	52.5%	Media planning and buying
Carat Sweden	Sweden	Ordinary	100%	Media planning and buying
Carat UK	United Kingdom	Ordinary	100%	Media planning and buying

With the exception of a 72% shareholding in Carat UK, all of the principal subsidiary undertakings noted above are indirectly held. The effective interest in the issued share capital is equivalent to the percentage of voting rights held by the Group. All material subsidiary undertakings have been included in the consolidation. *A full list of all subsidiary undertakings is filed with the Company's Annual Return.*

16 Debtors

	Group 31 December 1993 £m	Group 31 December 1992 £m	Company 31 December 1993 £m	Company 31 December 1992 £m
Trade debtors	366.3	504.1	—	—
Amounts due from Group undertakings	—	—	64.8	220.6
Amounts due from associated undertakings	2.2	—	—	—
Other debtors	53.9	99.4	1.1	0.9
Prepayments and accrued income	10.7	1.2	0.1	0.2
	433.1	604.7	66.0	221.7

17 Current asset investments

	Group 31 December 1993 £m	Group 31 December 1992 £m	Company 31 December 1993 £m	Company 31 December 1992 £m
Other investments	4.6	3.5	—	—

Current asset investments principally comprise unlisted deposits.

18 Creditors

	Group 31 December 1993 £m	Group 31 December 1992 £m	Company 31 December 1993 £m	Company 31 December 1992 £m
Amounts falling due within one year:				
Bank loans and overdrafts	36.2	64.8	54.2	49.4
Less deferred FRS4 costs to be amortised	(0.6)	—	(0.6)	—
	35.6	64.8	53.6	49.4
Trade creditors	406.8	530.6	—	—
Finance leases and hire-purchase contracts	0.3	0.2	—	—
Amounts due to Group undertakings	—	—	6.9	11.0
Taxation and social security	20.7	20.9	—	0.4
Corporation tax	4.8	6.6	2.5	3.2
Dividends payable	—	0.2	—	0.2
Other creditors	83.9	88.7	22.3	28.5
Accruals and deferred income	8.7	12.6	0.7	0.3
	560.8	724.6	86.0	93.0

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

19 Creditors

	Group 31 December 1993 £m	Group Restated 31 December 1992 £m	Company 31 December 1993 £m	Company 31 December 1992 £m
Amounts falling due after more than one year:				
Bank loans and overdrafts	26.4	57.7	3.5	15.5
Less deferred FRS4 costs to be amortised	(2.3)	—	(2.3)	—
	24.1	57.7	1.2	15.5
9.875% convertible unsecured loan stock 2002	—	22.5	—	22.5
9.75% guaranteed redeemable convertible preference shares 2004 of 1p each	—	71.9	—	—
Other creditors	12.4	25.2	4.3	16.2
	36.5	177.3	5.5	54.2

Bank loans and overdrafts are represented by a multi-currency term loan and revolving credit facility, which are secured by a floating charge over the shares of certain subsidiary undertakings. The term loan is repayable in varying instalments between March 1994 and September 1999. £9.0 million is repayable after more than five years. Interest is payable on the term loan at 1.5% over Paris inter-bank offer rate.

There are no amounts in other creditors (31 December 1992: £nil) repayable in instalments more than five years from the date of the balance sheet.

20 Provisions for liabilities and charges

	Property £m	Other restructuring £m	Total £m
Group:			
At 1 January 1993	13.4	4.2	17.6
Charge for year	8.3	18.0	26.3
Utilised in the year	(8.0)	(9.0)	(17.0)
At 31 December 1993	13.7	13.2	26.9
Company:			
At 1 January 1993	—	—	—
Reclassifications	2.0	—	2.0
Charge for year	0.2	2.5	2.7
Utilised in the year	(0.6)	—	(0.6)
At 31 December 1993	1.6	2.5	4.1

Group and Company:

No provision for deferred taxation is recorded due to the availability of tax losses carried forward which offset the full potential effect of timing differences between the treatment of certain items for taxation and accounting purposes.

21 Share capital

	31 December 1993 Equity £m	31 December 1993 Non-equity £m	31 December 1993 Total £m	Restated 31 December 1992 Equity £m	Restated 31 December 1992 Non-equity £m	Restated 31 December 1992 Total £m
Authorised:						
1,200,000,000 (31 December 1992: 358,200,000) ordinary shares of 5p each	60.0	—	60.0	17.9	–	17.9
68,181,820 (31 December 1992: nil) variable rate convertible cumulative redeemable preference shares 2003 of 5p each	—	3.4	3.4	–	–	–
Nil (31 December 1992: 19,000,000) 55% convertible cumulative redeemable preference shares 1999 of 10p each	—	—	—	–	1.9	1.9
Nil (31 December 1992: 6,000,000) 51.1% convertible cumulative redeemable preference shares of 10p each	—	—	—	–	0.6	0.6
Nil (31 December 1992: 40,000,000) deferred shares of 1p each	—	—	—	–	0.4	0.4
	60.0	3.4	63.4	17.9	2.9	20.8
Issued:						
805,709,634 (31 December 1992: 166,896,409) ordinary shares of 5p each	40.3	—	40.3	8.3	—	8.3
68,181,818 (31 December 1992: nil) variable rate convertible cumulative redeemable preference shares 2003 of 5p each	—	3.4	3.4	—	—	—
Nil (31 December 1992: 6,853,426) 55% convertible cumulative redeemable preference shares 1999 of 10p each	—	—	—	—	0.7	0.7
Nil (31 December 1992: 2,482,788) 51.1% convertible cumulative redeemable preference shares of 10p each	—	—	—	—	0.3	0.3
Nil (31 December 1992: 22,500,000) deferred shares of 1p each	—	—	—	—	0.2	0.2
Nil (31 December 1992: 71,980,000) 9.75% guaranteed redeemable convertible preference shares 2004 of 1p each issued by a subsidiary	—	—	—	—	0.7	0.7
As reported for Group	40.3	3.4	43.7	8.3	1.9	10.2
Restatement for 9.75% guaranteed redeemable convertible preference shares 2004 of 1p each issued by a subsidiary	—	—	—	—	(0.7)	(0.7)
For Company and as restated for Group	40.3	3.4	43.7	8.3	1.2	9.5

The ordinary shares of 5p each have full voting rights. The variable rate convertible cumulative redeemable preference shares 2003 of 5p each have limited voting rights as specified in the Company's Memorandum and Articles of Association. These preference shares are redeemable at par plus any premium paid.

On 11 January 1993 all outstanding 51.1% convertible cumulative redeemable preference shares were redeemed at 10p nominal per share plus a premium of 90p in accordance with the terms of their issue.

On 16 March 1993, 250,112 ordinary shares of 5p each were issued for a total of FFr415,194 as part consideration for the acquisition of the minority interest in Société Crespierolse de Participation SA ("Média Gestion").

21 Share capital *continued*

On 5 April 1993,

(a) 85,769 ordinary shares of 5p each were issued for a total of FFr375,000 in accordance with an arbitrator's ruling regarding the aborted joint venture, Magnitude.

(b) 341,605 ordinary shares of 5p each were issued for a total of HK$676,261 as deferred consideration in connection with the acquisition of Synergie Communications Ltd.

On 28 April 1993, 342,954 ordinary shares of 5p each were issued for a total of FFr375,000 in accordance with an arbitrator's ruling regarding the aborted joint venture, Magnitude.

On 28 July 1993, 150,881 ordinary shares of 5p each were issued for a total of FFr415,167 as part consideration for the acquisition of the minority interest in Média Gestion.

On 25 August 1993,

(a) 874,440 ordinary shares of 5p each were issued for a total of FFr2,360,000 as part consideration in connection with the acquisition of the minority interest in Halogene.

(b) 329,026 ordinary shares of 5p each were issued for a total of FFr888,000 as part consideration in connection with the acquisition of the minority interest in Carat Développement.

(c) 368,673 ordinary shares of 5p each were issued for a total of FFr99[illegible] as part consideration in connection with the acquisition of the minority interest Grands Espaces Conseil.

On 6 September 1993, 79,265 ordinary shares of 5p each were issued for a total of HK$338,130 as deferred consideration in connection with the acquisition of Synergie Communications Ltd.

On 13 October 1993, 4,269 ordinary shares of 5p each were issued on conversion of 2,348 units of 9.875% convertible unsecured loan stock 2002.

On 22 November 1993,

(a) 231,000,000 ordinary shares of 5p each were issued as a result of an open offer to shareholders.

(b) 113,804,604 ordinary shares of 5p each were issued on conversion of all the outstanding units of 9.875% convertible unsecured loan stock 2002.

(c) 21,245,593 ordinary shares of 5p each were issued on conversion of all the outstanding 55% convertible cumulative redeemable preference shares 1999 of 10p each.

(d) 269,924,971 ordinary shares of 5p each were issued on redemption of all the outstanding 9.75% guaranteed redeemable convertible preference shares 2004 of 1p each issued by Aegis (Netherlands Antilles) Finance NV.

(e) 11,563 ordinary shares of 5p each were issued on exchange of all the outstanding equity warrants to subscribe for ordinary shares issued by Aegis (Netherlands Antilles) Finance NV.

(f) 68,181,818 variable rate cumulative convertible redeemable preference shares 2003 of 5p each were issued under the open offer to shareholders.

Under the executive share option scheme there were at 31 December 1993, 9,635,000 ordinary shares of 5p each over which the participants have the right to exercise options at prices ranging from 28p to 170p between 6 March 1994 and 4 May 2003.

During the year options over 1,390,000 ordinary shares of 5p each were granted under the terms of the executive share option scheme. No options were exercised during the year.

The variable rate cumulative convertible redeemable preference shares 2003 of 5p each are convertible into fully paid ordinary shares of 5p each at any time from 1 July 1995 on the basis of one ordinary share for each variable rate cumulative convertible redeemable preference share 2003 so converted. Unless otherwise converted or redeemed, the Company shall redeem on 31 December 2003 all of the variable rate cumulative convertible redeemable preference shares 2003 at par plus any premium paid thereon.

As a part of the refinancing during the year warrants to subscribe for 50 million ordinary shares of 5p each were granted. These warrants have an exercise price of 30p each and are exercisable until 9 December 1998.

22 Reserves

Group:	Share premium account (equity) £m	Share premium account (non equity) £m	Capital redemption reserve £m	Revaluation reserve £m	Goodwill reserve £m	Merger reserve £m	Profit & loss account £m
At 1 January 1993							
– as reported	132.6	79.6	—	—	(442.4)	—	57.1
– restatement for 9.75% guaranteed redeemable convertible preference shares 2004 of 1p each issued by a subsidiary	—	(71.2)	—	—	—	—	—
– restatement for refinancing costs written-off under FRS4	2.0	—	—	—	—	—	(2.0)
As restated	134.6	8.4	—	—	(442.4)	—	55.1
Transfers	2.2	(2.2)	—	—	—	—	—
Conversion, issue and redemption of shares by the Company, less expenses	124.9	5.1	0.2	—	0.2	—	(2.7)
Goodwill arising in the year written-off	—	—	—	—	(19.2)	—	—
Exchange adjustments	—	—	—	—	3.4	—	0.1
Retained loss for the year	—	—	—	—	—	—	(29.3)
At 31 December 1993	261.7	11.3	0.2	—	(458.0)	—	23.2

The cumulative amount of goodwill resulting from acquisitions during the year ended 31 December 1993 and prior years, net of goodwill attributable to subsidiary undertakings disposed of prior to 31 December 1993, amounted to £458.0 million (1992: £442.4 million).

Company:	Share premium account (equity) £m	Share premium account (non equity) £m	Capital redemption reserve £m	Revaluation reserve £m	Goodwill reserve £m	Merger reserve £m	Profit & loss account £m
At 1 January 1993							
– as reported	132.6	8.4	—	5.3	—	12.8	20.9
– *restatement for refinancing costs written-off under FRS4*	2.0	—	—	—	—	—	(2.0)
As restated	134.6	8.4	—	5.3	—	12.8	18.9
Transfers	2.2	(2.2)	—	—	—	—	—
Conversion, issue and redemption of shares by the Company, less expenses	124.9	5.1	0.2	—	—	0.2	(2.7)
Revaluation of subsidiary undertakings	—	—	—	(5.3)	—	—	—
Retained loss for the year	—	—	—	—	—	—	(221.6)
At 31 December 1993	261.7	11.3	0.2	—	—	13.0	(205.4)

The Company has not presented its own profit and loss account as permitted by Section 230 (1) of the Companies Act 1985. The loss dealt with in the accounts of the Company for the 12 months to 31 December 1993 was £221.3 million (12 months to 31 December 1992: loss of £36.2 million).

As a result of write-downs of certain Group investments and amounts due from Group undertakings, the Company has a deficit on its profit and loss account. It is intended to propose to shareholders and make application to the UK High Court to transfer part of the credit on share premium account to a special reserve from which a transfer of £205.4 million will be made to the profit and loss account.

The special reserve is expected be available to provide for any future losses of the Company but will not be distributable until the creditors of the Company at the date when the reduction takes effect have been paid or have consented. The proposal will be described in detail in a circular to be sent to shareholders and to be dated 26 May 1994.

22 Reserves *continued*

Set out below is an illustrative pro forma Company balance sheet at 31 December 1993 showing the potential impact of the proposed reserves transfer referred to above:

	31 December 1993 £m	Adjustments £m	Pro Forma 31 December 1993 £m
Fixed assets	121.7	—	121.7
Net current assets	12.4	—	12.4
Creditors falling due after more than one year	(5.5)	—	(5.5)
Provisions for liabilities and charges	(4.1)	—	(4.1)
	124.5	—	124.5
Share capital			
– equity	40.3	—	40.3
– non-equity	3.4	—	3.4
Share premium			
– equity	261.7	(233.3)	28.4
– non-equity	11.3	—	11.3
Capital redemption reserve	0.2	—	0.2
Special reserve	—	27.9	27.9
Merger reserve	13.0	—	13.0
Profit and loss account	(205.4)	205.4	—
	124.5	—	124.5

23 Acquisitions

During 1993 the Group made additional payments to acquire further interests in certain of its subsidiary undertakings from minority shareholders. These payments arose principally in respect of the acquisition of the remaining 50% of HMS in December 1993 and totalled £14.4 million including acquisition costs. As the payments were made in respect of undertakings already included in the Group accounts, the consideration rendered, net of minority interests extinguished of £1.4 million, has been taken to goodwill arising in the year.

24 Contingent liabilities and other commitments not provided

Capital payments

Additional capital payments may be made to the vendors of certain subsidiary undertakings in the years to 1995. The Directors estimate that, at the rates of exchange ruling at the balance sheet date, the liability at 31 December 1993 for payments that are due is as follows:

	£m
Within one year	4.4
Between one and five years	4.0
	8.4

At the Group's discretion, up to £1.9 million of the payments noted above may be discharged in the form of ordinary shares.

In addition to the capital payments set out above, there are certain put options exercisable between 1994 and 2004 within Carat companies in Scandinavia, Greece, France, Spain, Belgium and the United Kingdom. The value of the put options is based upon the profitability of the individual companies. The Directors estimate the value of these contingent liabilities to be approximately £20.0 million at year end exchange rates.

24 Contingent liabilities and other commitments not provided *continued*

Guarantees
Guarantees of £17.8 million (1992: £15.2 million) have been given by the Company on behalf of its subsidiaries together with other guarantees and contingencies arising in the normal course of business.

Included in cash at 31 December 1993 is £4.9 million (1992: £nil) to secure a loan provided to an executive share option scheme as well as £10.8 million (1992: £6.2 million) in respect of certain media guarantees.

Litigation
In April 1991, the Company was served with a complaint brought in a New York Federal Court against the Company and various of its subsidiaries and officers, by C&W Associates Inc and others. The plaintiffs claim that various improprieties by Aegis and others took place in connection with negotiations regarding, and the formation of, entities for the purpose of promoting and marketing the sport of soccer in the USA. The basis of the complaint is fraud and breach of fiduciary duties. It is expressed to be for US$86 million plus triple and punitive damages, although this sum is nowhere quantified in the complaint and evidence has neither been put forward by the plaintiffs nor seen by the defendants to justify this sum.

In January 1994, the plaintiffs in the federal case commenced a similar action in a New York State Court. Although the Company is not a defendant in this action, certain defendants therein have called upon the Company to defend the claims under a contractual indemnity. It is not expected that the outcome of the state action will materially increase any potential liability of the Company.

The parties are in the process of discovery and the trial is likely to take place during 1994. The Directors, having taken legal advice, believe that the impact of this claim will not have a substantial effect on Group results.

Lease commitments
At 31 December 1993, there were the following annual commitments in respect of non-cancellable operating leases for the following year:

	Group		Company	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases that expire:				
Within one year	0.3	0.2	—	—
Between one and five years	2.0	20.9	—	0.1
After more than five years	2.9	0.1	0.6	—
	5.2	21.2	0.6	0.1

Notice is hereby given that the Annual General Meeting of the Company will be held at 10:30 am on Monday 20 June 1994 at 2 Eaton Gate, London SW1W 9BL for the purpose of transacting the ordinary business of the Annual General Meeting set out in resolutions 1 to 6, and special business, when resolution 7 will be proposed as an ordinary resolution and resolutions 8 and 9 as special resolutions.

Ordinary business

1. To receive the statement of accounts for the financial year ended 31 December 1993 and the reports of the Directors and auditors thereon.
2. To re-elect as a Director of the Company, C Hochman who retires by rotation and, being eligible, offers himself for re-election.
3. To re-elect as a Director of the Company, F S Law, CBE who retires by rotation and, being eligible, offers himself for re-election.
4. To re-elect as a Director of the Company, J L Vogelstein who retires by rotation and, being eligible, offers himself for re-election.
5. To re-elect as a Director of the Company, F J Meyer who was appointed since the last Annual General Meeting of the Company and, being eligible, offers himself for re-election.
6. To re-appoint Price Waterhouse as auditors of the Company, and to authorise the Directors to fix their remuneration.

Special business

7. That the Directors be and they are hereby generally and unconditionally authorised (in substitution for the authority granted to the Directors by the resolution numbered 6 (D) passed at the Extraordinary General Meeting of the Company held on 12 November 1993, except insofar as allotments, or offers or agreements to allot, have already been made pursuant to that authority) to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £13,428,494 provided that this authority shall (unless previously revoked or varied by the Company in general meeting) expire at the conclusion of the Annual General Meeting of the Company to be held in 1995, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
8. That subject to the passing of resolution 7 above, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by the said resolution 7 above as if section 89(1) of the said Act did not apply to any such allotment, provided that this power shall be limited:
   (a) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares of 5p each, variable rate convertible cumulative redeemable preference shares 2003 of 5p each and other persons entitled to participate therein, in proportion as nearly as may be to such holders' entitlements pursuant to the Articles of Association or the class rights attaching to such securities and subject to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body in, any territory; and
   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £2,015,000

and shall expire (unless previously revoked or varied by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 1995, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

9. The Company be and it is hereby unconditionally authorised to make market purchases (as defined in section 163(3) of the Companies Act 1985) of its ordinary shares of 5p each on the International Stock Exchange of the United Kingdom and Republic of Ireland Limited upon and subject to the following conditions:
   (a) the maximum number of shares which may be purchased is 40,299,000 ordinary shares (approximately 5% of the present issued capital of the class);
   (b) the maximum price at which any share may be purchased is the price equal to 5% above the average of the middle market quotations of such share as derived from the Daily Official List of the International Stock Exchange of the United Kingdom and Republic of Ireland Limited for the ten business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share; and
   (c) the authority conferred by this resolution shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1995, save that the Company may before such expiry make a contract to purchase shares which would or might be executed wholly or partly after such expiry and may make a purchase of shares pursuant to such contract as if the authority conferred by this resolution had not expired.

Notes

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A proxy form is enclosed for your use and, if used, should be deposited with the Company's Registrars (The Royal Bank of Scotland plc, P O Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG) not less than 48 hours before the time appointed for the holding of the meeting. Completion of the proxy form will not affect the right of a member to attend and vote at the meeting.

Holders of the variable rate convertible cumulative redeemable preference shares 2003 of 5p each, while entitled to receive notice of and to attend the meeting, are not entitled to vote thereat either in person or by proxy, unless they are also holders of ordinary shares.

During the period from the date of this Notice until the date of the meeting, there will be available for inspection at 2 Eaton Gate, London SW1W 9BL during normal business hours on any weekday and on the date of the meeting until the conclusion of the meeting:
(a) copies of all Directors' service contracts with the Company or its subsidiaries of more than one year's duration; and
(b) particulars of transactions of Directors and their family interests in the shares of the Company up to and including the date of this Notice.

By order of the Board

E A Richardson
Secretary

6 Eaton Gate
London SW1W 9BL

26 May 1994

Financial calendar

14 April 1994
Preliminary announcement of full year results

26 May 1994
Publication of annual report

20 June 1994
Annual General Meeting

Daily share price listing (London)

System	Share type	Access code
TOPIC	ordinary	205
SEAQ	ordinary	50032
REUTERS	ordinary	AGS.L

Five year record

	6 months to 31 December 1989 (as restated) £m	12 months to 31 December 1990 (as restated) £m	12 months to 31 December 1991 (as restated) £m	12 months to 31 December 1992 (as restated) £m	12 months to 31 December 1993 £m
Turnover	345.2	1,717.3	2,109.3	2,845.3	2,748.4
Profit/(loss) before taxation	44.5	69.9	54.4	(10.9)	(18.1)
Taxation	7.6	25.7	20.9	12.6	5.5
Profit after taxation	36.9	44.2	33.5	(23.5)	(23.6)
Retained profit/(loss)	32.1	25.3	14.8	(30.6)	(29.3)
Earnings/(loss) per ordinary share (basic)	60.85p	39.23p	19.85p	(20.8)p	(12.1)p
Dividends per ordinary share	2.50p	5.85p	5.85p	1.375p	nil

Notes to five year record

The five year record has been restated to give effect to:

(i) The adoption of FRS4 in 1993 as explained in Note 1 to the Group accounts (1992 amounts restated only);

(ii) The bonus element inherent in the issue of shares during 1993 upon earnings per share (five year record restated).

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