AEGIS GROUP PLC

Annual Report and Accounts 2007

Company Number: 1403668

A E G I S

Reflecting our confidence in the excellent health of your Company, and the Board's view that dividends form one important element of shareholder return, we are proposing to increase the total 2007 dividend by 21.1% to 2.3p.

In 2007, it became more important than ever to focus on the future, while keeping our feet firmly planted on the ground Uncertainty in the financial world and fundamental structural change reshaping our industries continued to make waves Our markets, however, remained healthy, and our competitive advantages meant that Aegis delivered an 11th year of above market growth – coming both from new and established territories and disciplines

It was a challenging year in the global stock markets, with the fall-out from the US credit crunch severely affecting investor confidence around the globe The media sector – and in particular agency groups like ours – were not immune to this change in sentiment As a result, shareholder returns were disappointing right across our industry Nonetheless, we believe our business model is resilient and that our prospects remain bright in spite of whatever challenges 2008 may bring

The availability of new technologies and media fragmentation continue to have a material effect on consumers' behaviour as they take advantage of increased leisure choices and the opportunity to influence the media agenda as never before The internet alone has ensured that consumers are no longer an audience, they are now a community with which a business must have a dialogue, an interaction not just confined to an eight-week marketing campaign but through the full 52 weeks of the year

These new behaviours also mean that an understanding of what people are doing and why they are doing it has greater currency The market research industry is seeing structural demand growth as businesses scramble to remain competitive in old and new markets alike Significant growth in the emerging economies is helping to fuel this demand, along with the increasing sophistication of consumers right across the globe

Against this backdrop, Aegis grew revenue at 9 8% organically, twice as fast as the market, and ahead of all our competitors Revenue rose by 14 2% at constant currency to £1,106 4 million (2006 £996 9 million), with underlying pre-tax profit up 16 0% at constant currency to £132 7 million (2006 £116 2 million) Underlying diluted earnings per share grew 18 8% at constant currency to 8 2p from 7 0p in 2006

Reflecting our confidence in the excellent health of your Company, and the Board's view that dividends form one important element of shareholder return, we are proposing to increase the total 2007 dividend by 21 1% to 2 3p

The execution of our strategy to expand our services in both digital and emerging markets developed well, with particular success in digital One quarter of Aegis Media's revenue came from digital last year, far above our nearest competitor, and 20% of our Group revenue came from emerging markets In 2008 we would expect both those percentages to grow further

New assignments were won right across the Group, both locally and internationally In both Aegis Media and Synovate, more and more clients want to appoint partners to work across regions, and increasingly in some cases, globally We are investing for this trend in Aegis Media and Synovate expanding our global account management in both businesses

These 2007 results show once again that it is our 15 200 people who really count at Aegis Our culture of innovation and entrepreneurialism provides a key differentiator to our competitors In 2007 we welcomed almost 1,300 more employees to the Group, as a result of our expansion and through acquisitions Among these were Alicja Lesniak, our Group chief financial officer Alicja joined us in March, following the relocation of her predecessor, Jeremy Hicks, to the US With 25 years previously spent in the agency world, Alicja has already made a significant contribution to our Group

Dialogue with our shareholders remained active and fruitful Our largest shareholder, Bollore Group, twice called for a shareholder vote on the subject of Board representation On both occasions, this proposal was rejected by a majority of voting shareholders on corporate governance grounds

Looking forward, we are cautiously optimistic about the outlook for 2008 Trading so far this year has been healthy Nonetheless, we remain alert for possible signs of softening and ready to take appropriate action to protect our profitability Against this backdrop, we expect to deliver a further good year, thanks to Aegis' superior services, our recent new business wins, the 17 acquisitions we made in 2007, and Isobar's unique position as the world's largest digital agency network

Our strategic aim is to create sustainable and profitable growth, ahead of the global advertising and market research industries. We will do this by continuously innovating in marketing communications – both in our products and services, and the way we run our businesses – in order to build effective bridges between our clients' brands and their consumers.

Our framework

Closer than ever to clients

Clients are the most important consideration in almost everything we do in our businesses Our strategic focus is on winning and retaining their business, and applying all our resources to help solve their business problems

We work hard to make our client relationships as productive and efficient as they can be for both parties That means offering clients more services, and extending the geographies where we carry out work for them It also means having the flexibility to mould our own internal teams and structures to mirror their own, and to answer their needs

Investing for organic growth

Our aim is to have organic revenue growth that is faster than our competitors' We achieve this through investment in our business to drive innovation and new solutions

That investment can take many forms hiring new talent, acquiring companies that will fit well within Aegis Media or Synovate's existing network, and developing our own tools, models, platforms and technologies in-house

Transformation of our business

With the world around us transforming, we are determined to remain ahead of the curve Digital is everywhere today, and we see emerging business models on all fronts in the consumer's own home, with our media partners, in our clients' worlds, and in our own business And emerging markets and new technologies are letting us develop new ways of carrying out our client work and our back-office functions alike

In both businesses, we are constantly evolving our own ways of working making behind-the-scenes investment across all our businesses in new software and systems to improve our service to clients while constantly increasing our own efficiency

Key performance indicators in detail

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

Ours is a very competitive industry, where successful businesses have to perform on a number of fronts to grow and prosper These include

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

Many of our client contracts are structured to incentivise us to deliver to specific targets on productivity levels and client service

We also use a number of non-financial KPIs across our businesses These differ by type of business and geographic region In many cases we consider them to be commercially sensitive and it would not be appropriate to publish them externally

For these reasons, we consider our overall financial performance to be the best measure of the value we can create for our clients, and hence for our shareholders In addition, last year, we highlighted the four specific KPIs set out below and on the facing page as further measures of our business progress

Having reviewed these KPIs, we continue to believe they are a useful guide to the successful execution of our strategy Where possible, we will generally look to broadly maintain or improve on each of these KPIs year-on-year, and where that is not the case, to explain why not

1. Group organic revenue growth versus our markets

We calculate organic growth by adjusting for acquisitions and currency movements We treat all acquisitions as if they had been in the Group for the comparable period in the prior year

Group organic revenue growth in 2007 was 9 8%, up from 7 7% in 2006 This was well above growth in the global advertising market at 4 6%, and in market research at 5 2% It was also higher than every one of our major competitors

2. Underlying operating margins
We calculate operating margin as a percentage of operating profit before associates over revenue

Our underlying operating margin eased 30bps in Aegis Media, to 20 0% (2006 20 3%), largely as a result of planned investment to position Aegis Media for future growth Synovate's operating margin improved by 40bps to 8 1% (2006 7 7%), reflecting excellent cost control and measures to reduce our underlying cost base through more efficient ways of working

As a result of these two movements, Group operating margin was slightly down year-on-year at 13 2% (2006 13 3%)

3. TSR relative to our sector
Total shareholder return (TSR) measures appreciation or decline in the share price, and assumes all net dividends paid are reinvested All figures are calculated in Sterling

In 2007 concerns about the global economic outlook impacted the performance of agency groups As a result, Aegis' TSR was disappointing We delivered a TSR of −14% against a FTSE Media sector TSR of +1% An international agency group (consisting of GfK, Havas, Interpublic Group, Ipsos, Omnicom, Publicis, TNS and WPP) delivered TSR broadly in line with our own, at −10%

4. International relationships with our largest clients
In 2007 we worked for our 20 largest Aegis Media clients in an average of 23 countries up from 22 for the same client universe in 2006 We worked with them in an average of eight product areas, up from seven in 2006 And, we worked for Synovate's 16 largest clients – making up the Tier 1 and 2 Global Client Relationship accounts – in an average of 23 countries, and up from 19 in 2006

Priorities for 2008

In 2008, we will continue to deliver on our strategic framework through a number of initiatives, including those set out here

Aegis Media

Closer to clients
- Investment in global client-facing resource to deliver account management benefits for major clients,

Investing in organic growth
- Further roll-out of network specialisms, including search, sponsorship and experiential and mobile,
- Further development of tools and solutions,

Business transformation
- Monitoring and assessment of a number of agency 'integration' pilots,
- Continued development in digital through acquisitions and network innovation

Synovate

Closer to clients
- Optimising our existing Global Client Relationships programme,
- Global roll-out of new local client relationships initiative,

Investing in organic growth
- Active programme of tool development including re-purposing of existing solutions,
- Further roll-out of network specialisms, including industry practices and specialist solutions,

Business transformation
- Aggressive targets for offshoring data-processing from 14 highest cost markets,
- New outsourcing partnerships in CATI for highest cost markets

The big picture

Platform convergence, media fragmentation and the advance of digital are no longer merely buzz phrases Today, these transformational trends are a reality, providing consumers with a dizzying array of new ways to find information, entertain themselves, communicate with others and build communities of interest This is having a far-reaching effect on consumer behaviour in all its forms, and in turn on any business which concerns itself with understanding or talking to consumers

Take the UK Until recently, people spent time at home watching or listening to a handful of TV and radio channels Now, they have hundreds of TV and radio channels, both traditional and on-demand, alongside millions of pages, forums, communities, podcasts, games and download sites on the internet and mobile phones at their fingertips Consumers are taking control of what they watch, what they listen to and how they communicate

The statistics show how and where The number of high-speed broadband connections globally is growing swiftly, predicted to be a third of the world's 1 5 billion online connections in 2008 At 3 3 billion mobile subscriptions, there is now one mobile for every two members of the world's population, with Western Europe and Russia boasting a penetration of over 100% Digital TV take-up continues to grow, with nearly half of TV households worldwide forecast to be digital by end of 2012 China is driving the growth, and will account for a quarter of all digital TV households by 2012 Today's teenagers – dubbed 'digital natives' – are predicted to spend 80% of their waking time with digital media by the end of this decade As a result, our job – both in Aegis Media and Synovate – is to navigate the seismic effects of these changes on how consumers consume interpreting true trends, cutting through hype and providing genuine insight

At the same time the world's businesses and brands are becoming global For cost, technology and efficiency reasons, companies now often look to align their campaigns or research projects across a number of continents This shift in approach is having a significant impact on marketing strategy, procurement and budgets, with growth driven increasingly by emerging markets in more established product categories Below we set out the ways in which these major changes in consumer behaviour and the trend for globalisation will affect our marketplace this year and beyond

The new consumption behaviours

The current phase of change in how we consume media is characterised by a number of trends Some of these originate from the consumer, some from business, all are linked

Media meshing

The sheer number of media outlets available has had a fragmentary effect on traditional mass media channels, especially TV But it's not just that people have more choice, they are increasingly consuming more than one medium at once Known as media meshing, this is characterised by a blurring of the boundaries between activities and the channel or platform

Examples include watching TV while surfing the internet, listening to music or watching videos downloaded on a mobile phone, or streaming radio through the internet and simultaneously chatting with friends through an instant message service These habits can lead to attention deficit or even media saturation, where consumers are being bombarded with so many messages that each loses its efficiency

Media meshing also means it is harder to reach consumers In 1995 it took three TV ads to reach 80% of women in the US By 2000 it took 97 Mass media, while unrivalled in its impact in some situations, no longer provides a de facto scale of audience

Everybody connected to everyone and everything

The internet – whether accessed by a static or mobile device – stands and falls by its ability to enable people to interact Allowing the consumer to tailor information requests, search for products or experiences or play with others online has contributed to its first phase of growth Fast broadband connections now combine swift download speeds with 'always-on' connectivity It is the latter which is driving the internet's next phase of development

Communities, blogs, forums, social networks and contributions from 'amateur' users within the new generation of sites have been dubbed 'web 2 0' by many industry observers It is predicted that this type of activity will grow to be at least one-half of all internet-based content consumption over the next ten years, up from 30% in 2006

Social networks

In 2007, social networking went through exponential growth, particularly in the UK and Europe Consumers use these online sites to augment their offline social lives, interacting with their existing friends and using them as a tool to find other like-minded people Facebook, Bebo and MySpace are interactive communities, not audiences in the traditional sense, and have grown fast over the last 12 months In December 2007, one visit in 50 from a UK internet user was to Facebook

But this space is tricky for advertisers, even for a simple display campaign Content is unregulated and unmonitored, potentially leaving brands vulnerable to negative brand associations Above all, though, media owners have to be careful not to exploit communities, as Facebook found with its Beacon application, which collected data on users' shopping habits to pass onto their friends This caused a significant backlash and accusations of invading privacy when it launched

Done well, however, marketing in this way – either through existing sites or by creating a unique social network – can be very effective A 2007 Aegis Media campaign for Reebok put social networking at the heart of an initiative to change the perception of the brand amongst runners Run Easy was designed to focus on the enjoyment in running The campaign's site, www goruneasy com, offered forums, applications for creating a map of favourite run routes, playlists of running tunes and upload photos

The consumer as producer, creator, commentator

Online, publishing is no longer limited to businesses with a printing press or broadcasting licence Anyone can put a written word, an image or a video into the public domain for all to see making communications much more transparent and empowering for individuals

As a result, there has been an explosion in the number of people who 'create content' online more than half of online teens in the US are reputed to be content creators Consumers are contributing to, and sometimes leading, the agenda for news, opinion, comment and interpretation of everything from individuals to brands

The statistics speak for themselves A new weblog – an online journal or commentary – is created every second of every day Online encyclopaedia Wikipedia has 9 25 million articles in 253 languages Google's video sharing site YouTube serves upwards of 30 million videos a day and photo-sharing portal Flickr had 43 million unique users globally in January 2008

This activity is led by the young As fig 1 shows, over a third of young European consumers online are creating digital or internet content, whilst more than half are 'criticising' or participating in discussions about an opinion or a news story

Search at the heart of internet behaviour

Over 50% of users say they search online at least once a day (fig 3) Search engines have partly or wholly taken over from a number of important offline behaviours Trawling the high street for a new item of clothing or present for a friend, buying a newspaper, researching an essay or potential new employer, visiting a travel agent can be replaced by a visit to a search engine As a result, they have become a powerful marketing tool Search engines are now cited in research as the single greatest source of influence when making a purchasing decision online (fig 4)

But what impact will these behaviours have for those seeking to understand changing consumer behaviour? What opportunities and what threats do they present? And how are they redefining the media landscape?

With search acting as the gateway for so many online and offline actions it is increasingly the key to the way media is planned, and the source of reliable, real-time, predictable data Outlined next is how this will affect the media landscape of the future

New search: a database of intentions

Search advertising will make up around 43% of digital marketing spend in 2008 The big search engines, dominated by Google, are already in hot pursuit of the next generation of search tools While website search results are already sorted by relevance (according to how many other pages link to and from them) there are further developments in the pipeline Personalisation will require signing in to an engine, so it can record your search preferences This will enable the engine to factor in your location, age and gender and 'learn' your likes and dislikes, delivering better results

Searching video is also a work in progress At the moment, word tags are attached to a video allowing it to be categorised This is only really suitable for very short clips Since videos are both visual and audio – and could be feature-length films – indexing is complex With six in 10 US internet users watching online video content every week, being able to index audio-visual content is crucial for the growth of the online TV market and the advertising that will help to fund it

Due to its influence on and by other media consumption, marketers are increasingly looking to put search at the heart of their planning strategy Some agencies are devising tools which allow measurement of the impact of each medium on a consumer's search behaviour in real-time alongside the impact of each medium on each other Since an individual's behaviours work as a mix across many different media, this is a necessary and welcome route for improving planning, measurement and return on investment for a marketing initiative

Analytics and insight

The fragmentary behaviours described above make people very difficult to categorise, rendering the old definitions of consumer groups by demographics alone much less useful Analysis of information needs to go beyond trends to reach an empathy with consumers, and a way of predicting behaviour on an ongoing basis rather than just an isolated response to a particular stimulus Added to this, businesses need to understand every aspect of their communications with consumers across more than one territory

The 'holy grail' is combining behavioural and attitudinal data to reach a more robust predictive model for what a consumer will do, reducing the need for real-time experiments and spending money in a much more efficient, effective and targeted way Synovate Aztec has already begun to do this in a retail setting, and with our acquisition of SPSL we will now look for opportunities in customer and purchase tracking, marrying retail data with real-time footfall information to create a realistic picture of how a consumer behaves in a retail environment

The major hurdles to reaching this are primarily practical Some of the bigger internet-based media owners are building or acquiring the ability to measure effectiveness But most platforms are far from comprehensive Tracking new media can be very difficult, especially with regard to ownership of the customer data For example, in mobile each network provider owns proprietary data about its users But unifying this would take a common tracking system Apart from the reluctance of the networks to share data with their competitors, devising a system to work on all phones has so far proven prohibitively complex Similar issues exist with measuring 'in-game' advertising There is also the issue of amalgamating data from different sources – different media owners – to see what a customer is doing on all platforms, rather than just the internet

In addition, consumers are beginning to wake up to the fact that their behaviour is being tracked, particularly online They have become aware of the value of this data This affects response rates As a result, getting insight takes on a different tone By using the internet, brands can incentivise – and understand – the consumer on a much wider scale than before

Broadly speaking, all this leads to complexity The more data there is, the more important it is that insight is based on sound techniques Making life easier for those who have to make sense of data with tools for collating, interpreting, presenting and comparing insights must now be at the top of any market researcher's to do list, along with the traditional values of data integrity and accuracy And now, we can also do this in partnership with new data 'owners' like search engines or social networking sites

Defining the media landscape

So-called 'traditional' media (TV, radio, newspapers, magazines, outdoor, cinema) commanded well over 90% of global expenditure in 2007 and look set to do so again this year So for all that digital is changing consumer behaviour, its share of global ad spend is still in single digits

In the US, people spend 29% of their time with non-traditional media like mobile and online, while the internet only makes up 8% of spend (fig 6) This reveals a significant discrepancy between behaviour and where advertisers are putting their money

Of course, one online display ad carries a very different cost to a 30-second spot during peak time at a top commercial television broadcaster But it does show that advertisers – and perhaps some media owners – need to catch up

Catching up means even more rapid growth in the digital sector and a period of intense learning for businesses as every industry rushes to understand and capitalise on potential competitive advantages Agencies and the market research sector are both ideally placed to advise and provide the insight described above

For the marketing industry, these changes can seem daunting But they will make the agency model more relevant, not less Creating time with consumers is at the heart of a marketer's challenges not just interacting with consumers over an eight week campaign, but for seven days a week, 52 weeks a year In an 'on-demand' economy and culture, the consumer has much more control of the agenda, and opportunity to disrupt it Traditional advertisements, which interrupt what a consumer is doing to bring them a brand message, are more likely to be skipped, ignored or disregarded

This means that communications have to go beyond consumers' expectations They must be targeted, relevant and engaging, not an interruption The role of advertising agencies will be to provide brand stewardship, based on consumer insight gained from intelligent data analysis, the creation of compelling, engaging properties, delivering measurable, high ROI-generating execution across multiple channels

Globalisation

For business, the world is becoming a smaller place Countries, and even continents, no longer operate in isolation This is a result of three major trends First, the fast-growing economies of developing countries have opened up geographical boundaries Second, the leaps and bounds of technology and the internet, mean that a message is global, whether this is desired or not Last is the trend to drive down costs, operating on a global basis offers economies of standardisation

World's largest countries by population, millions

	2007		2050
China	1 329	India	1,658
India	1 169	China	1 409
USA	306	USA	402
Indonesia	232	Indonesia	297
Brazil	192	Pakistan	292
Pakistan	164	Nigeria	289
Bangladesh	159	Brazil	254
Nigeria	148	Bangladesh	254
Russia	142	Dem Rep of the Congo	187
Japan	128	Ethiopia	183

Source: United Nations

Traditional markets like Western Europe and North America continue to grow in single digits But it is emerging countries like Brazil, Russia, India and China, with 43% of the world's population, which are fuelling the real global growth in percentage terms, even though the developed markets still hold the lion's share Hot on the heels of these four are countries like Bangladesh, Egypt, Indonesia and Mexico These are amongst the fastest growing economies, attracting rising investment in to the regions and with rapidly increasing consumer awareness of brands and technology The surge in demand for both market research and marketing services is coming from local businesses and established brands from more developed regions As a result, a presence in these areas offers opportunities with both new and existing clients

Technology can also play a part The internet is not curtailed by geographical boundaries, increasing the need for strategic alignment across borders in a campaign or research study Take-up of platforms is following a much more rapid path than western markets, with mobile 'leapfrogging' the PC as the device of choice, meaning that in some cases these new markets are developing digital content and expertise more quickly than established regions In addition, more of the bigger clients are buying centrally For example, four-fifths of the top 100 advertisers in 2007 had a consolidated or roster arrangement, up from two-thirds in 2003

Bigger projects in more than one country bring difficulties, not least managing the pricing and management pressures of a consolidated budget, but also understanding and interpreting cultural bias across nationalities The biggest challenge of all in global operations, however, is to retain the right blend of specialism versus generalism to protect experts at the same time as encouraging and enabling them to work as part of a much bigger entity This is an extremely delicate balance to achieve and requires ongoing commitment from staff at all levels But once achieved, it delivers a culture which is beneficial for employees and clients alike

Ultimately, however, the opportunities of this trend are clear Agencies can provide a full range of services to one client across a number of territories, making the process of planning, managing and executing a campaign or research brief across continents much simpler and easier, and boosting revenue in the process

Aegis delivered an extremely competitive performance in 2007. Both Aegis Media and Synovate significantly outgrew their industries once again.

As a result, Aegis achieved organic revenue growth of 9 8% the highest rate of any global marketing communications group, and an 11th consecutive year of industry out-performance Organic growth was ahead of the total regional market in every one of our reported business segments

Largely as a result of this organic growth, the Group delivered double-digit growth at constant currency in turnover (+16 2%), revenue (+14 2%), underlying profit before interest and tax (+13 7%) and underlying profit before tax (+16 0%)

Underlying earnings per share on a fully diluted basis increased by 18 8% at constant currency Our reported results reflect the weakness of the US dollar, which accounted for some 31 2% of Group revenue in 2007 (2006 33 6%), with average exchange rates down 8 6% against sterling year-on-year

Reflecting this strong 2007 performance and our continued prospects for good growth and industry out performance, the Board has proposed an increase of 24 3% in the final dividend, representing a 21 1% increase in the total dividend for the year

We also made good progress on our primary strategic goals in both Aegis Media and Synovate increasing revenue from global clients, putting in place foundations for future years' organic growth through global account management resource, new products and services and our programme of business transformation

We strengthened the Group through a total of 17 acquisitions, bringing in new services with the potential to be scaled throughout our networks Their integration has gone well Our acquisition investment was particularly focused on further geographic expansion, particularly in emerging markets, digital and new technologies at Aegis Media and on new intellectual property at Synovate

Although the market for both media communications services and market research remains highly competitive, trading conditions were generally favourable throughout the year, with good demand for our services from existing and new clients Our markets remained dynamic, with major shifts taking place in the allocation of marketing resources both geographically and by activity

In anticipation of these market developments, we continued to move the Aegis Media offering from regional to global, reflected in successful international pitches, the creation of new global client resources and specialist practices and the roll-out of key brands and services to new markets In 2007, more than one quarter of Aegis Media's revenue came from digital marketing services, the fastest growing part of our industry We expect that percentage to increase further in 2008

At Synovate, we saw further excellent results from the second full year of our Global Client Relationship initiative Product innovation also continued to help drive performance and we made a number of significant steps in delivering the operational transformation of Synovate through the SmartWork programme designed to reduce cost through offshoring, outsourcing and deployment of technology across all areas of the business

Outlook

After a strong finish to 2007, trading since the start of 2008 has been healthy across the Group However in light of greater uncertainty about global economic prospects, we remain alert to any signs of softening and are taking external factors into account in respect of our business planning and investments in the course of 2008 We remain cautiously optimistic about the prospects for Aegis in 2008 We expect to deliver further good underlying performance at constant currency this year, based on a number of Aegis-specific factors

- we expect our own organic revenue growth to exceed market growth in both Aegis Media and Synovate once again,
- at Aegis Media, we will benefit from US$1 668 billion of net new business won in 2007, our leadership in digital services, new technologies and services, and our investment in global client resource,
- at Synovate, we expect to continue to deliver superior growth rates from our global client relationship programme and development of new products and services,
- we will benefit from a full year contribution of the 17 acquisitions made in 2007, and the four made so far in 2008,
- we expect to broadly maintain Aegis Media's margin at its industry-leading level,
- we will also target further operating efficiencies at Synovate, and
- we expect our net interest charge to reflect a higher level of average net debt and our underlying effective tax rate to remain broadly in line with our 2007 underlying effective tax rate

Business review

Aegis Media

Revenue £m	2007	2006	Change	CC change*
EMEA	**471.1**	418 1	+12 7%	+12 4%
Americas	**153.7**	133 1	+15 5%	+25 0%
Asia-Pacific	**48.6**	44 5	+9 2%	+12 2%
Worldwide	**673.4**	595 7	+13 0%	+15 0%
Underlying operating profit	**134.4**	121 1	+11 0%	+11 9%
Underlying operating margin	**20.0%**	20 3%	(30)bps	

*Constant currency

Total revenue at Aegis Media increased 15 0% to £673 4 million (2006 £595 7 million) on a constant currency basis, and 13 0% at reported rates Organic revenue growth of 10 3% was well ahead of the global advertising market, which we estimate to have grown at 4 6% globally

Underlying operating profit was up 11 9% on a constant currency basis, and 11 0% at reported rates, to £134 4 million (2006 £121 1 million) Underlying operating margins of 20 0% (2006 20 3%) remained best-in-class for our industry, in spite of increased investment in resources to win and service global clients

Aegis Media achieved significant success in local and international pitches during 2007 Net new business of US$1,667 5 million (2006 US$2,691 7 million) followed an exceptional performance the previous year and reflects Aegis Media's global leadership in insight (including CCS, our proprietary consumer research, the largest study of its type), our planning and measurement tools, both on and offline, our consumer-planning led approach, our leadership in digital and the strength of our media buying operation In December, Carat was named Campaign's 2007 Media Network of the Year for the second year running

Key wins included Twentieth Century Fox in 18 markets by Vizeum, Johnson & Johnson across EMEA by Aegis Media and Mattel globally by Carat We successfully expanded a number of existing client relationships, including our appointment by Renault in the Nordics, Procter & Gamble in China and The Coca-Cola Company in the UK We also retained a number of significant client relationships in review, including Carat's global Philips account and Pernod Ricard in the USA and a number of European markets in Vizeum We do not include retentions in our net new business total

Additional wins in the period included Birds Eye in the UK, Eau Eclarte in France, Red Bull in Portugal, EON in Spain, GEOX in Italy, Bang & Olufsen, Outback Steakhouses and Discover Financial Services in the USA, Subway in Canada, ABN Amro, Korean Air and LG Shine across the Asia-Pacific region, Energy Australia in Australia, Procter & Gamble's Pampers and Whisper brands in China, and Nikon in Japan

We have concentrated investment in the year on building our capability to service global clients across all our brands We doubled the size of Isobar's global client resource, established in 2006, and we have also restructured Carat and Vizeum's international client services around a new team of senior client presidents, drawing on internal appointments and new hires We have put in place new shared resources for global insight, investment management and data

We have also developed our capability to provide integrated services We believe our heritage in consumer insight and accountability, along with a unique structure, gives us a natural advantage in providing full-service solutions For example, in the US, Carat was behind the use of over 350,000 personalised text messages and phone calls with pioneering use of callback, webisodes starring NBA players and offline media to recruit teens to adidas's 'Basketball is a Brotherhood' cause Brand favourability more than doubled, and 72% of all participants said the campaign made them 'think differently about their lives' We have also established a central team to work on defining and sharing best practice approaches around the world and will be launching the next generation of our three key communications planning frameworks – Carat 3C's, The Vizeum Way and Isobar's Creating Time® – in the course of this year

Isobar, our digital marketing agency network, had another exceptional year of growth We exceeded our target of one quarter of Aegis Media revenue from Isobar, at 26% it was up from 20% in 2006 and over three times ahead of the wider marketplace Isobar agencies continued to lead the field in digital marketing, taking more awards at the Webbies and the Cannes

Cyber Lions than any other network, with five Webbies and eight Cyber Lions in 2007 Ground-breaking work in the year included Farfar s Heidies campaign for the launch of Diesel underwear, a Grand Prix winner at Cannes, and wwwins' search-led interactive online soap opera for Yahoo! Kimo in Taiwan, which generated almost 20 million search queries in four weeks

Our 2007 digital acquisitions focused on expanding Isobar in emerging markets and bringing new technologies into the Group, such as Marvellous in mobile marketing and Bluestreak in digital ad-serving The technologies and capabilities acquired, along with previous acquisitions such as iProspect in search, are enabling us to create new global data offerings for our clients, integrating proprietary data and analytics for the optimisation of client marketing initiatives By the year end, Isobar was in 38 markets, with Brazil, South Africa, Hong Kong and Switzerland added to the network Isobar was also recognised as the world's largest digital agency network in RECMA's first report on interactive agencies

We started the international roll-out of iProspect and delivered exceptional growth in search engine marketing Acquired in 2004, iProspect's bidding technology and its search engine optimisation capability are both judged industry-leading Today, we have 10 full-service iProspects, of which nine were opened in 2007 We have a further ambitious opening programme for 2008

Posterscope also achieved another year of market out-performance, helped by investment in consumer insight, proprietary tools and technology, continuing momentum from international expansion of the brand and the breadth of our out-of-home offer The long anticipated loss of Mediacom's UK business in the fourth quarter of 2006, following its change in ownership, was more than offset through share gains elsewhere in the UK New international openings in 2007 included Posterscope Netherlands and Posterscope Malaysia, taking the brand into a total of 21 countries worldwide Developments in technology mean that digital out-of-home screens are becoming increasingly commonplace In the UK, Guinness was able to create additional word-of-mouth by taking its 'Hands' advertising idea beyond television and internet into digital out-of-home with positive results

Insight: Antoine Levêque, CEO of Marvellous France, asks what the real potential is for mobile internet in 2008 >

"Much hyped in recent years, mobile internet is finally becoming a reality around 30% of mobile users have access in the US and Europe But what are the real opportunities for brands? And is it just another way of accessing the existing internet?

"Display campaigns on mobile sites are a given, even though audiences are still very small This universe will expand as media owners continue to optimise sites for mobile access and operators finally do away with metered data charges

"But the mobile is not just another way to get the internet it is personal, and it knows where you are So the big opportunity for brands now is to start treating mobiles as well, mobile

"Slick 'designed-for-mobile' applications are straightforward These might exploit the operator billing relationship, allowing users to buy or test products Or tailored location-based services, which could indicate the nearest McDonald's, adidas store or train station Moving forward, 3G connectivity will enable fast downloads of bespoke games, video and music, with sponsorship, pre-roll ads and social networking opportunities as standard

"With the right content, a targeted approach and ease-of-use, these services have the potential to become powerful, indispensable vehicles for brands "

Insight: Nigel Sharrocks, CEO of Aegis Media UK, gets his head around a fragmenting world >

"What we are seeing now is a paradigm shift in how people consume media

"The digital revolution has given consumers control over how they respond to advertising In this new world they can choose what they want, and we need to understand what that means

"Traditionally the advertising industry has operated in silos – above-the-line, below-the-line, direct etc But now things are different and much more fluid We need to know how above-the-line can drive a search strategy, and figure out the best way of getting advertising involved with new formats like video on-demand

"As a company, we want to be at the cutting edge of this change And that has meant reappraising everything about the business – from our systems and processes to the way we think – because what we had was built for a different world

"Clearly things aren't going to change overnight Traditional TV advertising and conventional broadcasting are going to be around for years to come But the challenges we all face are around the fragmentation that the digital age is bringing, and managing the transition between the relative simplicity of an analogue world and the complexities of a multi-dimensional digital one"

Aegis Media EMEA

2007 was another excellent year in Aegis Media EMEA Our digital advantage and a very strong new business performance during 2006 and 2007, including the $800 million GM Europe account, delivered good revenue momentum throughout the year

Revenue at constant currency was up 12 4%, and up 12 7% at reported rates, to £471 1 million (2006 £418 1 million) We enjoyed a generally stable trading environment, although traditional media remained under pressure in many Western European markets

We achieved particularly strong performances in Russia and Eastern Europe, Italy, Spain and the Nordics In each of the three largest European advertising economies of Germany, the UK and France, our organic growth was comfortably ahead of the respective national markets

We continue to pioneer new agency models, with Carat UK, Vizeum UK and Carat France all trialling alternative structures for online – offline integration This has resulted in exceptional client work and new business success, with Carat and Vizeum respectively taking the first and second positions in the Campaign new business league for 2007, and Carat France winning a number of full-service assignments

Our acquisitions included Trigger and Full Circle Media in South Africa, taking us into digital and underpinning our commitment to invest and grow in a rapidly consumerising market, Suddenly Copenhagen, and Suddenly Stockholm (along with the subsequent acquisition of White Sheep in January 2008, completing our Nordics full-service digital offer under the Suddenly brand), Marvellous in mobile in the UK, with international operations and a proprietary technology platform, m-hub, Implicom in trade marketing and retail promotions in France, and Extenseo in search in Belgium, for the iProspect network We also launched Vizeum in South Africa and UK digital brand Diffiniti in Ireland during the year

Aegis Media Americas

Aegis Media Americas grew revenue at 25 0% at constant currency, and 15 5% at reported rates, to £153 7 million (2006 £133 1 million) We experienced strong growth in Mexico, Argentina, Brazil and Canada, with Brazil and Canada both helped by acquisitions in the year Overall, our USA business grew well, delivering above-market organic growth, driven in particular by an exceptional performance in digital and another good year in out-of-home and sponsorship and entertainment marketing

The reduction of two major client budgets at the end of 2006, as reported at the half year, impacted Carat USA's revenue and profitability, although we increased the Aegis Media Americas operating margin year-on-year We took advantage of the opportunity to restructure Carat USA by merging it with Carat Fusion, our largest digital business, creating a new integrated agency model with unique scale in the USA, and have absorbed the cost of restructuring in our underlying results We are reshaping the business with new tools, metrics and an agency-wide emphasis on communications planning, which will enable our planners to work across the full spectrum of marketing services, from media, search, word-of mouth, out-of-home, creative and mobile This has been well received by the US market, and we will continue to innovate in this area

Having launched Posterscope USA in 2006, we saw a further year of very good performance in 2007 We brought HyperSpace, our digital out-of-home offer, to the US Posterscope USA is well placed to make further good progress ahead of the launch of industry-wide out-of-home audience data, Eyes On, in the current year Velocity, our sports and entertainment business, grew well The June acquisition of Vivid Marketing, a full-service event and experiential marketing agency, is proving highly complementary, giving us a unique integrated sponsorship and experiential capability We have also been working on the creation of a free-standing co-ordinated global sponsorship and experiential network This will draw together the skills of our 500 people in 17 countries already active in this area, ahead of a new brand launch in the first half of 2008

We transformed our client proposition in both Canada and Brazil The acquisitions of Genesis Media and Mindblossom in Canada in the second half have enabled us to establish the Vizeum brand in Canada and to offer full-service digital services In Brazil, the acquisition of AgenciaClick brought the leading independent digital agency into Aegis Media, with a worldwide reputation for creativity, having won 16 Cannes Lions The addition of AgenciaClick gives us an extremely solid platform to build on for future growth in the Latin America region, and was a contributing factor to a quadrupling in revenue from Latin America in the period

Aegis Media Asia-Pacific

Revenue at Aegis Media Asia-Pacific increased 12 2% at constant currency to £48 6 million (2006 £44 5 million) and 9 2% at reported rates We significantly strengthened the senior team in the region, including the appointment of new CEOs in Australia, India and North Asia, following the appointment of a new regional CEO in July 2006 We took a number of strategic actions in the course of 2007 which impacted our revenue growth and profitability during the year and leave us with a significantly stronger business These included a new service proposition at Carat Australia, a restructuring in India, where we now operate as a wholly-owned business, and a move from media buying to a pure planning offer in Japan, where a different business model prevails As a result, we saw a year-on-year decline in profitability of our Asia-Pacific business but are very confident of a return to good growth in 2008

Elsewhere in the region we performed well The developing markets of Asia-Pacific continue to drive high growth rates throughout the region We remain the leading player in digital in much of the region, and both Carat and Vizeum enjoy a reputation for competitive, creative work We delivered outstanding growth in China, Korea, Malaysia and Taiwan We benefited from strong market positions in China, where Aegis Media is the number three media agency and a leader in digital, and in Taiwan, where Carat is the market leader

We signed three acquisitions in the region during 2007 The Korean operations of ION Global brought us strategic and technical capabilities in mobile and web-build in the world's most broadband penetrated market ION's Hong Kong operations have given us a base to build the successful wwwins brand in Hong Kong, giving us a presence in the four key cities across Greater China In December we announced an agreement to acquire Heartland, China's leading independent out-of-home agency We also acquired Apollo, the largest independent promotional marketing agency in Australia and New Zealand, reinforcing our sponsorship and entertainment offer in the region

Synovate

Revenue, £m	2007	2006	Change	CC change*
EMEA	**206.4**	183 2	+12 7%	+14 3%
Americas	**132.5**	134 1	(1 2)%	+7 3%
Asia-Pacific	**94.1**	83 9	+12 2%	+18 8%
Worldwide	**433.0**	401 2	+7 9%	+13 0%
Underlying operating profit	**34.9**	30 8	+13 3%	+18 3%
Underlying operating margin	**8.1%**	7 7%	40bps	

*Constant currency

Synovate delivered a year of very strong revenue growth and an improvement in operating margin Synovate's guiding principles of the 3 'i's – international, innovative and integration – continue to underpin our offer to clients and our business success

Revenue of £433 0 million (2006 £401 2 million) was up 13 0%, on a constant currency basis, and 7 9% at reported rates Revenue grew 8 9% organically, making for a third successive year of growth around twice as fast as the industry, which we estimate to have grown at 5 2% in 2007 Synovate's success reflects a number of factors, including our global client relationship programme, product innovation across a number of sectors and growing specialism in industry sectors and areas of research

Synovate's gross profit margin declined 80bps from 63 9% to 63 1% This reflects changes in the 2007 business mix, with a high proportion of pass-through costs in certain studies and an increasing percentage of business from global clients

Underlying operating profit was up 18 3% on a constant currency basis, and 13 3% at reported rates, to £34 9 million (2006 £30 8 million), reversing the half-year decline that arose from the second-half weighting of contract completions Underlying operating margin improved from 7 7% to 8 1% as we offset continuing pressure on pricing from clients with good cost control and operating efficiencies, including moving data collection and processing to lower cost markets

Our global client relationship ('GCR') programme, based around dedicated account management for 16 of Synovate's largest multinational clients, continues to produce excellent results as we increased our share of their market research budgets This client group accounted for 19% of Synovate's revenue in 2007, up from 17% in 2006 We have also launched successful GCR programmes in both Synovate Healthcare and Synovate Motoresearch and have customised the programme for individual markets to roll-out on a national basis for local clients

We created a dedicated global operations team and made very good progress on our operations strategy, following the appointment of Synovate's first COO in 2006 In the summer we opened four data-processing centres in Bulgaria, Malaysia, Egypt and China to service clients at a more competitive cost than we can in developed markets These are already operating well, bringing some early margin improvement, and we have set aggressive targets for utilisation in 2008 Our roll-out of new global technology infrastructure continues We have installed the first modules of WorkBench, our new research platform, and are in the process of completing user acceptance testing of ManageMe, our MIS, as part of first roll-out in China

Our revenue and profit growth was helped by a number of new product launches In 2006 we established a worldwide Brand & Communications practice with 'BrandLab' as our centre of excellence for strategic thinking and new product development in Cape Town, led by Jannie Hofmeyr, an acknowledged leader in brand equity BrandLab's first product, sales prediction tool Brand Value Creator ('BVC'), was launched at the end of 2006 and has delivered exceptional results throughout 2007, with over 400 separate projects undertaken, for many of the world's best-known brands Today BVC can draw on a total of 4 million individual consumer observations An extension of BVC was launched in December 2007 and we have a series of further product launches planned for the Brand and Communications space

Synovate Healthcare delivered another strong performance in 2007 Growth from GCR was particularly strong as we customised this Synovate-wide initiative for pharmaceutical clients In addition, we saw good revenue growth from new product launches, including the development of our forecasting services and new Therapy Monitors in Psychoses in five European markets, Diabetes in China and Oncology in India Along with expanding their geographical reach, we are also transitioning a number of Therapy Monitors online to ensure faster data collection and delivery to our clients In keeping with our strategy to be in all the major and key emerging markets we extended our network to 22 countries with the launch of Synovate Healthcare in Germany, Turkey, Canada and Russia

Synovate Motoresearch also enjoyed a very strong year, with particular success in China and Germany, where our emphasis on key accounts helped us increase revenues from a number of major manufacturers, and good growth in South Africa, where we remain the market leader Our customer satisfaction tool, NADA 24, continues to perform very well Originally designed to give real-time feedback to automotive dealers, the product has also proved popular with manufacturers and we are continuing to customise this service for new segment and geographic applications

Synovate Aztec traded strongly in its heartland of Australia and New Zealand, at the same time as delivering encouraging growth in Thailand and Malaysia Outside this region, Synovate Aztec has now established a presence in South Africa and is establishing its consultancy services in France, Belgium, the UK and Canada

In April we announced an agreement with online data collection specialist GMI as a preferred partner for online research While Synovate has a number of high specification online access panels across the world, in which we continue to invest, we do not believe that the online market is yet at a stage of development to merit start-up panel investment in every market where we operate As a result, we have been able to service clients with online data collection in over 60 markets, without any additional capital investment Through this partnership we have now carried out over 1,000 studies

Insight: Fredrick Marckini, chief global search officer of Isobar, ponders the fiendish maths and verbal subtlety of search strategies >

"All paid advertising – print, radio, TV – drives people to search engines Unless these searchers find you at the top of the results page, they will find your competitors

"That top spot is the 'holy grail' for generating traffic to your site It can be bought, on a 'pay-per-click' (PPC) basis, or it can be sought, by optimising your site for natural search

"PPC is fiendishly complicated Keyword bidding is affected by many variables, including particular keywords, time of day, creative, landing page, click-through rate and even seasonality

"And 70% of searchers click on "natural" search results, not paid ads Optimising a site needs a deep understanding of search engines' algorithms, as well as website architecture

"Attracting links and placing targeted keywords in the parts of the web page deemed important to the search engines is the difference between being found in the top three or on page three of the results

"In addition, search tools are no longer just about text Google already aggregates news, video, images, retail offers and social networking content into its search results

"So marketers need search strategies A lot Eighty per cent of all content is expected to be digital soon, and all content will be digital – and searchable – over time, putting search at the centre of an on-demand world "

Business review

Insight: Jacky Cheung, director of qualitative research at Synovate China, asks where next for China's ,1.3 billion consumers? >

"There's a 'gold rush' mentality in China right now People can be very materialistic, single-minded and – at times – almost ruthless in pursuit of making money

"We have become a nation of triallists There's an obsession with novelty people are eager to try new things For brands, this is a challenge The market is flooded with tempting new products from home and abroad, and as a result brand loyalty is low

"There's an expectation that higher prices mean higher quality But this is tempered in rural areas, where limited disposable incomes put a cap on what people can afford to buy

"It's difficult to predict how this market will evolve – it's moving forward in leaps and bounds, rather than step by step This is most evident in the automotive sector and online – internet users have doubled from 100 million to over 200 million in under two years

"Perhaps all marketers in China should heed the wise words of Deng Xiao Ping '摸着石• • 河' 'Feel for the stones when you're crossing a river ' In other words, take careful steps and keep monitoring the changes"

Synovate EMEA

Revenue grew to £206 4 million (2006 £183 2 million) up 14 3% at constant currency and 12 7% at reported rates Revenue growth in EMEA was powered by a very good year in Central and Eastern Europe and in the Middle East We delivered exceptional growth in a number of these markets, with Russia, the Czech and Slovak Republics, Bulgaria and Hungary standing out in Central and Eastern Europe, and the UAE, Egypt and Tunisia in the Middle East and Africa In the larger markets of Western Europe, we delivered good growth in Germany, where our global client relationship programme delivered gains in the automotive sector The UK market remained highly competitive, but we made good progress being named to major client rosters, which we expect to deliver further success in future years Synovate UK's office move in April will see its 500 people in a single site for the first time

During the year we acquired Interview-NSS in the Netherlands, and its leading product in affluent media research, the European Media and Marketing Service (EMS) Alongside Synovate's PAX, our existing high net worth media survey in Asia, the Middle East and Latin America, we now have coverage in more countries than any other research business The acquisition of Metra Seis in Spain strengthened Synovate Spain with greater scale and complements our existing position in qualitative with a strong quantitative practice In December, the acquisition of SPSL, a UK-based leader in footfall measurement and analysis across Europe, extended our reach in the retail sector and brought in new proprietary technologies with the potential for wider international application SPSL monitors over a billion visits to over 4,600 retail premises annually in the UK alone

Synovate Americas

We grew revenue in Synovate Americas to £132 5 million (2006 £134 1 million), an increase of 7 3% at constant currency and a decrease of 1 2% at reported rates, reflecting the effect of the weak US dollar on our results in translation The Americas region as a whole achieved good organic growth We delivered a strong competitive performance in the US, our largest single market, where underlying growth was mid-single digit The technology and telecommunications segments, along with financial services and healthcare, including medical insurance, were all particularly strong Latin America grew well, as it becomes an increasing focus of attention for multi national brands, as well as local business We saw very good revenue growth across Mexico, Brazil and Argentina and profits remained healthy despite continuing investment in expansion

Following the year-end, we acquired CIMA Group, a leading independent with operations in six Latin American markets, taking Synovate into a total of 57 countries worldwide

Synovate Asia-Pacific

Revenue at Synovate Asia-Pacific grew 18 8% at constant currency to £94 1 million (2006 £83 9 million) and 12 2% at reported rates Favourable market conditions and Synovate's well-established presence contributed to another good year of growth across the emerging economies of Asia-Pacific We had a further excellent year in China, where we are the leader in custom market research This remains our third largest market and we conducted over one million interviews there in the course of the year 2007 was a more difficult year in some of the region's more mature markets, such as Hong Kong and Taiwan, but we saw an improvement in performance in Japan

We opened a full-service office in New Zealand, where our presence had previously been only through Synovate Aztec, and added to it with the acquisition of leading independent Research Solutions in November

Insight: Jan Hofmeyr, director of Synovate's brand and communications practice, wants insight to deliver new ways of looking >

"'Insight' is generally about trying to establish what clients think they need to know

"But that's boring Discovering new ways of looking, on the other hand, and helping clients to see their marketing landscape in ways that were previously beyond their imagination – that isn't boring Redefining how marketers think is exciting

"We can use technology to break down the silos between behavioural and attitudinal measurement And we have the vision to do so Combining the knowledge of how many people went to a store with an understanding of why they went there is valuable information Was it because it stocked the brands they wanted, or did they buy the brands that it stocked? Insight today has two main drivers – and they end at the same point

"First it's getting harder and harder to persuade people to take part in surveys So we need to make surveys shorter But clients still want the same depth of information

"And clients' budgets are under pressure So they want more insights for less money Therefore, the next place for market research to go is really efficient metrics that deliver value for money without losing validity

"That spirit informs our approach Innovation in measuring attitudinal equity means we can now establish customer commitment and loyalty more efficiently than anyone else Our eyes are firmly set on the research methods of the future "

Financial review

Aegis delivered turnover of £9,351 2 million (2006 £8,230 2 million), an increase of 16 2% at constant currency and 13 6% at reported rates This growth was substantially driven by increases in volumes in media planning and buying as a result of significant client wins at Aegis Media

We grew total revenue by 14 2% at constant currency, and 11 0% at reported rates, to £1,106 4 million (2006 £996 9 million), principally as a result of exceptional organic growth in both Aegis Media and Synovate Acquisitions made a revenue contribution of £36 3 million in the year

Gross profit of £946 6 million (2006 £852 1 million) was up 14 0% at constant currency, and 11 1% at reported rates Gross margin, expressed as revenue as a percentage of turnover, remained stable at Aegis Media at 7 6% (2006 7 6%), with rapid growth in higher margin non-traditional services, including digital, offsetting continuing gross margin pressure in media planning and buying Synovate's gross margin, expressed as gross profit as a percentage of revenue, was down by 80bps to 63 1% (2006 63 9%) as a consequence of the mix of services and studies Group gross margin declined 30bps to 10 1% (2006 10 4%)

Group underlying operating expenses grew in line with revenue at 14 3% to £800 4 million (2006 £719 5 million), an increase of 11 2% at reported rates Staff costs as a percentage of revenue were 48 2% (2006 47 2%) At Aegis Media, underlying operating expenses increased slightly ahead of revenue at 15 6%, reflecting investment in global initiatives, the impact of restructurings at Carat USA and reduced profitability in our Asia-Pacific business The industry-leading Aegis Media underlying operating margin before associates declined slightly from 20 3% to 20 0% Underlying operating costs at Synovate increased only 10 6% and helped the underlying operating margin to improve from 7 7% to 8 1% Share scheme charges increased from £6 9 million to £9 1 million As a result, our group underlying operating margin was broadly flat at 13 2% (2006 13 3%)

Synovate's operating margin expressed as operating profit on gross profit increased 80bps from 12 0% to 12 8%, ahead of the growth in operating profit on revenue, reflecting the contraction in Synovate's gross margin as a result of changes in the business mix

Income from associates increased from £1 2 million to £3 2 million The majority of this is attributable to QJY Media, our Hong Kong-listed production and advertising associate Along with the good growth in operating profit at both Aegis Media and Synovate, this performance helped group underlying operating profit to grow 13 7% at constant currency, and 11 7% at reported rates, to £149 4 million (2006 £133 8 million)

Our underlying profit before interest and tax are stated before net adjusting items of £(0 9) million This is made up of a £2 0 million goodwill impairment, relating to Aegis Media Asia-Pacific and Synovate Asia Pacific, a £1 2 million charge for amortisation of purchased intangibles (2006 £0 5 million), relating mainly to proprietary technologies, a £0 9 million loss on disposal of subsidiary companies in Japan and India, a £0 4 million loss on disposal of an associate in India, and a £3 6 million profit on the deemed disposal of part of our shareholding in QJY, following two new share issues in which we did not participate

A reduced net interest charge of £16 7 million (2006 £17 6 million), in spite of higher average net debt arising from 17 acquisitions made in the year, reflects good Treasury management and higher interest receivable In September we successfully completed a new US$125 0 million US private placement of seven and 10 year notes to refinance our maturing US$118 5 million US private placement We managed our working capital to be broadly flat year-on-year, in spite of 16 2% growth in turnover, recording a small underlying working capital outflow of £6 3 million Year end net debt was £245 2 million (2006 £206 9 million)

Our underlying pre-tax profit, after adjusting for the items impacting operating profit set out above and an IAS 39 fair value gain of £1 7 million (2006 gain of £6 9 million), was £132 7 million (2006 £116 2 million) This is an increase of 16 0% at constant currency and 14 2% at reported rates The net impact of these adjusting items was to decrease underlying pre-tax profit by £0 8 million (2006 £2 7 million increase), as set out in the notes to the financial statements As a result, statutory pre-tax profit of £133 5 million (2006 £113 5 million) was up 19 6% at constant currency and 17 6% at reported rates

We made 17 acquisitions and increased investments in nine subsidiaries We paid £79 8 million in upfront payments (2006 £23 1 million), with total outstanding deferred consideration estimated at £58 0 million (2006 £20 2 million) This was made up of £48 8 million in cash and £4 7 million in shares, subject to meeting agreed performance criteria During the period we paid £48 3 million in consideration for acquisitions made in previous years (2006 £54 6 million)

Sterling strengthened significantly against the US dollar and related currencies, and to a lesser extent the Euro, in the period This has had a significant effect on our results (Had these rates applied the previous year, our 2006 reported revenue would have been £27 9 million lower and underlying profit before interest and tax £2 4 million lower) The average rate against sterling was £1 US$2 0022, compared with £1 US$1 8441 in 2006 The period end rate was £1 US$1 9849 (31 December 2006 £1 US$1 9589) The average Euro rate against sterling was £1 €1 4613 compared with £1 €1 4669 in 2006 The period end rate was £1 €1 3606 (31 December 2006 £1 €1 4842)

Our statutory tax charge was £39 1 million (2006 £33 4 million), equivalent to a tax rate (including deferred tax on goodwill) of 29 3% (2006 29 4%) The tax charge for the year includes a deferred tax expense of £3 9 million (2006 £1 5 million) for tax deductions in respect of goodwill Our underlying tax charge was £35 2 million (2006 £33 3 million) and our underlying tax rate declined from 28 7% to 26 5% the result of efficient tax planning

Underlying diluted earnings per share increased by 18 8% at constant currency, or 17 1% at reported rates, from 7 0p to 8 2p Statutory diluted earnings per share increased by 17 9% at constant currency, or 16 2% at reported rates, from 6 8p to 7 9p

The Board is proposing a final dividend of 1 46p per ordinary share, making 2 3p for the year, an increase of 21 1% This will be paid on 29 May 2008 to shareholders on the register at 2 May 2008

Insight: Jonathon Jephcott, director of Synovate Viewsnet, sees virtual communities replacing real ones in the search for market data >

"Twenty-five years ago, six out of ten people would have agreed to a 20-minute market research interview Now the figure is one out of ten People used to think it was a civic duty But not any more Citizens are increasingly time poor, and value what time they have

"This is changing the landscape for researchers, and is why we increasingly rely on panels for our information

"In the US, where legislation has also empowered people to say 'No' to information requests, paid panels already account for 30-40% of all data capture

"In ten years' time we will be collecting data in a different way from different kinds of community and with less emphasis on structured capture While there are subjects that people are prepared to talk about at length in structured surveys, these don't include the details of FMCG purchases That route is dying

"The emphasis in future will be on qualitative research obtained by, for example, seeding conversations on sites like YouTube, and building on community communication that already exists

"Technology is liberating us to collect data in a passive fashion – and nirvana for market researchers is being able to capture people's opinions without them regarding it as a burden "

Corporate and Social Responsibility at Aegis

In 2007 we made significant progress on a number of fronts in the corporate and social responsibility (CSR) area. We continued to pursue successful established programmes, such as Synovate's CARES community involvement scheme and Isobar's Green Bean initiative.

At the same time, we created several new strategic initiatives in order to put sustainability at the heart of our business. This means our business processes, HR, procurement and service development will all be viewed through a sustainability lens. Imperative to this objective was the formation of a steering group of Aegis-wide CSR champions – an expansion of the corporate responsibility committee we had established in 2006 – and the development of a strategic framework for sustainability across the Group.

The steering group includes representatives from Aegis Media, Synovate and head office functions. Chaired by Nigel Morris, CEO of Isobar, attended by Alicja Lesniak, Group CFO, and championed by Robert Lerwill, Group CEO, the steering group presents its findings and work to the full Aegis Board through regular reporting and presentations.

Our approach

In our 2006 CSR report, we noted that "much of our work on corporate and social responsibility is driven and delivered on an individual market basis." Reflecting our history as an entrepreneurial business with strong local operations, a significant number of individual initiatives were being undertaken and managed throughout Aegis at a local level throughout the 70 countries in which we operate. Those initiatives continue today, and some are outlined in this report.

However, during 2007, the CSR steering group carried out a thorough review of our CSR activity and policies, using external CSR services for bench-marking and consultancy. As a result, we identified the opportunity for a more structured approach for our CSR programme. We have already taken some steps to put that in place, and the framework will inform our CSR activity during 2008. The framework and those steps are set out below.

Our business is structured around the interplay of local and global – in terms of client relationships, strategy and execution. Accordingly, we have developed our CSR framework to reflect this aspect of our culture and structure.

Leading the SEE Change

Our group-wide sustainability framework, known as "Leading the SEE Change", is based around Aegis' social, economic and environmental impacts. It is designed to ensure that we meet our commercial goals responsibly, at the same time as assessing and managing our impact on the environment and society at large.

Within this framework we are focusing on three principal areas: people and society, awareness and advocacy, and products and services. Each of these workstreams has a dedicated senior team. The three workstreams are underpinned by additional workstreams in reporting, procurement and communications. Having identified these areas and put in place an internal structure for delivery in the course of 2007, we will focus on output from the individual workstreams during 2008, with objectives for reduction and improvement set for 2010.

We are a member of FTSE4Good and we participate in the CSR Media Forum, a group of media organisations developing CSR and sustainability practices and understanding for the UK media sector.

Baselining exercise

In order to develop the policies, procedures and targets set out below, we completed two pilot waves of research and internal benchmarking.

The current baseline was developed with the involvement of our 13 largest businesses and our head office, from which a variety of environmental and social impacts were evaluated. It was important to gauge not only the quantifiable impacts, but also the current level of interest and actions related to CSR in each region so as to establish how best to expand our programme in the coming years. This exercise involved 31% of our workforce (or 52% of our workforce and 65% of Group revenue if extrapolated for the entire country market).

We have since set ourselves a number of targets for 2010. Individual targets are set out in the following three sections. We believe these targets are stretching but can be attained if we adopt appropriate measures throughout our business. We will monitor progress on an annual basis, using the GRI reporting framework.

Our social impacts

Within social impacts, we consider our policies and outputs in respect of our employees and our community relations

Employee engagement

As a group we aim to foster a culture of wellbeing and passion for improvement among every one of our employees To develop our policies and practice in this area we conducted the first employee opinion surveys at Aegis Media and among head office staff and the fifth annual survey at Synovate in 2007 to measure overall engagement and views in a wide variety of employee and business-related areas Participation was 5,036 at Aegis Media and 4,490 at Synovate, an average response rate of 64% and 82% respectively

The results of the surveys show a relatively high level of employee engagement in each of the groups with an overall engagement index of 72% at Aegis Media and 63% at Synovate Within this, 91% of Aegis Media and 86% of Synovate respondents said they would be "willing to go the extra mile to delight a client" a reflection of a very strong commitment to client service throughout Aegis At Aegis Media, 80% of respondents also told us that it is important to them that we "behave in an environmentally responsible manner", and 75% "in a socially responsible manner"

A key area of focus resulting from the surveys is attraction and retention of our employees Employee satisfaction, and reducing employee turnover over the medium term, is a high priority for us A number of the initiatives described below are designed with this in mind and we are actively working on others We consider the scores that our employees give us on attraction and retention to be a good measure of our success in this area and we will look to improve our rating in this area by five percentage points by the end of 2009

Succession planning

Succession planning remains a focus across the Group In 2007 our annual succession planning exercise covered 180 key roles, for which we detailed a total of 238 individuals, including personal career development This was reviewed in its entirety by the Board Since then we have put in place a number of succession planning initiatives, including talent pipeline evaluation and tailored personal development plans In 2008 we will extend this exercise to 200 business leaders, and the population covered will be expanded accordingly

Training and development

We require a high level of skills from many of our people, against a backdrop of considerable change and innovation in our business In 2007 we developed a new Aegis-wide leadership programme as a three-level robust leadership development programme, covering strategy and behaviours, to be run globally across both Aegis Media and Synovate in 2008 The new model draws on the findings of 100 interviews across the Group to identify current behavioural values

At Aegis Media, many of our people initiatives run at a local and regional level These include the Farfar academy, launched in 2007 by our Swedish digital agency of the same name in partnership with the Berghs School of Communication in Stockholm The academy, aimed at finding, retaining and training the future stars of the agency world, runs a two-year course in digital media, creative and planning with much of the tuition provided by Farfar All second-year students have at least two different paid placements across the Isobar network globally, with the aim of placing each in a permanent role at the end of the year

In Aegis Media Germany, over 1,300 participants passed through the doors of its Aegis Media Academy, which ran more than 135 specially designed training programmes for employees using both external coaches and 50 internal specialists as trainers

In the US we have initiated reciprocal talent share partnerships with Harvard University and MIT At Velocity, we have launched a programme of 'Gen Y training', helping 'Generation X' managers to manage to the demands of 'Generation Y' employees and the potential generational clash of digital natives with digital immigrants We are also participating in the World Economic Forum's female reverse monitoring programme, in which a relatively junior female employee mentors a CEO-level male employee on issues facing women in the workplace

In Synovate we launched a number of business-wide initiatives These include a new performance management process simplifying performance ratings and linking company, team and individual goals directly to remuneration In 2008 we will support this with a Synovate-wide e-learning management platform We published the first dedicated guide to all Synovate training programmes and introduced a new personal attributes yardstick – a practical tool to help managers improve the performance of their direct reports We completed a Synovate-wide career mapping exercise, giving clear responsibility, knowledge and experience benchmarks for each role, with a series of tools to help employees plan their career direction

2007 also saw the European pilot of the first integrated year-long Synovate graduate training scheme, accredited by the Market Research Association The first intake participated in an intensive introduction to market research, held in Bulgaria, and followed by three 'schools' on qualitative and quantitative methodologies, specialisms in market research and client skills In 2008, the scheme will be rolled out in Asia-Pacific and North America

HR policies

In 2007 we developed a new HR policy for the group, endorsed by the Board This is one of a series of governance policies implemented by Aegis to ensure our employees act responsibly at all times as part of our published group Principles and Policies Our HR policy includes policies on human rights, diversity, disability and wellbeing

We are committed to treating each employee and applicant fairly and equitably We base employment decisions on merit, experience and potential, without regard to race, colour, national origin, sex, marital status, age, religion, disability or sexual orientation We are committed to following the applicable labour and employment laws wherever we operate

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

Our work life balance and wellbeing policies offer practical help, recognising that commitments outside of work, including domestic, family and other commitments, need to be fairly balanced with the fulfilment of professional responsibilities We were proud that Vizeum UK and Feather Brooksbank were both included in The Sunday Times' 'Best 100 Small Companies to Work For' in both 2007 and 2008, and that we renewed our Investors in People accreditation at Posterscope UK in 2007

Employee consultation

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

People metrics

Underpinning our people initiatives is the installation of a Group-wide HR management information system which will bring improvements in data quality and speed In 2007 we selected a technology partner and built the technical infrastructure ahead of first installation this year a significant project, involving a software roll-out and training This will be completed in 26 geographies in 2008, including the majority of our largest businesses, with Group-wide completion in 2009 This will provide the future data backbone for our succession planning, performance management and talent management, as well as reliable people metrics across the Group

Our aim is to better optimise our return on human capital while being a good employer and giving our people the opportunities they deserve We are currently developing a series of people metrics in the areas of strategic competencies, talent development and deployment, training, leadership, performance focus and behaviours and competencies In the course of 2008 we will develop a series of externally benchmarked KPIs to assist with delivering our people strategy

Community relations

We have always actively encouraged community engagement, and where appropriate we support employees in their charitable activities In 2007 we made significant progress in community relations, particularly at Synovate The CARES programme, established in the US in 2003 and initially run on a local basis, is now actively managed through a global committee Formed at the end of 2006, this is sponsored by Synovate's global HR director, who also sits on Synovate's executive committee

CARES is an employee-run initiative, aimed at encouraging work to support children's charities, through fund raising, donating time and in-kind support During 2007, the global CARES committee has built local committees to support the activities in the individual Synovate offices, developed measures for assessing outcomes of activities and driven an increase in charitable activity within Synovate, resulting in a year-on-year increase of approximately 60% in the number of charities supported

A total of 32 Synovate offices and over 2,600 people took part in about 70 CARES projects during the year Through CARES we raised a further £0 1 million, and made donations in kind worth £0 1 million in 2007 In 2008 we intend to take the learnings from CARES and expand to the activities of Aegis Media

The majority of community initiatives at Aegis Media were operated on a local basis in the year and are too numerous to detail individually They included Vizeum France's support for Solidarités – a charity committed to fighting waterborne diseases – with over €600,000 of free advertising space in broadcast and out-of-home media Aegis Media Germany supported eight god-children, both financially and through mentoring, through its Carat Kinder und Jugendhilfe programme, established in 1999
In the US, Carat Cares achieved record fundraising results in 2007 In the UK, Carat remains the only media agency to be a member of Business in the Community, with 2007 charitable projects including pro bono strategy consultancy and media planning for the Breast Cancer Campaign Aegis Media UK's programmes also include a reading scheme for the Gateway School and payroll and time giving for Time & Talents Westminster

Excluding all fund-raising by employees, we made charitable donations as a Group of a further £0 2 million (2006 £0 3 million) in 2007 As a Group, we do not make political donations

Our targets

- **Employee engagement** action plans to address issues raised at both Aegis Media and Synovate, development of employee turnover reduction plan for 2010 during 2008, five percentage point improvement in attraction and retention scores by end 2009,
- **Training and development** inclusion of CSR principles and workshops in leadership training programme, development of CSR initiatives and knowledge sharing tools across key regions in both Aegis Media and Synovate by end of 2008, to allow for best practice sharing,
- **Succession planning** expansion of senior succession planning population to 200 key roles in 2008,
- **HR policies** further refinement of HR objectives and policies during 2008 at local level, incorporating principles defined in central HR guidelines,
- **People metrics** installation of HR MIS in most major markets by end of 2008, development of Group-wide KPIs by end of 2008,
- **Community relations** continuation of progress with CARES in Synovate, with a further increase of charitable activities, expansion of CARES into Aegis Media's key markets by end of 2008, capture of impact of initiatives and key measurements consistently across the Group

Our environmental impacts

Our direct environmental impacts relate principally to energy and resource usage at our office buildings and our business travel

In addition, we have a number of indirect impacts, as a result of the media mixes we plan and buy, and the execution of campaigns and projects for clients across the world We are currently working on innovative approaches to achieve a clear understanding of these impacts in order to manage and reduce them over time

Corporate and social responsibility

Green Bean initiative

Green Bean was launched in Isobar in 2005 It is a self-help sustainability programme, promoted globally and activated by passionate Green Bean champions in Isobar agencies around the world The initiative covers five categories saving energy, reducing water, reducing waste, cutting down on travel-related pollution, and being a force for good

To date, Isobar agencies in 14 markets have participated, along with Aegis Media Asia-Pacific and Carat Sponsorship Green Bean provides the toolkit and stimulus for Isobar agencies to reduce resource consumption and adopt sustainable behaviours across the world Through the Green Bean Awards, we can measure progress against a number of targets across its categories In 2007 the Green Bean Award was jointly won by OneDigital in Australia and iProspect in the US Green Bean now has a proven track record as a catalyst for sustainability in our group As a result, we intend to make Green Bean the prototype programme for both Aegis Media and Synovate globally The Group-wide adoption of Green Bean will start in 2008

Sustainability workshop

In October we held our first Sustainability Workshop, in conjunction with the Future Foundation and The Ecologist Attended by 60 people from across Aegis, the event explored sustainability themes including insight into the ethical consumer, understanding the trends in sustainability, what this means for brands and what it means for our own business This was the first in a planned programme of events which will also include sessions at the annual conferences of both Aegis Media and Synovate during 2008

Internal communications

During 2007 both Synovate and Aegis Media Asia-Pacific introduced regular columns into their staff publications, outlining steps employees can take to manage their environmental impacts

Global procurement policy

We are currently working on a major new Group-wide procurement initiative, to be completed in the course of 2008 Our new policy will formalise existing practice and make sustainable procurement consistent across the group, and will cover areas including energy and water, IT and stationery, as well as property and travel

Property

We have limited immediate control in many cases over property, being a tenant not a freeholder in the overwhelming majority of our buildings However, along with travel, our resource usage, including energy and water, has been the primary focus on our baselining exercise, and we are working on policies that we can implement in partnership with our landlords, as detailed below

Travel

Our baselining exercise shows that travel per employee accounts for an average of 1 5 metric tons of CO_2 annually International travel is a reality in a group like ours, in 70 countries, but we are committed to reducing our travel footprint significantly, as set out in the targets below

Our targets

- **Green Bean** start the roll-out of 'Green Bean new generation' across selected regions and businesses in 2008,
- **Sustainability workshop** further sessions in 2008 and diffusion of learnings around Aegis,
- **Procurement** introduction of standard review schemes including CSR considerations in supplier selection process by end of 2008 on worldwide basis, introduction of supplier assessment forms for all IT equipment supplies, office supplies and food consumables, in accordance with ISOs and other domestic standards and sustainability indications in key Western markets by end of 2009, definition of specific standards by product categories by end of 2009, introduction of all the above combined with standard business terms and conditions and a standard selection process by end of 2009,
- **Energy and water** working with landlords to develop policy and standards for in-house renewable energy supplies and reduction of draw on national grid supplies by 2010, introduction of standard Green office policy by end of 2008, to include recommendations on tap drinking water where possible and roll-out of water conservation methods in lavatories, bottled water policy where regions will ensure local water sourcing only,

- Stationery 60% of paper to be recycled paper by end of 2010, reduction of consumption of paper related products by office by 20% by end of 2010 against current baseline, standardisation of paper and ink specification in all priority western markets by end of 2009,
- IT introduction of shared initiatives with suppliers (eg end-of-life) by end of 2009 through global tender, standard utilisation/replacement policy for hardware by end of 2008,
- **Property** assessment of Green certificate (where applicable) as part of property approval process, policy on key LEED or BREAM and other elements for consideration in assessing new buildings for leases and acquisitions in the UK and Asia by end of 2008,
- **Travel** introduction of global umbrella travel policy that recommends video-conference usage and ensures management sign-off on travel by end of 2008, with active promotion of desk top video-conference capability and usage, employee car share policies and bike scheme policies in all western countries (subject to local legislations by end of 2009), 20% reduction of total miles travelled by air per capita globally by 2010

Economic impacts

Our economic impacts include our products and services, the wealth and employment we generate, and the work we do for our clients We believe the application of sustainability principles in this area will be profound, both in terms of our strategic development and the management of our impacts

Products and services

Within our CSR framework, we have a workstream specifically focused on developing products and services with sustainability in mind This will include a review of our entire supply chain Notable examples of sustainable product development in Synovate include our 2007 Climate Change survey in partnership with BBC Worldwide and Synovate Motoresearch's sixth annual survey on consumer attitudes towards advanced propulsion and alternative fuels

Economic and environmental impact measurement

Early work in this area includes the licensing of Noughtilus by Vizeum UK the first UK media agency to adopt this new campaign measurement tool which measures the environmental impact of communication channels by CO_2 equivalent

Our targets

- **Products and services** launch of services and product definitions workstream through initial workshops in 2008, delivery of new products and services to clients as part of ongoing business, embedding sustainability principles in products and service creation by 2010,
- **Business process definition** launch of our social transformation, ethical and environmental reporting and change programme, 'Leading the SEE Change', in three different organisations within Aegis Media as pilots for 2008, continue to roll out the 'Leading the SEE Change' programme across the entire Group by 2010,
- **Economic and environmental impact measurement** launch of Noughtilus in selected pilot case studies for 2008, definition of measurement approach on how economic impact should be calculated by end of 2009

As a Group, we are actively embracing sustainability as a positive force for our business We have made considerable progress during 2007 in understanding our impacts and defining our broad ambitions in this area 2008 will be a significant year in terms of implementing some early Group-wide policies and developing further business initiatives to underpin our commitment to this area We will measure progress and report back on this progress to our shareholders and other stakeholders in 12 months' time

1 Lord Sharman OBE, chairman, non-executive director
Colin Sharman joined the Board in September 1999 and became chairman in January 2000 He is also chairman of Aviva, and a non-executive director of BG and Reed Elsevier Colin is a former chairman of KPMG Worldwide a post he held from 1997 to 1999 He joined KPMG in 1966, became UK senior partner in 1994 and served on KPMG's international and executive committees Age 65 NC

2 Robert Lerwill, chief executive officer
Robert Lerwill was appointed Group CEO in February 2005 He had been a non-executive director since June 2000 He was previously an executive director of Cable & Wireless, as CFO from 1997 to 2002 and as CEO of Cable & Wireless Regional from 2000 to 2003 Robert was Group finance director of WPP Group between 1986 and 1996 He is a non-executive director of British American Tobacco and of Synergy Healthcare Age 56 NC

3 Alicja Lesniak, chief financial officer
Alicja Lesniak joined Aegis and the Board in April 2007 as group chief financial officer Alicja is a chartered accountant who worked in a broad range of roles in marketing services agencies over the past 20 years based in Europe and the US Previous roles include worldwide CFO of Ogilvy & Mather Worldwide and chief financial officer of BBDO EMEA where she served on the Board Age 56

4 Adrian Chedore, CEO, Synovate
Adrian Chedore joined the Board in December 2001 He is CEO of Synovate, and has overseen its development into the world's fastest growing global market research company Adrian's 30-year career in market research includes founding Asia Market Intelligence, acquired by Aegis in 2000, where he was CEO Age 56

5 Mainardo de Nardis, CEO, Aegis Media
Mainardo de Nardis joined Aegis and the Board in August 2006 as global CEO of Aegis Media An Italian national, Mainardo has spent 27 years in marketing services, with the last 15 years at an international level His previous roles include CEO of Mediaedge cia and CEO of media communications agency CIA, where he served on the Board of Tempus Group plc Age 47

6 David Verklin, CEO, Aegis Media Americas
David Verklin joined the Board in September 1999 David has been CEO of Aegis Media Americas since April 1998, where he has overseen the establishment of all Aegis Media operations in North and South America A US national, David started his career at Young & Rubicam in New York and helped found advertising agency Hal Riney & Partners in San Francisco Age 51

7 Bernard Fournier, non-executive director
Bernard Fournier joined the Board in June 2000 He was chief executive of Rank Xerox, which became Xerox Ltd, from 1989 to 1998, and chairman until December 2001, having held senior management positions in France, the US and the UK A French national, Bernard is chairman of EDHEC, the largest business school in France Age 69 SID AC NC

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

9 Charles Strauss, non-executive director
Charles Strauss joined the Board in September 2003 He is a US national with 35 years' international experience in consumer products businesses, including 18 with Unilever From 2000 to 2004 Charles served on the Unilever Board as Group president, Unilever Home & Personal Care, chairman of Unilever's North American Committee, and its US president and CEO He is a senior advisor to Lehman Brothers and a director of The Hartford Financial Services Group and The Hershey Company Age 65 RC NC

10 Lorraine Trainer, non-executive director
Lorraine Trainer joined the Board in August 2005 She has held a number of Human Resource leadership roles in international organisations, focusing on performance and development These include Citibank, the London Stock Exchange and Coutts, then part of the NatWest Group She now leads the Business Mentoring practice at Manchester Square Partners She also has significant experience of working with arts organisations and the not-for-profit sector Age 56 RC NC

11 Daniel Farrar, non-executive director
Daniel Farrar joined the Board in June 2003 He is currently general partner at Morgenthaler Partners, a US buy-out group Before this Daniel spent 16 years at GE Capital in senior international roles, including president and CEO of GE Capital Fleet Services Europe A US national, Daniel is a director of Comm-Works, Formed Fiber Technologies and Mark Andy Age 47 RC NC

12 Brendan O'Neill, non-executive director
Brendan O'Neill joined the Board in August 2005 He is a non-executive director of Informa, Tyco International, Endurance Specialty Holdings and Watson Wyatt Until 2003 Brendan held a number of senior management positions in international businesses These include chief executive of Guinness Brewing Worldwide from 1993 to 1998 and Group chief executive of ICI from 1999 to 2003 He is chairman of the RAC pension fund trust Age 59 AC NC

SID Senior independent director
AC Audit Committee
RC Remuneration Committee
NC Nomination Committee

Directors and advisors

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

Company Secretary
John Ross

Ultimate parent entity
Aegis Group plc

Registered Office
180 Great Portland Street
London W1W 5QZ
Tel 020 7070 7700
Fax 020 7070 7800

Registered Number
1403668 England and Wales

Auditors
Deloitte & Touche LLP
London

Registrars
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Stockbrokers
Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

Report of the directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2007

Results and dividends

The consolidated income statement is set out on page 65 and shows a profit for the financial year of £94 4 million (2006 £80 1 million) An interim dividend of 0 84p per ordinary share was paid on 29 September 2007 to ordinary shareholders The directors recommend a final dividend for the year of 1 46p per ordinary share which if approved at the Annual General Meeting, will be payable on 29 May 2008 to ordinary shareholders registered at 2 May 2008 The total dividend for the year will then amount to 2 30p per ordinary share (2006 1 90p)

Principal activity

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

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

Review of business and future developments

A review of the business and likely future developments of the Group is given in the Letter to Shareholders on pages 16 and 17 and in the Business and Financial Reviews on pages 26 to 37 These sections form part of and are incorporated by reference within, this Directors Report

Financial instruments

Information about the use of financial instruments by the Company and its subsidiaries is given in note 20 to the financial statements

Post-balance sheet events

Details of significant post-balance sheet events are contained in note 34 to the financial statements

Donations

The Group's policy with respect to charitable donations and the amounts donated are detailed on page 41

Supplier payment policy

The Company does not impose a formal code of payment practice on its subsidiaries However the Groups policy is to try to create relationships with its suppliers such that they trust us and want to do business with us In selecting external suppliers we use competitive processes that are fair and transparent, and designed to maximise value and quality of service for our clients and ourselves

At 31 December 2007 the Group had 74 days purchases outstanding (2006 67 days) The creditor day analysis is not applicable to the holding company

Directors

The names of the directors at the date of this report and biographical details are given on page 45

On 31 March 2007 Jeremy Hicks retired as chief financial officer and Alicja Lesniak was appointed as his successor

The interests of the directors in the shares of the Company are shown in the Remuneration Report on pages 60 to 62

Re-election of directors

Details of the directors who will be retiring by rotation at the forthcoming Annual General Meeting, in accordance with the Articles of Association are set out in the separate circular containing the Notice of AGM that accompanies this Annual Report and Accounts That section of the circular forms part of, and is incorporated by reference within, this Directors' Report

Details of all the directors' service agreements including notice periods are given in the Remuneration Report on page 58

Directors' indemnities

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

Substantial shareholdings

At 18 March 2008 the Company had been notified of the following interests of 3% or more in its ordinary shares in accordance with chapter 5 of the Disclosure and Transparency Rules

Shareholder	Number of Shares	%
Bollore Group	344,276 446	29 85
The Goldman Sachs Group	73,511 474	6 37
Fidelity International	59,545,717	5 16
Legal & General Group	46 704 499	4 05
Barclays	35 213 235	3 05

Share capital

Details of the authorised and issued share capital together with details of the movements in the Companys issued share capital during the year are shown in note 23 to the financial statements on page 101

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

There are no specific restrictions on the size of a shareholding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation The directors are not aware of any agreements between holders of the Companys shares that may result in restrictions on the transfer of securities or on voting rights

The trustees of the Aegis Group Employee Share Trust (AEST) have agreed to waive any right to all or any future dividend payments on shares held within the AEST except in certain limited circumstances none of which are currently applicable Details of the shares held are set out in note 24 on page 101 The trustees of the AEST may vote or abstain from voting on shares held in the AEST in any way they think fit and in doing so may take into account both financial and non financial interests of the beneficiaries of the AEST

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

The directors are authorised to allot unissued shares in the Company up to a maximum nominal amount of £17 778,495 No such shares have been issued or allotted under this authority nor is there any current intention to do so save for shares to be issued to satisfy existing obligations This authority is valid until the date of the forthcoming Annual General Meeting at which time a resolution will be proposed to renew the authority as detailed in the enclosed circular

The Company has no current authority to allot shares without regard to the pre-emption provisions of the Companies Acts or to purchase its own shares However, special resolutions will be put to shareholders at the forthcoming Annual General Meeting seeking such authorities details of which are set ou in the enclosed circular

Amendments to Articles of Association

Any amendments to the Articles of the Company may be made in accordance with the provisions of the Companies Act by way of special resolution A resolution to amend the Articles will be put to the Annual General Meeting to be held on 23 May 2008 The proposed changes to the Articles derive from the Companies Act 2006 The Companies Act 2006 was enacted on 8 November 2006 and is being implemented in stages Details of the specific changes being proposed are set out in full in the explanatory notes to the separate notice convening the Annual General Meeting

Appointment and replacement of directors

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

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

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

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

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

Significant agreements

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

- £450 000 000 multicurrency credit facility agreement dated 9 June 2006 (as amended) between amongst others, the Company The Royal Bank of Scotland plc (as agent) and the financial institutions named therein as banks (the 'Facility') On a change of control of the Company, unless the Majority Banks (as defined therein) otherwise agree, all loans, letters of credit and guarantees, together with all accrued interest and other sums payable under the agreement shall be prepaid and, upon such prepayment being made the total commitments of the banks under the Facility shall be cancelled and reduced to zero
- Note purchase agreements dated 20 November 2000, 28 July 2005 and 17 September 2007 (as amended the Note Purchase Agreements') pursuant to which notes amounting in aggregate to US$160 000,000 (the 2000 Notes) US$342,000,000 (the '2005 Notes') and US$125 000,000 (the '2007 Notes' together with the 2000 Notes and the 2005 Notes the 'Notes') respectively were issued by the Company Each holder of Notes has an option on a change of control of the Company to require the Company to prepay the entire principal amount of the Notes held by that holder together with interest accrued thereon and the Make-Whole Amount (as defined in each of the Note Purchase Agreements) At the date of this Directors Report, an aggregate principal amount of US$147,000 000 of the 2000 Notes have matured

Employment policies

The Group operates throughout the world and therefore has developed employment policies that meet local conditions and requirements These policies are based on the best traditions and practices in any given country in which it operates and are discussed on pages 39 and 40

Special business at the Annual General Meeting

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

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and resolutions to re-appoint Deloitte & Touche LLP as auditors to the Company and to authorise the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting

Directors' confirmation

Each of the directors at the date of approval of this report confirms that

- so far as the director is aware there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and have elected to prepare financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP)

In the case of the Group's financial statements company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets liabilities income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs

Directors are also required to:

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

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

In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed

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

The directors are responsible for the maintenance and integrity of the Company website Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions

By order of the Board

John Ross
Company secretary
18 March 2008

Lord Sharman of Redlynch, chairman I firmly believe in effective corporate governance as a support to good business performance and fiduciary duty. As chairman of Aegis, it is top of my agenda. >

The Board of Aegis considers that its principal governance priorities include ensuring a business environment that lends itself to responsible professional behaviour and value creation, as well as the core areas of Board composition, disclosure standards and oversight of the executive management team

The Board confirms that throughout 2007 we have complied with the applicable principles and provisions set out in Section 1 of the Combined Code on Corporate Governance issued in July 2006 (the Code) as incorporated into the UK Listing Authority Rules with one exception

Our US-based executive director David Verklin, has a rolling service contract with a contractual termination payment provision which is in excess of one year (B 1 6 of the Code) Details of his contractual entitlement on termination are set out on page 58 David was recruited in 1998 to set up and grow the media business in the USA When he was recruited it was accepted market practice for contractual termination payment provisions to be in excess of one year The Remuneration Committee reviews this position annually and continues to believe that David's contractual entitlement remains in line with market practice in the USA

As noted on page 58, Mainardo de Nardis's service contract had contained a liquidated damages clause This expired on 18 August 2007

Board composition

The Board comprises 12 directors – a non-executive chairman, five executive directors and six independent non-executive directors Details of the directors and their biographies are set out on page 45 Our directors have a broad range of experience, which we believe contributes significantly to the effectiveness of the Board

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

Each of the non-executive directors has confirmed that they have been throughout the year, and continue to be, independent of the management of the Group and free from any business or other relationship that could materially affect the exercise of their independent judgement The chairman was independent at the time of his appointment and in the opinion of the Board has remained so since

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

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

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

Bernard Fournier is the senior independent director and he is responsible for undertaking the annual review of the chairman's performance and chairing the Nominations Committee when considering the role of chairman He is available to shareholders if they need to convey concerns to the Board other than through the chairman or chief executive officer

In accordance with the Company's Articles of Association, one third of the Board are required to retire by rotation each year

The roles of chairman and chief executive officer are set out in writing and have been agreed by the Board

The chairman is responsible for
- the composition and leadership of the Board,
- monitoring corporate governance processes
- maintaining contact with shareholders and other stakeholders and
- acting as sounding board for the chief executive officer

The chief executive officer is responsible for
- the development and execution of the Group's strategy and its operational performance
- leading the executive team, and
- leading the management of relationships with external stakeholders

Board meetings

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

There is a list of matters that have been reserved to the Board for decision These include approval of
- Group strategy annual budget and operating plans
- formal results announcements
- dividend policy
- all circulars and listing particulars,
- matters relating to share capital and
- major capital projects, investments and commitments

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

The Board is supplied in advance of each meeting with an agenda and supporting documentation At each Board meeting there are a number of standard agenda items, including
- market and sector analysis reports together with valuation updates from investor relations advisors and brokers
- reports from the Group chief executive officer, chief executive officers of Aegis Media and Synovate Group general counsel and Group human resources director, and
- a presentation from the chief financial officer

In addition, one or two other presentations are usually given at each meeting by representatives of different business units or head office functions on subjects relevant to strategy or a particular matter under consideration These presentations also assist the non-executive directors in gaining an ever deeper understanding of the businesses and provide an opportunity to meet other senior non Board executives In 2007 for example there were presentations from one of the Synovate regional businesses and from Group tax and Group human resources Also at the strategy away day detailed business presentations are given to the Board by the heads of Aegis Media and Synovate, assisted by the Group head of strategy and corporate development

External advisors are also invited to attend that part of the meeting which is relevant In 2007 a senior representative from our investor relations advisors attended to discuss the results of an independently conducted shareholder audit

The Board also receives briefings from the chairmen of the Audit and Remuneration Committees following meetings of those Committees

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

	Board	Audit	Remuneration	Nomination
Number of meetings in year	7	4	4	3
Lord Sharman	7	–	1*	3
Adrian Chedore	7	–	–	–
Daniel Farrar	7	–	4	2
Bernard Fournier	7	4	–	2
Jeremy Hicks (resigned 31 03 07)	1	1*	–	–
Robert Lerwill	7	4*	3*	1
Alicja Lesniak (appointed 31 03 07)	6	3*	–	–
Mainardo de Nardis	7	–	–	–
Brendan O'Neill	7	4	–	2
Charles Strauss	6	–	4	1
Lorraine Trainer	7	–	3	2
David Verklin	6	–	–	–
Leslie Van de Walle	7	4	1*	2

*by invitation

Mr Strauss was unable to attend one of the Board meetings due to a long planned prior commitment and Mr Verklin was unable to attend one meeting due to a final stage pitch meeting with a major client

From time to time the non-executive directors, including the chairman meet in the absence of the executive directors to consider matters of relevance to the running of the Board and the operation of the Company

Performance appraisal process

The non-executives, led by the senior independent director, continued the process of meeting annually without the chairman being present to appraise the chairman's performance As a result of this the senior independent director meets with the chairman to discuss any particular issues where it is felt that improvements could be made

During 2007 the Board continued the process of performance appraisal using Synovate's specialist business unit to carry out a formal independent appraisal of individual directors as well as of the Board and its committees Each director completed a detailed questionnaire which sought an assessment of the effectiveness of the Board and its committees and the contribution of individual directors The responses were aggregated and a senior executive of Synovate fed back the overall results for discussion at the July Board meeting The chairman, as in previous years then undertook detailed one-to-one discussions with each director to review the results of his or her assessment

Induction and training

The Board has a formal induction plan for non-executive directors to ensure that a comprehensive familiarisation programme is in place This includes visits to business operations worldwide Ongoing training needs for all directors are met as required for example during the year directors received briefings on the introduction of the Companies Act 2006 including the new directors' duties provisions

Director liability

The Company has in place an appropriate level of directors and officers insurance cover in respect of legal action against the directors In addition, the Company has given an indemnity to its directors in respect of third party claims – see the Directors' Report on page 47

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

Board Committees

Terms of reference for all Board committees are regularly reviewed and are available on the Company's website at www aegisgroupplc com and from the Company secretary on request

Audit Committee

Brendan O'Neill is chairman of the Audit Committee He is a chartered management accountant and the Board is satisfied that he has appropriate recent and relevant financial experience to lead the Committee in its duties and deliberations His colleagues on the Committee during 2007 were Bernard Fournier and Leslie Van de Walle Details of the members of the Audit Committee all of whom are independent non-executive directors, are set out on page 45

At the invitation of the chairman, meetings of the Committee were also attended in whole or in part by the chief financial officer, the external auditors, the chief executive officer as well as the Group general counsel, Company secretary and Group risk manager In addition other members of senior management were invited to attend as necessary to provide updates and background information on matters considered by the Committee

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

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

A priority for the Committee during the year was in connection with the issues arising from the fraud in Aegis Media Germany as reported in last year's accounts A special meeting of the Committee was held in July attended by the CEO of Aegis Media Germany and the CFOs of Aegis Media Europe and Aegis Media Global The meeting discussed the lessons that had been learned and the changes that had been instigated in control processes and procedures These lessons and changes were also discussed with all of the Group's operational finance functions at the Group's annual Finance conference An assessment of these controls has been integrated into the Group's annual compliance certification process and will continue to be reviewed as part of the Group's risk management and internal audit reviews going forward

Other work carried out by the Committee during 2007 in accordance with its responsibilities included
- monitoring the integrity of the Company's financial statements and reviewing significant reporting judgements
- reviewing internal audit and risk management and controls and considering progress reports from the Group Risk Committee and Group risk manager
- reviewing the Company's internal financial controls and procedures,
- reviewing the external auditors independence objectiveness and effectiveness
- approving the external auditors terms of engagement the scope of the audit and the applicable levels of materiality, and
- prior to the release of the preliminary announcement of the annual results, reviewing the year's results and audit findings

In reviewing the half year and annual financial statements the Committee focused in particular on
- any changes in accounting policies and practices
- major judgemental areas,
- issues resulting from the external audit,
- the going concern assumption,
- compliance with accounting standards and the Combined Code and
- compliance with stock exchange and legal requirements

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

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

The Committee has considered the balance between fees for audit and non-audit work for the Group in the year and concluded that the nature and extent of the non-audit fees do not present a threat to the external auditors' independence

Remuneration Committee

During the year the Remuneration Committee comprised Charles Strauss (chairman), Daniel Farrar and Lorraine Trainer All three are independent non-executive directors

Meetings of the Committee were also attended, in whole or in part, by the chief executive officer the Group human resources director the Company secretary and a senior representative from Kepler Associates advisors to the Committee The CEO does not attend meetings when the Committee discusses matters relating to his remuneration

Although not a member of the Committee the chairman of the Board may attend meetings and is consulted by the Committee on proposals relating to the remuneration of the chief executive officer

The Committee meets three times a year and other times as required It is responsible for
- overseeing policy regarding executive remuneration
- approving the remuneration packages for the Group's executive directors
- reviewing incentive schemes for the Group as a whole, and
- approving awards to be made under the 2003 Executive Share Option Scheme and the 2003 Performance Share Plan

During the year the most significant issues addressed by the Committee were
- a review of the total compensation packages of the Group's most senior executives relative to marketplace benchmarks
- the approval of annual bonuses for the executive directors and a small number of other senior executives from around the Group
- the continuing review and assessment of a broader range of external reward benchmarking data for an increased set of senior managers around the Group,
- a review of the Group's main annual bonus schemes to reflect revised financial targets and
- a self assessment review of how the Committee functioned and had performed during the year

Nomination Committee

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

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

The Committee meets once a year, together with the Group human resources director specifically to review the Group's ongoing succession planning This is key to ensuring that the Group maintains an appropriate balance of skills and experience across the Group and on the Board

Internal control and risk management

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

The Board has overall responsibility for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness, including financial, operational and compliance controls and risk management

The system of internal controls is intended to manage rather than eliminate the risk of failure of the achievement of business objectives In pursuing these objectives internal controls can only give reasonable, and not absolute assurance against material misstatement or loss

The Board confirms that in 2007 it has reviewed the effectiveness of the system of internal controls and that there are ongoing processes for identifying, evaluating and managing the significant risks faced by the Group

Assigning the roles and responsibilities outlined above has assisted the Group in establishing a sound governance structure and enabled the Board to set the tone of the Group's outlook on risk and internal controls

The internal risk control processes and procedures which have been in place throughout the year and up to the date of approval of the Annual Report and Accounts are highlighted below

The Board:

- regularly reviews and updates the Group's strategy,
- has delegated to the chief executive officer and the executive directors the implementation of strategy and management of the Group's day-to-day activities, and management of operational risks
- has implemented an organisational structure with clearly defined lines of responsibility and delegation of authority,
- has adopted a schedule of matters which are required to be brought to it for decision and consideration, thus ensuring that it maintains full and effective supervision over significant matters
- has ensured the implementation of the Group Policies and Procedures Manual, which sets Group policy in relation to legal, financial IT, human resources and other areas of risk The policies are updated from time to time as necessary,
- reviews performance through a comprehensive system of reporting, based on annual budget with monthly business reviews against actual results analysis of variances, key performance indicators and regular forecasting, and
- through the services of the Audit Committee, reviews the key risks facing the Group and the procedures in place to manage them

Each separate business operation's chief executive officer is responsible for

- the conduct and performance of their business against agreed targets and performance plans
- identifying and evaluating significant risks within their areas of responsibility and ensuring that an effective system of internal controls is in place,
- meeting defined reporting timetables and ensuring compliance with the Group's delegated authorities policies and controls, and
- accurate submissions of accounts on a monthly basis subject to the limitations set by the annual business strategy and the delegated authorities

Other important elements of our internal control processes are described below

Risk Committee

The Committee manages and monitors the Group's risk and control processes and procedures It was chaired during 2007 by the Company secretary and its members during the year were drawn from relevant functions and from Group businesses worldwide as follows

Company secretary	Group HR director
Chief financial officer	Group risk manager
Group general counsel	Group chief information officer
Six senior representatives from across Aegis Media and Synovate	

The Committee meets four times a year usually three weeks before an Audit Committee meeting The Risk Committee and the Audit Committee work very closely together and ensure that there are good communication channels in place to enhance the flow of information The minutes of each Risk Committee meeting and the internal audit supporting papers are sent to the Audit Committee for information and comment

A review of the Committee's terms of reference was undertaken in 2007 with the input of KPMG The revised terms of reference were subsequently endorsed by the Audit Committee

The Committee is responsible for

- setting the Group risk management strategy
- communicating and embedding risk and internal control policy and guidelines,
- reviewing the major risks facing the Group and providing guidance and direction on the internal controls required to manage them,
- monitoring risk management performance, and
- overseeing and supporting the internal audit function

Significant matters dealt with by the Committee during 2007 included

Germany fraud

The previously reported fraud in Aegis Media Germany was reviewed in detail to see what lessons had been learned and what consequent changes had been introduced in control processes and procedures As a result, the Group Risk Manager undertook a revision of the internal audit work programme

In relation to the fraud three individuals including the former chief executive of Aegis Media Central and Eastern Europe and one other former employee of Aegis Media Germany have been formally charged with embezzlement Court proceedings were commenced in January 2008 against the two former employees and these proceedings are ongoing

The Group continues to take steps to maximise recovery for the losses suffered including making a claim under the Group's crime insurance policy Although some recovery of funds is expected the amount and timing of the recovery is not certain and the recoveries are disclosed as a contingent asset in the Group's financial statements

IT penetration testing
Recognising its importance IT penetration testing was rolled out with the assistance of external IT specialists The scope of the testing was to identify any system network or application vulnerabilities to unauthorised access that could lead to a loss of data integrity An implementation programme for improvements has been put in place This is seen as an important exercise and will be continued on an annual basis

Review of key risks
Discussions took place between the Group risk manager and senior management from Synovate and Aegis Media to review and update, where appropriate, the key risks for each business These were agreed along with associated control processes Alongside this review of the key business risks an assessment was also undertaken of potential low probability but high impact risks Any consequential actions agreed by the Committee have been or are planned to be communicated to the businesses and internal processes amended accordingly

Review of Group Principles and Policies Manual
The Committee was tasked with overseeing a review and update of the manual This will be completed in early 2008 and distributed to all employees via the Group's intranet site

Risk monitoring and assurance

Risk self-assessment surveys
The risk self-assessment surveys provide senior management with an insight from the businesses about the management of their key risks and changes in risk focus As Synovate and Aegis Media face a number of different risks two separate online surveys were developed with input from Synovate's COO and Aegis Media's Global CFO The CEOs of each local business unit must report, for each of the risks identified in their survey, the status of internal control and management of the risk within their operation, providing action plans where required

The last survey was performed in December 2006 In 2007 the results were analysed by the Risk Committee and provided online to regional, global and group management as well as to the Risk and Audit Committees Based on the responses and a review of the operations key risks, the surveys have been updated The revised surveys will be distributed for completion in the first quarter of 2008, with responses taking into account the period since completion of the previous survey

Annual compliance certificates
The chief executive officer and chief financial officer of each reporting unit or entity is required to complete an annual certificate to confirm in relation to the relevant unit or entity that

- the accounts as submitted were accurate and complete,
- there were no actual or potential breaches of laws or regulations,
- there were no frauds,
- there were no related party transactions other than those properly disclosed,
- there were no conflicted directorships, and
- all relevant information was disclosed to the auditors

Similar certifications have been required of regional global and Group management

Where a unit or entity states that they are non-compliant with any of the areas listed above full explanations are required for further understanding and follow-up The results from this process are reported to the Audit Committee prior to the signing of the Annual Report and Accounts

Internal audit
Our internal audit function has been in place since 2005 and helps provide assurance to the Board via the Risk and Audit Committees on internal controls implemented to help mitigate some of the Group's key risks Internal audit reviews are undertaken with the support of an international firm of accountants

The annual internal audit programme incorporates all areas of our business and is agreed by the Risk Committee and approved by the Audit Committee In 2007 the following types of activities were included within the plan

- reviews of recently acquired companies,
- peer reviews
- internal audits concentrating on financial controls at the operations deemed to be higher risk, and
- IT security reviews

In addition to the agreed plan, ad hoc audits may be carried out These may be at the request of senior management the Risk Committee or the Audit Committee All amendments to the original plan require approval from the Audit Committee In 2007 this included the IT penetration testing as referred to earlier

One of our key risks is the integration of companies that we acquire We therefore bring them into our internal audit programme as early as possible recognising that full integration may take time Within 12 months of acquisition we visit the more significant businesses to perform an acquisition review The next step may be a peer review or an internal audit review depending on the size of the acquisition Our audit programme is based on a five year rolling cycle, with the more significant operations visited by internal audit every two to three years Peer reviews are used to supplement the internal audit reviews to ensure good coverage of our operations and are conducted by experienced CFOs from within our operating units Support is provided from an international firm of accountants to carry out specified detailed tests to confirm that key financial operations are working satisfactorily

All reviews are performed using pre-defined audit programs that are updated on a rolling basis to incorporate the risks and results from the risk self assessment surveys and issues arising from the internal audit reviews The acquisition reviews also focus on the issues highlighted within the due diligence report

Action plans to address any areas of concern are agreed with senior management, with responsibilities assigned and timeframes established The results are reported to country, regional, global and Group management as appropriate and also to the Risk and Audit Committees

Although management has ultimate responsibility for implementing any agreed recommendations Internal Audit monitors their progress Where common issues are noted across several business units these are reviewed and discussed in more detail at the Risk Committee to assess whether updates to existing Group policies are required Regional and global management are also reminded to take corrective action In addition common issues were shared and discussed at the Group's Finance annual conference

Key risks

On an ongoing basis management identifies, analyses, monitors and controls all major risks These include risks affecting clients, people, the ability to provide continuous service risks arising from the laws that govern our business and control over Company finances

Our risk management process has identified the following potential risks and uncertainties that could have a material impact on the Group's performance, and has put in place internal processes and controls designed to mitigate each risk The Group's results could also be impacted by other factors The risk factors detailed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Group

Risk area	Description	Internal processes and controls
Acquisition integration	Acquisitions do not perform as expected and inability to fully and successfully integrate them	– Strategic planning – Robust due diligence procedures – Board approvals – Post integration procedures and review by Internal Audit
Business continuity and disaster recovery	An event (such as a fire) may seriously disrupt normal operations Client service may also be significantly impacted	– Build in resilience where cost-effective – Business continuity and disaster recovery plans are required to be in place and tested by all business units – Business continuity workshops held – Back-up guidelines for electronic applications and data are in place
Cash and liquidity risk	Inaccurate recording of cash in the financial accounts missed opportunities to earn interest insufficient cash available to pay liabilities as they become due and the loss of cash if a bank becomes insolvent	– Reconciliations and review procedures in place for balance sheet accounts – Working capital management – Daily review of short-term liquidity – Review and analysis of borrowing facilities and cash flows
Client contract management	Clear, written agreements are required that define the service to be provided to each client, the fees involved and other important information	– Established guidelines in place for format and content of client contracts – Standard contract terms encouraged with all clients – Client contract training
Credit management	Monies due from clients may not be collected due to their own financial circumstances or because the client is dissatisfied with our services	– Efficient credit control function including credit insurance where appropriate and available – Client acceptance and credit check procedures – Advance payments required in certain instances – Client satisfaction surveys
Data accuracy	All data (financial, operational client research personnel etc) that is collected, processed and used must be accurate and complete	– Policies and procedures in place – Control checks in place, automated where possible – Review procedures in place at all levels within the Group's management structure – Internal and external audit reviews
Data privacy and security	Data privacy laws, regulations and best practice define how companies collect, process store, delete, transfer and give access to personal data Requirements need to control access to computerised systems and data	– Group policies and procedures for personal data and transferring data intra-group – Group Data Transfer Undertaking being developed based on model clauses as approved by EU Commission, for cross border transfers of personal data, for market research businesses – IT penetration testing was introduced in 2007 to ensure robustness of data
Financial controls	Control over financial systems procedures and records are vital to the overall level of control and success of each business in the Group	– Detailed budgeting and forecasting procedures – Monthly reporting and variance analysis – Internal audit programme – Self-assessment programme – Directors annual confirmations
Fraud/unethical business practices	Each company in the Group is exposed to the risk of fraud – by staff and third parties	– Internal fraud workshops held around Group – Internal controls in place to help mitigate fraud – Relevant and appropriate messages are being built into leadership programmes – Employee concerns 'SpeakUp' policy being reviewed and updated
Intellectual property (IP) rights	The ownership of all valuable IP created or used within the Group needs to be clearly established so that such IP can be profitably used and without breaches	– Clear rights of ownership in client contracts – Indemnities clauses in client contracts – Global professional indemnity insurance in place to cover breaches
Key staff	Potential loss of key staff	– Management succession planning – Incentive plans to attract and retain quality staff
Marketplace disruption	Developments in the marketplace, actions by competitors, changes to government policy and other external events can all impact the success of companies in the Group	– Constant monitoring of market trends and competitors' activities – Detailed planning process and appropriate contingency plans – Diversification of geographic footprint

Employee Concerns

We have arrangements in place that allow employees in confidence to raise concerns about possible wrongdoing in matters of financial reporting or other matters without fear of reprisal provided that such concerns are not raised in bad faith We are in the process of upgrading this process by giving all employees access to a confidential external free helpline service to be called 'SpeakUp'

Going concern

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

Relations with shareholders

Good relations with our shareholders are extremely important to us We want them to have a full understanding of the dynamics of our business and our prospects and to have an active, open and two-way relationship with us at all levels

Our contact programme is developed in consultation with external corporate broking and investor relations advisors and reviewed against the market norm In 2007 we had a total of 276 face-to-face investor contacts, including one-to-ones Group meetings and investor events Through that programme we met with 169 individually identified investors, including both current shareholders (including CFD holders) and non-holders Five international roadshows included North America France and Germany Overall our 2007 investor relations programme delivered further progress on an already high level of contact in 2006 (112 individually identified institutions), which was characterised at the time as 'comprehensive and at the forefront of best practice for a FTSE 250 company both in terms of the number of separate institutions met and the percentage of the register covered

Our active programme of investor and analyst education about Aegis includes the following activities

- the chief executive officer, chief financial officer and communications director conduct formal roadshow meetings with existing and potential shareholders after our preliminary and interim results,
- significant time is spent outside our financial calendar roadshows meeting institutional investors, particularly in the UK, Europe and the US
- major institutional investors are offered the opportunity to meet with newly-appointed non-executive directors, and all of our non-executive directors are available for meetings on request,
- our operational management are made available to meet with shareholders and analysts, as appropriate, and a range of senior management representatives regularly present at investor conferences and events throughout the year,
- regular contact is maintained with the sell-side analysts who cover Aegis, and we actively monitor their opinions and forecasts, and
- regular introductory meetings are held for new analysts and fund managers, and in October 2007 as in previous years we held a detailed half-day seminar covering strategy and operations at Synovate and themed around Synovate's 3 'i's values of 'international, innovative, integration'

The Board receives monthly reports from our investor relations advisors covering market and sector issues as well as changes in valuation It also receives regular briefings from our brokers giving views on shareholder perceptions, and continues to monitor what further steps it might take to improve its understanding of shareholder opinion In the second quarter of 2007 we conducted an audit of institutional investor opinion covering 19 6% of the addressable institutional ownership of Aegis at that time The findings were subsequently presented to the Board

The Annual General Meeting provides an opportunity for shareholders to address questions to the chairman or the Board directly (including the respective Chairmen of the Board Committees) Shareholders may also raise issues on an informal basis, following the conclusion of the Annual General Meeting Published information, including press releases, presentations and webcasts of our results meetings, is available on our corporate website www aegisgroupplc com We relaunched this website in the course of 2007 and it now includes additional information including on our businesses and strategy

For further information please contact our communications director Charlotte Elston on 020 7070 7700 or email her at communications@aegisplc com

If you would like to contact the chairman or one of the non executive directors, please email at corpgov@aegisplc com

John Ross
Company secretary
18 March 2008

The Remuneration Report is presented to shareholders by the Board and sets out the remuneration policies operated by the Company and details the remuneration of each director The Remuneration Report will be put to the Annual General Meeting for approval by the shareholders This vote is advisory only The Board has an established Remuneration Committee, the members of which are disclosed on page 45

In the early part of 2007 a review of the requirements for external advice was undertaken and as a result Kepler Associates ('Kepler') replaced New Bridge Street Consultants as advisors to the Committee During the year Kepler provided advice on remuneration for main Board directors and senior management across the Group incorporating total remuneration benchmarking, base salary annual bonus and share incentive scheme design The Group HR director was also invited by the Committee to provide advice Kepler provided no other services to, and has no other connection with, the Company

Remuneration policy

In determining the remuneration packages of the executive directors, the Committee has regard to two fundamental principles

- the importance of attracting, motivating and retaining management of the highest calibre, and
- linking reward to the Group's performance

The Committee has applied and continues to apply, these principles to develop remuneration packages which

- provide a competitive base salary designed to attract and retain executive directors of the highest calibre and to reflect their role and experience
- provide incentive arrangements which are subject to challenging performance targets reflect the Company's objectives and recognise the importance of providing sustained motivation of management to focus on annual, as well as longer-term, performance and
- align the interests of the executive directors with those of shareholders

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

Remuneration package of executive directors

The main components are

• Base salary and benefits

Base salary and benefits are determined on an annual basis by the Committee after a review taking into account the individual's performance, market trends and the performance of the Group as a whole and where relevant, the performance of the business for which the executive is responsible For guidance, the Committee has regard to available research and published remuneration information on companies within the same industry and markets in the countries in which the executives are based Base salaries prevailing at the date of this report are Robert Lerwill £695,000, Alicja Lesniak £390 000, Adrian Chedore £365,000 Mainardo de Nardis £480,000 and David Verklin £420,000 A summary of the benefits payable to executive directors is given on page 59

• Bonus schemes

i) Annual Cash Bonus Scheme

All of the executive directors participate in the Group's Annual Cash Bonus Scheme For 2007 this continued to be based upon achievement of Group financial targets (profit before tax and management charges), personal objectives and, in the case of directors with operational responsibilities business/regional performance as well This may result in the payment of cash bonuses of up to 75% of base salary (100% for the chief executive officer) For on-target financial performance one half of the maximum bonus opportunity is payable in the case of the chief executive officer and chief financial officer and one third is payable in the case of Adrian Chedore, Mainardo de Nardis and David Verklin

For 2008 the Group financial targets have been, for bonus purposes revised to include the specific measures of operating profit, operating profit margin, cash and revenue The linking of short-term incentives to these measures reflects the balance of business drivers and helps to reinforce the Company's business objectives In 2008 the on-target bonus opportunities will also be changed for the Group chief executive officer and Group chief financial officer to align them with market practice The Group chief executive officer's on target will change from 50% to 60% of salary with a maximum of 120% and the Group chief financial officer's on target will change from 37 5% to 50% of salary with a maximum of 100% The arrangements for Adrian Chedore Mainardo de Nardis and David Verklin remain unchanged

ii) Deferred Annual Cash Bonus Scheme

In addition to the Group's Annual Cash Bonus Scheme, Adrian Chedore, Mainardo de Nardis and David Verklin participate in a separate deferred supplementary annual cash bonus scheme based on achievement of demanding year-on-year profit targets for the regions and businesses for which they are responsible This additional plan has been in operation since 2004 in order to reflect their critical contribution to the Group and to provide competitive total remuneration relative to other media businesses
This additional bonus is potentially worth up to 200% of base salary It should be noted that the cap is set in relation to extremely stretching levels of performance At each year end any bonus earned under the plan is accrued to a personal bonus pool Only half of the bonus pool is then paid out in any one year with the remaining 50% carried forward to the following year end This deferred bonus pool will normally be forfeited in the event that the director leaves the Group Actual payouts have averaged 39% of salary since inception

In 2008, the design of the scheme will be reviewed with regards to the inclusion of shares as well as cash and any changes to the operation of the scheme will be considered as individual arrangements approach their renewal date

• Share-based incentives

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

i) 2003 Executive Share Option Scheme

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

Average annual EPS growth in excess of RPI	Proportion of option grants exercisable
3%	Up to 0 5x salary
3% to 7%	0 5 to 1x salary (pro rata on a straight-line basis)
7% to 12%	1 to 2x salary (pro rata on a straight-line basis)
12% to 17%	2 to 3x salary (pro rata on a straight-line basis)

Following a review by the Remuneration Committee in 2005 the EPS growth targets were increased to those detailed above for grants made in 2005 and 2006 in recognition of the outlook for the business, to ensure that performance conditions remain appropriately stretching The Committee has reviewed the EPS condition again in March 2008 and believes that the targets as detailed above continue to be appropriately challenging EPS growth targets for awards made in 2003 and 2004 are detailed on page 61

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

In 2007, a review of the trends and market practice with regards to the granting of options was undertaken by Kepler As a result of this it has been decided to progressively withdraw from the practice of granting options and focus on granting shares as the key long term incentive vehicle This change will begin on a progressive basis in 2008

ii) 2003 Performance Share Plan
In any financial year an executive can receive a conditional award of shares worth (at market value) no more than two times basic salary in normal circumstances The extent to which awards vest is determined partly by reference to the Company's Total Shareholder Return ('TSR') performance relative to a group of similar businesses and partly by reference to the Company's underlying EPS growth relative to RPI

The following TSR targets apply

TSR performance relative to peer group	Proportion of award vesting
Median or below	Nil
1st or 2nd	50%
For intermediate performance	Nil to 50% (pro rata on a straight-line basis)

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

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

The Committee has reviewed the constituent members of the TSR comparator group and the vesting schedule in March 2008 and believes that the current mix of companies remains appropriate and the stretching vesting schedule will reward strong relative performance

The following EPS performance conditions apply

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

The Committee has reviewed the EPS condition in March 2008 and believes that the targets as detailed above continue to be challenging

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

The assessment of these performance conditions will be carried out by Kepler in its capacity as adviser to the Committee In relation to EPS measurement the Committee will ensure that a consistent basis of measurement is used

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

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

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

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

No further awards will be made under the previous closed schemes although awards granted in the past will continue to be exercisable in accordance with the rules of each respective scheme The closed schemes are the 1995 Executive Share Option Scheme and the 1998 Management Incentive Scheme Details of the 2003 schemes and the performance conditions of these and the closed schemes are given on pages 56, 57 and 61 Details of all share incentive awards outstanding for each executive director serving during 2007 are set out on pages 61 to 62

Pensions

Jeremy Hicks participated in an Inland Revenue approved Group personal pension scheme up until his resignation Mainardo de Nardis, Robert Lerwill and Alicja Lesniak have chosen not to join the Group personal pension scheme and instead receive an appropriate level of additional salary with which to make their own pension arrangements Pensionable salary is limited to base salary excluding all bonuses and other benefits No changes to pension arrangements were made as a result of A-day tax changes and no compensation has been provided for any increased tax due Adrian Chedore and David Verklin have arrangements in line with local (Hong Kong and USA respectively) market conditions and statutory obligations Annual employer pension contributions or salary equivalent payments are shown in the Audited Directors' Remuneration table on page 59

Service contracts

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

Name	Contract date	Notice period from Company	Notice period from director
Robert Lerwill	22 02 05	12 months	6 months
Adrian Chedore	21 02 03	12 months	6 months
Jeremy Hicks[a] (resigned 31 03 07)	09 02 01	12 months	6 months
Alicja Lesniak (appointed 31 03 07)	21 03 07	12 months	6 months
Mainardo de Nardis[b]	18 08 06	12 months	6 months
David Verklin[c]	01 07 98	6 months	6 months

Notes

a) No payments were made to Jeremy Hicks related to his resignation. Details of the treatment of his outstanding share options and performance share plan awards on the cessation of his employment are set out on pages 62 and 63.

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

c) David Verklin retains a contractual entitlement on termination of an amount equal to 12 months' salary and benefits in addition to any payments in respect of his normal 6 months notice period. The Remuneration Committee believes that this provision remains in line with market practice in the USA and continues to be appropriate in this instance.

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

Non-executive directors

Non-executive directors are appointed for an initial term of three years with a one month notice period. Renewal of appointments for a further term of three years is not automatic. The fees of the non-executive directors are approved at a Board meeting at which the non-executive directors do not vote. Fees are based on time commitment and responsibility and are regularly reviewed, taking advice from Kepler. Fees are disclosed on page 59. Non-executive directors have letters of engagement rather than service contracts and do not receive benefits or pension contributions and do not participate in any Group incentive scheme. Dates of appointment and unexpired terms are shown below.

Non-executive director	Date of first appointment to the Board	Date(s) of reappointment	Unexpired term as at 18 March 2008
Lord Sharman	02 09 99	01 11 02 and 01 11 05	7 months
Daniel Farrar	02 06 03	02 06 06	1 year 2 months
Bernard Fournier	01 06 00	01 06 03 and 01 06 06	1 year 2 months
Brendan O'Neill	08 08 05	none yet	4 months
Charles Strauss	05 09 03	05 09 06	1 year 6 months
Lorraine Trainer	02 08 05	none yet	4 months
Leslie Van de Walle	02 06 03	02 06 06	1 year 2 months

Audited directors' remuneration

	Basic Salary £'000	Fees £'000	Benefits £'000 (a)	Annual Cash Bonus £'000 (b)	Deferred Annual Bonus £'000 (b)	Total 2007 £'000	Total 2006 £'000	Pensions 2007 £'000	Pensions 2006 £'000
Adrian Chedore[c]	341	–	87	190	179	797	695	12	12
Daniel Farrar	–	40	–	–	–	40	40	–	–
Bernard Fournier	–	50	–	–	–	50	43	–	–
Jeremy Hicks [c] (resigned 31 03 07)	95	–	6	–	–	101	530	22	88
Robert Lerwill	658	–	18	532	–	1 208	1,089	268	287
Alicja Lesniak[d] (appointed 31 03 07)	293	–	17	183	–	493	–	70	–
Mainardo de Nardis	468	–	35	163	136	802	841	116	38
Brendan O Neill	–	50	–	–	–	50	47	–	–
Lord Sharman	–	175	–	–	–	175	158	–	–
Charles Strauss	–	50	–	–	–	50	47	–	–
Lorraine Trainer	–	40	–	–	–	40	40	–	–
David Verklin	411	–	19	159	43	632	807	3	4
Leslie Van de Walle	–	40	–	–	–	40	40	–	–
Totals	2,266	445	182	1,227	358	4,478	4,377	491	429

Notes

a) Benefits relate generally to the provision of car cash allowance life assurance various disability and health insurances and in the case of Adrian Chedore (resident in Hong Kong) a housing allowance of £60 500 and home leave allowance of £2 690

b) The main terms of the bonus schemes are summarised on page 56 For executive directors, whose annual cash bonus is determined by the Company's financial performance between 81% and 83% of the maximum potential was earned in respect of 2007 For executive directors, whose annual cash bonus is determined by business/regional performance between 46% and 75% of the maximum potential was earned in respect of 2007 for the annual cash bonus and between 0% and 89% of maximum potential was earned in respect of the deferred bonus

c) Jeremy Hicks continued employment as an executive of the Company until 10 April 2007 and his salary as disclosed above was paid through to that date

d) Alicja Lesniak commenced employment as an executive of the Company from 21 March 2007 and her salary benefits and bonus entitlement disclosed above commenced from that date

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

Director	Company	Annual Fees
Robert Lerwill	British American Tobacco	£95,000
Robert Lerwill	Synergy Healthcare	£32,000
Alicja Lesniak	DTZ Holdings	£35,000
Alicja Lesniak	SThree	£35,000

None of the directors was materially or beneficially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of the financial year ended 31 December 2007

Directors' share interests

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

	18 March 2008	31 December 2007	1 January 2007*
Adrian Chedore	380 289	380 289	300 909
Daniel Farrar	6 250	6 250	6,250
Bernard Fournier	10 000	10,000	10 000
Jeremy Hicks (resigned 31 03 07)	–	–	180 273
Robert Lerwill	100,000	100,000	20 000
Alicja Lesniak (appointed 31 03 07)	20 000	20 000	–
Mainardo de Nardis	350 000	350,000	300 000
Brendan O Neill	10 000	10,000	10 000
Lord Sharman	35,000	35 000	35 000
Charles Strauss	20,000	20,000	20,000
Lorraine Trainer	13 200	13 200	5 000
David Verklin	201,349	201,349	106 849
Leslie Van de Walle	61 549	61 549	61 549

*or at date of appointment if later

As at 18 March 2008 the executive directors (Adrian Chedore Robert Lerwill Alicja Lesniak Mainardo de Nardis and David Verklin) were also deemed to have an interest in the 24 436 101 shares held by the Trustee of the Aegis Group plc Employee Share Trust as potential beneficiaries under that Trust

Dilution

Investor guidelines recommend that the number of newly issued shares used to satisfy awards under all share plans over any ten-year period should be limited to 10% of a company's issued share capital If all options granted had become exercisable on 31 December 2007 and new issue shares had been used to satisfy all exercises, the dilution would have been 7 58% of issued share capital

Audited directors' share option interests

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

Director	Options held at 1 1 07	Granted during 2007	Lapsed during 2007	Exercised during 2007	Options held at 31 12 07	Exercise price	Date from which exercisable	Expiry date
Robert Lerwill	** 1,500,000	–	–	–	1 500 000	105p	09 03 08	08 03 15
	** 484 615	–	–	–	484 615	134p	20 03 09	19 03 16
	** –	447 096	–	–	447,096	147 5p	23 03 10	22 03 17
Adrian Chedore	* 1 000 000	–	–	–	1 000,000	109p	14 03 05	13 03 12
	** 340 000	–	–	–	340 000	95 75p	17 03 07	16 03 14
	** 371 000	–	–	–	371 000	101 75p	31 03 08	30 03 15
	** 357 243	–	–	–	357 243	134p	20 03 09	19 03 16
	** –	324,617	–	–	324 617	147 5p	23 03 10	22 03 17
Jeremy Hicks (resigned 31 03 07)	73 529	–	73,529	–	–	170p	08 05 03	07 05 10
	* 750,000	–	750 000	–	–	125 7p	17 04 04	16 04 11
	(a) 112 734	–	–	112,734	–	119 75p	23 03 04	22 03 11
	(a) 60 255	–	–	60 255	–	109p	14 03 05	13 03 12
	* 500,000	–	500 000	–	–	109p	14 03 05	13 03 12
	** 270,000	–	–	–	270,000	95 75p	01 04 07	31 03 08
	** 300,000	–	100 000	–	200 000	101 75p	01 04 07	31 03 08
	** 242,308	–	161,539	–	80 769	134p	01 04 07	31 03 08
Alicja Lesniak (appointed 31 03 07)	** –	254 668	–	–	254 668	147 25p	12 04 10	11 04 17
Mainardo de Nardis	** 345,489	–	–	–	345 489	130 25p	06 09 09	05 09 16
	** –	317,826	–	–	317,826	147 5p	23 03 10	22 03 17
David Verklin	641,398	–	–	–	641,398	80 5p	09 04 01	08 04 08
	* 1,000,000	–	–	–	1 000,000	87p	15 05 01	14 05 08
	82 513	–	–	–	82 513	214 5p	09 03 03	08 03 10
	* 1,000 000	–	–	–	1,000 000	109p	14 03 05	13 03 12
	** 450 000	–	–	–	450,000	85 5p	05 06 06	04 06 13
	** 340,000	–	–	–	340,000	95 75p	17 03 07	16 03 14
	** 371,000	–	–	–	371 000	101 75p	31 03 08	30 03 15
	** 357 243	–	–	–	357,243	134p	20 03 09	19 03 16
	** –	285 229	–	–	285,229	147 5p	23 03 10	22 03 17
Totals	10 949 327	1 629,436	1 585 068	172 989	10 820,706			

a) Jeremy Hicks exercised these options at a market price o 125 19p realising a total gross gain of £15 888

Notes All of the above options were granted for nil consideration

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

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

Average annual EPS growth in excess of RPI	Proportion of option grants exercisable
3%	Up to 0 5x salary
3% to 5%	0 5 to 1x salary (pro rata on a straight-line basis)
5% to 10%	1 to 2x salary (pro rata on a straight-line basis)
10% to 15%	2 to 3x salary (pro rata on a straight-line basis)

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

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

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

The middle market price of the ordinary 5p shares of the Company as derived from the Stock Exchange Daily Official List on 31 December 2007 was 117p and the range during the year was 107 25p to 152p The share price on 17 March 2008 the latest practicable date prior to signing of the Annual Report and Accounts was 107p

Treatment of Jeremy Hicks' outstanding options (as disclosed previously in last year's accounts)
Options granted under the Management Incentive Scheme lapsed with immediate effect on cessation of his employment Options granted under the 1995 Executive Share Option Scheme, were able to be exercised, in accordance with the rules of the scheme within the period of six months after resignation Thereafter they lapsed

For options granted under the 2003 Executive Share Option Scheme the Remuneration Committee determined that options may be exercisable for a period of 12 months following resignation to the extent that the performance conditions had been achieved provided that the number of options exercisable was pro-rated for time elapsed since the relevant date of grant After the end of the 12 months period any unexercised options lapse

Audited awards under the 2003 Performance Share Plan

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

Name	Maximum potential award of shares at 1 1 07	Awards granted during year	Awards lapsed during year	Awards transferred during year	Maximum potential award of shares at 31 12 07	Performance period
Robert Lerwill	1 000 000	–	–	–	1 000 000	01 01 05 to 31 12 07
	726 923	–	–	–	726 923	01 01 06 to 31 12 08
	–	670 645	–	–	670 645	01 01 07 to 31 12 09
Adrian Chedore	300 000	–	30 000	270,000*	–	01 01 04 to 31 12 06
	495,000	–	–	–	495 000	01 01 05 to 31 12 07
	357 243	–	–	–	357 243	01 01 06 to 31 12 08
	–	324 617	–	–	324 617	01 01 07 to 31 12 09
Jeremy Hicks	430,000	–	43 000	387,000*	–	01 01 04 to 31 12 06
(resigned 31 03 07)	550,000	–	220,000	330,000*	–	01 01 05 to 31 12 07
	261,462	–	230,959	30,503*	–	01 01 06 to 31 12 08
Alicja Lesniak (appointed 31 03 07)	–	254,668	–	–	254,668	01 01 07 to 31 12 09
Mainardo de Nardis	767 754	–	–	–	767 754	01 01 06 to 31 12 08
	–	611 205	–	–	611,205	01 01 07 to 31 12 09
David Verklin	300,000	–	30 000	270,000*	–	01 01 04 to 31 12 06
	450 000	–	–	–	450 000	01 01 05 to 31 12 07
	607,243	–	–	–	607,243	01 01 06 to 31 12 08
	–	285 229	–	–	285,229	01 01 07 to 31 12 09

The market price of Aegis shares at the date of the 2004 award was 100 75p, for the 2005 award was 101 75p, for the 2006 award 134p and for the 2007 award 147 5p The market price of Aegis shares at the date of award for Alicja Lesniak was 147 25p

The number of shares shown represents the maximum number of shares which is capable of vesting at the end of the performance period, if the performance conditions are satisfied to the fullest extent

The performance conditions for all outstanding awards are set out in the policy section of this report on pages 57 (Cordiant Communications was initially included in the comparator group for awards granted in 2003 Grey Global Group Inc was initially included in the comparator groups for awards granted in 2003 and 2004 and VNU N V was initially included in the comparator group for awards granted in 2003, 2004 2005 and 2006 Subsequent to their takeover they have been removed from the relevant comparator group)

*details of transferred awards

Name	Number vested	Date of award	Market price at date of transfer	Gross gain
Adrian Chedore	270 000	10 03 04	143p	£386,100
Jeremy Hicks	387,000	10 03 04	146p	£565,029
Jeremy Hicks	330,000	31 03 05	140 40p	£463,320
Jeremy Hicks	30 503	20 03 06	140 40p	£42,826
David Verklin	270,000	10 03 04	145 25p	£392,175

Treatment of Jeremy Hicks' outstanding Performance Share Plan awards

(as disclosed previously in last year's accounts)

On resignation outstanding awards were to be released to the extent that the performance conditions had been achieved provided that the number of shares released was pro-rated for time elapsed since the relevant date of award Details of shares transferred and gains made by Jeremy Hicks are shown in the tables above

Shareholding guidelines

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

Performance graph

The following graph illustrates the Company's TSR between 31 December 2002 and 31 December 2007 relative to the FTSE All Share Media Index in accordance with paragraph 4 of the Directors Remuneration Report Regulations 2002 Aegis Group plc is a member of the FTSE All Share Media Index and the Remuneration Committee considers that a comparison of the Company's TSR relative to similar businesses is more appropriate than a comparison with a general FTSE Index in order to reduce the impact of general stock market trends

Total shareholder return

Value of £100 holding invested at 31 December 2002

Source Bloomberg

Notes:
TSR based on end of year prices FTSE All-share Media dividends based on the 12-month rolling dividend yield

Charles Strauss
chairman of the Remuneration Committee
18 March 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEGIS GROUP PLC

We have audited the group financial statements of Aegis Group plc (the Group) for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes 1 to 35 These Group financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

We have reported separately on the parent company financial statements of Aegis Group plc for the year ended 31 December 2007

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

Respective responsibilities of directors and auditors

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

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

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

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

We review whether the Corporate Governance Statement reflects the Companys compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not We are not required to consider whether the Boards statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Groups corporate governance procedures or its risk and control procedures

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union of the state of the Groups affairs as at 31 December 2007 and of its profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation
- the part of the Directors Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the Group financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
18 March 2008

Consolidated income statement for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Turnover – amounts invoiced to clients		**9,351.2**	8,230 2
Revenue	4	**1,106.4**	996 9
Cost of sales		**(159.8)**	(144 8)
Gross profit		**946.6**	852 1
Operating expenses		**(804.5)**	(725 2)
Operating profit	4	**142.1**	126 9
Share of results of associates		**6.4**	(2 7)
Profit before interest and tax		**148.5**	124 2
Investment income	8	**13.6**	11 8
Finance costs	9	**(28.6)**	(22 5)
Net financial costs		**(15.0)**	(10 7)
Profit before tax		**133.5**	113 5
Tax	10	**(39.1)**	(33 4)
Profit for the financial year		**94.4**	80 1

	Notes	2007 £m	2006 £m
Attributable to			
Equity holders of the parent		**89.6**	76 3
Minority interests		**4.8**	3 8
		94.4	80 1
Earnings per ordinary share			
Basic (pence)	12	**7.9**	6 8
Diluted (pence)	12	**7.9**	6 8
Underlying results			
Underlying profit before interest and tax	4	**149.4**	133 8
Underlying profit before tax	4	**132.7**	116 2

Consolidated balance sheet at 31 December 2007

	Notes	2007 £m	2006 £m
Non-current assets			
Goodwill	13	**815.9**	667 8
Intangible assets	14	**23.9**	17 1
Property plant and equipment	15	**53.8**	50 5
Interests in associates and joint ventures	16	**19.3**	15 6
Deferred tax assets	21	**15.8**	12 1
Available-for sale financial assets	17	**2.3**	2 8
Other financial assets	20	**1.7**	0 6
Derivative financial assets	20	**-**	0 1
		932.7	766 6
Current assets			
Inventory work in progress		**15.5**	14 7
Derivative financial assets	20	**0.1**	0 9
Trade and other receivables	18	**2,090.6**	1 597 8
Other financial assets		**0.3**	16 4
Cash at bank and in hand and short-term deposits	20, 30	**356.8**	284 2
		2,463.3	1,914 0
Total assets		**3,396.0**	2,680 6
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(2,322.3)**	(1,854 0)
Short term borrowings and overdrafts	20	**(85.1)**	(138 1)
Derivative financial liabilities		**(0.3)**	-
Other financial liabilities		**(0.1)**	-
Current tax liabilities		**(19.1)**	(19 1)
		(2,426.9)	(2,011 2)
Net current assets/(liabilities)		**36.4**	(97 2)
Non-current liabilities			
Long-term borrowings	20	**(516.9)**	(353 0)
Other long-term liabilities	20, 28	**(112.8)**	(85 8)
Derivative financial liabilities	20	**(15.9)**	(9 3)
Deferred tax liabilities	21	**(8.3)**	(4 0)
Provisions	22	**(1.8)**	(0 7)
		(655.7)	(452 8)
Total liabilities		**(3,082.6)**	(2 464 0)
Net assets		**313.4**	216 6
EQUITY			
Share capital	23, 26	**57.7**	57 1
Shares to be issued	26	**4.7**	-
Own shares	24, 26	**(30.9)**	(22 1)
Share premium account	26	**238.7**	229 4
Capital redemption reserve	26	**0.2**	0 2
Foreign currency translation reserve	26	**6.4**	(16 2)
Retained earnings/(accumulated losses)	26	**45.3**	(27 4)
Equity attributable to equity holders of the parent		**322.1**	221 0
Minority interests	26	**6 3**	7 5
Potential acquisition of minority interests	26	**(15.0)**	(11 9)
Total equity		**313.4**	216 6

These financial statements were approved by the Board of directors on 18 March 2008 and were signed on its behalf by
Robert Lerwill (chief executive officer) **Alicja Lesniak** (chief financial officer)

Consolidated cash flow statement for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Cash inflows from operations	30	**175.0**	130 7
Income taxes paid		**(38 8)**	(34 5)
Net cash inflow from operating activities		**136.2**	96 2
Investing activities			
Interest received		**13.6**	11 8
Dividends received from associates		**0.5**	0 2
Return of capital from joint venture		**2.3**	–
Purchase of subsidiary undertakings and minority interests		**(79.8)**	(23 1)
Net cash acquired on purchase of subsidiary undertakings		**7.6**	8 9
Net debt acquired on purchase of subsidiary undertakings		**(5.7)**	–
Proceeds from disposal of subsidiaries		**0.2**	–
Net cash disposed on sale of subsidiaries		**(2 9)**	–
Net debt disposed on sale of subsidiaries		**4.3**	–
Acquisition of investment in associated undertakings		**–**	(0 3)
Proceeds from disposal of associated undertakings		**0 3**	–
Deferred consideration on current and prior period acquisitions		**(48.3)**	(54 6)
Purchase of property plant and equipment		**(19.0)**	(20 6)
Purchase of intangible assets		**(11.4)**	(6 5)
Proceeds from disposal of property, plant and equipment		**0.7**	1 6
Proceeds from disposal of intangible assets		**2.5**	0 3
Other investing activities		**–**	(1 3)
Net cash used in investing activities		**(135 1)**	(83 6)
Financing activities			
Dividends paid		**(22.7)**	(19 4)
Dividends paid to minority shareholders		**(2.7)**	(2 7)
Interest paid		**(28.3)**	(24 7)
Refinancing costs		**–**	(1 2)
Proceeds from borrowings		**173.2**	184 8
Repayments of loans		**(81.2)**	(151 4)
Proceeds on issue of ordinary share capital		**9.8**	11 2
Purchase of own shares		**(12.8)**	(12 0)
Disposal of other financial assets		**16.6**	–
Net cash from/(used in) financing activities		**51.9**	(15 4)
Net increase/(decrease) in cash and cash equivalents	30	**53.0**	(2 8)
Translation differences		**19.5**	(16 1)
Cash and cash equivalents at beginning of year		**257 0**	275 9
Cash and cash equivalents at end of year	30	**329.5**	257 0
Cash at bank and in hand and short-term deposits		**356 8**	284 2
Bank overdrafts		**(27.3)**	(27 2)
Cash and cash equivalents at end of year	30	**329.5**	257 0

Consolidated statement of recognised income and expense for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Profit for the financial year		**94.4**	80 1
Currency translation differences on foreign operations			
– Group		**22.6**	(21 9)
– Minority interests		**0.5**	–
Available for sale investments (losses)/gains taken to equity		**(0.4)**	0 4
Cash flow hedges gains taken to equity (net of tax)		**1.0**	2 2
Actuarial loss recognised on defined benefit pension schemes	33	**0.1**	–
Other recognised gains/(losses)		**23.8**	(19 3)
Total recognised income and expense	26	**118.2**	60 8
Attributable to			
Equity holders of the parent		**112 9**	57 0
Minority interests	26	**5.3**	3 8
		118.2	60 8

1. General Information

Aegis Group plc is a company incorporated in the United Kingdom The address of the registered office is given on page 46 The nature of the Groups operations and its principal activities are set out in note 4 and in the Directors Report on pages 47 and 48

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

2. Basis of Preparation

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

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

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

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

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

IFRS 8 Operating segments

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

IFRIC 12 Service concession arrangements

IFRIC 13 Customer loyalty programmes

IFRIC 14 IAS 19 – The limit on a defined benefit asset minimum funding requirements and their interaction

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group

3. Accounting policies

Principal accounting policies

The principal accounting policies set out below have been consistently applied to all the periods presented in this Annual Report The Group has adopted the following amendments mandatory for annual periods beginning on or after 1 January 2007

IFRS 7 – Financial Instruments Disclosures

The adoption of this accounting standard did not have any impact on the financial results of the Group in either the current or prior years The Standard s adoption relates to additional disclosure requirements in both the current and prior years

Balance sheet reclassifications

The Group has revisited the classification of certain bank accounts and its revolving credit facility during the year and as a result, as at 31 December 2006 it has reclassified £21 7 million from trade and other receivables to cash and £158 1 million borrowings from debt due within one year to debt due after more than one year

Basis of consolidation

a) Subsidiaries

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

Where a consolidated company is less than 100% owned by the Group, the minority interest share of the results and net assets are recognised at each reporting date Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination Where a company has net liabilities no asset is recorded within minority interests unless the minority shareholder has an obligation to make good its share of the net liabilities

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

3. Accounting policies (continued)

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

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

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

The Group's associates are accounted for using the equity method of accounting Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill The Groups share of its associates post-acquisition profits or losses and any impairment of goodwill is recognised in the income statement and as a movement in the Groups share of associates net assets in the balance sheet Its share of any post-acquisition movements in reserves is recognised directly in equity Losses of the associates in excess of the Group's interest in those associates are not recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate

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

Business combinations and goodwill
The acquisition of subsidiaries is accounted for using the purchase method The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus any costs directly attributable to the business combination Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable net assets liabilities and contingent liabilities recognised If, after reassessment, the Groups interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the excess is recognised immediately in profit or loss The interests of minority shareholders in the acquiree is initially measured at the minoritys proportion of the net fair value of assets liabilities and contingent liabilities recognised

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

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

For the purpose of impairment testing, goodwill is allocated to each of the Groups cash generating units expected to benefit from the synergies of the combination Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired If the recoverable amount of the cash generating unit is less than the carrying amount of the unit the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period

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

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

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

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

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

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

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

3. Accounting policies (continued)

Intangible assets (continued)

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

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

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

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

Property, plant and equipment

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

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any Recoverable amount is the higher of fair value less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted Where the asset does not generate cash flows that are independent from other assets the Group estimates the recoverable amount of the cash generating unit to which the asset belongs An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired

Inventory: work in progress

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

Provisions

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

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

Turnover (amounts invoiced to clients) and revenue

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

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

Media revenue is recognised when charges are made to clients, principally when advertisements appear in the media Fees are recognised over the period of the relevant assignments or agreements Performance related income is recognised when it can be reliably estimated whether and the extent to which, the performance criteria have been met

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

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

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

Share-based payment transactions

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

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

3. Accounting policies (continued)

Share-based payment transactions (continued)

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

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

Employee benefits

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

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

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

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

Foreign currencies

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

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

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

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

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

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

Leased assets

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

Taxation

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

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

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

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

3. Accounting policies (continued)

Taxation (continued)

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

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

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

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

Segment reporting

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

Financial instruments

Financial assets

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

Cash and cash equivalents

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

Trade receivables

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

Available-for-sale financial assets

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

Financial liabilities and equity

Bank borrowings

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

Trade payables

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

Derivative financial instruments

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely-related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement The Group's activities expose it to certain financial risks including changes in foreign currency exchange rates and interest rates The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures The Group does not use derivative financial instruments for speculative purposes

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

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

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

3. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

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

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

Liabilities in respect of option agreements

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

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

Accounting estimates and judgements

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

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

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

4. Segment reporting

Business segments

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

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

	2007 **£m**	2006 £m
Revenue		
Media communications	**673.4**	595 7
Market research	**433.0**	401 2
Revenue	**1,106.4**	996 9

	£m Underlying	**£m Adjustments**	**2007 £m Statutory**	£m Underlying	£m Adjustments	2006 £m Statutory
Segment result						
Media communications	**134.4**	**(2.8)**	**131.6**	121 1	(5 5)	115 6
Market research	**34.9**	**(1.3)**	**33.6**	30 8	(0 2)	30 6
Corporate costs	**(23.1)**	**-**	**(23.1)**	(19 3)	-	(19 3)
Operating profit	**146.2**	**(4.1)**	**142.1**	132 6	(5 7)	126 9
Share of results of associates	**3.2**	**3.2**	**6.4**	1 2	-	1 2
Impairment of goodwill on associates	**-**	**-**	**-**	-	(3 9)	(3 9)
Share of results of associates	**3.2**	**3.2**	**6.4**	1 2	(3 9)	(2 7)
Profit before interest and tax	**149.4**	**(0.9)**	**148.5**	133 8	(9 6)	124 2
Investment income	**13.6**	**-**	**13.6**	11 8	-	11 8
Finance costs	**(30.3)**	**1.7**	**(28.6)**	(29 4)	6 9	(22 5)
Net financial items	**(16.7)**	**1.7**	**(15.0)**	(17 6)	6 9	(10 7)
Profit before tax	**132.7**	**0.8**	**133.5**	116 2	(2 7)	113 5
Tax	**(35.2)**	**(3.9)**	**(39.1)**	(33 3)	(0 1)	(33 4)
Profit after tax	**97.5**	**(3.1)**	**94.4**	82 9	(2 8)	80 1

Further details of the underlying adjustments are provided in note 5

4. Segment reporting (continued)

An analysis of revenue and segment result on a constant currency basis is set out below

	2007 **£m**	2006 £m Constant Currency
Revenue		
Media communications	**673.4**	585 7
Market research	**433.0**	383 3
Revenue	**1,106.4**	969 0

	2007 **£m** **Underlying**	**£m** **Adjustments**	**£m** **Statutory**	£m Constant Currency Underlying	£m Constant Currency Adjustments	2006 £m Constant Currency Statutory
Segment result						
Media communications	**134.4**	**(2.8)**	**131.6**	120 1	(5 5)	114 6
Market research	**34.9**	**(1.3)**	**33.6**	29 5	(0 2)	29 3
Corporate costs	**(23.1)**	**-**	**(23.1)**	(19 4)	–	(19 4)
Operating profit	**146.2**	**(4.1)**	**142.1**	130 2	(5 7)	124 5
Share of results of associates	**3.2**	**3.2**	**6.4**	1 2	–	1 2
Impairment of goodwill on associates	**-**	**-**	**-**	–	(3 9)	(3 9)
Share of results of associates	**3.2**	**3 2**	**6 4**	1 2	(3 9)	(2 7)
Profit before interest and tax	**149.4**	**(0.9)**	**148.5**	131 4	(9 6)	121 8

4. Segment reporting (continued)

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

	2007 £m	2006 £m
Segment assets		
Media communications	**2,787.7**	2,156 6
Market research	**599.6**	546 3
	3,387 3	2 702 9
Investment in eVerger joint venture	**0.5**	2 8
Corporate operations	**8.2**	(25 1)
Total assets	**3,396.0**	2,680 6
Segment liabilities		
Media communications	**(2,321.1)**	(1,847 3)
Market research	**(198.6)**	(166 3)
	(2,519.7)	(2 013 6)
Corporate operations	**(562.9)**	(450 4)
Total liabilities	**(3,082.6)**	(2,464 0)
Net assets	**313.4**	216 6
Capital expenditure		
Media communications	**12.2**	13 8
Market research	**6.4**	6 0
Corporate operations	**0.4**	0 8
Capital expenditure	**19.0**	20 6
Depreciation of property, plant and equipment		
Media communications	**13.2**	12 6
Market research	**5.4**	6 0
Corporate operations	**0.5**	0 5
Depreciation of property, plant and equipment	**19.1**	19 1
Amortisation of intangible assets		
Media communications	**4.7**	3 8
Market research	**1.8**	2 0
Corporate operations	**1.1**	1 2
Amortisation of intangible assets	**7.6**	7 0
Impairment losses		
Media communications	**2.0**	5 3
Market research	-	–
Corporate operations	-	–
Impairment losses	**2.0**	5 3

4. Segment reporting (continued)

Geographical segments

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

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

	2007 £m	2006 £m
Revenue		
Europe, Middle East & Africa	**677.5**	601 3
Americas	**286.2**	267 2
Asia-Pacific	**142.7**	128 4
Revenue	**1,106.4**	996 9

	2007 £m Underlying	2007 £m Adjustments	2007 £m Statutory	2006 £m Underlying	2006 £m Adjustments	2006 £m Statutory
Segment result						
Europe, Middle East & Africa	**122.9**	**(0.4)**	**122.5**	107 3	(4 1)	103 2
Americas	**32.4**	**(0.6)**	**31.8**	30 5	(0 3)	30 2
Asia Pacific	**14.0**	**(3.1)**	**10.9**	14 1	(1 3)	12 8
Corporate costs	**(23.1)**	**-**	**(23.1)**	(19 3)	–	(19 3)
Operating profit	**146.2**	**(4.1)**	**142.1**	132 6	(5 7)	126 9
Share of results of associates	**3.2**	**3.2**	**6.4**	1 2	–	1 2
Impairment of goodwill on associates	**-**	**-**	**-**	–	(3 9)	(3 9)
Share of results of associates	**3.2**	**3.2**	**6.4**	1 2	(3 9)	(2 7)
Profit before interest and tax	**149.4**	**(0.9)**	**148.5**	133 8	(9 6)	124 2
Investment income	**13.6**	**-**	**13.6**	11 8	–	11 8
Finance costs	**(30.3)**	**1.7**	**(28.6)**	(29 4)	6 9	(22 5)
Net financial items	**(16.7)**	**1.7**	**(15.0)**	(17 6)	6 9	(10 7)
Profit before tax	**132.7**	**0.8**	**133.5**	116 2	(2 7)	113 5
Tax	**(35.2)**	**(3.9)**	**(39.1)**	(33 3)	(0 1)	(33 4)
Profit after tax	**97.5**	**(3.1)**	**94.4**	82 9	(2 8)	80 1

Further details of the underlying adjustments are provided in note 5

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

4. Segment reporting (continued)

An analysis of revenue and segment result by these geographical areas on a constant currency basis is set out below

	2007 **£m**	2006 £m Constant Currency
Revenue		
Europe Middle East & Africa	**677.5**	599 8
Americas	**286.2**	246 5
Asia-Pacific	**142.7**	122 7
Revenue	**1,106.4**	969 0

	£m **Underlying**	**£m** **Adjustments**	**2007** **£m** **Statutory**	£m Constant Currency Underlying	£m Constant Currency Adjustments	2006 £m Constant Currency Statutory
Segment result						
Europe, Middle East & Africa	**122.9**	**(0.4)**	**122.5**	107 6	(4 0)	103 6
Americas	**32.4**	**(0.6)**	**31.8**	28 1	(0 2)	27 9
Asia Pacific	**14.0**	**(3.1)**	**10.9**	13 9	(1 5)	12 4
Corporate costs	**(23.1)**	**-**	**(23.1)**	(19 4)	–	(19 4)
Operating profit	**146.2**	**(4.1)**	**142.1**	130 2	(5 7)	124 5
Share of results of associates	**3.2**	**3.2**	**6.4**	1 2	-	1 2
Impairment of goodwill on associates	**-**	**-**	**-**	–	(3 9)	(3 9)
Share of results of associates	**3.2**	**3 2**	**6.4**	1 2	(3 9)	(2 7)
Profit before interest and tax	**149.4**	**(0.9)**	**148.5**	131 4	(9 6)	121 8

4. Segment reporting (continued)

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

	2007 **£m**	2006 £m
Segment assets		
Europe, Middle East & Africa	**2,221.8**	1 680 9
Americas	**742.0**	695 1
Asia-Pacific	**423.5**	326 9
	3,387.3	2 702 9
Investment in eVerger joint venture	**0.5**	2 8
Corporate operations	**8.2**	(25 1)
Total assets	**3,396.0**	2,680 6
Segment liabilities		
Europe, Middle East & Africa	**(1,783.5)**	(1,360 7)
Americas	**(461.5)**	(451 0)
Asia-Pacific	**(274.7)**	(201 9)
	(2,519.7)	(2 013 6)
Corporate operations	**(562.9)**	(450 4)
Total liabilities	**(3,082.6)**	(2 464 0)
Net assets	**313.4**	216 6

	2007	2006
Capital expenditure		
Europe, Middle East & Africa	**11.5**	10 9
Americas	**4.4**	5 9
Asia-Pacific	**2.7**	3 0
Corporate operations	**0.4**	0 8
Capital expenditure	**19.0**	20 6

5. Underlying results

Underlying results are stated before the following items

	2007 £m	2006 £m
VAT liability in Germany	-	(3 8)
Impairment of goodwill	(2.0)	(1 4)
Loss on disposal of subsidiaries	(0.9)	-
Amortisation of purchased intangible assets	(1.2)	(0 5)
Impact on operating profit	(4.1)	(5 7)
Profit on deemed disposal of part of shareholding in associate	3.6	-
Loss on disposal of associate	(0.4)	-
Impairment of goodwill on associates	-	(3 9)
Impact on profit before interest and tax	(0.9)	(9 6)
Unrealised gains/(losses) on non-hedge derivatives	3.2	(0 1)
Fair value (losses)/gains on liabilities in respect of put option agreements	(1.5)	7 0
Impact on profit before tax	0.8	(2 7)
Deferred tax on goodwill	(3.9)	(1 5)
Tax credit on VAT liability in Germany	-	1 4
Impact on profit after tax	(3.1)	(2 8)

Impairment of goodwill relates to the write-off of the goodwill of two of the Group's subsidiaries, one in China and one in Asia (2006 India) The loss on disposal of subsidiaries relate to the disposal of Chusen Media in Japan and Posterscope India The loss on disposal of associate relates to the disposal of Percept D Mark in India

In 2006, The VAT liability in Germany related to VAT previously deducted by Aegis Media Germany in its VAT returns in respect of invoices received which have subsequently been identified as falsified invoices

6. Operating profit

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

	2007 £m	2006 £m
Net foreign exchange gains	(3.1)	(3 1)
Impairment of goodwill	2.0	5 3
Depreciation of property plant and equipment	19.1	19 1
Amortisation of intangible assets included in operating expenses	7.6	7 0
Staff costs (see note 7)	533.4	470 8

6. Operating profit (continued)

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

	2007 £m	2007 %	2006 £m	2006 %
Audit fees				
– Fees payable to the Companys auditors for the audit of the Company's annual accounts	**0.5**	**15.6%**	0 2	5 6%
– Fees payable to the Companys auditors and their associates for other services to the Group	**1.4**	**43.8%**	1 3	36 1%
– The audit of the Company's subsidiaries pursuant to legislation	**0.9**	**28.1%**	0 9	25 0%
Total audit fees	**2.8**	**87.5%**	2 4	66 7%
Non-audit fees				
– Other services pursuant to legislation (interim review)	**0.1**	**3.1%**	0 1	2 8%
– Tax services	**0.1**	**3.1%**	0 8	22 2%
– Corporate finance services	**-**	**0.0%**	0 1	2 8%
– Other services	**0.2**	**6.3%**	0 2	5 5%
Total non-audit fees	**0.4**	**12.5%**	1 2	33 3%
Total fees paid to the Company's auditors	**3.2**	**100.0%**	3 6	100 0%

A description of the work of the Audit Committee is set out in the corporate governance statement on page 50 and includes an explanation of how auditor objectivity is safeguarded when non-audit services are provided by the auditors

7. Staff costs

The average monthly number of employees was

	2007 Number	2006 Number
Media communications	**8,475**	7 614
Market research	**5,773**	5 905
Central	**46**	47
	14,294	13 566

Staff costs consist of

	2007 £m	2006 £m
Wages and salaries	**461.1**	402 2
Social security costs	**62.0**	59 0
Other pension costs	**10.3**	9 6
	533.4	470 8

8. Investment income

	2007 £m	2006 £m
Interest receivable	**13.6**	11 8
	13.6	11 8

Interest receivable includes £0 2 million (2006 £nil) in respect of the expected return on pension scheme assets (see note 33)

9. Finance costs

	2007 £m	2006 £m
Interest payable on bank loans and overdrafts	**(3.3)**	(3 2)
Interest payable on loan notes convertible debt, other loans and pension scheme liabilities	**(25.4)**	(22 4)
Imputed interest on deferred consideration	**(0.8)**	(2 0)
Fair value adjustments on put options	**(1.5)**	7 0
Fair value adjustments on derivative financial liabilities	**3.3**	(0 1)
Fair value adjustments on other financial assets	**(0.1)**	(0 4)
	(27.8)	(21 1)
Amortisation of refinancing costs	**(0.8)**	(1 4)
	(28.6)	(22 5)

10. Tax on profit on ordinary activities

The tax charge is made up of the following

	2007 £m	2006 £m
Current tax – UK taxation at 30% (2006 30%)	**0.2**	-
Current tax – overseas	**40.1**	33 9
Adjustments in respect of prior years	**(3.2)**	0 5
	37.1	34 4
Deferred tax (note 21)	**2.0**	(1 0)
	39.1	33 4

The underlying effective tax rate on underlying profits for the year ended 31 December 2007 is 26 5% (2006 28 7%)

The tax charge for the year ended 31 December 2007 is £39 1 million (2006 £33 4 million) representing an effective tax rate (including deferred tax on goodwill) on statutory profits of 29 3% (2006 29 4%) The tax charge for the year ended 31 December 2007 includes a deferred tax expense of £3 9 million (2006 £1 5 million) for tax deductions in respect of goodwill IFRS requires that such deferred tax is recognised even if a liability would only unwind on the eventual sale or impairment of the business in question

UK Corporation tax is calculated at 30% (2006 30%) of the estimated assessable profit for the year Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions

10. Tax on profit on ordinary activities (continued)

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

	2007 £m	2006 £m
Profit before taxation	**133.5**	113 5
Tax at the UK corporation tax rate of 30% (2006 30%)	**40.1**	34 1
Adjustments in respect of prior years	**(3.2)**	0 5
Tax effect of income/expenditure that is not taxable/deductible	**0.8**	(1 1)
Rate differences on overseas earnings	**(2.7)**	2 4
Tax losses carried forward in the period UK	**4.3**	0 6
Tax losses utilised in the period overseas	**(0.1)**	(2 0)
Other reconciling items	**(0.1)**	(1 1)
Tax expense for the year	**39.1**	33 4
Effective rate of statutory tax charge on statutory profits	**29.3%**	29 4%

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

IAS 1 requires income from associates to be presented net of tax on the face of the income statement The associates' tax is no longer included within the Group's total tax charge Associates tax included within Net income from associates' for the year ended 31 December 2007 is £0 2 million (2006 £0 2 million)

11. Dividends

	2007 £m	2006 £m
Ordinary shares of 5p each		
Dividend rate per share for the period (pence)	**2.30**	1 90
	£m	£m
Declared and paid during the period		
Final dividend for 2005 of 1 00p per share	–	11 3
Interim dividend for 2006 of 0 725p per share	–	8 1
Final dividend for 2006 of 1 175p per share	**13.2**	–
Interim dividend for 2007 of 0 84p per share	**9.5**	–
	22.7	19 4
	£m	£m
Proposed but not yet declared or paid at the balance sheet date		
Final dividend for 2006 of 1 175p per share	–	13 4
Final dividend for 2007 of 1 46p per share	**16.5**	–
	16.5	13 4

The final dividend for 2007 if approved will be paid on 29 May 2008 to all ordinary shareholders on the register at 2 May 2008

12. Earnings per share

	2007	2006
Basic		
Profit for the year attributable to equity holders of the parent (£ millions)	**89.6**	76 3
Adjusting items (note 5) (£ millions)	**3.1**	2 8
Underlying profit for the year (£ millions)	**92.7**	79 1
Weighted average number of ordinary shares in issue (millions)	**1,130.2**	1,118 8
Basic earnings per share (pence)	**7.9**	6 8
Adjusting items (note 5) (pence)	**0.3**	0 3
Underlying basic earnings per share (pence)	**8.2**	7 1
Diluted		
Profit for the year attributable to equity holders of the parent (£ millions)	**89.6**	76 3
Adjusting items (note 5) (£ millions)	**3.1**	2 8
Underlying profit for the year (£ millions)	**92.7**	79 1
Diluted weighted average number of ordinary shares in issue (millions)	**1,137.3**	1 124 3
Diluted earnings per share (pence)	**7.9**	6 8
Adjusting items (note 5) (pence)	**0.3**	0 2
Underlying diluted earnings per share (pence)	**8.2**	7 0
Weighted average number of ordinary shares (millions)		
Basic weighted average number of ordinary shares	**1,130.2**	1,118 8
Dilutive potential ordinary shares employee share options	**3.7**	5 5
Shares to be issued	**3.4**	–
Diluted weighted average number of ordinary shares	**1,137.3**	1 124 3

The calculation of basic and diluted earnings per share is based on profit after tax and minority interests The weighted average number of shares excludes the Group's interest in own shares held through an ESOP trust The Group's €165 0 million convertible bond (redeemed in May 2006) and certain share options were anti-dilutive and consequently were excluded from the calculation of diluted earnings per share

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

13. Goodwill

	£m
COST	
At 1 January 2006	**706.3**
Additions	39 7
Transferred from associates	–
Other acquisition adjustments	2 7
Adjustments to prior period estimates of deferred consideration	(3 0)
Disposals	(3 7)
Exchange differences	(51 0)
At 31 December 2006	**691.0**
Additions	121 6
Transferred from associates	–
Other acquisition adjustments	0 1
Adjustments to prior period estimates of deferred consideration	1 1
Disposals	–
Exchange differences	27 3
At 31 December 2007	**841.1**

	£m
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2006	**21.8**
Impairment losses for the year	1 4
Exchange differences	–
At 31 December 2006	**23.2**
Impairment losses for the year	2 0
Exchange differences	–
At 31 December 2007	**25.2**

	£m
CARRYING AMOUNT	
At 31 December 2007	**815.9**
At 31 December 2006	667 8

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

	2007 £m	2006 £m
Aegis Media		
– Europe, Middle East & Africa	**234.1**	195 9
– Americas	**139.2**	97 0
– Asia-Pacific	**78.2**	54 3
Synovate		
– Europe, Middle East & Africa	**148.9**	108 0
– Americas	**148.1**	150 1
– Asia-Pacific	**67.4**	62 5
	815.9	667 8

13. Goodwill (continued)

An impairment of £2 0 million was charged in respect of one of the Groups subsidiaries in China and one in Asia following the deterioration in the performance of this business

During 2006, an impairment of £1 4 million was charged in respect of one of the Groups companies in India following the deterioration in the performance of this business

The allocation of goodwill presented above is net of impairment In 2006, an impairment of £3 9 million was booked in respect of one of the Group s associates in India

The recoverable amount of a cash generating unit is de ermined based on value-in-use calculations The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows for the following four years based on estimated growth rates of between 9% and 12% After this time, cash flows are extrapolated based on the estimated long-term growth in gross domestic product of 3 0% Cash flow projections are discounted using a pre-tax discount rate of 11 28%

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

14. Intangible assets

	Software £m	Other £m	Total £m
COST			
At 1 January 2006	**38.0**	**10.1**	**48.1**
Additions			
– internally generated	0 2	–	0 2
– separately acquired	5 1	1 2	6 3
Disposals	(3 8)	(0 4)	(4 2)
Exchange differences	(2 0)	(1 0)	(3 0)
At 31 December 2006	**37.5**	**9.9**	**47.4**
Additions			
– internally generated	0 9	0 2	1 1
– separately acquired	9 1	5 2	14 3
Acquired on acquisition of a subsidiary	0 3	0 8	1 1
Disposals	(8 6)	(0 2)	(8 8)
Transfers	(0 4)	0 4	–
Exchange differences	1 5	0 2	1 7
At 31 December 2007	**40.3**	**16.5**	**56.8**
AMORTISATION			
At 1 January 2006	**24.0**	**4.4**	**28.4**
Charge for the year	5 9	1 1	7 0
Disposals	(3 4)	(0 1)	(3 5)
Exchange differences	(1 2)	(0 4)	(1 6)
At 31 December 2006	**25.3**	**5.0**	**30.3**
Charge for the year	5 8	1 8	7 6
Disposals	(6 4)	0 1	(6 3)
Transfers	0 1	(0 1)	–
Exchange differences	1 2	0 1	1 3
At 31 December 2007	**26.0**	**6.9**	**32.9**
CARRYING AMOUNT			
At 31 December 2007	**14.3**	**9.6**	**23.9**
At 31 December 2006	12 2	4 9	17 1

The carrying amount of other intangible assets includes market research panel costs of £0 9 million (2006 £0 7 million) patents and trademarks of £4 1 million (2006 £4 0 million), customer relationships £3 3 million (2006 £nil), and other intangibles of £1 3 million (2006 £0 2 million)

The carrying amount of intangible assets with indefinite useful economic lives is £3 5 million (2006 £3 2 million), principally relating to trade names These are considered to have indefinite lives because it is the Group's intention to continue to invest in these assets and by doing so, their value will be protected and indeed enhanced This continued investment will involve significant expenditure on training, recruitment technological development and legal protection £3 4 million (2006 £3 2 million) of these assets are included within the Aegis Media business segment principally in the Americas geographical segment Internally-generated intangible assets of £1 1 million (2006 £nil) have not yet been subject to amortisation as development of these assets is not yet complete

15. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold and leasehold improvements £m	Office furniture, fixtures, equipment and vehicles £m	**Total** £m
COST				
At 1 January 2006	**5.8**	**38.9**	**107.3**	**152.0**
Additions	0 3	4 6	15 7	20 6
Acquired on acquisition of a subsidiary	–	–	0 3	0 3
Disposals	(0 2)	(1 7)	(11 9)	(13 8)
Exchange differences	(0 1)	(2 3)	(6 1)	(8 5)
At 31 December 2006	**5.8**	**39.5**	**105.3**	**150.6**
Additions	0 1	4 8	14 1	19 0
Acquired on acquisition of a subsidiary	0 2	0 2	1 8	2 2
Disposals	–	(0 6)	(12 7)	(13 3)
Exchange differences	0 5	1 5	4 7	6 7
At 31 December 2007	**6.6**	**45.4**	**113.2**	**165.2**
ACCUMULATED DEPRECIATION				
At 1 January 2006	**1.7**	**18.1**	**77.6**	**97.4**
Charge for the year	0 3	5 6	13 2	19 1
Acquired on acquisition of a subsidiary	–	–	–	–
Disposals	–	(1 1)	(10 0)	(11 1)
Exchange differences	–	(1 0)	(4 3)	(5 3)
At 31 December 2006	**2.0**	**21.6**	**76.5**	**100.1**
Charge for the year	0 3	5 4	13 4	19 1
Disposals	–	(0 5)	(11 8)	(12 3)
Exchange differences	0 2	1 0	3 3	4 5
At 31 December 2007	**2.5**	**27.5**	**81.4**	**111.4**
CARRYING AMOUNT				
At 31 December 2007	**4.1**	**17.9**	**31.8**	**53.8**
At 31 December 2006	3 8	17 9	28 8	50 5

At 31 December 2007 the Group had £0 7 million capital commitments contracted but not provided, for the acquisition of property plant and equipment (2006 £0 7 million)

16. Interests in associates and joint ventures

a) Carrying amount

	Associates £m	Joint ventures £m	Total £m
At 1 January 2007	**12.5**	**3.1**	**15.6**
Disposal of associate	(0 7)	–	(0 7)
Share of profit	3 2	–	3 2
Profit on deemed disposal of part of shareholding in associate	3 6	–	3 6
Dividends received	(0 5)	–	(0 5)
Return of capital	–	(2 3)	(2 3)
Exchange differences	0 4	–	0 4
AT 31 December 2007	**18.5**	**0.8**	**19.3**

Investments in associates and the eVerger joint venture at 31 December 2007 include goodwill of £5 4 million and £nil respectively (2006 £5 4 million and £nil respectively) The share of results of associates in the consolidated profit and loss includes a £0 4 million loss on disposal of an associate in India

b) Investments in associates

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

	2007 £m	2006 £m
Total assets	**27.0**	17 3
Total liabilities	**(13.9)**	(10 2)
	13.1	7 1
Goodwill	**5.4**	5 4
	18.5	12 5
Total revenues	**6.7**	10 0
Total profit	**3.2**	1 2

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

	2007 £m	2006 £m
Total assets	**122.6**	71 0
Total liabilities	**(49.0)**	(35 0)
Total revenues	**25.6**	28 9
Total profit	**12.6**	7 0

A list of the significant investments in associates, including the name country of incorporation and proportion of ownership interest is given in the notes to the Company's separate financial statements All associates have year-end reporting dates of 31 December, with the exception of QJY which has a 30 September year-end The Group has a 15 91% interest in Qin Jia Yuan Advertising for which the fair value, based on a published price quotation, is £29 4 million, compared o the book value of £13 2 million

c) Interest in joint venture

The Group has a 44 65% shareholding in eVerger Limited, an investment company incorporated in Guernsey The period-end reporting date for eVerger is 30 September The Group's share of assets at 31 December 2007 is £0 5 million (2006 £2 8 million) The Group's share of liabilities at 31 December 2007 is £nil (2006 £nil) During the year £2 3 million of capital was returned to the Group by eVerger

17. Available for sale financial assets

	2007 **£m**	2006 £m
Listed securities	**2.3**	2 8

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

18. Trade and other receivables

	2007 **£m**	2006 £m
Trade receivables	**1,837.2**	1 417 2
Prepayments and accrued income	**129.7**	94 1
Other receivables	**123.7**	86 5
	2,090.6	1,597 8

The average credit period taken for trade receivables is 72 days (2006 63 days (restated)) The directors consider that the carrying amount of trade and other receivables approximates to their fair value Trade receivables for the Group are stated net of a bad debt allowance of £24 8 million (2006 £19 7 million)

	2007 **£m**
At 1 January	19 7
Additional charge in the year	4 8
Release of allowance	(0 4)
Utilisation of allowance	(1 0)
Exchange differences	1 7
At 31 December	24 8

As of 31 December 2007, trade receivables of £540 8 million (2006 £523 7 million) were past due but not impaired The ageing analysis of these receivables is as follows

	2007 **£m**	2006 £m
Under 3 months	**408.2**	401 6
Over 3 months	**132.6**	122 1
	540.8	523 7

19. Trade and other payables

	2007 **£m**	2006 £m
Trade payables	**1,703.3**	1,350 3
Accruals and deferred income	**237.1**	190 5
Deferred consideration	**41.9**	43 0
Other payables	**340 0**	270 2
	2,322.3	1,854 0

The average credit period taken for trade payables is 74 days (2006 67 days) The directors consider that the carrying amount of trade payables approximates to their fair value

20. Financial instruments

The Group has established objectives concerning the holding and use of financial instruments which are discussed in further detail in the Treasury Management section of the Business and Financial Review on pages 26 to 37 The key objective is to manage the financial risks faced by the Group, which are discussed below

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

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

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

Management of financial risk

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

Currency risk

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

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

	2007	2006
	£m	£m
Forward foreign exchange contracts	**42.4**	42 6

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

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

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

It is estimated that a strengthening of sterling by 1% would reduce 2007 profit before tax by £1 7 million

Liquidity risk

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

At 31 December 2007 the Group had net debt (before issue costs of new debt) of £246 8 million (2006 £208 9 million) The Group had cash and cash equivalents of £356 8 million at 31 December 2007 (2006 £284 2 million) and gross borrowings of £603 6 million (2006 £493 1 million) The Groups principal debt instruments are subject to certain financial covenants

Also included within gross borrowings is £6 5 million (US$13 million) (2006 £67 1 million (US$131 5 million)) of unsecured loan notes issued on 20 November 2000, which are repayable in full between 2006 and 2008 and £172 3 million (US$342 million) (2006 £174 6 million (US$342 million)) of unsecured loan notes issued on 28 July 2005, which are repayable in full between 2012 and 2017 and £63 0 million (US$125m) of unsecured loan notes issued on 17 September 2007 which are repayable in full between 2014 and 2017

In addition to the net debt at 31 December 2007, the Group has undrawn committed facilities of £185 6 million (2006 £265 4 million)

Interest rate risk

The Groups unsecured loan notes, referred to above, are at fixed rates All other borrowings are at floating rates The Group has entered into long term hedging arrangements to swap the interest relating to US$160 million of unsecured loan notes (Private Placement Debt – November 2000) from fixed into floating rates The balance at the end of the period was US$13 million

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

Credit risk

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

20. Financial instruments (continued)

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

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

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

Private Placement Debt – November 2000
On 20 November 2000 the Group issued US$160 million of unsecured loan notes repayable between 2006 and 2008 These loan notes are guaranteed by the Company and certain of its subsidiaries Interest rate swaps have been entered into for the duration of the loan notes to convert this fixed rate borrowing into floating rate based upon the US six-month LIBOR rate These interest rate swaps are designated as hedging instruments of interest rate risk in respect of this debt When the hedge relationship is effective the carrying value of this debt is adjusted by the changes in fair value attributable to interest rate risk at the balance sheet date
The Group is exposed to cash flow interest rate risk in respect of the above borrowings being at floating rates US$118 5 million was settled during the year

Interest rate swaps
The fair value of the interest rate swaps entered into at 31 December 2007 and included in the balance sheet is £0 1 million (2006 £0 9 million) The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised profits which the Group expects to realise as a result of lower variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan notes £0 1 million of this is expected to be realised in 2008 The interest rate swaps are designated and effective as fair value hedges against changes in the fair value of the debt caused by changes in interest rates Movements in the fair value of the interest rate swaps are taken to the income statement where they offset against very similar but opposite movements in the fair value of the debt caused by movements in interest rates

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

Cross currency swaps
The fair value of the cross currency swaps entered into at 31 December 2007 is (£15 9) million (2006 (£9 3) million) The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields The cross currency swaps are synthetically split, for accounting purposes to reflect the Group's functional currency of Sterling The US$/Sterling leg of the swaps act as cash flow hedges against the Groups US$ loan notes and the Euro/Sterling leg of the swaps act as net investment hedges in respect of certain of the Groups Euro-denominated investments

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

Private Placement Debt – September 2007
On 17 September 2007 the Group issued US$125 million of unsecured loan notes repayable between 2014 and 2017 These loan notes are guaranteed by the Company and certain of its subsidiaries

20. Financial instruments (continued)

a) Maturity profile of Group financial assets and liabilities

Financial assets

	Less than 1 year £m	**1-2 years £m**	**2-5 years £m**	**More than 5 years £m**	**2007 Total £m**	Less than 1 year restated £m	1 2 years £m	2-5 years £m	More than 5 years £m	2006 Total £m
Current										
Cash at bank and in hand and short term deposits (restated)	**356.8**	-	-	-	**356.8**	284 2	-	-	-	284 2
Derivative financial assets										
Other financial assets	**0.3**	-	-	-	**0.3**	16 4	-	-	-	16 4
Forward foreign exchange contracts	-	-	-	-	-	0 1	-	-	-	0 1
Interest rate swaps	**0.1**	-	-	-	**0.1**	0 8	-	-	-	0 8
	357.2	-	-	-	**357.2**	301 5	-	-	-	301 5
Trade receivables	**1,837.2**	-	-	-	**1,837.2**	1,417 2	-	-	-	1,417 2
Other receivables	**123.7**	-	-	-	**123.7**	86 5	-	-	-	86 5
Total current	**2,318.1**	-	-	-	**2,318.1**	1 805 2	-	-	-	1 805 2
Non-current										
Derivative financial assets										
Interest rate swaps	-	-	-	-	-	-	0 1	-	-	0 1
Total non-current	-	-	-	-	-	-	0 1	-	-	0 1
Total	**2,318.1**	-	-	-	**2,318.1**	1 805 2	0 1	-	-	1,805 2

In addition to the financial assets above, the Group had available-for-sale financial asset investments of £2 3 million (2006 £2 8million) principally in US dollars (see note 17), which do not yield an interest-related income and which do not have a fixed maturity date

There are no material differences between the book and fair values of the Groups financial assets at 31 December 2007 The fair values of financial assets reflect market values or are based upon readily available market data

20. Financial instruments (continued)

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

Financial liabilities

	Less than 1 year £m	**1-2 years £m**	**2-5 years £m**	**More than 5 years £m**	**2007 Total £m**	Less than 1 year restated £m	1-2 years £m	2-5 years £m	More than 5 years £m	2006 Total £m
Current										
Bank overdrafts	**27.3**	**-**	**-**	**-**	**27.3**	27.2	-	-	-	27.2
Loans	**58.3**	**-**	**-**	**-**	**58.3**	269.5	-	-	-	269.5
	85.6	**-**	**-**	**-**	**85.6**	296.7	-	-	-	296.7
Less Issue costs of debt to be amortised	**(0.5)**	**-**	**-**	**-**	**(0.5)**	(0.5)	-	-	-	(0.5)
	85.1	**-**	**-**	**-**	**85.1**	296.2	-	-	-	296.2
Derivative financial liabilities										
– Forward foreign exchange contracts	**0.3**	**-**	**-**	**-**	**0.3**	-	-	-	-	-
	85.4	**-**	**-**	**-**	**85.4**	296.2	-	-	-	296.2
Trade payables	**1,703.3**	**-**	**-**	**-**	**1,703.3**	1,350.3	-	-	-	1,350.3
Deferred consideration	**41.9**	**-**	**-**	**-**	**41.9**	43.0	-	-	-	43.0
Other payables	**340.0**	**-**	**-**	**-**	**340.0**	270.2	-	-	-	270.2
Other financial liabilities	**0.1**	**-**	**-**	**-**	**0.1**	-	-	-	-	-
Total current	**2,170.7**	**-**	**-**	**-**	**2,170.7**	1,959.7	-	-	-	1,959.7
Non-current										
Bank loans	**-**	**0.2**	**26.6**	**0.5**	**27.3**	-	0.3	14.3	0.6	15.2
Loan notes	**-**	**-**	**335.5**	**155.2**	**490.7**	-	6.6	-	174.6	181.2
	-	**0.2**	**362.1**	**155.7**	**518.0**	-	6.9	14.3	175.2	196.4
Less Issue costs of debt to be amortised	**-**	**(0.4)**	**(0.7)**	**-**	**(1.1)**	-	(0.4)	(1.0)	(0.1)	(1.5)
	-	**(0.2)**	**361.4**	**155.7**	**516.9**	-	6.5	13.3	175.1	194.9
Derivative financial liabilities										
– Cross currency swap	**-**	**-**	**12.2**	**3.7**	**15.9**	-	-	-	9.3	9.3
	-	**(0.2)**	**373.6**	**159.4**	**532.8**	-	6.5	13.3	184.4	204.2
Other long-term liabilities	**-**	**46.4**	**47.4**	**19.0**	**112.8**	-	34.1	38.1	13.6	85.8
Total non-current	**-**	**46.2**	**421.0**	**178.4**	**645.6**	-	40.6	51.4	198.0	290.0
Total	**2,170.7**	**46.2**	**421.0**	**178.4**	**2,816.3**	1,959.7	40.6	51.4	198.0	2,249.7

20. Financial instruments (continued)

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

There are no material differences between the book and fair values of the Group's financial liabilities at 31 December 2007 The fair values of financial liabilities reflect market values or are based upon readily available market data

Analysis of derivative financial instruments

	Current 2007 £m	**Non-current 2007 £m**	Current 2006 £m	Non-current 2006 £m
Derivative liabilities that are designated and effective as hedging instruments carried at fair value				
Cross currency swaps	-	**(15.9)**	-	(9 3)
Derivatives carried at fair value through profit and loss				
Forward foreign currency contracts	**(0.3)**	-	-	-
Financial assets carried at fair value through profit and loss				
Held for trading derivatives that are not designated in hedge accounting relationships				
Interest rate swaps	**0.1**	-	0 8	0 1
Forward foreign currency contracts	-	-	0 1	-
	(0.2)	**(15.9)**	0 9	(9 2)

Loans and receivables are discussed in this note and note 18 and financial assets available for sale are disclosed in note 17 All other financial instruments are held at amortised cost except for forward exchange contracts which are financial liabilities held for trading at fair value through Profit and Loss

The total movement in the fair value of derivatives is as follows

	2007 £m	2006 £m
Cash flow hedge		
Cash flow hedge reserve	**(1.4)**	(2 9)
Income statement	**1.3**	13 4
Net investment hedge		
Foreign exchange reserve	**10.0**	(2 3)
Income statement	**(3.3)**	(0 5)
	6.6	7 7

20. Financial instruments (continued)

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

Maturity of borrowings

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

	2007 External loans £m	**2007 Other liabilities £m**	**2007 Total £m**	2006 External loans £m	2006 Other liabilities £m	2006 Total £m
Less than 1 year	**82.4**	**46.8**	**129.2**	129 8	50 5	180 3
1 2 years	**28.4**	**47.9**	**76.3**	25 8	35 1	60 9
2 5 years	**420.8**	**50.1**	**470.9**	222 2	40 8	263 0
More than 5 years	**183.2**	**19.0**	**202.2**	198 8	13 6	212 4
	714.8	**163.8**	**878.6**	576 6	140 0	716 6
Effect of discount/financing rates	**(231.8)**	**(4.6)**	**(236.4)**	(188 0)	(4 7)	(192 7)
	483.0	**159.2**	**642.2**	388 6	135 3	523 9

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

	2007 Payable £m	**2007 Receivable £m**	2006 Payable £m	2006 Receivable £m
Less than 1 year	**(46.9)**	**47.7**	(46 7)	48 6
1 2 years	**(4.5)**	**5.1**	(4 1)	5 4
2 5 years	**(12.1)**	**13.8**	(12 4)	15 6
More than 5 years	**(3.2)**	**3.6**	(5 8)	7 2
	(66.7)	**70.2**	(69 0)	76 8

Borrowing facilities

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

	2007 £m	2006 £m
Expiring within one year	**-**	-
Expiring between one and two years	**-**	-
Expiring between two and five years	**185.6**	265 4
	185.6	265 4

b) Interest rate profile

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

20. Financial instruments (continued)

b) Interest rate profile (continued)

Financial assets

	Floating rate £m	**Non-interest bearing £m**	**2007 Total £m**	Floating rate £m	Non-interest bearing £m	2006 Total £m
GBP	**3.2**	**1.0**	**4.2**	5 9	0 5	6 4
USD (restated)	**67.2**	**9.7**	**76.9**	35 1	24 4	59 5
EUR	**128.4**	**3.7**	**132.1**	108 2	26 2	134 4
Other worldwide currencies	**129.0**	**14.6**	**143 6**	89 7	10 9	100 6
	327.8	**29.0**	**356.8**	238 9	62 0	300 9
Trade receivables			**1,837.2**			1 417 2
Other receivables			**123.7**			86 5
Derivative financial assets			**0.4**			1 0
			2,318.1			1 805 2

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

Cash and cash equivalents of £356 8 million (2006 £284 2 million) and other financial assets of £0 3 million (2006 £16 4 million) represent the floating rate financial assets above

The Group has reclassified certain bank accounts during the period and as a result it has reclassified £21 7 million at 31 December 2006 from trade and other receivables to cash

In addition to the financial assets above the Group had available-for-sale financial asset investments of £2 3 million (2006 £2 8 million) principally in US dollars which do not yield an interest-related income

Financial liabilities

	Fixed rate £m	**Floating rate £m**	**Non-interest bearing £m**	**2007 Total £m**	Fixed rate £m	Floating rate £m	Non-interest bearing £m	2006 Total £m
GBP	**1.8**	**181.9**	**0.2**	**183.9**	0 8	99 7	–	100 5
USD	**138.6**	**25.0**	**2.9**	**166.5**	76 6	81 9	2 5	161 0
EUR	**97.0**	**96.3**	**2.3**	**195.6**	97 3	87 7	2 2	187 2
Other worldwide currencies	**8.2**	**49.4**	**–**	**57.6**	12 0	32 2	0 2	44 4
Gross borrowings	**245.6**	**352.6**	**5.4**	**603.6**	186 7	301 5	4 9	493 1
Issue costs of debt	**–**	**–**	**(1.6)**	**(1.6)**	–	–	(2 0)	(2 0)
	245.6	**352.6**	**3.8**	**602.0**	186 7	301 5	2 9	491 1
Trade payables				**1,703.3**				1,350 3
Deferred consideration				**41.9**				43 0
Other payables				**340.0**				270 2
Other long-term liabilities				**112.8**				85 8
Derivative financial liabilities				**16.2**				9 3
				2,816.2				2 249 7

20. Financial instruments (continued)

b) Interest rate profile (continued)

The weighted average interest rates paid were as follows

	2007	2006
	%	%
Bank overdrafts	**5.4**	3 4
Bank loans	**6.0**	4 9
Loan notes	**5.4**	5 0
Convertible bond	**-**	7 2

The Group's borrowings, excluding the US$342 million of unsecured loan notes issued in 2005 and US$125 million of unsecured loan notes issued in 2007 but including the US$13 million (2006 US$131 5 million) unsecured loan notes referred to above, are at floating rates The Group has entered into long-term hedging arrangements to swap the interest relating to the US$13 million (2006 US$131 5 million) unsecured loan notes from fixed into floating rates

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

Sensitivity analysis

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

	2007 Euro currency impact	2006	**2007 US dollar currency impact**	2006
	£m	£m	**£m**	£m
Potential profit increase	**0.1**	(0 2)	**0.7**	0 7
Other equity	**2.1**	2 0	**0.7**	0 8

In management's opinion the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the hedging instruments are hedging recognised items that are outside the scope of IFRS7 This sensitivity analysis excludes the foreign currency translation risk of the foreign operations and had this been included the results would have been disclosed as follows

	2007 Euro currency impact	2006	**2007 US dollar currency impact**	2006
	£m	£m	**£m**	£m
Sensitivity analysis including hedging instruments that are outside the scope of IFRS 7				
Potential profit reduction	**0.1**	(0 1)	**-**	(0 1)
Other equity	**-**	-	**-**	-

21. Deferred tax

	Recognition of financial liabilities £m	Other £m	Losses £m	Total £m
At 1 January 2007 – asset	3 6	0 5	4 0	8 1
Exchange ra e differences	–	1 4	–	1 4
Credit/(charge) to profit	0 1	(2 3)	0 2	(2 0)
At 31 December 2007 – asset	**3.7**	**(0.4)**	**4.2**	**7.5**

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

	2007 £m	2006 £m
Deferred tax liability	**(8.3)**	(4 0)
Deferred tax asset	**15.8**	12 1
	7.5	8 1

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

	2007 £m
Losses – revenue	**89.5**
Losses – capi al	**80.7**
Other temporary differences	**31.2**
	201.4

The tax losses and other temporary differences have no expiry date The total amount of tax losses and other temporary differences for which no deferred tax was recognised at 31 December 2006 was £159 1 million

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

At the balance sheet date, the aggregate amount of earnings in overseas subsidiaries for which deferred tax liabilities have not been recognised was £303 3 million (2006 £318 4 million) No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future

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

22. Provisions

	Vacant properties 2007 £m
At 1 January	**0.7**
Additional provision in the year	**1.7**
Utilisation of provision	**(0.6)**
At 31 December	**1.8**

The Group's vacant leasehold properties are principally located in the US, the UK and the Netherlands Provision has been made for the residual lease commitments for the remaining period of the leases which at 31 December 2007 is approximately three years

23. Share capital

	2007 Number of ordinary shares	2007 £m	2006 Number of ordinary shares	2006 £m
Authorised				
Ordinary shares of 5p each	**1,500,000,000**	75 0	1,500 000,000	75 0
Issued, allotted, called up and fully paid				
At 1 January	**1,141,784,840**	57 1	1 128 049 657	56 4
Issue of shares by the Company	**11,734,190**	0 6	13 735 183	0 7
At 31 December	**1,153,519,030**	57 7	1 141 784 840	57 1

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

The Company issued a total of 11,734 190 (2006 13 735 183) shares in the year with an aggregate nominal value of £586,710 (2006 £689,259) 11 734 190 (2006 13 735 183) of which were due to the exercise of share options The total share premium arising on the issue of shares in the year was £9 273 491 (2006 £10,472,141)

Under the Group's share option schemes, there were outstanding options over 42 297,035 ordinary shares of 5p each at 31 December 2007 (2006 60,473 849), for which the participants have the right to exercise their options at prices ranging from 63 7p to 214 5p These options are exercisable between 31 December 2007 and 11 April 2017

24. Own shares

	2007 £m	2006 £m
At 1 January	**22.1**	10 1
Purchase of own shares	**12.8**	12 0
Shares awarded by ESOP	**(4.0)**	–
At 31 December	**30.9**	22 1

At 31 December 2007 the Group's ESOP (the Aegis Group Employee Share Trust) held 24,516,101 ordinary shares in the Company with a nominal value of £1,225,805 and a market value of £28 7 million

At 31 December 2006, the Group's ESOP held 17 923 182 ordinary shares in the Company with a nominal value of £896 159 and a market value of £25 1 million

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

25. Share premium account

	2007 £m	2006 £m
At 1 January	**229.4**	218 9
Issue of shares by the Company	**9.3**	10 5
At 31 December	**238.7**	229 4

26. Consolidated reconciliation of total equity

	Share Capital £m	Shares to be issued	Own shares £m	Share premium account £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Accumulated profits/ (losses) £m	**Total £m**	Minority interest £m	Potential acquisition of minority interests £m	**Total equity £m**
At 1 January 2006	56 4	–	(10 1)	218 9	0 2	5 7	(93 8)	**177.3**	8 8	(16 3)	**169.8**
Total recognised income and expense	–	–	–	–	–	(21 9)	78 9	**57.0**	3 8	–	**60.8**
New share capital subscribed	0 7	–	–	10 5	–	–	–	**11.2**	–	–	**11.2**
Purchase of shares by ESOP	–	–	(12 0)	–	–	–	–	**(12.0)**	–	–	**(12.0)**
Credit for share-based incentive schemes	–	–	–	–	–	–	6 9	**6.9**	–	–	**6.9**
Other movements	–	–	–	–	–	–	–	**–**	(2 4)	4 4	**2.0**
Dividends	–	–	–	–	–	–	(19 4)	**(19.4)**	(2 7)	–	**(22.1)**
At 1 January 2007	57 1	–	(22 1)	229 4	0 2	(16 2)	(27 4)	**221.0**	7 5	(11 9)	**216.6**
Total recognised income and expense	–	–	–	–	–	22 6	90 3	**112 9**	5 3	–	**118.2**
New share capital subscribed	0 6	–	–	9 3	–	–	–	**9.9**	–	–	**9.9**
Purchase of shares by ESOP	–	–	(12 8)	–	–	–	–	**(12.8)**	–	–	**(12.8)**
Shares awarded by ESOP	–	–	4 0	–	–	–	(4 0)	**–**	–	–	**–**
Credit for share-based incentive schemes	–	–	–	–	–	–	9 1	**9.1**	–	–	**9.1**
Other movements	–	4 7	–	–	–	–	–	**4.7**	(3 8)	(3 1)	**(2.2)**
Dividends	–	–	–	–	–	–	(22 7)	**(22.7)**	(2 7)	–	**(25.4)**
At 31 December 2007	57 7	4 7	(30 9)	238 7	0 2	6 4	45 3	**322.1**	6 3	(15 0)	**313.4**

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

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

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

27. Acquisition of subsidiaries

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

Company	Country of incorporation	% Acquired (Total Group holding)	Date of acquisition
Aegis Media			
AgenciaClick	Brazil	100	March
Trigger	South Africa	74	May
Marvellous Ideas Ltd	United Kingdom	100	June
Vivid	USA	100	June
Thingholm (Suddenly Copenhagen)	Denmark	100	June
Suddenly Oslo	Norway	100	July
Diffiniti Japan	Japan	95 (100)	July
Ion Global	Korea Hong Kong, USA	100	August
Genesis	Canada	100	October
Implicom	France	95	October
Mindblossom	Canada	100	November
Full Circle Media	South Africa	100	December
Apollo	New Zealand	100	December
Synovate			
Interview NSS	Netherlands	100	January
Metro Seis	Spain	100	September
Research Solutions	New Zealand	100	November
SPSL	United Kingdom	100	December

During the year the Group acquired the assets and contracts of the ad-serving business of Bluestreak com for a consideration of £6 3 million

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

Company	Country of incorporation	% Acquired (Total Group holding)	Date of acquisition
Carat Malaysia	Malaysia	10 (100)	January
Medialand NL BV	Netherlands	49 (100)	February
Carat Sport	France	5 (100)	June
DGTI	Thailand	25 (100)	August
Carat India	India	27 (100)	October
Carat Integra	India	27 (100)	October
Pos erscope Advertising	China	25 (100)	December
Carat Thailand	Thailand	10 (100)	December
Morgagni 33	Italy	10 (100)	December

If the acquisitions above had been completed on the first day of the financial year, Group revenues for 2007 would have been £1,129 9 million and Group profit attributable to equity holders of the parent would have been £92 4 million Post acquisition profit before interest and tax on 2007 acquisitions was £8 1 million

27. Acquisition of subsidiaries (continued)

Initial consideration, including acquisition costs totalled £79 8 million with estimated deferred consideration of £48 8 million payable between 2007 and 2011, subject to performance criteria Aegis Group shares to be issued are subject to performance criteria being met in relation to the acquisition of AgenciaClick in Brazil A summary of the net assets acquired and goodwill arising is given below

	Book value acquired £m	Fair value adjustments £m	Fair value of net assets £m
Net assets acquired			
Intangible fixed assets	0 3	4 8	5 1
Property plant and equipment	2 5	(0 2)	2 3
Other fixed assets	1 3	-	1 3
Trade and other receivables	29 2	–	29 2
Inventory work in progress	1 9	–	1 9
Other current assets	2 3	(1 0)	1 3
Cash and cash equivalents	8 1	–	8 1
Trade and other payables	(34 1)	-	(34 1)
Net assets	**11.5**	**3.6**	**15.1**
Minority interest on current period acquisitions			(0 1)
Minority interest acquired			(3 3)
			11 7
Goodwill capitalised in the period			121 6
Consideration			133 3

Satisfied by	
Initial cash consideration	77 6
Direct costs of acquisition	2 2
Deferred consideration	48 8
Shares to be issued	4 7
	133 3

Of the initial goodwill arising in the period of £121 6 million, £88 4 million remained provisional at the year-end pending the determination of the final purchase price allocation

Final fair value adjustments in AgenciaClick and Interview NSS and provisional fair value adjustments have been made to properly reflect the fair value of existing assets and liabilities in the Group's balance sheet

28. Other long-term liabilities

	2007 £m	2006 £m
Deferred consideration	**74.8**	64 0
Liabilities in respect of put option agreements	**12.9**	2 7
Pensions	**7.1**	5 5
Other	**18.0**	13 6
At 31 December	**112.8**	85 8

28. Other long-term liabilities (continued)

a) Deferred consideration

Deferred consideration, which has been included within trade and other payables may be paid to the vendors of certain subsidiary undertakings in the years to 2012 Such payments are either fixed under the terms of the acquisition or are contingent on future financial performance The directors estimate that at the rates of exchange ruling at the balance sheet date, the liability at 31 December 2007 for payments that may be due is as follows

	2007 £m	2006 £m
Within one year	**41.9**	43 0
Between one and two years	**40.0**	31 2
Between two and five years	**34.6**	32 8
Greater than five years	**0.2**	–
At 31 December	**116.7**	107 0

The minimum potential liability is £62 9 million and the maximum potential liability is £181 2 million

b) Liabilities in respect of put option agreements

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

	2007 £m	2006 £m
Options exercisable within one year	**2.9**	4 2
Options exercisable in more than one year	**12.9**	2 7
At 31 December	**15.8**	6 9

29. Contingent asset

As reported last year during 2006 the Group became aware of a fraud perpetrated against Aegis Media Germany The Group continues to take steps to seek recompense and, although it is probable there will be some recovery of funds the amount is not sufficiently certain to be recognised as an asset

30. Notes to the cash flow statement

	2007 **£m**	2006 £m
Operating profit	**142.1**	126 9
Adjustments for		
Depreciation of property plant and equipment	**19.1**	19 1
Amortisation of intangible assets	**7.6**	7 0
Impairment of goodwill	**2.0**	0 7
Loss on disposal of subsidiaries	**0.9**	-
Loss on disposal of property, plant and equipment	**0.3**	0 7
Loss on disposal of intangible assets	-	0 4
Share-based payments	**9.1**	6 9
Other non-cash movements	**0.2**	0 4
	181.3	162 8
Increase in receivables	**(374.9)**	(282 0)
Decrease/(increase) in inventory work in progress	**1.4**	0 4
Increase/(decrease) payables	**367.2**	249 5
	(6.3)	(32 1)
Cash flows from operating activities	**175.0**	130 7

	1 January 2007 £m	Cash flow £m	Other non-cash charges £m	Exchange movements £m	**31 December 2007** **£m**
Analysis of net debt					
Cash and cash equivalents	284 2	52 8	–	19 8	**356.8**
Overdrafts	(27 2)	0 2	–	(0 3)	**(27.3)**
	257 0	53 0	–	19 5	**329.5**
Debt due within one year	(269 5)	54 0	158 1	(0 9)	**(58.3)**
Debt due after more than one year	(196 4)	(146 1)	(158 1)	(17 4)	**(518.0)**
Net debt before issue costs of debt	(208 9)	(39 1)	–	1 2	**(246.8)**
Issue costs of debt	2 0	0 4	(0 8)	–	**1.6**
Total	**(206.9)**	**(38.7)**	**(0.8)**	**1.2**	**(245.2)**

The Group has revisited the classification of certain bank accounts during the period and as a result it has reclassified £21 7 million at 31 December 2006 from trade and other receivables to cash, and has reclassified £158 1 million borrowings drawn from the Group's revolving credit facility from debt due within one year to debt due after more than one year

31. Operating lease arrangements

	2007 Land and buildings £m	2007 Other £m	2007 Total £m	2006 Land and buildings £m	2006 Other £m	2006 Total £m
Lease payments under operating leases recognised in income for the year	**38.1**	**3.5**	**41.6**	33 1	4 0	37 1

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

	2007 Land and buildings £m	2007 Other £m	2007 Total £m	2006 Land and buildings £m	2006 Other £m	2006 Total £m
Within one year	**30.3**	**5.1**	**35.4**	28 1	2 7	30 8
In the second to fifth years inclusive	**72.3**	**8.6**	**80.9**	67 6	4 1	71 7
After five years	**62.6**	**-**	**62.6**	25 7	0 2	25 9
	165.2	**13.7**	**178.9**	121 4	7 0	128 4

Operating lease payments principally represent rentals payable by the Group for certain of its office properties Leases are negotiated for an average term of 5 3 years and rentals are fixed for an average of 1 5 years

32. Share-based payments

The Group recognised a total expense of £9 1 million (2006 £6 9 million) in respect of all share-based payments in the year Share-based payments include share options and conditional share awards

Share options

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

	2007 Options (millions)	2007 Weighted average exercise price (£)	2006 Options (millions)	2006 Weighted average exercise price (£)
Outstanding at beginning of period	**60.5**	**1.07**	87 7	1 04
Granted during the period	**2.7**	**1.47**	3 4	1 34
Forfeited during the period	**(6.1)**	**1.10**	(13 1)	1 15
Exercised during the period	**(14.8)**	**0.98**	(17 5)	0 92
Outstanding at end of period	**42.3**	**1.04**	60 5	1 07
Exercisable at end of period	**31.2**	**1.07**	29 4	1 10

The weighted average share price at the date of exercise for share options exercised during the period was £0 98 (2006 £0 92) The options outstanding at 31 December 2007 had a weighted average exercise price of £1 04 (2006 £1 07), and a weighted average remaining contractual life of 4 9 years (2006 5 4 years) The fair value per option granted (weighted average) in the year was £0 38 (2006 £0 36)

32. Share-based payments (continued)

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

	2007	2006
Expected life	**5 years**	3 years
Weighted average share price	**149.00**	135 75
Weighted average exercise price	**147.50**	134 00
Expected volatility	**19.0%**	23 0%
Risk free rate	**5.7%**	4 4%
Expected dividend yield	**1.4%**	1 2%

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

The Group recognised a total expense of £1 3 million (2006 £2 1 million) in respect of share options in the year

Conditional share awards

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

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

The Group recognised a total expense of £7 8 million (2006 £4 8 million) in respect of conditional share awards in the year

33. Retirement benefit schemes

Defined contribution schemes

Retirement benefits for employees are principally provided by defined contribution schemes which are funded by contributions from Group companies and employees The amount charged to the profit and loss account of £9 5 million (2006 £6 2 million) represents contributions payable in the year to these schemes at rates specified in the rules of the plans As at 31 December 2007 contributions of £nil (2006 £nil) due in respect of the current reporting period had not been paid over to the schemes

Defined benefit schemes

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2007 The present value of the defined benefit obligation the related service cost and the past service cost were measured using the projected unit credit method

33. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

The principal assumptions used are set out below

	2007				2006			
	Germany	**Italy**	**France**	**Norway**	Germany	Italy	France	Norway
Discount rate	**5.5%**	**4.0%**	**5.2%**	**4.7%**	4 5%	4 0%	4 0%	4 5%
Expected rate of increase in pensionable salaries	**-**	**2.0%**	**2.0%**	**5.8%**	-	2 0%	2 0%	5 5%
Expected rate of increase in pensions in payment	**1.8%**	**2.0%**	**-**	**4.5%**	1 8%	2 0%	-	4 5%
Expected long-term rate of return on plan assets	**5.5%**	**-**	**-**	**4.3%**	4 5%	-	-	4 3%
Inflation assumption	**-**	**2.2%**	**2.0%**	**2.0%**	2 0%	2 2%	2 0%	1 6%

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

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

	2007	**2007**	2006	2006
	%	**£m**	%	£m
Equity instruments	**75%**	**4.5**	73%	3 4
Debt instruments	**4%**	**0.2**	4%	0 2
Other assets	**21%**	**1.2**	23%	1 1
Fair value of pension scheme assets	**100%**	**5.9**	100%	4 7
Present value of defined benefit obligations		**(13.0)**		(12 7)
Deficit in scheme		**(7.1)**		(8 0)
Related deferred tax asset		**0.8**		1 1
Net pension liability net of deferred tax asset		**(6.3)**		(6 9)

The actual loss on scheme assets was £0 2 million (2006 £nil) The plan assets do not include any of the Group's own financial assets, nor any property occupied by or other assets used by, the Group

The amounts charged to operating profit are as follows

	2007	2006
	£m	£m
Current service cost	**(0.6)**	(1 3)
Past service cost	**0.4**	-
	(0.2)	(1 3)

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

	2007	2006
	£m	£m
Expected return on pension scheme assets	**0.2**	-
Interest on pension scheme liabilities	**(0.8)**	-
	(0.6)	-

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

33. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

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

	2007 £m	2006 £m
Actual return less expected return on pension scheme assets	**(0.2)**	(0 4)
Experienced gains and losses on scheme liabilities	**0.3**	0 4
Amount recognised in the statement of recognised income and expense	**0.1**	–

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

	2007 £m	2006 £m
At 1 January	**12.7**	12 1
Service cost	**0.2**	1 3
Interest cost	**0.8**	0 3
Contributions from scheme members	**–**	0 1
Actuarial gains and losses	**(0.3)**	(0 4)
Benefits paid	**(0.1)**	(0 5)
Other	**(1.2)**	0 2
Foreign exchange movement	**0.9**	(0 4)
At 31 December	**13.0**	12 7

Movements in the fair value of scheme assets were as follows

	2007 £m	2006 £m
At 1 January 2007	**4.7**	3 9
Expected return on scheme assets	**0.2**	0 1
Actuarial gains and losses	**(0.2)**	(0 4)
Benefits paid	**0.4**	0 3
Contributions from scheme members	**0.1**	0 5
Other	**0.1**	0 4
Foreign exchange movement	**0.6**	(0 1)
At 31 December 2007	**5.9**	4 7

History of experienced gains and losses

	2007	2006
Difference between the expected and actual return on scheme assets		
Amount (£m)	**(0.2)**	–
Percentage of scheme assets	**-3.1%**	0 0%
Experienced gains and losses on scheme liabilities		
Amount (£m)	**0 3**	–
Percentage of present value of scheme liabilities	**2.3%**	0 0%
Total amount recognised in statement of recognised income and expense		
Amount (£m)	**0.1**	–
Percentage of present value of scheme liabilities	**-0.8%**	0 0%

The estimated amount of contributions to be paid to the scheme during 2008 is £0 6 million

34. Events after the balance sheet date

Since the year-end the Group has acquired four companies Oncology Inc in the US White Sheep in Finland, CIMA Group in Latin America and PS&A in the UK The total maximum consideration in respect of these acquisitions is £12 5 million The assessment of the purchases price allocation in respect of these acquisitions is currently being performed

35. Related party transactions

Remuneration of key management personnel

The following is the compensation of directors and key management Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 59 to 63

	2007 **£m**	2006 £m
Short-term employee benefits	**5.9**	5 3
Post-employment benefits	**0.7**	0 6
Other long-term benefits	**-**	–
Termination benefits	**-**	–
Share-based payment	**2.7**	1 7
	9.3	7 6

Transactions with associated undertakings

In 2007 Group companies purchased media space from associated undertakings totalling £37 6 million (2006 £23 3 million)
The balance due from Group companies to associated undertakings at the end of 2007 was £8 1 million (2006 £0 1 million)
The balance due from associated undertakings to Group companies at the end of 2007 was £0 8 million (2006 £0 7 million)

Five year summary

The amounts disclosed for 2003 are prepared under UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS

	2007	2006	2005	2004	2003 (UK GAAP)
	£m	£m	£m	£m	£m
Income statement					
Revenue	**1,106.4**	996 9	870 4	747 0	648 8
Underlying profit before interest and tax	**149.4**	133 8	115 0	97 9	84 2
Underlying profit before tax	**132.7**	116 2	100 2	94 0	80 5
Profit before tax	**133.5**	113 5	94 0	91 9	48 0
Profit attributable to equity holders of the parent	**89.6**	76 3	61 9	61 0	21 1
Balance sheet					
Non-current assets	**932.7**	766 6	786 4	557 5	495 3
Net current assets/(liabilities)	**36.4**	(97 2)	(212 2)	(144 1)	(133 4)
Non-current liabilities	**(655.7)**	(452 8)	(404 4)	(266 8)	(251 0)
Net assets	**313.4**	216 6	169 8	146 6	110 9
Financed by					
Equity	**322.1**	221 0	177 3	138 9	107 1
Minority interests	**(8.7)**	(4 4)	(7 5)	7 7	3 8
	313.4	216 6	169 8	146 6	110 9
	Pence	Pence	Pence	Pence	Pence
Earnings per share					
– Basic	**7.9**	6 8	5 6	5 5	1 9
– Diluted	**7.9**	6 8	5 5	5 5	1 9
Underlying earnings per share					
– Basic	**8.2**	7 1	6 1	5 5	4 9
– Diluted	**8.2**	7 0	6 1	5 5	4 9
Dividend per share	**2.30**	1 90	1 65	1 45	1 32

Independent Auditors' Report to the Members of Aegis Group plc

We have audited the parent company financial statements of Aegis Group plc ('the Company') for the year ended 31 December 2007 which comprise the Balance Sheet and the related notes 1 to 16 These parent company financial statements have been prepared under the accounting policies set out therein

We have reported separately on the group financial statements of Aegis Group plc for the year ended 31 December 2007 and on the information in the Directors' Remuneration Report that is described as having been audited

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements The information given in the Directors Report includes that specific information presented in the Business Review and Financial Review that is cross-referenced from the Review of business and future developments section of the Directors' Report

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

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

Basis of audit opinion

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

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

Opinion

In our opinion

- the parent company financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Companys affairs as at 31 December 2007
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the parent company financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
18 March 2008

Company balance sheet as at 31 December 2007

	Notes	2007 £m	2006 £m
Fixed assets			
Tangible assets	4	**2.9**	3 2
Investments	5	**1,092.3**	1 094 0
		1,095.2	1 097 2
Current assets			
Debtors			
– due within one year	6	**306 7**	243 5
– due after more than one year	7	**22.2**	8 4
Cash at bank and in hand		**5.9**	11 2
		334.8	263 1
Creditors Amounts falling due within one year	8	**(342.9)**	(381 5)
Net current liabilities		**(8.1)**	(118 4)
Total assets less current liabilities		**1,087.1**	978 8
Creditors Amounts falling due after more than one year	9	**(480.8)**	(337 8)
Derivative financial liabilities	9	**(15.9)**	(9 3)
Net assets		**590.4**	631 7
Called up share capital	10	**57.7**	57 1
Shares to be issued	11	**4.7**	-
Share premium account	12	**238.7**	229 4
Capital reserve	12	**0.2**	0 2
Merger reserve	12	**13.0**	13 0
ESOP trust shares	12	**(30.9)**	(22 1)
Capital reserve	12	**301.4**	301 4
Profit and loss account	12	**5.6**	52 7
Equity shareholders' funds		**590.4**	631 7

These financial statements were approved by the Board of directors on 18 March 2008 and were signed on its behalf by

Robert Lerwill (chief executive officer) **Alicja Lesniak** (chief financial officer)

1. Accounting policies

Basis of preparation and change in accounting policy

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

The Directors Report, Corporate Governance and Directors' Remuneration Report disclosures have been made in the front section of this report, refer to pages 47 to 63

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

During the year, the Company has reconsidered the repayment terms of certain inter-company loans and as a result reclassified these loans from short term to long term The impact at 31 December 2006 was a reclassification of £8 4 million

The Company has revisited the classification its revolving credit facility during the period and as a result, as at 31 December 2006 it has reclassified £158 1 million borrowings from debt due within one year to debt due after more than one year

Cash flow statement

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

Related party transaction

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

Employee benefits

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

Share based payments

The Company applies the requirements of Share-based Payment ('FRS20') In accordance with the transitional provisions FRS20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005

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

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

Interest income

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

Leased assets

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

Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation

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

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

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

Investments

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

Equity instruments

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

Loans

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

2. Profit for the year

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

Aegis Group plc reported a loss, before the payment of dividends, for the financial year ended 31 December 2007 of £23 1 million (2006 a loss of £5 7 million)

The auditors' remuneration for audit services to the Company amounted to £0 5 million (2006 £0 3 million) and for non-audit services amounted to £0 1 million (2006 £0 6 million)

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

3. Staff costs

The monthly average number of persons employed by the Company (excluding directors) during the year was 43 (2006 44)

Their aggregate remuneration comprised

	2007 **£m**	2006 £m
Wages and salaries	**3.8**	3 7
Bonus costs	**0.8**	1 2
Social security costs	**0.9**	0 5
Pension costs	**0.6**	0 5
Severance costs	**1 4**	–
Staff costs	**7.5**	5 9

Directors' remuneration is disclosed in the front section of this report, refer to Remuneration Report pages 56 to 63

4. Tangible assets

	Leasehold land and buildings £m	Equipment, fixtures and fittings £m	Computer software £m	Other £m	Total £m
COST					
At 1 January 2007	0 9	2 4	5 4	0 9	9 6
Additions	–	0 4	0 3	0 1	0 8
Disposals	–	(1 4)	(4 4)	–	(5 8)
At 31 December 2007	**0.9**	**1.4**	**1.3**	**1.0**	**4.6**
ACCUMULATED DEPRECIATION					
At 1 January 2007	0 5	1 8	3 9	0 2	6 4
Charge for the year	0 1	0 4	0 5	–	1 0
Disposals	–	(1 4)	(4 3)	–	(5 7)
At 31 December 2007	**0.6**	**0.8**	**0.1**	**0.2**	**1.7**
CARRYING AMOUNT					
At 31 December 2007	0 3	0 6	1 2	0 8	2 9
At 31 December 2006	**0.4**	**0.6**	**1.5**	**0.7**	**3.2**

The net book value of other tangible assets includes trademarks of £0 8 million (2006 £0 7 million)

5. Investments

	Joint Venture £m	Interests in associates £m	Shares in subsidiary undertakings £m	Total £m
COST				
At 1 January 2007	22.7	0.2	1,255.7	1,278.6
Additions	–	–	–	–
Disposals	–	–	–	–
Return of Capital Invested	(2.3)	–	–	(2.3)
At 31 December 2007	**20.4**	**0.2**	**1,255.7**	**1,276.3**
ACCUMULATED IMPAIRMENT LOSSES				
At 1 January 2007	21.0	–	163.6	184.6
Reversal of impairment losses	(0.6)	–	–	(0.6)
At 31 December 2007	**20.4**	**–**	**163.6**	**184.0**
CARRYING AMOUNT				
At 31 December 2007	**–**	**0.2**	**1,092.1**	**1,092.3**
At 31 December 2006	1.7	0.2	1,092.1	1,094.0

Joint Venture

The Company has a 44.65% shareholding in eVerger Limited, an investment company incorporated in Guernsey. The period-end reporting date for eVerger is 30 September. During the year £2.3 million of capital was returned to the Company by eVerger. The current year return of capital resulted in the reversal of the impairment loss of £0.6 million recognised in prior years.

The Company's associated undertaking is

	Nature of Operation	Country of Incorporation	Effective interest in ordinary share capital
Coral Philippines Inc	Media Communications	Philippines	30%

6. Debtors due within one year

	2007 **£m**	2006 £m
Trade Debtors	**–**	0.2
Amounts owed by subsidiary undertakings	**302.5**	232.8
Other debtors	**3.4**	9.6
Prepayments and accrued income	**0.8**	0.9
	306.7	243.5

7. Debtors due after more than one year

	2007 **£m**	2006 £m
Amounts owed by subsidiary undertakings	**22.2**	8.4
	22.2	8.4

8. Creditors: amounts falling due within one year

	2007 **£m**	2006 £m
Bank overdrafts	**6.2**	122 5
Loans	**29.9**	84 9
Less issue costs of debt to be amortised	**(0.4)**	(0 5)
	35.7	206 9
Trade creditors	**2.3**	2 9
Amounts owed to subsidiary undertakings	**298.8**	164 1
Taxation and social security	**0.2**	-
Other creditors	**0.2**	6 0
Accruals and deferred income	**5.7**	1 6
	342.9	381 5

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

	2007 **£m**	2006 £m
At 1 January	**1.5**	0 4
Payment of national insurance contributions	**(0.4)**	(0 2)
Charged to profit and loss account	**0.1**	1 3
At 31 December	**1.2**	1 5

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

	2007 **£m**	2006 £m
Loan notes	**481.9**	339 3
Less issue costs of debt to be amortised	**(1.1)**	(1 5)
	480.8	337 8

Private Placement Debt – November 2000
On 20 November 2000, the Company issued US$160 million of unsecured loan notes repayable between 2006 and 2008 These loan notes were guaranteed by the Company and certain of its subsidiaries US$118 5 million was settled during the year

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

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

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

Revolving Credit Facility – June 2006

On 9 June 2006 the Company raised a five-year £450 million Multicurrency Credit Facility with a group of international financial institutions The facility is of a committed revolving nature with drawings allowable under a variety of currencies The facility is guaranteed by the Company and certain of its subsidiaries

Loans repayable included within creditors are analysed as follows

	2007 £m	2006 £m
Repayable within one year	**36.1**	207 4
Repayable between one and two years	**-**	6 6
Repayable between two and five years	**326.7**	158 1
Repayable after more than five years	**155.2**	174 6
Issue cost of debt	**(1.5)**	(2 0)
	516.5	544 7

Details of loans not wholly repayable within five years as follows

5 25% fixed rate 2005 $159 million private placement debt repayable 28 July 2012	**-**	81 2
5 50% fixed rate 2005 $118 million private placement debt repayable 28 July 2015	**59.5**	60 2
5 65% fixed rate 2005 $65 million private placement debt repayable 28 July 2017	**32.7**	33 2
6 06% fixed rate 2007 $75 million private placement debt repayable 17 September 2014	**37.8**	–
6 29% fixed rate 2005 $50 million private placement debt repayable 17 September 2017	**25.2**	-
	155.2	174 6

Cross Currency Swaps

The fair value of the cross currency swaps entered into at 31 December 2007 is £(15 9) million (2006 £(9 3) million) The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields The cross currency swaps are synthetically split to reflect the Company's functional currency of Sterling The US$/Sterling leg of the swaps act as cash flow hedges against the Companys US$ loan notes The Euro/Sterling leg of the swaps has been designated as a fair value through the profit and loss

Details of the fair value of the Company's cross currency swaps are set out in note 20 of the Group's financial statements

10. Share capital

	2007 £m	2006 £m
Authorised		
1,500,000,000 (2006 1,500,000,000) ordinary shares of 5p each	**75.0**	75 0

	2007 Number of ordinary shares	2007 £m	2006 Number of ordinary shares	2006 £m
Issued, allotted, called up and fully paid				
At 1 January	**1,141,784,840**	**57.1**	1,128 049 657	56 4
Issue of shares by the Company	**11,734,190**	**0.6**	13,735 183	0 7
At 31 December	**1,153,519,030**	**57.7**	1 141 784,840	57 1

Movements in called up share capital

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

The Company issued a total of 11 734,190 shares (2006 13,735,183) in the year with an aggregate nominal value of £586,710 (2006 £686 759), 11,734,190 (2006 13 735,183) of which were due to the exercise of share options The total share premium arising on the issue of shares in the year was £9,273,491 (2006 £10 471,549)

Under the Companys share option schemes, there were outstanding options over 42,297 035 ordinary shares of 5p each at 31 December 2007 (2006 60,473 849), for which the participants have the right to exercise their options at prices ranging from 63 7p to 214 5p These options are exercisable between 31 December 2007 and 11 April 2017

11. Shares to be issued

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

12. Share premium and reserves

	Share premium	Capital redemption reserve	Merger reserve	ESOP reserve	Capital reserve	Profit and Loss account	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2007	229 4	0 2	13 0	(22 1)	301 4	52 7	574 6
Premium on shares issued	9 3	–	–	–	–	–	9 3
Purchase of shares by ESOP	–	–	–	(12 8)	–	–	(12 8)
Shares awarded by ESOP	–	–	–	4 0	–	(4 0)	–
Retained profit for the year	–	–	–	–	–	(23 1)	(23 1)
Dividends to shareholders	–	–	–	–	–	(22 7)	(22 7)
Credit for share-based incentive schemes	–	–	–	–	–	1 3	1 3
Cash flow hedge reserve	–	–	–	–	–	1 4	1 4
At 31 December 2007	238 7	0 2	13 0	(30 9)	301 4	5 6	528 0

At 31 December 2007, the Company's ESOP (the 'Aegis Group Employee Share Trust') held 24 516,101 Ordinary Shares in the Company with a nominal value of £1 225 805 and a market value of £28 7 million

At 31 December 2006 the Company's ESOP held 17 923,182 ordinary shares in the Company with a nominal value of £896 159 and a market value of £25 1 million

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

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

13. Profit and loss account

	2007	2006
	£m	£m
At 1 January	**52.7**	74 2
Shares awarded by ESOP	**(4.0)**	–
Retained loss for the year	**(23.1)**	(5 7)
Dividends to shareholders	**(22.7)**	(19 4)
Credit for share-based incentive schemes	**1.3**	0 7
Cash flow hedge reserve	**1.4**	2 9
At 31 December	**5.6**	52 7

For the year ended 31 December 2007 dividends paid to shareholders comprise the final 2006 dividend of £13 2 million (1 175p per share) and the interim 2007 dividend of £9 5 million (0 84p per share) For the year ended 31 December 2006 dividends paid to shareholders comprise the final 2005 dividend of £11 3 million (1 0p per share) and the interim 2006 dividend of £8 1 million (0 725p per share) The proposed final dividend for the year ended 31 December 2007 is £16 5 million (1 46p per share)

As at 31 December 2007, the Company does not have sufficient distributable reserves to meet the proposed final 2007 dividend of £16 5 million The directors have initiated the necessary steps to increase these reserves to ensure there are sufficient distributable reserves to permit the payment of the final 2007 dividend

14. Share-based payments

The Company recognised a total expense of £1 3 million (2006 £0 7 million) in respect of all share-based payments in the year Share-based payments include share options and conditional share awards

Share options

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

Details of outstanding share options are provided in note 32 to the Groups financial statements

The weighted average share price at the date of exercise for share options exercised during the period was £0 98 (2006 £0 92) The options outstanding at 31 December 2007 had a weighted average exercise price of £1 04 (2006 £1 07), and a weighted average remaining contractual life of 4 9 years (2006 5 4 years) The fair value per option granted (weighted average) in the year was £0 38 (2006 £0 36)

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

	2007	2006
Expected life	**5 years**	3 years
Weighted average share price	**149.00**	135 75
Weighted average exercise price	**147.50**	134 00
Expected volatility	**19.0%**	23 0%
Risk free rate	**5.7%**	4 4%
Expected dividend yield	**1.4%**	1 2%

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

The Company recognised a total expense of £0 3 million (2006 £0 3 million) in respect of share options in the year

Conditional share awards

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

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

The Company recognised a total expense of £1 0 million (2006 £0 4 million) in respect of conditional share awards in the year

15. Operating lease arrangements

	2007 £m	2006 £m
Operating lease payments recognised in income for the year	**0.8**	0 8

At 31 December 2007 there were the following annual commitments in respect of non-cancellable operating leases

	2007 £m	2006 £m
Operating leases that expire		
Within 1 year	**0.2**	–
In the second to fifth years inclusive	**–**	–
After 5 years	**0.4**	0 8
	0.6	0 8

16. Principal subsidiary and associated undertakings

All shareholdings are of ordinary shares

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

Principal subsidiary undertakings	Country of incorporation and operation	Effective interest in issued share capital at 31 December 2007
Media Communications		
Aegis Media France S A S	France	100%
Aegis Media Nederland BV	Netherlands	100%
Aegis Media Italia Srl	Italy	100%
Aegis Media Iberia S L	Spain	100%
Aegis Media (Central Europe & Africa) GmbH	Germany	100%
Aegis Media Ltd	England and Wales	100%
Eaton Gate Inc	USA	100%
AgenciaClick – Midia Interativa SA	Brazil	100%
Market Research		
Synovate Inc	USA	100%
Synovate Holdings Pty Ltd	Australia	100%
Synovate Ltd	England and Wales	100%
Synovate (Asia Pacific – BVI) Ltd	British Virgin Islands	100%
Principal associate undertakings		
Media Communications		
Qin Jia Yuan Media Services Company Ltd	China	15 9%
L'Agence Citizen Press S A	France	49 8%
L Agence Des Services del la Presse et de l'edition SAS	France	49 8%

Glossary of terms

The Group
Aegis Group plc and its subsidiaries

Aegis Media
The media communications division of Aegis Group plc

Synovate
The market research division of Aegis Group plc

Billings
The annualised value of media purchased and/or managed on behalf of clients before agency discounts

Turnover
Represents amounts invoiced for media handled by the Group on behalf of clients together with fees invoiced for media and research services provided

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

Gross profit
Media and research income after deduction of all direct costs

Gross margin
Gross profit stated as a percentage of turnover

Operating profit
Gross profit less operating expenses

Operating margin
Operating profit stated as a percentage of revenue

Net new business
The annualised value of media billings gained less the annualised value of media billings lost

Reported growth
Reported growth represents the year on year growth including the effect of new businesses acquired or disposed of during the year and movements in exchange rates

Organic growth
Organic growth represents year on year growth after adjusting for the effect of businesses acquired or disposed of since the beginning of the prior year

Constant currency results
Constant currency results are calculated by restating prior year local currency amounts using current year exchange rates

Underlying results
Underlying operating profit, underlying profit before interest and tax, underlying profit before tax and underlying profit after tax are operating profit profit before interest and tax, profit before tax, and profit after tax respectively stated before those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying performance achieved by the Group and its businesses ('adjusting items') Such adjusting items are material by nature or amount in the opinion of the directors and may include impairment charges and other exceptional items which are material by nature or amount in the opinion of the directors, including profits and losses on disposals of investments, amortisation of purchased intangible assets, unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and any related tax thereon as appropriate

Adjusting items may also include specific tax items such as the benefit arising on the reduction of certain tax liabilities in a particular half-year period and deferred tax liabilities for tax deductions taken in respect of goodwill where a deferred tax liability is recognised even if such a liability would only unwind on the eventual sale or impairment of the business in question

Adjusting items are classified as operating non-operating and financing according to the nature of the underlying income or expense

Goodwill
The difference between the fair value of purchase consideration of a business as a whole and the aggregate fair value of its separable net assets

Minority interests
Partial ownership of subsidiary undertakings by external shareholders

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