Aegis Group plc Annual Report and Accounts 2010

AEGIS

Carat
Posterscope
Vizeum
Isobar
iProspect
Synovate

STRONG MOMENTUM

for a sustainable future

Albania
Afghanistan
Algeria
Angola
Argentina
Armenia
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Belgium
Bosnia & Herzegovina
Brazil
Bulgaria
Burkina Faso
Cambodia
Cameron
Canada
Chile
China
Columbia
Congo
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Finland
France
Georgia
Germany
Ghana
Greece
Guatemala
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Ivory Coast
Japan
Jordan
Kazakhstan
Kenya
Kosovo
Kuwait
Kyrgyzstan
Latvia
Lebanon
Libya
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Macedonia
Malaysia
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Mexico
Moldova
Morocco
Mozambique
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New Zealand
Nicaragua
Nigeria
Norway
Oman
Pakistan
Palestine
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Puerto Rico
Qatar
Romania
Russia
Saudi Arabia
Senegal
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
South Korea
Spain
Sri Lanka
Sudan
Sweden
Switzerland
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Taiwan
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AEGIS GROUP IS ONE OF THE WORLD'S LEADING MARKETING COMMUNICATIONS & MARKET RESEARCH GROUPS.

WHO WE ARE...

There are over 16,000 of us working on six continents in 24 time zones, continually pioneering the worlds of media communications and market research.

We have two strong operating businesses, Aegis Media and Synovate.

TWO STRONG OPERATING BUSINESSES...

delivering for clients and shareholders

Aegis Media...

Our businesses develop communications solutions for clients in todays converged media world. They employ over 10,000 people in 80 countries.

Carat / Isobar / Posterscope / Vizeum / iProspect

All five of Aegis Media's major brands are world-leading marketing and communications businesses:

→ **Carat** is the world's largest independent media communications business.

→ **Vizeum,** our challenger media brand, pioneering the art of connection.

→ **Isobar,** a global communications agency with digital at its heart.

→ **iProspect,** a leading global search marketing business.

Posterscope
Worldwide

→ **Posterscope** is the out-of-home sector leader, and the only truly global network, constantly pushing the technological boundaries.

Synovate...

A leading global custom market research company which generates insights to help clients drive competitive brand, product and customer experience strategies. It employs over 6,000 people in 62 countries.

Synovate

Synovate offers clients a broad suite of custom research solutions across a diverse range of geographies, sectors and specialisms.

OPERATIONAL HIGHLIGHTS 2010

RE-FOCUSED STRATEGIC APPROACH & STRENGTHENED MANAGEMENT TEAMS AT BOTH BUSINESSES:

AEGIS MEDIA OUTPERFORMED THE ADVERTISING MARKET

SYNOVATE PERFORMANCE TOWARDS THE TOP OF ITS PEER GROUP

→ **EXCELLENT PERFORMANCES IN NORTH AMERICA AND FASTER-GROWING REGIONS**

MOMENTUM ACHIEVED AT AEGIS MEDIA AND SYNOVATE

→ **STRENGTHENED FINANCIAL POSITION ENABLED RE-FOCUS ON ACQUISITIONS**

ORGANIC REVENUE GROWTH OF 5.8%

OPERATING PROFIT OF £192.2M - UP 12.3%*

OPERATING MARGIN TO 13.2% - UP 70 BPS*

* Underlying performance with percentages representing change at constant currency.

WHAT WE DO...

We help clients communicate and build relationships with their consumers around their products and brands.

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Our Businesses

STRATEGY AND HIGHLIGHTS

in a world of change...

SUMMARY TABLE OF RESULTS

£m	2010	2009*	Change %	Constant currency %
Revenue	**1,459.4**	1,346.5	8.4	6.4
Underlying results**				
– operating profit	**192.2**	170.3	12.9	12.3
– pre-tax profit	**162.4**	150.4	8.0	7.0
– diluted eps	**10.1p**	9.6p	5.2	4.1
Statutory results				
– operating profit	**101.5**	114.6	(11.4)	(11.5)
– pre-tax profit	**68.0**	91.2	(25.4)	(25.6)
– diluted eps	**3.6**	5.5	(34.5)	(35.4)
Dividend per share	**2.75p**	2.5p	10.0	10.0

* 2009 underlying results are restated to exclude imputed interest arising due to discounting of deferred consideration.
** Throughout this commentary, results are stated on an underlying basis unless otherwise indicated. Percentage movements are given at reported exchange rates unless otherwise stated.

A two speed advertising world...

BRIC (Brazil, Russia, India and China) economies are key to global growth, but the US is still important, due to its share of global advertising spend.

Our aim is to ensure we continue to leverage our high quality global asset base, in the context of the changing dynamics in the markets in which we operate. This aim will be realised by focusing on achieving the strategic priorities of our two core divisions, Aegis Media and Synovate.

Aegis Media's strategic priorities are focused on:

- Increasing exposure to faster-growing regions
- Ensuring full service of digital and media propositions across brands
- Developing international clients and targeting profitable new business
- Increasing digital profile and capability
- Building on leading positions in top 20 markets, especially the US
- Broadening service offering across existing and new clients

Synovate's strategic priorities are to:

- Increase traction and build momentum with key global clients
- Provide competitive differentiation through operational excellence
- Prioritise investment in key gateway markets for international research
- Expand existing capabilities in key industrial verticals and research methodologies across all of our geographies

BRIC economies are expected to contribute nearly 50% of global advertising growth to 2015...

with China alone already the world's second largest advertising market.

A TWO SPEED WORLD
2011 ADSPEND GROWTH FORECASTS*

3.9%

3.5%

13.2%

15.3%

13.0%

8.0%

Global 5.7%

* Source: Carat, March 2011

CHAIRMAN'S STATEMENT

"Aegis's 2010 performance, together with the successful management of change and continuity, gives us confidence as we face into 2011."

2010 was a year of further progress

"We continue to deliver an improved underlying operating performance in a demanding market environment."

Continued progress / I am pleased to report that 2010 was a year of further progress. We continue to deliver an improved underlying operating performance in a demanding market environment with the main achievements including:

- A return to full year revenue growth at our Synovate market research business with improved sales, profits and margins following its recovery in the second half of 2009
- Continued strong above market growth from our Media division with good organic growth, continued new business wins and increases in underlying operating profit and margins
- Overall, our underlying results, pre-exceptionals, delivered an 8.4% increase in revenue, a 12.9% increase in operating profit and a 5.2% increase in earnings per share.

These advances are covered in more detail in the Chief Executive and Business reviews. A significant additional focus in the year has been the integration of our diverse and specialised media and digital services into an improved client-facing suite of services.

The strategy of strengthening our balance sheet, extending our long term debt profile and adding acquisition capability, announced last year, has worked well with the use of a US private placement and a successful convertible bond issue. That put us in a position to renegotiate our previously expiring five year revolving credit facility of £450 million. We now have in place a new five year deal, on acceptable terms. These actions have been reinforced by the continuing benefits of a strengthened reporting and cash management environment.

The strength of the balance sheet has allowed fuller development of a much more strategic programme on acquisitions. At Synovate we announced an agreement to acquire a majority stake in a leading Russian research provider to strengthen our position in that market. We have developed our media market position in China, with the Charm joint venture and investment, and completed the £229.1 million Mitchell acquisition in Australia in November. This transaction has transformed our market position there and increased our digital profile and is expected to be an earnings enhancing acquisition in its first full year. It has also allowed us to further strengthen our Board with the appointment of Harold Mitchell, the founder of Mitchell with his media market knowledge and experience, as an Executive Director.

Your board & management / On the subject of Board matters we were pleased to appoint Jerry Buhlmann, the experienced Chief Executive of our Media Division, as CEO of Aegis Group plc ("Aegis") as a whole. He took up the post on 1st May 2010 and brings continuity, energy and expertise. He was selected with the assistance of an externally led evaluation process, and has made a strong and effective start allowing me to step back immediately to a Chairman-only role, whilst maintaining maximum continuity for the business.

Looking back, your Company has successfully achieved a very full reorganisation and near replacement of its Board and senior management over the last two years. At the same time it has dealt effectively with the downturns in the world economy and in many of our major markets from late 2008 through 2009. We have significantly raised our operating performance and strengthened key functions, the benefits of which are reflected in our results for 2010. There is still work to do but we now have in place an effective and settled Board, a strengthened reporting process and a more cohesive and better directed operational and strategic management team under the leadership of a very capable Chief Executive.

The latest proposals on Corporate Governance recommend that Boards consider on a "comply or explain" basis the annual election of all its directors. This is a new initiative and will take some time to settle and for Boards everywhere to consider fully the merits and demerits of this recommendation. It is not without risks. In this year the Board proposes to follow the previous re-election guidelines by putting up for election those appointed in 2010, Messrs Harold Mitchell, Executive Director and Robert Philpott, Executive Director, and the second longest serving director, Lorraine Trainer who is due for re-election on the three year rule.

The Board has also discussed the question of a formal Board evaluation. Given, however, the significant number of changes made, recent appointments and the part year period of the new Chief Executive, the Board decided to defer that process in 2010. I can confirm all members of the Board have made an effective and significant contribution to the Board and the Company for which I thank them.

Summary / The strong performance in 2010 together with the successful management of change and continuity gives us confidence as we face into 2011. Markets and the world economy have improved but there are still significant regional difficulties and areas of strategic imbalance. We have made strategic acquisitions and investments in Russia, Australia and in China. We remain focused on sustainable growth. We expect to continue to face a demanding and competitive market environment. We continue to focus on improvements and the development of quality integrated services which deliver support and solutions for our clients. We believe that we have the strength and resource to continue our progress.

Dividend / Given our confidence in the short term outlook for the Company, the Board has recommended a total dividend of 2.75 per share for 2010. This represents a 10% increase on the prior year.

Our people / Over the last three years, our employees have worked in a demanding market environment. Their success and efforts have been rewarded by our performance in 2010. Our future success depends on their continued efforts. On behalf of the Board I would like to thank them for the progress they have made and their continuous endeavours to further transform and improve our Company and its services.

John Napier
Chairman

CHIEF EXECUTIVE'S REPORT

"The positive momentum from 2010 at both Aegis Media and Synovate has continued into 2011."

A year of outperformance ensuring good forward momentum

"Aegis delivered robust results in 2010, during which we saw a return to growth in advertising and market research."

Aegis delivered a robust set of financial results in 2010, during which we saw a return to growth in advertising and market research, with both Aegis Media and Synovate outperforming their respective markets.

We took significant steps in delivering on our objectives for our two businesses: positioning Aegis Media for a more convergent media environment and consolidating Synovate's position in a changing market dynamic. We made good progress in increasing our exposure to both faster-growing regions and digital media platforms and we aim to increase this exposure further in the future, supported by the delivery of continued organic revenue growth and an on-going focus on acquisitions in these areas.

Our strong operational and financial performance in 2010 was testament to the hard work and commitment of our people and, in my first year as Aegis's CEO, I am grateful to all of our people for their continued support. This performance, together with good new business momentum at Aegis Media and Synovate's healthy orders on hand position going into 2011, ensures the Group is well placed for the future.

Delivering on key strategic objectives in 2010 / We have high quality, focused senior management teams at both Aegis Media and Synovate which were further strengthened by a number of key appointments and promotions in 2010. The management teams have the right balance of energy and experience to develop our businesses going forward. In 2010, we were focused on delivering six key strategic objectives:

1. Increasing global reach, in particular increasing our exposure to faster-growing regions;
2. Strengthening our product portfolio and service range, including growing digital revenue at Aegis Media;
3. Building on our leading market positions and increasing our presence in key markets, reflecting client needs;
4. Developing international clients and building new business momentum;
5. Targeting potential acquisitions, subject to strategic and financial criteria; and
6. Driving revenue growth and cost control to improve our profit margins.

We will continue to focus on these key strategic objectives, ensuring our businesses remain well positioned for future growth.

1. **Increasing global reach, in particular increasing our exposure to faster-growing regions /** Our geographic profile has changed significantly over the last five years, demonstrated by our increased presence in the faster-growing regions of Asia Pacific, Latin America, Eastern Europe and the Middle East and Africa over this period. Last year, Group revenue contribution from these regions increased to 33%, from 20% in 2006, following the acquisition of Mitchell Communication Group ("Mitchell"), Australia's leading marketing communications agency in November 2010.

   Mitchell, Aegis's largest acquisition in 11 years, along with our investment in, and joint venture with, Charm Communications Inc ("Charm"), one of China's leading media buying and advertising agencies, give us a significantly strengthened base from which to further improve our already strong position in the Asia Pacific region.

2. **Strengthening our product portfolio and service range, including growing digital revenue at Aegis Media /** In 2010, Aegis Media and Synovate management reviewed and optimised their respective product portfolios and service ranges. This will ensure we are well placed to meet the needs of clients operating across a range of different markets, using a wide range of media and research platforms for their ever-changing requirements.

   At Aegis Media, our digital capability is at the heart of our strategy, with digital contributing approximately 32% of Aegis Media's revenue in 2010. Going foward, we expect the proportion of digital revenues to continue to grow as a result of continued acquisitions and anticipated organic growth from our existing businesses in this area. In addition, to meet increased client need for improved accountability, performance measurement and returns on investment, we have ensured that data management and platforms at both businesses continue to be fully integrated into our product and service offerings. Also in 2010, our market-leading CCS (Consumer Connection System) insight product was extended into 27 markets around the world.

3. **Building on our leading market positions and increasing our presence in key markets, reflecting client needs /** We continue to build on our leading market positions, whilst also growing our presence in key markets, reflecting the needs of our clients. In 2010, we achieved this organically at both businesses, as exemplified by strong performances in North America and faster-growing regions. We also improved our position in certain markets via acquisition, as illustrated by the Mitchell transaction in Australia and our agreement to acquire a majority stake in COMCON, a leading Russian market research business, announced in December 2010. As a result, we are now the leading player in the Australian media market and we will become the second largest custom research provider in Russia.

4. **Developing international clients and building new business momentum /** In 2010, new business momentum remained strong at both businesses. Last year, Aegis Media delivered over $2.0 billion in net new business wins, including a number of new international assignments such as Beiersdorf in the US and Germany, ING in Italy and France and Deutsche Bank around the world. Aegis Media succeeded in winning 99 additional market appointments from our major international clients, including Diageo, Nokia, Kellogg's and Disney. Synovate was also successful in winning a number of major multi-national projects around the world in 2010, for companies including Unilever, Coca-Cola and HSBC. In addition, client retention at both businesses was very good during the year. This successful trend for both businesses has continued so far in 2011, with $1.5 billion of net new business wins already achieved at Aegis Media and a strong orders on hand position at Synovate at the start of the year.

5. **Targeting potential acquisitions, subject to strategic and financial criteria /** Given our strong balance sheet and improved debt profile, we are able to re-focus on acquisitions with a view to extending our capabilities and driving growth. We have been and will continue to target acquisitions which provide scale, infill and innovation, with a focus on small to medium-sized bolt-ons in both faster growing regions and digital.

   All acquisition targets are evaluated against strategic and investment criteria, including management and cultural fit, the delivery of good returns against financial hurdles and earnings accretion in the first full year after they are completed.

CHIEF EXECUTIVE'S REPORT

(continued)

The acquisition of Mitchell is a good example. There is a strong strategic and cultural fit and we expect the transaction to be earnings accretive in 2011 at current exchange rates by low to mid-single digits. This is despite Mitchell shareholders taking up the maximum allotment of Aegis shares available as part of the consideration for the transaction.

6. **Driving revenue growth and cost control to improve our profit margins /** Emerging from recession, upward pressure on staff costs is a growing feature as we ensure competitive salaries, increase headcount to support new business and re-introduce incentives to retain key staff to support the growth of our business. Total overheads were up 5.3% at constant currency during the year. To counter these cost pressures, we will maintain a clear focus on cost control and efficiencies throughout the Group. This focus is a key part of our culture, with management incentives aligned to margin performance.

Strong operating and financial performance by Aegis in 2010 / Aegis's robust underlying operational performance in 2010, supported by management focus on these strategic objectives, translated into a strong set of financial results.

Total revenue for the year was £1,459.4m, up 8.4% at reported rates and up 6.4% at constant currency. Organic revenue growth for the Group was 5.8%, driven in particular by strong top line growth from our businesses in North America and faster-growing regions.

As was expected at the half year stage, both businesses delivered a continuing trend of improvement in organic growth in the second half, compared to the first half. As we anticipated, a combination of more challenging prior year revenue growth comparatives in the fourth quarter and the relative revenue weighting between the third and fourth quarters meant the trend rate of organic revenue growth was impacted in the fourth quarter of the year:

Aegis delivered a strong improvement in underlying operating profit for the year to £192.2m, an increase of 12.9% from the prior year at reported rates, and 12.3% at constant currency. There was a modest improvement in Group operating margin to 13.2% during 2010, an increase of 60 basis points from the prior year.

Our underlying earnings per share on a fully diluted basis increased by 5.2% at reported rates and 4.1% at constant currency, to 10.1p from 9.6p in the prior year.

Management's re-focused strategic approach bolstered Aegis Media's performance in 2010 / Aegis Media's management team implemented a re-focused strategic approach in 2010, the Power Brand strategy, based on delivering a consistent range of services integrated across one operating model through Carat, Vizeum, Posterscope, isobar and iProspect on a network basis. This re-focused strategic approach helped to support our performance in 2010 and will continue to do so going forward.

Aegis Media delivered organic revenue growth of 5.7% in 2010, with 7.4% organic revenue growth in the fourth quarter of the year. This was supported by another excellent new business performance, with net new business wins of $2.0 billion in billings. Operating margin was 18.6%, up 40 basis points at reported rates and 60 basis points at constant currency.

Our businesses in faster-growing regions performed extremely well in 2010. Our North American management team achieved further progress in revitalising our businesses there, while the health of Western European markets remained mixed.

Operational delivery was also driven by our excellent new business performance in 2010. New business wins were characterised by a return to a strong competitive position in the US, with Beiersdorf, Diageo, Relativity Media and Red Bull won during the year. Towards the end of the year, our North American team was also successful in renewing our long-standing Pfizer/Wyeth contract. Elsewhere around the world new business wins included Disney in Australia, Tiffany across Asia Pacific, Orange in Spain, Nokia in the Middle East and Anheuser Busch InBev in the UK. This new business momentum has continued into 2011, with a number of wins already recorded so far this year including Disney and Home Depot in North America, Fastweb in Italy, Kraft Cadbury in South Africa and Electronic Arts across Latin America.

Aegis Media's performance in 2011 and beyond will be supported by the acquisition of Mitchell, which was completed in November 2010. The combination of Aegis Media's global network and Mitchell's outstanding capabilities in the Pacific region will create a compelling offering for clients, positioning us for continued growth in the wider Asia Pacific region.

Aegis Group	Quarter				Half year		Full Year
	Q110	Q210	Q310	Q410	H110	H210	FY10
Organic revenue change %	1.1	4.7	9.7	7.0	3.2	8.1	5.8

Strong performance recovery at Synovate / Following the global economic downturn in 2009, which had a significant impact on the ad hoc custom market research sector, 2010 saw a strong recovery in performance at Synovate. Sales rose 6.7%, with organic gross revenue increasing 5.9%, with organic gross revenue growth of 6.3% in the fourth quarter. Our strong performance in the second half, drove operating margin to 8.0%, up 90 basis points at reported rates and at constant currency.

Management's clear focus on driving profitable sales, supported by a broad geographic network and extensive product portfolio, ensured an encouraging performance from Synovate in 2010, with a healthy 8.8% underlying increase in orders on hand achieved at year end. Performances from the vast majority of businesses across the Synovate network performed very well in 2010, particularly our business in North America.

With a strong foundation now in place, management is implementing a re-focused strategic approach to improve Synovate's long term position in the global custom market research sector around the world. This strategic approach aims to increase traction and build momentum with key global clients, provide competitive differentiation through operational excellence, prioritise gateway geographies which represent key markets for international projects and expand our existing capabilities in key industrial verticals and research methodologies. The implementation of the first phase of this re-focused strategic approach across the organisation will be completed by the end of 2011.

Balance sheet strengthened & capital discipline maintained / During 2010, we took a number of actions to strengthen our financial position. In April 2010, we launched a convertible bond, due in April 2015, to raise £190.6m, including the exercise of an over-allotment option. In July 2010, we re-financed our £450.0m revolving credit facility, lengthening its tenure to 2015.

Net debt fell from £398.4m at the end of the first half to £331.3m at the end of 2010, a year-on-year increase of £74.1m from the end of 2009. This increase was mainly due to acquisition spend, partially offset by strong operating cash flows in the second half of 2010.

Our covenant positions remain robust and we had undrawn available facilities at the end of the year totalling £450.0m (2009: £376.4m). Looking ahead, we aim to ensure that capital continues to be sensibly allocated and our cash pools remain well managed.

Outlook / Our clients' advertising and research expenditure for the first few months of this year is ahead of the same period in 2010, and their current indicated budgets for the remainder of 2011 suggest that this year-on-year trend will continue. In addition, the momentum Aegis has built through 2010 has continued into the first few months of 2011, with Aegis Media winning $1.5bn in net new business so far this year and Synovate starting the year with a healthy orders on hand position.

Given these positive signals for the short term outlook, and in spite of the relatively limited medium term visibility, we are increasingly optimistic about the prospects for our businesses this year. We therefore expect Group organic revenue growth for 2011 to be at least in line with the level achieved last year.

We experienced upward pressure on staff costs at both businesses in the second half of 2010. This will continue in 2011, with increasing headcount and pay reviews particularly in high growth regions, as well as an increase in bonuses where performance justifies.

Despite these cost pressures, given the Group's momentum and our expectations for organic revenue growth this year, we expect underlying operating profit to improve further in 2011.

Jerry Buhlmann
Chief Executive Officer, Aegis Group plc

AEGIS MEDIA BUSINESS REVIEW

Operational delivery driven by strong new business performance

> "Aegis Media's re-focused strategic approach supported our 2010 performance and will continue to do so in the future."

£m	2010*	2009	Change %	Constant currency %
Revenue				
EMEA**	**579.7**	585.3	(1.0)	0.4
Americas***	**189.4**	158.6	19.4	14.5
Asia Pacific	**117.7**	81.3	44.8	34.4
Worldwide	**886.8**	825.2	7.5	6.8
Operating costs	**(722.1)**	(674.8)	(7.0)	(6.1)
Operating profit******	**164.7**	150.4	9.5	9.9
Operating margin******	**18.6%**	18.2%	40 bps	60 bps

* Mitchell acquisition contributed £12.6m revenue and £2.0m underlying operating profit in 2010

** 2009 EMEA revenue includes one-off £9.5m insurance recoveries at Aegis Media Germany

*** 2009 Americas revenue includes one-off £10.5m revenue reversal relating to Posterscope USA

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

Headlines /

- Organic revenue growth of 5.7% during 2010, including 7.4% in the fourth quarter
- At constant currency, operating margin increased 60 basis points to 18.6%, with operating profit increasing 9.9% to £164.7m
- Businesses in faster-growing regions and North America performed extremely well
- Geographic profile and product range in Asia Pacific strengthened by Mitchell acquisition and Charm joint venture and investment
- Digital revenue up to 32% in 2010, (from 31% in 2009)
- Strong global new business performance of $2.0 billion net new business wins in 2010, with continued momentum into 2011
- In March 2011, Carat upgraded 2011 global advertising expenditure growth forecast to 5.7% (from 4.7% forecast in August 2010).

2010 results overview / Aegis Media delivered a strong performance in 2010, which benefited from a re-focused strategic approach, with an emphasis on enhanced digital capabilities, a strengthened geographic profile and an excellent new business performance during the year, with $2.0 billion in net wins, compared to $2.7 billion in 2009, a record year. This was supported by a number of good operational performances during the year, particularly from our businesses in faster-growing regions and North America.

As a result of these factors, Aegis Media delivered total revenue for the year of £886.8m, an increase of 7.5% at reported rates and 6.8% at constant currency. Organic revenue increased 5.7% in the year and 7.4% in the fourth quarter.

	Quarter				Half year		Full Year
Aegis Media	Q110	Q210	Q310	Q410	H110	H210	FY10
Organic revenue change %	3.0	3.6	8.5	7.4	3.4	7.8	5.7

Operating profit increased 9.5% at reported rates and 9.9% at constant currency to £164.7m, with operating margin up 40 basis points at 18.6% and up 60 basis points at constant currency. This was achieved despite total Aegis Media headcount increasing by 14.3% as at the end of the year, (5.5% excluding the addition of Mitchell employees). Underlying staff costs increased by 6.7% on a constant currency basis and total operating costs increased by 7.0% at reported rates and 6.1% on a constant currency basis.

The increases in headcount and staff costs were partly a result of the addition of the Mitchell business and due to accelerated resourcing in Asia Pacific and North America in the second half to support strong revenue growth in those regions. Whilst we continue to expect staff costs to increase in the coming years to match our growth ambitions, management will ensure a continued focus on cost control and efficiencies.

Key performance drivers / A number of fundamental drivers supported Aegis Media's solid performance in 2010, including:

- **A re-focused strategic approach**, based on the Power Brand strategy, with the five networks of Carat, Vizeum, Posterscope, isobar and iProspect providing clients with communications solutions focused on media, ideas, content creation and digital. These brands operate as one P&L per country providing one operating model and a full range of services that can be easily integrated, reflecting the needs of clients in an ever-changing media environment. The Power Brand strategy will continue to support our business going forward
- **Market-leading consumer insight and service solutions**, including our CCS (Consumer Connection System), extended into 27 markets in 2010, provides clients with actionable single service brand and product consumer segments. This, in combination with our ICP (Integrated Communications Planning) process has been rigorously embedded across all the networks, providing real added value, insights and consistent best practice across the division
- **High quality digital capabilities**, comprising isobar, our creative origination network, iProspect, our performance search marketing network, and our on-line planning and buying, mobile and social media housed within our media agencies. Revenues from these digital capabilities now account for 32% of Aegis Media's revenue and they enable us to utilise a diverse range of platforms for clients
- **Data management and platforms** are a key part of our digital strategy. The ever-changing media landscape for our clients has given rise to an increasing demand for improved accountability, performance measurement and returns on investment from their promotional campaigns. Consequently, we have ensured that data management and trading platforms continue to be fully integrated into our product and service offerings
- **Our geographic scale and network consistency** offers opportunities to develop our international clients, providing them with scale, quality, best practice and a coherent approach across many markets. The acquisition of Mitchell in Australia and our joint venture and investment with Charm in China further strengthens our geographic reach, specifically in Asia Pacific, and provides additional opportunities to extend our services to our new clients in that region. In 2010, we won 99 additional market appointments from our major international clients, in new regions or through new service propositions, including Diageo, Disney, Nokia, Kellogg's and Panasonic
- **An excellent new business performance** during the year, with net new business wins of $2.0 billion of billings. Importantly, a vibrant contribution from our US business demonstrated the competencies of the new product strategy, providing a clearly differentiated service. 2010 also saw the emergence of an important trend in the drive to win new business, with media buying and planning starting to leverage opportunities for creative. In the past, new business initiatives were led by the creative advertising offering, with media being introduced to the client later on in the relationship to support a creative campaign. We are now seeing media buying and planning leading the way and leveraging opportunities for creative, as evidenced by isobar successfully winning the digital creative brief across Europe for Kellogg's, which consolidated European media with Carat in 2009.

We are increasingly optimistic about the outlook for global advertising and media expenditure, based on our clients' current indicated advertising budgets for the remainder of 2011. As evidence of this, in March 2011 Carat upgraded its global advertising expenditure growth forecast for 2011 to 5.7%, from their forecast of 4.7% published in August 2010.

Aegis Media EMEA / EMEA revenue increased 0.4% at constant currency to £579.7m, supported by a number of strong performances from our businesses across the region, but demonstrating the patchy recovery in Western Europe. Our performance across Europe was bolstered by a number of pan-European account wins including Deutsche Bank, ING, De Agostini, Indesit, Kellogg's digital creative account and Calvin Klein's digital campaign.

The UK delivered good performances across the brands, in particular at our media businesses. The UK and Ireland secured a number of important client wins including Anheuser Busch InBev, Pfizer, Eircom, Disney Parks and Travelodge, as well as retaining British Gas, our largest client in the UK market, with a broadened remit to include digital creative. Our plans to consolidate our UK operations and our Group employees into one location remain on track and we expect this re-location to be completed during the second half of the year.

AEGIS MEDIA BUSINESS REVIEW
(continued)

Growth in our media businesses in France remained limited during the year, but some of our diversified businesses performed well, including organic search and sponsorship. Our new business performance was robust, with new assignments for Cadom and Canal+, as well as the successful retention of our largest client, the Government of France, for another three years.

Germany delivered a decent performance during the year, particularly in the fourth quarter. Client wins during the year included the German government and GE Capital Bank.

Our businesses in Italy performed creditably in a challenging market, winning some significant in-country accounts including CoGeDi and teletu.

The Spanish market remained relatively muted during the course of 2010. However, our business closed the year with the retention of BMW and several new client wins including Grupo San Miguel/Mahou as well as France Telecom/Orange's digital creative business. Negotiations continue with Nueva Rumasa, our former client which filed for pre-insolvency protection in Spain last month, to recover our outstanding debt.

There were strong performances across the board in the Nordic region, in particular in Sweden, Denmark and Finland. New business wins across the region included Sony Music, Citigroup and Risicum.

Central and Eastern Europe continued to perform well, particularly our businesses in Russia and Turkey. New business wins across the region included Russia Post, OBI, Ferrero, Samsung, Megafon and MTS.

The Middle East delivered strong results, supported by a new management team which restructured and revitalised our businesses there, winning a number of high profile local and multi-national clients in 2010. We secured several important regional extensions of existing international client accounts including Nokia across 19 markets across the Middle East and North Africa. We secured a number of other regional extensions of global clients in Africa, including Procter & Gamble and BMW. Across the region, South Africa performed particularly well, securing a good mix of international and local new business wins during the year.

Aegis Media Americas / Revenues of £189.4m increased 14.5%, at constant currency, across North America and Latin America.

North America delivered an outstanding performance as a result of management actions which successfully revitalised the business. There was strong momentum at our Carat and iProspect brands, in particular, during the course of the year. A clear focus on implementing the new product range and a significant investment in new talent created a deliverable competitive advantage.

Consequently, there were a number of significant new business wins in 2010 including Smuckers, Beiersdorf, Sears' search business, Red Bull, Relativity Media and Diageo. At the end of 2010, we successfully renewed our contract with Pfizer, our largest account in the region, following the addition of the Wyeth media account earlier in the year.

Latin America also produced a strong performance, driven by Mexico, which won the Electronic Arts account across the region, and by our creative origination business in Brazil.

Aegis Media Asia Pacific / Our Asia Pacific businesses produced a strong set of results, with revenue up 34.4% at constant currency to £117.7m. Excluding the revenue contribution from Mitchell of £12.6m, revenue was up 20.0% at constant currency.

Our largest business in the region, China, was again a key driver of our performance, supported by another strong performance from our existing agencies there. In addition, the joint venture between Vizeum and Charm Communications Inc ("Charm") started to gain traction. We won several important clients, including Xian Janssen Pharmaceuticals, Bulgari, Orion and Wyeth and retained the Kraft-Cadbury account.

Our business in Australia delivered strong results, winning some high profile accounts, including Kraft-Cadbury and Disney. In November, we completed the acquisition of Mitchell, Australia's leading marketing communications agency, which transforms our market position to the number one player in Australia and to a competitive top three position across the Asia Pacific region.

We maintained a strong retention record across the region, extending our relationships with the likes of Procter & Gamble, Pernod Ricard and BMW.

Summary / Our performance in 2010 benefited from a re-focused strategic approach, based on the Power Brand strategy, our strengthened geographic profile and our excellent new business performance during the year. This was supported by solid operational performances from our businesses in faster-growing regions and North America in particular.

As a consequence of our increasing confidence in the outlook for the sector, supported by the new business momentum achieved so far in 2011, we are increasingly optimistic about Aegis Media's short term prospects.

Jerry Buhlmann
Chief Executive Officer, Aegis Media

SYNOVATE BUSINESS REVIEW

Strong performance recovery at Synovate in 2010

> "There were good performances from the vast majority of business units across the Synovate network."

£m	2010	2009	Change %	Constant currency %
Gross revenue‡				
EMEA	**239.2**	234.4	2.0	0.6
Americas	**175.4**	151.1	16.1	13.1
Asia Pacific	**158.0**	135.8	16.3	6.1
Worldwide gross revenue	**572.6**	521.3	9.8	5.7
Net revenue‡				
EMEA	**143.7**	138.2	4.0	2.8
Americas	**109.9**	102.5	7.2	4.7
Asia Pacific	**97.1**	81.1	19.7	9.8
Worldwide net revenue	**350.7**	321.8	9.0	5.3
Net revenue conversion	**61.2%**	61.7%	(50) bps	(30) bps
Operating costs	**(305.1)**	(284.9)	(7.1)	(3.4)
Operating profit*	**45.6**	36.9	23.6	19.4
Operating margin on gross revenue*	**8.0%**	7.1%	90bps	90bps

‡ For the purposes of this report, Synovate gross revenue is the same as revenue in the statutory results. Net revenue is the same as gross profit in the statutory results.

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

SYNOVATE BUSINESS REVIEW
(continued)

Headlines /

- Sales increased 6.7%, supported by consistent management effort to drive profitable sales
- Organic gross revenue grew 5.9% during the year, including 6.3% in the fourth quarter
- Net revenue conversion fell slightly to 61.2%, from 61.7%, due to a change in work mix and continued pricing pressure
- At constant currency, operating margin increased 90 basis points to 8.0%, with operating profit increasing 19.4% to £45.6m
- Strong performances from the vast majority of business units across the network
- Market research industry anticipated to grow by around 4% in 2011, in line with growth in 2010
- Increasingly optimistic outlook, supported by 8.8% underlying increase in orders on hand at the start of 2011.

2010 results overview / Synovate delivered a strong performance in 2010, driven by management's clear focus on driving profitable sales and improving efficiencies, supported by a broad geographic network and a high quality product portfolio. There were good performances from the vast majority of business units across the Synovate network and we started 2011 with a healthy 8.8% underlying increase in orders on hand.

Sales, the leading forward indicator of our performance, increased 6.7% in 2010. As a result, organic gross revenue increased 5.9%, with total revenue growth of 9.8% at reported rates and 5.7% at constant currency to £572.6m. This growth was supported by a particularly strong second half performance, when we delivered 8.4% organic gross revenue growth:

As a result of this strong performance in the second half, Synovate recorded operating profit for the year of £45.6m, 23.6% up on 2009 at reported rates and 19.4% up at constant currency.

Consequently, we achieved an operating margin of 8.0%, up 90 basis points at reported rates and at constant currency. Net revenue was up 9.0% at reported rates, 5.3% at constant currency, to £350.7m. Net revenue conversion decreased slightly to 61.2%, from 61.7% in 2009, as a result of change in work mix and continuing pricing pressure in certain regions.

The improvement in operating margin was achieved despite an anticipated upward pressure on staff costs during the second half of the year. This cost pressure is expected to continue in the coming years, particularly in faster-growing regions, where competition for talent remains intense. However, management will ensure a continued focus on cost control and efficiencies across the business.

At the end of 2010, headcount had increased 3.9%, year on year, with underlying staff costs for the year up 4.0% in constant currency from 2009. Total operating costs increased 7.1% from 2009 at reported rates, and 3.4% at constant currency, to £305.1m.

Re-focused strategic approach / Following the global economic downturn in 2009, which had a significant impact on the ad hoc custom market research sector, performance recovery at Synovate is now well underway, as highlighted by the operational and financial results delivered in 2010. With a strong foundation in place, supported by our good performance last year, management is now implementing a re-focused strategic approach. This approach, originated and developed last year, aims to improve Synovate's long term position in the custom market research sector around the world and is based on four key objectives:

- **Increasing traction and building momentum with key global clients** by securing long term partnerships in multiple markets and developing more consultative relationships, based on the success already achieved through Synovate's Global Client Relationship account programme
- **Providing competitive differentiation through operational excellence** by delivering its services consistently and efficiently
- **Prioritising gateway geographies** which represent key markets for international projects. We aim to add weight to our product and service offerings in major economies, like the US, the UK and Germany. We are also looking to increase market share in faster-growing regions, with further investment in markets such as China and Russia anticipated in the coming years
- **Expanding our existing capabilities in key industrial verticals and research methodologies** across all of our network. These industrial verticals, like consumer and healthcare, and research methodologies, including product testing and customer experience, are global in nature and lend themselves to efficient work practices.

Management is currently working on implementing this re-focused strategic approach across the organisation. This will be achieved through on-going communication between the various levels of management, implementation of a number of new systems and processes, recruitment of specialist skill sets and investment in certain capabilities in key markets. The first phase of this process will be completed by the end of 2011.

	Quarter				Half year		Full Year
Synovate	Q110	Q210	Q310	Q410	H110	H210	FY10
Organic gross revenue change %	(1.9)	6.5	11.5	6.3	2.8	8.4	5.9

Synovate Americas / Sales in the Americas were up 12.7% at constant currency. Gross revenue was up 13.1% on 2009 at constant currency to £175.4m. Net revenue was £109.9m, which was up 4.7% at constant currency.

Our business in North America performed extremely well in 2010, with sales and gross revenue growth in the mid teen range, in spite of an on-going price intensive environment. This performance was driven by particularly strong sales and revenue growth from our consumer, public sector and qualitative teams, which has contributed to a very healthy orders on hand position going into 2011.

In Latin America, we entered the year with a strong order book, which supported a healthy increase in sales and gross revenue during the year.

Synovate EMEA / For the EMEA region, sales were down 0.9% at constant currency. Gross revenue was up 0.6%, at constant currency, to £239.2m. Net revenue of £143.7m was up 2.8% at constant currency.

Market conditions throughout Europe were less buoyant than other regions. Strong performances in Germany, Italy, the Netherlands, Russia and Turkey were diluted by the on-going economic challenges being experienced by the Greek and Spanish markets. The UK market remained challenging, exacerbated by a sharp decline in public sector activity in the second half of the year. Growth has been slow to materialise in France too. Despite the inconsistent nature of revenue growth in Europe, we have been able to make substantial progress on profitability in these markets as a result of management action on organisational performance.

The Middle Eastern region experienced a progressive economic recovery during 2010 helping our businesses in Saudi Arabia and the United Arab Emirates to deliver good performances.

Africa produced solid sales and gross revenue growth from the prior year, with significant progress made in most of the East African markets, in particular Kenya.

Synovate Asia-Pacific / Sales in Asia-Pacific were up 10.2% at constant currency, with gross revenue of £158.0m, up 6.1% at constant currency. Net revenue was £97.1m, up 9.8% at constant currency.

Our Asia-Pacific businesses performed very well, with significant growth in sales and gross revenue achieved by all of our major businesses in the region, namely Greater China, Japan, India and Korea.

We outperformed a flat market in Japan, gaining market share in the consumer, healthcare and financial services sectors. Korea also delivered strong results, supported by the winning of a number of global clients in the electronics and automotive sectors.

Our Indian business delivered growth at more than double the market growth rate. Whilst we expect our business in India to continue to grow, inflation remains high and the competitive environment is becoming increasingly intense, in terms of pricing and recruitment of experienced personnel.

Greater China benefited from a revitalised management team and a revised geographic reporting structure to deliver a strong performance in 2010. Our businesses there delivered sales and gross revenue growth at low to mid teen rates, supported by particularly good performances from our automotive and consumer teams. As a result, our orders on hand position going into 2011 was extremely healthy.

Industry verticals / The strongest performing industry in 2010 in the majority of the markets in which we operate was the consumer sector. FMCG companies started to re-instate significant research projects, deferred from 2009, to support potential expenditure on new product launches and new target customer segments and geographies.

Despite an increase in sales at our Healthcare business in 2010, gross revenue was slightly down on the prior year. Whilst our ad hoc business performed well, our syndicated business was impacted by on-going consolidation in the industry, which reduced subscription opportunities, as well as changing dynamics in certain therapy areas.

Our Healthcare business had a good order book going into 2011 and management is pursuing a range of opportunities to further strengthen our market position going forward. These opportunities include continuing to grow our therapy monitor portfolio, through new monitors and geographic expansion of existing monitors, pitching for significant regional projects, such as sales force effectiveness studies and health economic studies, and investigating new potential client streams.

The automotive sector continued to show signs of recovery during the year, with a number of Asian and European manufacturers increasing their research expenditure across the Asia Pacific region, particularly in China and India.

Summary / In 2010, Synovate management maintained its focus on driving profitable sales and improving efficiencies, supported by a broad geographic network and an extensive product portfolio. Consequently, Synovate's 2010 results were good across the vast majority of business units around the network.

Given the re-focused strategic approach being implemented by management in 2011 and our healthy orders on hand position at the start of this year, we are increasingly optimistic about the outlook for Synovate, with the market research industry expected to grow by around 4% in 2011, in line with industry growth in 2010.

Robert Philpott
Chief Executive Officer, Synovate

Aegis Media

Client

Fiat

> For the client, the most significant outcome of the project has been the engagement achieved with its consumers.

Creation of the Fiat Mio concept Car

Location / Brazil

FIAT WANTED TO CREATE WIDESPREAD BRAND ENGAGEMENT WITH CONSUMERS THROUGH THE DESIGN AND CREATION OF A CROWD-SOURCED CONCEPT CAR.

Project / Isobar created an on-line platform through which consumers could suggest their ideas for the concept car. Over a 12 month period, the on-line platform received suggestions from around 17,000 people across 160 countries. These suggestions covered a number of areas including internal and external design of the vehicle, gadget integration, electronic security and ecological propulsion. These ideas were then processed by the Fiat design team, who acted as guardians of the concept. To ensure total transparency between the design team and the consumer, every decision throughout the design process was communicated through the on-line platform.

Outcome for the client / This process produced the Fiat Mio, the world's first crowd-sourced car, which was launched at the Sao Paulo Automotive Show. The launch was promoted through various social media channels, including a series of videos on Youtube, as well as campaigns on facebook and twitter. As a result of this project Fiat achieved strong brand engagement with its consumers, who felt a real sense of ownership in the Fiat Mio concept. Consequently, there remains a high level of interest in the project through the on-line platform, as the concept continues to be developed.

Raphael Vasconcellos
isobar Brazil's Head of Creative

mio

FIAT

A GÊNESE
O INSIGHT DE PETER

Peter Fassbender, gerente do Centro Estilo da FIAT, tem um insight sobre a capacidade de uma montadora de compreender e atender os desejos de seus consumidores, lendo um artigo sobre o tema no jornal alemão Der Spiegel.

A SEGUNDA
REUNIÃO: CHAMANDO OS PARCEIROS

Peter apresenta a sua ideia para outras áreas criativas da FIAT e as convida a participar.

A QUARTA
REUNIÃO: A VOLTA COM PETER

Abel Reis, presidente da AgênciaClick Isobar, apresenta a nova versão da ideia, trabalhada pela equipe da AgênciaClick Isobar, para avaliação de Peter, no Centro Estilo da FIAT, que aprova o novo raciocínio.

O CRONOGRAMA
DO PROJETO É MONTADO

Gil e a equipe de Planejamento da AgênciaClick Isobar montam o cronograma do Projeto, em conjunto com a Engenharia e o Centro Estilo.

O ESTUDO "O CARRO DO FUTURO"

A primeira fase, Mapeamento de Cenários, é resolvida com o estudo "O Carro do Futuro", realizado pela Spicy Media.

Abril · Maio · Junho · 13 de Julho

INÍCIO · 2009

A PRIMEIRA
REUNIÃO: BERTOLDI DIZ SIM

Peter conversa a respeito da sua ideia com seu chefe, Giancarlo Bertoldi, diretor de Engenharia da FIAT, que dá o seu OK para levar aquela discussão adiante.

A TERCEIRA
REUNIÃO: A AGÊNCIACLICK ISOBAR É CHAMADA

João Ciaco, diretor de publicidade da FIAT, leva a ideia para uma reunião com a Agência Click Isobar, em São Paulo.

SURGE O NOME E O LOGO DO FIAT MIO

Diego e Battiston, diretores de Criação da AgênciaClick Isobar, criam o nome e o logo do Projeto e o aprovam com Rapha.

A QUINTA
REUNIÃO: O OK DO COMITÊ DIRETIVO

THE FIFTH MEETING: THE BOARD COMMITTEE'S APPROVAL

Peter e Ciaco apresentam o Projeto para o Comitê Diretivo da FIAT, com a presença de Cledorvino Belini, presidente da FIAT. O Projeto é aprovado.

O WORKSHOP EM BETIM

THE WORKSHOP IN BETIM

O estudo "O Carro do Futuro" é apresentado no Workshop do FIAT MIO, com a presença de Belini e de vários decisores da FIAT, onde a pergunta chave do Projeto é gerada coletivamente pelos presentes.

Maio · Junho · 5 de Julho · 27 de Julho · 3 de Agosto

FASE CONCEPT IDEAS

THE PHASE OF CONCEPT IDEAS

A pergunta chave – o Briefing – é a base para o site FIAT MIO, que entra no ar. Começa a fase Concept Ideas, com ênfase no envio de Idéias Livres pelos participantes.

A EXPANSÃO DO PROJETO

EXPANSION OF THE PROJECT

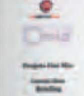
24 Agosto 2009
2 013 participantes | **1 567** ideias enviadas

31 Agosto 2009
3 019 participantes | **2 288** ideias enviadas

11 Setembro 2009
3 702 participantes | **3 185** ideias enviadas

23 Setembro 2009
6 264 participantes | **4 912** ideias enviadas

OS TÓPICOS
DE DISCUSSÃO SÃO OBTIDOS



A fase Concept Ideas, com ênfase nas Idéias Livres, se encerra com 9 995 participantes e 7 078 ideias postadas. Nesses primeiros três meses, foram 889 350 visitas gerando 2 010 078 page views. São gerados os 21 tópicos de discussão do FIAT MIO, o resumo das idéias postadas pelos participantes no site.

FASE CONCEPT DESIGN

CONCEPT DESIGN PHASE

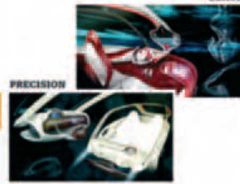
Sobe o novo site, inaugurando a fase Concept Design, em que a discussão é direcionada e aprofundada a partir dos 21 tópicos que condensam os desejos expressos pelos participantes na fase anterior.

5 de Novembro · Novembro · 2010 · 20 de Fevereiro

ESTREIA O BLOG DA FÁBRICA

Sobe no site o primeiro episódio do Blog da Fábrica, os documentários em vídeo que apresentam o making of da construção do FCC 3.

A LINHA PRECISION É ESCOLHIDA PARA O FCC 3



A fase Concept Design se encerra. A linha guia Precision é escolhida em detrimento da linha Sense. O FCC 3 começa a ser modelado.

Abril · Maio

COMEÇA A PRODUÇÃO DO FCC 3

FCC III BEGINS PRODUCTION

O carro conceito começa a ser produzido.

Junho · Julho

O SALÃO DO AUTOMÓVEL É LOGO ALI

THE AUTO SHOW IS RIGHT AROUND THE CORNER

Os preparativos para o Salão do Automóvel começam a entrar em sua reta final.

O LIVRO FIAT MIO

THE FIAT MIO BOOK

Este livro, FIAT MIO – A história de uma revolução, começa a ser produzido.

O FUTURO DO FIAT MIO

(Bem, esse item quem escreve é você. Junto com a gente. Venha.)

FUTURO

02 CASE STUDY Synovate

Client
Beko

> Having a wide geographic footprint is vital for Synovate in providing our long term clients with consistent research solutions on a global basis.

Brand & Advertising Tracking research

Location / Turkey

SYNOVATE IS A LONG TERM CUSTOM RESEARCH PARTNER FOR BEKO, THE TURKISH-BASED MANUFACTURER OF DOMESTIC APPLIANCES AND CONSUMER ELECTRONICS, PROVIDING REGULAR AD HOC AND TRACKING RESEARCH OVER THE LAST FIVE YEARS.

Project / In 2010, Synovate partnered with Beko to investigate for them a range of brand perception issues, including price points, quality differentiators, brand loyalty and perceived brand values, across nearly 40 countries. Synovate's strong global network and, in particular, our ability to build an effective team to manage and support substantial multi-country research activity made us an ideal partner for this particular project. Our central client management team ensured that the data we produced for Beko, and importantly the analysis of this data, were of the highest quality. This was supported by a consistent suite of tools utilised in each country. As a result, we were able to deliver data analysis which was accessible, easily comparable and could be readily tracked by the client, thereby producing a deep understanding of consumer attitudes in each market.

Outcome for the client / Beko was able to analyse how its brand was perceived across a range of diverse countries, through consistent parameters, and could therefore evolve its sales and marketing strategies, tailoring them as appropriate in certain markets. As a result, Beko's market share has grown significantly over the last five years, for example by around 70% in Western Europe.

Ali Muharremoglu
Managing Director, Synovate Turkey

BUSINESS REVIEW

BKS 2620 Beko Elektrikli Süpürge. Çok sessiz.

444 1 404

BKY-2012 CX
5 kg kapasite
600 d/d sıkma hızı
B enerji, B yıkama
49 lt su tüketimi
1.14 kWh enerji tüketimi

D1 7082 E
7 kg kapasite
800 d/d sıkma hızı
A enerji, A yıkama, D sıkma
49 lt su tüketimi
1.33 kWh enerji tüketimi

D 7122 E
7 kg kapasite
1200 d/d sıkma hızı
A+ enerji, A yıkama, B sıkma
49 lt su tüketimi
1.19 kWh enerji tüketimi

D1 7101 E
7 kg kapasite
1000 d/d sıkma hızı
A+ enerji, A yıkama, C sıkma
49 lt su tüketimi
1.19 kWh enerji tüketimi

D1 5081 B
5 kg kapasite
800 d/d sıkma hızı
A enerji, A yıkama
49 lt su tüketimi
0.95 kWh enerji tüketimi

D 6082 B
6 kg kapasite
800 d/d sıkma hızı
A yıkama, D sıkma
49 lt su tüketimi
1.14 kWh enerji tüketimi

D1 5121 B
5 kg kapasite
1200 d/d sıkma hızı
A enerji, A yıkama, B sıkma
49 lt su tüketimi
0.95 kWh enerji tüketimi

BKY-3008 A
8 kg kapasite
1200 d/d sıkma hızı
+A enerji, A yıkama, B sıkma
64 lt su tüketimi
1.36 kWh enerji tüketimi

BKY-3010
10 kg kapasite
1200 d/d sıkma hızı
A enerji, A yıkama, B sıkma
89 lt su tüketimi
1.9 kWh enerji tüketimi

BKY-2035 C
3.5 kg kapasite
800 d/d sıkma hızı
B enerji, B yıkama
49 lt su tüketimi
1.14 kWh enerji tüketimi
35 cm derinlik

D1 5061 B
5 kg kapasite
600 d/d sıkma hızı
A enerji, A yıkama
49 lt su tüketimi
0.95 kWh enerji tüketimi

D1 5101 B
5 kg kapasite
1000 d/d sıkma hızı
A enerji, A yıkama
49 lt su tüketimi
0.95 kWh enerji tüketimi

D 7142 MS
7 kg kapasite
1400 d/d sıkma hızı
A+ enerji, A yıkama, B sıkma
49 lt su tüketimi
1.19 kWh enerji tüketimi
Silver

D 6102 B
6 kg kapasite
1000 d/d sıkma hızı
A enerji, A yıkama, D sıkma
49 lt su tüketimi
1.14 kWh enerji tüketimi

BKY-3210
6 kg kapasite
2000 d/d sıkma hızı
+A enerji, A yıkama, A sıkma
39 lt su tüketimi
1.02 kWh enerji tüketimi
Işıklı tambur

Dünyanın dört bir köşesinde, şaşırtıcı özelliklere sahip tam 1013 farklı Beko çamaşır makinesi modeli var.

444 1 404

BEKO
Dünya markası.

03 CASE STUDY Aegis Media

Client

Procter & Gamble

> “The campaign was successful as a result of capturing real life reactions and syndicating them across a range of media to initiate interaction and purchase.”

> “The client refers to the communication programme as a best-in-class example of holistic planning in a convergent media environment.”

Launch of Gillette Fusion ProGlide

Location / USA

CARAT'S DUAL TASK WAS TO ACHIEVE 50% PRE-LAUNCH CONSUMER AWARENESS OF GILLETTE'S NEW MEN'S SHAVING PRODUCT, THE FUSION PROGLIDE RAZOR, FOLLOWED BY SOME AMBITIOUS POST-LAUNCH SALES TARGETS.

Project / Our consumer insight showed that men are generally sceptical about new razors and new shaving technology, but are receptive to learning about new grooming products from trusted sources. In addition, pre-launch testing of the ProGlide product was very positive, in terms of usage and future potential recommendations. Based on this insight, our strategy was to turn sceptics into believers by enlisting grooming experts, celebrities and everyday people to become influencers. We then used unique insights from our Consumer Connection System to identify the key motivations and touch points of our most valuable targets. These men had the opportunity to try the Fusion ProGlide product for free, at mobile shaving units and through sample distribution, and then captured their reactions. Their experiences with the product were syndicated across a range of media, including print, TV and on-line, and were interconnected with on-line search and social media communications programmes. As part of the campaign, influential bloggers, sports stars and celebrities advocated the product.

The outcome for the client / We significantly exceeded our consumer awareness goals and since launch the product has achieved sales four times higher than the client's initial targets, making it the most successful product launch in Gillette's history.

Doug Ray
EVP, Managing Director
Carat USA

Will Swayne
SVP, Group Director
Carat USA

FUSION

Gillette
Fusion
PROGLIDE

Synovate

Client

Hyundai

> We were inspired by Hyundai's global commitment to leveraging insights from the brand tracking study. From the US to the Ukraine, Hyundai's local markets embraced customer data as fundamental to the future success of their marketing and sales strategies.

Brand Tracking Study

Location / Korea

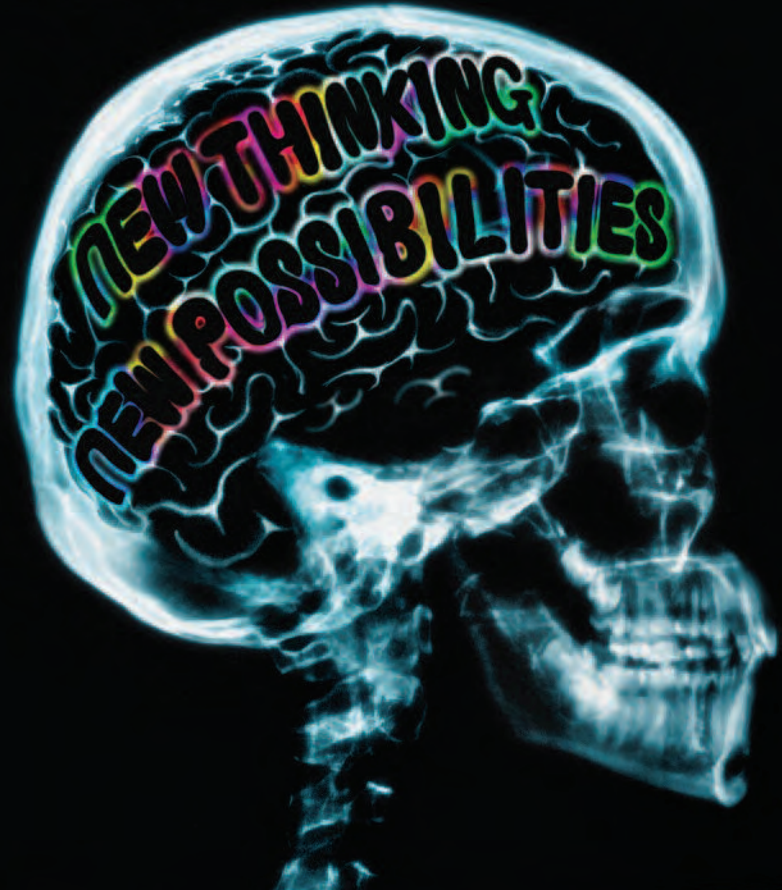
OVER THE LAST DECADE, HYUNDAI HAS BEEN ONE OF THE FASTEST GROWING AUTOMOTIVE BRANDS, BECOMING THE 5TH LARGEST GLOBAL AUTOMOTIVE BRAND IN 2010. BUILDING ON THIS MOMENTUM, IN 2010 HYUNDAI BEGAN DEVELOPING A STRATEGY OF BECOMING ONE OF THE INDUSTRY'S TOP PLAYERS GLOBALLY. SYNOVATE HAS BEEN HYUNDAI'S RESEARCH PARTNER THROUGHOUT THIS JOURNEY.

Project / A key contributor to this strategy was Hyundai's Brand Tracking Study, which was a 26 market assessment of Hyundai's brand, its in-market performance and its communication effectiveness. Synovate was selected by Hyundai to lead and implement this significant global program.

The outcome for the client / Led by Synovate's Seoul office and supported by Synovate's Global Motoresearch Practice, results from the study were fundamental in identifying how Hyundai could take its brand to new heights. Looking ahead, baseline metrics established in the 2010 study will help keep Hyundai moving toward its new brand strategy.

KyungEun Chang
Synovate Korea's Managing Director

newthinking.hyundai.com



Hyundai
where new thinking overtakes
the world's imagination

NEW THINKING.
NEW POSSIBILITIES.

Aegis Group

Client

GlobalGiving

> Our employees want to give back and our partnership with GlobalGiving helps them do just that, as well as developing skills and insight. It's as easy as logging into facebook!

Volunteering made easy

Location / United Kingdom

AEGIS'S CORPORATE RESPONSIBILITY TEAM WERE LOOKING FOR A GLOBAL INITIATIVE TO BRING TOGETHER EMPLOYEES FROM AROUND THE WORLD AS ONE ORGANISATION AND ENABLE THEM TO SUPPORT LOCAL COMMUNITIES AND CHARITIES THROUGH SKILLS SHARING. THE IDEA WAS TO FIND A PROJECT WHICH HARNESSED OUR VALUES OF ENTREPRENEURSHIP, INNOVATION AND COLLABORATION, WITH A SPECIFIC FOCUS ON DIGITAL – A KEY PART OF AEGIS'S STRATEGY.

Project / We initiated a collaborative project with GlobalGiving, one of the world's first virtual NGOs. Together we developed one of the world's first digital volunteering platforms, which connects individuals to grassroots projects around the world. Employees can spend a few free minutes on the GlobalGiving platform to share communications expertise with a diverse range of NGOs. The social media aspect of GlobalGiving allows employees to choose projects aligned with their individual passions and field of expertise while connecting them with their colleagues from our global network of Power Brands.

Outcome / The GlobalGiving platform went through a very successful pilot phase in 2010, during which time we gained valuable insight into how we can support local NGOs. The project received overwhelmingly positive feedback from employees, who saw it as an accessible first step to becoming active volunteers.

Frank Krikhaar
Corporate Responsibility Manager,
Aegis Group plc

AEGIS

FINANCIAL REVIEW

"Group operating margin was 13.2% in 2010, an increase of 70 basis points at constant currency."

Improved underlying performance

"Aegis's robust underlying operational performance in 2010 translated into a strong set of financial results."

Underlying results /

£m	2010	2009*	Change %	Constant currency %
Turnover	**10,565.8**	9,684.6	9.1	8.6
Revenue	**1,459.4**	1,346.5	8.4	6.4
Gross profit	**1,237.5**	1,147.0	7.9	6.4
Operating expenses	**(1,045.3)**	(976.7)	(7.0)	(5.3)
Operating profit	**192.2**	170.3	12.9	12.3
Associates	**4.0**	(0.3)	1,433.3	1,900.0
Profit before interest and tax	**196.2**	170.0	15.4	14.5
Net financial items	**(33.8)**	(19.6)	(72.4)	(73.3)
Profit before tax	**162.4**	150.4	8.0	7.0
Diluted eps	**10.1p**	9.6p	5.2	4.1
Operating margin	**13.2%**	12.6%	60bps	70bps

* 2009 underlying results are restated to exclude imputed interest arising due to discounting of deferred consideration.

Headlines /

- Revenue growth of 8.4%, or 6.4% at constant currency, to £1,459.4m (2009: £1,346.5m), driven in particular by strong top line growth from businesses in faster-growing regions and North America
- Underlying operating profit increased 12.9%, or 12.3% at constant currency, to £192.2m (2009: £170.3m) and underlying pre-tax profit increased 8.0%, or 7.0% at constant currency, to £162.4m (2009: £150.4m), due to improved performances of both businesses during the year
- Group margin improved 60 basis points, 70 basis points at constant currency, to 13.2% (2009: 12.6%)
- Net debt fell to £331.3m at the end of 2010, from £398.4m at the end of the first half, due to strong operating cash flows in the second half of 2010
- Balance sheet strengthened through £190.6m convertible bond and re-financing of £450.0m revolving credit facility
- Covenant positions remain comfortable, with undrawn available facilities of £450.0m at end of the year (2009: £376.4m).

Currency / The average exchange rates in the year saw sterling weaken against the US dollar and strengthen against the euro. The US dollar average rate for 2010 was £1:$1.5457 (2009 was £1:$1.5659) and the euro average rate was £1:€1.1663 (2009 was £1:€1.1229). On this basis the average US dollar rate strengthened versus sterling by 1.3% and the euro weakened versus sterling by 3.7%. Currency movements in other markets offset this effect so that reported results reflect a positive currency impact of 1.9% on reported revenue.

Income statement /

Revenue / Revenue grew 8.4% at reported exchange rates, or 6.4% at constant currency, to £1,459.4m (2009: £1,346.5m). Excluding the limited impact of prior year acquisitions and disposals, the increase in Group organic revenue was 5.8%.

Group £m	2010	Change %	2009	Change %
Prior year revenue as reported	**1,346.5**		1,342.0	
Currency movements	**25.7**	**1.9**	133.2	9.9
Prior year revenue at constant currency	**1,372.2**		1,475.2	
Organic movement in year	**79.7**	**5.8**	(142.5)	(9.7)
Change in revenue from acquisitions & disposals in year	**7.5**	**0.5**	13.8	1.0
Total change in revenue at constant currency	**87.2**	**6.4**	(128.7)	(8.7)
Current year revenue as reported	**1,459.4**		1,346.5	

Aegis Media £m	2010	Change %	2009	Change %
Prior year revenue as reported	**825.2**		823.8	
Currency movements	**5.2**	**0.6**	80.3	9.7
Prior year revenue at constant currency	**830.4**		904.1	
Organic movement in year	**47.9**	**5.7**	(87.7)	(9.7)
Change in revenue from acquisitions & disposals in year	**8.5**	**1.0**	8.8	1.0
Total change in revenue at constant currency	**56.4**	**6.8**	(78.9)	(8.7)
Current year revenue as reported	**886.8**		825.2	

Synovate £m	2010	Change %	2009	Change %
Prior year revenue as reported	**521.3**		518.2	
Currency movements	**20.5**	**3.9**	52.9	10.2
Prior year revenue at constant currency	**541.8**		571.1	
Organic movement in year	**31.8**	**5.9**	(54.8)	(9.6)
Change in revenue from acquisitions & disposals in year	**(1.0)**	**(0.2)**	5.0	0.9
Total change in revenue at constant currency	**30.8**	**5.7**	(49.8)	(8.7)
Current year revenue as reported	**572.6**		521.3	

FINANCIAL REVIEW
(continued)

Revenue / (continued)

Group revenue increased 7.0% organically in the fourth quarter of 2010 and 8.1% during the second half of the year:

	Quarterly performance				Half Year performance		Full Year performance
Organic Revenue change %	Q110	Q210	Q310	Q410	H110	H210	FY10
Aegis Group	1.1	4.7	9.7	7.0	3.2	8.1	5.8
Aegis Media	3.0	3.6	8.5	7.4	3.4	7.8	5.7
Synovate	(1.9)	6.5	11.5	6.3	2.8	8.4	5.9

Gross profit (net revenue) / The difference between the Group's revenue and net revenue is attributable to pass-through and direct costs at Synovate. Total Group net revenue was £1,237.5m, up 7.9% or 6.4% at constant currency, whilst Synovate's net revenue increased by 9.0%, or 5.3% at constant currency, as shown in the table below:

Synovate £m	2010	2009	Change %	Constant currency %
Gross revenue	**572.6**	521.3	9.8	5.7
Net revenue	**350.7**	321.8	9.0	5.3
Net revenue conversion	**61.2%**	61.7%	(50)bps	(30)bps

Synovate's net revenue conversion fell slightly to 61.2% as a result of a change in work mix and continuing pricing pressure.

Operating performance / Operating expenses increased to £1,045.3m (2009: £976.7m), an increase of 7.0% at reported exchange rates, or 5.3% at constant currency, mainly as a result of increased staff costs during the year. Corporate costs increased from £17.0m to £18.1m in 2010.

Operating profit was £192.2m (2009: £170.3m), up 12.9% or 12.3% at constant currency, due to improved performances of both businesses during the year.

Group operating margin was 13.2% in 2010, an increase of 60 basis points, or 70 basis points at constant currency, from the prior year.

Profit before interest and tax / After a profit from associates of £4.0m (2009: loss of £(0.3)m), predominantly relating to our share of profits from our investment in Charm Communications Inc ("Charm"), profit before interest and tax was up 15.4% to £196.2m (2009: £170.0m), equivalent to an increase of 14.5% at constant currency.

Net financial items /

£m	2010	2009	Change %	Constant currency %
Interest income	**6.6**	7.9	(16.5)	(18.5)
Interest payable	**(39.7)**	(28.6)	(38.8)	(38.3)
Net interest charge before fx (losses)/gains	**(33.1)**	(20.7)	(59.9)	(60.7)
Foreign exchange (losses)/gains	**(0.7)**	1.1	(163.6)	(163.6)
Net financial items	**(33.8)**	(19.6)	(72.4)	(73.3)

The Group's net charge in respect of financial items was £33.8m (2009: £19.6m) an increase of 72.4% or 73.3% at constant currency.

This increase reflects the Group's actions to diversify and extend the maturity profile of its borrowings over the last 18 months. In December 2009, the Group raised £25.0m and $183.0m in unsecured loan notes repayable between 2017 and 2019 and, in April 2010, £190.6m was raised through the issue of convertible notes. In addition, the Group re-financed a five year revolving credit facility on renewed terms.

Before the effect of foreign exchange gains and losses relating to financing items, the net interest charge in 2010 increased year-on-year to £33.1m (2009: £20.7m). Within the net interest charge, interest income reduced to £6.6m (2009: £7.9m), principally due to the significantly lower level of average interest rates available on cash deposits during the year, and interest payable increased to £39.7m (2009: £28.6m), reflecting the increase in the Group's overall borrowings.

Profit before tax / Profit before tax of £162.4m (2009: £150.4m) increased by 8.0%, or 7.0% at constant currency.

Tax / Our underlying effective tax rate for the year was 24.9% (2009: 25.3%). The statutory effective tax rate was 36.8% (2009: 29.6%). The total of income taxes paid in cash in the year was £47.6m (2009: £34.2m).

Profit attributable to equity holders of the parent / Minorities' share of income increased to £3.4m (2009: £3.0m) reflecting a marginal improvement in profitability of non-100% owned entities in the Group and underlying profit attributable to equity holders of the parent was £118.6m (2009: £109.3m). Minorities' share of statutory income was £1.8m, up from £1.5m in 2009. Statutory profit attributable to equity holders of the parent was £41.2m (2009: £62.7m).

Earnings per share / Diluted earnings per share increased by 5.2% to 10.1p (2009: 9.6p). For 2011, we expect the Mitchell acquisition to be accretive to diluted earnings per share by low to mid single digits.

Dividends / The Board is proposing a total dividend of 2.75p per ordinary share, an increase of 10.0% from the prior year.

Statutory results /

Reconciliation of underlying operating profit to statutory operating profit /

£m	2010	2009	Change %	Constant currency %
Underlying operating profit	**192.2**	170.3	12.9	12.3
Less:				
Amortisation of purchased intangible assets	**(26.5)**	(24.2)		
Disposals of subsidiaries	**(13.9)**	(1.0)		
Acquisition costs	**(4.5)**	–		
Exceptional debtor impairment	**(37.0)**	–		
UK property move costs	**(8.8)**	–		
Restructuring costs	**–**	(30.5)		
Total adjustments	**(90.7)**	(55.7)		
Statutory operating profit	**101.5**	114.6	(11.4)	(11.5)

Reconciling items between underlying and statutory operating profit include the amortisation of purchased intangible assets and the impact of disposals of subsidiaries. The amortisation charge increased slightly to £26.5m in the year, reflecting the part year impact relating to purchased intangibles recognised in respect of Mitchell. The Group recorded a £13.9m loss on disposal of stakes in operations in the US and EMEA, as well as the part disposal of Vizeum Beijing which is now operated as a joint venture with Charm in China.

As we announced at our interim results in August 2010, the planned UK office re-location will result in one-off accounting charges totalling between £10m to £15m. We continue to expect that the total one-off charges will be within this range. A charge of £8.8m has been taken in 2010, with the remainder to be recorded in 2011. The main element of the 2010 charge relates to an onerous lease provision on the existing premises, whilst a small element relates to double rent, a portion of which will be taken in 2011. These charges will be broadly cash neutral over the next three years, before the positive impact of long term efficiency savings relating to the re-location.

In February 2011, we announced that a former Spanish client and certain affiliated companies had filed for pre-insolvency protection under section 5.3 of Spanish Insolvency Law. As these companies had outstanding liabilities owing to an Aegis subsidiary in Spain, we said at the time that it was likely that a provision would be made against our net exposure. A provision is held against our exposure, of which £25.9m is taken as an exceptional charge in the year (£37.0m on a pre-tax basis). This exceptional charge reduces statutory diluted earnings per share by around 2.2p, but has no impact on underlying results.

Operating profit / Statutory operating profit was down 11.4% to £101.5m (2009: £114.6m).

Reconciliation of underlying profit before tax to statutory profit before tax /

£m	2010	2009*	Change %	Constant currency %
Underlying profit before tax	**162.4**	150.4	8.0	7.0
Less:				
Adjustments to operating profit	**(90.7)**	(55.7)		
IAS 39 adjustments	**(3.2)**	(4.0)		
Gain on disposal of JV and associate	**1.5**	0.5		
Amortisation of purchased intangible assets within associates	**(2.0)**	–		
Total adjustments	**(94.4)**	(59.2)		
Statutory profit before tax	**68.0**	91.2	(25.4)	(25.6)

* 2009 underlying results are restated to exclude imputed interest arising due to discounting of deferred consideration, as explained on page 30.

The gain on disposal of JV and associate of £1.5m relates predominantly to the dilution of the Group's shareholding in Charm to 15.8%, following Charm's Initial Public Offering during the year. The amortisation of purchased intangible assets within associates of £2.0m relates to the acquisition of our shareholding in Charm.

FINANCIAL REVIEW
(continued)

Profit before tax / Statutory profit before tax is stated after the adjustments made in arriving at statutory operating profit and certain other items recorded within net financial items. These other items include IAS 39 adjustments relating to non-hedge derivatives and movements in put option liabilities, an IAS 39 impairment charge relating to assets classified as available for sale and a gain on deemed disposal of an associate in China (Charm).

In 2010, the Group has adopted the revised accounting standard for acquisition accounting, IFRS 3 (revised 2008) Business Combinations. This standard will lead to greater income statement volatility, since the Group will be required to take all changes in deferred consideration estimates arising on acquisitions in or after 2010 through the income statement. These movements will not be considered to form part of the Group's underlying performance. In order to align with the accounting for such movements as non-underlying, imputed interest arising due to discounting of deferred consideration liabilities is also removed from underlying results in the current year and in the restated comparatives for 2009. The impact of the restatement is a reduction of £1.1m in the 2009 full year underlying finance costs. This leads to an increase in underlying profit before tax and underlying profit after tax by £1.1m and an increase in underlying basic eps and underlying diluted eps by 0.1p in the 2009 full year comparatives. Further information can be found in note 2 of the accounts.

Statutory profit before tax was down 25.4% at £68.0m (2009: £91.2m). Our statutory tax charge was £25.0m (2009: £27.0m), equivalent to a tax rate of 36.8% (2009: 29.6%). Basic and diluted earnings per share were 3.6p (2009: 5.5p).

Balance sheet /

£m	2010	2009
Goodwill	**1,331.1**	1,010.9
Intangible assets	**112.5**	85.5
Property, plant and equipment	**61.9**	59.9
Investments in associates and joint ventures	**48.5**	3.3
Other non-current assets	**74.1**	41.1
Total non-current assets	**1,628.1**	1,200.7
Net payables	**(441.0)**	(309.3)
Net debt	**(331.3)**	(257.2)
Earn-out liabilities	**(63.7)**	(70.2)
Liabilities in respect of put options	**(34.5)**	(31.4)
Other	**(89.2)**	(88.1)
Net assets	**668.4**	444.5

Balance sheet movements year-on-year were affected by exchange movements at the closing date, but not to the extent of previous years.

Goodwill and intangible assets / The increase of £320.2m in goodwill predominantly arises due to the acquisition of Mitchell Communication Group in the year as well as exchange movements and upward revisions of estimated future earn-out liabilities, offset by movements on the disposal of subsidiaries. Goodwill arising on new acquisitions in the year totalled £260.0m.

Intangible assets increased to £112.5m (2009: £85.5m) as a result of an increase in purchased intangibles largely through the Mitchell acquisition, offset by the current year amortisation charge of £35.1m, and together with exchange movements.

Property, plant and equipment / The net increase in property, plant and equipment of £2.0m was due to depreciation offset by foreign exchange and net additions. Net capital expenditure for the year was £28.1m (2009: £26.0m).

Investments in associates and joint ventures / The increase of £45.2m in associates and joint ventures was mainly due to the addition of £31.0m and £10.2m from the acquisitions of stakes in Charm Communications Inc and Litmus MR Limited respectively.

Net payables / Trade payables principally represent amounts payable to media owners in respect of media space booked for clients; trade receivables principally represent amounts due from clients in respect of this space.

There were the usual working capital movements during the year, with an outflow during the first half, followed by an inflow in the second half. During the year, there was a working capital inflow of £18.2m on an underlying basis.

Net debt / The profile of net debt at the year end was as follows:

£m	2010	2009	Change (£m)
Cash and short-term deposits	**394.4**	391.1	3.3
Current borrowings and overdrafts	**(85.6)**	(43.2)	(42.4)
Non-current borrowings	**(640.1)**	(605.1)	(35.0)
Net Debt	**(331.3)**	(257.2)	(74.1)

Net debt fell from £398.4m at the end of the first half to £331.3m at the end of 2010, a year-on-year increase of £74.1m from the end of 2009. This increase was mainly due to acquisition spend, partially offset by strong operating cash flows in the second half of 2010.

Earn-outs and put options / Our estimated future earn-out liabilities decreased by £6.5m to £63.7m at the end of the year. Decreases in liabilities due to payments made in the year were partly offset by acquired earn-outs of £10.4m through Mitchell, revaluations of future liabilities and currency effects. The vast majority of our earn-out commitments depend on the post acquisition financial performance of businesses acquired.

Liabilities in respect of put options increased by £3.1m to £34.5m (2009: £31.4m).

Cash flow / Cash inflows from underlying operations were £250.2m (2009: £237.6m), up 5.3%, driven largely by improved profitability across the Group and working capital inflows. Statutory cash inflows from operations were £232.5m, up 16.8% from £199.1m in 2009. Net cash outflows on acquisitions and disposals was £164.7m, primarily relating to the acquisition of Mitchell Communication Group and our stake in Charm, as well as earn-out liabilities paid in the year.

Financing / In 2010, the Group made good progress in extending its debt maturity and diversifying its debt profile and, as a result, the headroom on the Group's facilities increased.

In April 2010, the Group issued a convertible bond to raise £190.6m. The convertible bond bears interest at 2.5% per annum and is convertible at the option of the holder into Aegis ordinary shares at an exchange price of £1.6444. The final maturity of the bonds is 20 April 2015.

In July 2010, the Group successfully refinanced the revolving credit facility with a new 5 year £450.0m facility, syndicated amongst twelve international banks, the tenure of which has been lengthened until 2015.

We ended the year with a comfortable covenant position. Our leverage covenant (net debt/EBITDA) was 1.5 times (compared to a covenant requirement of <3 times) and our interest cover covenant (EBITDA/net interest) was 8.2 times (compared to a covenant requirement of >4 times).

Covenant	Requirement	2010	2009
Leverage	Less than 3 times	1.5	1.2
Interest cover	Greater than 4 times	8.2	10.8

Under our committed central facilities, we had undrawn available facilities at the year end of £450.0m (2009: £376.4m). The improvement in central headroom is a result of the convertible bond, the proceeds from which were used to reduce drawings under the Group's revolving credit facility.

Eight tranches of existing US private placement funding mature between 2012 and 2019. Cash flow forecasts produced on a prudent basis for the next three years show that the Group has sufficient headroom and available facilities to meet its liabilities as they fall due.

Nick Priday
Chief Financial Officer, Aegis Group plc

PRINCIPAL RISKS AND UNCERTAINTIES

Continued focus on risk management

“We increased the standard of our risk assessment and communication procedures in 2010.”

Aegis faces a range of market, strategy, financial, legal, operational, corporate responsibility and human resources risks. These risks are continually reviewed with a view to improving our internal control framework to help mitigate them, where possible. Listed in the following pages are what we believe to be the principal risk factors and uncertainties that we have faced during the period, which we are still likely to face well into the future, and our strategies for managing them.

Risk assessment and communication / We increased the standard of our risk assessment and communication procedures in 2010, with an improved reporting framework now in place. This has been achieved through the setting up of three separate Risk Committees at Aegis Group, Aegis Media and Synovate to ensure that effective risk management policies and procedures are established throughout Aegis. These Committees report to the Group CEO and the Audit Committee and provide a forum for discussion of risks faced by Aegis, the development of risk assessment techniques and the consideration and approval of risk management action plans for such risks.

The Committees are authorised by the Audit Committee to investigate any matter that they regard as relevant to their duties and to seek any information they require from any employee of Aegis. The Committees' authority extends to all relevant matters relating to all Aegis companies where this has an impact on the Group as a whole, with their main duties and responsibilities including:

- Assessing the major risks facing the business and the resultant necessary risk mitigation approach and appropriate management responses
- Maintaining a record of all risks and how they are being mitigated in a risk register
- Assigning risk champions for risks identified in the risk register with responsibilities for any actions required to address potential weaknesses in such risks and monitoring progress for the implementation of such actions
- Taking appropriate actions in relation to recurring findings from Internal Audit activity at the Group's businesses around the world
- Providing an annual summary to the Board and Audit Committee on key risk issues and management of these issues
- Reviewing risk policies on a revolving basis to ensure that they are kept up-to-date
- Annually reviewing the Group's insurance arrangements for input to changes
- Developing risk management policies and procedures to assist in improving standards of risk management throughout the Group.

The Group Risk Committee in particular provides advice on the co-ordination of risk management strategies between the three Risk Committees with the following objectives:

- To co-ordinate activities to obtain a more effective risk management process from existing resources
- To prioritise and accelerate those risk management strategies that are critical to the achievement of corporate objectives
- To ensure that actions required are given an appropriate level of sponsorship
- To develop risk management as part of the culture of the Group.

Counterparty relationships / Counterparty risk remains a significant focus of attention for many organisations, including our own. We have maintained our efforts to identify and monitor material counterparty risk in relation to our clients, affiliates, banks, media owners and other suppliers.

These risks include the loss of income from clients in financial distress and potential media buying liabilities arising in markets where we act as principal. We have also continued to face the risk of credit insurers withdrawing previously available cover and the continued viability risk of our domestic and overseas banking partners.

It is our policy to undertake credit enquiries on new clients and for written contracts to be in place before starting any significant work. To minimise the impact of the overall risk of default, our strategies can include requesting pre-payment, imposing credit limits and taking out credit insurance, broadening cover in markets where it remains available. We have also closely monitored our exposure to relationships with our banking partners, ensuring that deposits held with any one banking group do not exceed £30.0m.

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

During 2010 we focused on improving the cash reporting from our business units to ensure that executive management has accurate and timely information to actively monitor liquidity and covenant headroom. We actively manage our headroom to accommodate both general and specific contingencies. Management reporting, liquidity and covenant monitoring will continue to be a key focus going forward.

In 2010, our principal borrowing arrangement, a 5 year revolving credit facility of £450.0m with a syndicate of banks was extended until 2015. We have an active programme of regular communication with our relationship banks and bondholders, who are long-standing and supportive, and continue to have a good understanding of our business performance and prospects. We were successful during the year in launching a convertible bond, due in April 2015, to raise £190.6m, thereby further improving our financial position.

Client relationships / We have worked with a number of our larger clients over a number of years, some in excess of 20 years, and have built up a strong sense of partnership. We have a broad portfolio of some of the world's most prestigious multinational and national clients across 80 countries worldwide. No single client exceeds 3% of revenues. Although the winning and retaining of clients is at the core of our business, we are conscious that in the uncertain economic climate endured in recent years, there is a risk that our clients' investment in advertising and research will decrease, causing an impact on our revenues.

While our diversified range of services helps to mitigate this risk, we also make sure that we have dedicated client relationship teams in place. In 2010, we continued to integrate our digital and traditional services in certain markets and in global client services, to give clients one point of contact to deliver to all their needs across our entire range of communications services. Through our Power Brand strategy, we also increased the opportunity across our client base to provide multiple services to clients, as and where appropriate. In addition, we increased our activity, both organically and through acquisition, in faster-growing regions and focused on more resilient fee-based revenues.

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

PRINCIPAL RISKS AND UNCERTAINTIES
(continued)

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

Acquisitions and joint ventures remain a key feature of Aegis' long term strategy. There is a risk that our investment in an acquisition is based on incorrect assumptions and does not have the long term future on which we based our investment case, resulting in overpayment. There is also a risk that our integration plans for them are not successful.

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

Competition / We work in a competitive environment where technological advances potentially allow our current and prospective clients to be reached by suppliers from anywhere in the world. We ensure that competitor and market trends are continually tracked and monitored, and we aim to benchmark competitor performance and pricing where possible.

For some services, aggressive pricing from competitors in countries where costs are lower could cause a reduction in our own revenue and margins. To minimise this risk, we aim to build long term relationships with our clients and to remain competitive in our offerings by reducing our own costs where possible. We also aim to ensure that we are the supplier of choice by maintaining high standards, developing tools that add value to our clients' marketing and business activity and delivering work to our clients on time.

Parts of the industry we operate in have relatively low barriers to entry, increasing the potential risk of new competitors striving to take a part of our market share. We have already seen some search engines offer online advertising directly to potential clients. Our range of additional digital services helps manage this risk by enabling us to offer clients a portfolio of services and therefore strengthen client relationships. In addition, we run on-going training programmes across the Group to ensure our employees are fully aware of, and trained to use, the latest client service tools available to them.

Security of data / We retain confidential information in relation to our clients' new product pipelines and advertising strategies. We also host client databases and other applications on our own servers. Unauthorised access to, or inappropriate use of, any of this information could have a detrimental impact on our reputation and adversely affect our businesses. External access to such information is protected by our IT security framework whose strength we continually seek to improve and monitor by performing IT vulnerability testing and IT security audits, which also review internal access rights to client data. Additionally, we take precautions to protect our clients' data by using confidentiality clauses in our employees' contracts and have guidelines in place that prohibit the posting of confidential information.

Legal & regulatory compliance / The Group is obliged to comply with a range of legal guidelines and regulatory policies around the world, for example in areas like taxation policy, accounting and corporate governance. Consequently, the Group's legal team continually monitors changes in regulation with a view to adapting to new laws before they come into force, putting in place detailed planning processes and implementing contingency plans as and when appropriate. In addition, close relationships have been developed with the Group's legal advisors who provide regular updates on the regulatory and legal environment. Any significant changes in regulations are swiftly communicated to the Group's executive management team.

We have instituted a number of actions in 2010 to support us in complying with latest regulations and legal guidelines. These include the establishment of a regulatory intranet which is utilised as a tracking tool for new and updated regulation, the implementation of an on-line compliance training system which has recently been rolled-out across the Group and the recruitment of an in-house compliance officer to manage our risks in this area.

Talent management / Aegis is a people business and we are proud of our employees, but recognise the risk of losing our key talent. Talent management is therefore one of our key priorities and something we take very seriously. We aim to be able to offer market competitive incentive plans to attract and retain quality staff. We also aim to promote within so that our staff can develop an enduring career with us. We receive feedback from our employees via regular Employee Opinion Surveys, and produce follow-up programmes based on the results. We also run a regular process to provide an opportunity for communication between an employee and their line manager in terms of their career progression and ambition.

Our people are important in our client relations and the wealth of knowledge they hold. The departure of key personnel could have an impact on client retention, key decision making and successfully leading our business forward. All of our businesses, including our global teams, are required to undertake succession planning and we ensure that no relationship with a major client is restricted to one individual. For employees leaving the business, exit interviews are conducted to understand reasons for their leaving and action plans are implemented as necessary.

Corporate responsibility / The typical risks associated with corporate responsibility have a very wide impact, from operational capacity to reputation management. Compared to other industries, however, we do not consider ourselves overly exposed to the impact of climate change and we do not have a presence in countries which have a history of human rights issues.

CORPORATE RESPONSIBILITY REPORT

Embedding sustainability in everything we do

“Future Proof meets the demands of our stakeholders in a way that supports Aegis’s corporate strategy.”

Jerry Buhlmann
CEO, Aegis Group plc

Introduction / Sustainability is an increasingly important factor for our clients in the communication of their brands' values, products and services. It is also an essential consideration for our business, employees and investors. That's why we work to:

- **Clients** contribute to clients' sustainability objectives as well as win clients with products and services into which sustainability is integrated
- **Employees** attract and retain the best talent in the industry and to develop them professionally through engaging CR initiatives
- **Business** mitigate risks around resource exposure and reputation through effective internal management and cost control
- **Investors** ensure Aegis remains a stock for consideration by investors through transparent reporting and credible disclosure around corporate responsibility.

In 2010 we launched Future Proof. Future Proof is our framework to address the concerns of our stakeholders around corporate responsibility and sustainability. It builds on the solid foundations of our Social, Environmental and Economic (SEE) Change Strategy announced in 2008.

Future Proof incorporates our minimum standards around governance and reporting, sets a strategic direction with challenging targets and provides a suite of standard tools and initiatives for all our businesses. This framework reflects the nature of Aegis, with operational responsibility invested in local management but guidance and support available from the centre.

Our strategy / Aegis exists to help clients understand, communicate and build relationships with their consumers around their products and brands. The Future Proof framework supports this corporate strategy by:

- **Placing the consumer at the heart of our insight** understanding consumer attitudes and behaviour is vital, because it is a key part of the products and services we deliver to our clients. Integrating the role sustainability plays in brand preference is thus crucial to placing the consumer at the heart of our business. It is the subject of several internal initiatives such as our Consumer Connection System (CCS)
- **Driving collaboration and integration** we work for global brands but the habits of their consumers vary from country to country. In order to deliver the communication solution best suited to each market, we encourage internal collaboration to share knowledge and expertise. Therefore, our CR initiatives, such as the Green Bean network, operate across brand and office boundaries to bring our people together and drive collaboration and integration
- **Recruiting the best talent in the industry** in order to deliver consistent high quality service to our clients, it is essential we attract, train and retain the best people for the job. Our partnership with GlobalGiving (see case study 05 on page 24) not only sets us apart in the market but also delivers further professional and skills development for our employees
- **Consistently delivering innovation for clients** we've made a huge investment in developing a world-class suite of tools, processes, technology and training. Sustainability is being integrated into this suite to ensure our employees take sustainability into consideration in everything they do. A "Sustainable Brand Designer" was developed in Aegis Media Italy to aid the evaluation of clients' communications on sustainability in order to develop innovative insights by our employees.

Turning risks Into opportunities / As mentioned in Principal Risks and Uncertainties on page 32, Aegis is exposed to a number of risks associated with corporate responsibility and sustainability. The top 4 risks for our organisation are reflected in the Sustainability Risk Register below. It has been developed with input from a range of internal and external stakeholders, including senior management and our advisors Carbon Smart. Our Risk Register is reviewed annually by the CR Steering Group.

> **"We're fully focused on mitigating the potential risks associated with corporate responsibility and sustainability, but in our opinion every well managed risk can become a valuable opportunity."**
>
> **Nigel Morris**
> Chair, CR Steering Group
> Aegis Group plc

Risk	Risk assessment	Potential impact on company performance	Risk management	Opportunity
Clients – Clients' sustainability objectives	Many of our clients have set ambitious sustainability targets. They expect their suppliers, including us, to contribute; not meeting them represents a real risk to business success.	Not being able to meet our clients' sustainability strategy and objectives puts us at risk of reducing our capability to grow our business in size and profitability.	The CR department is responsible for ensuring that progress with Future Proof is shared with our clients – from RFP to pitch to supplier protocols.	**Mitigating this risk** ensures we meet our clients' objectives. **Doing it well** delivers additional capability to enhance our revenue and profitability through growth.
Employees – Employee engagement – Recruitment & retention – Learning & development	As our employees are our biggest asset, they also represent our greatest risk.	Not meeting employees' expectations around corporate responsibility puts us at risk of losing our largest asset. It also risks an adverse impact on client relationships, reputation and business growth.	CR and sustainability are part of our people proposition. The CR Department is responsible for delivering engaging initiatives linked to learning & development.	**Mitigating this risk** enhances our ability to attract, retain and develop our talent. **Doing it well** also improves staff cost control, client satisfaction and business growth.
Environment – Energy – Travel & transport	Energy consumption and business travel are our largest direct sources of greenhouse gas emissions. They are also the most heavily regulated and have the highest profile with our stakeholders.	Our expenditure on energy and business travel is one of our largest costs after employee costs and as such is strongly linked to our profitability. But it could also negatively impact our reputation with our stakeholders.	The CR Department is responsible for the minimum standards and reporting system for greenhouse gas emissions. A network of CR champions has been established to implement sustainable change.	**Mitigating this risk** delivers cost savings, maintains cost control, and meets client expectations. **Doing it well** also produces opportunities to engage employees & clients.
Community – Financial donations – In-kind donations – Volunteering	There are anti-bribery and business conduct risks associated with community involvement. But not engaging with the community brings the risk of not meeting stakeholder expectations.	Not addressing our community responsibilities negatively affects our ability to attract, train and retain the best talent. Not managing it well could have a negative impact on our reputation.	The CR Department oversees the minimum standards and reporting for community involvement. A champion network has been established to implement engaging CR initiatives.	**Mitigating this risk** avoids reputational damage and regulatory infringements. **Doing it well** delivers superior brand value for all stakeholders and enhances consumer insight.

CORPORATE RESPONSIBILITY REPORT
(continued)

Progress and Performance /

The Future Proof framework defines five distinct areas of activity.

Environment / **In 2008, we set a target of 20% reduction of our 2008 carbon footprint per average full-time employee by the end of 2010.**

We decided to address our two largest sources of greenhouse gas emissions, energy consumption and business travel, first. We developed a network of environmental champions, Green Beans, across our businesses. The Green Beans are responsible for monitoring and reporting our environmental performance, as well as identifying where savings can be made and how sustainable lifestyles can be encouraged.

What went well?

- We were rated 64th out of 350 organisations on our carbon management strategy by the FTSE Carbon Disclosure Project Carbon Strategy Index. We punch above our size in this respect
- We continued to expand the activities, tools and guidance for Green Beans. For instance in 2010, for the first time, our offices participated in Earth Hour with local activities around the theme of "Give 1 Hour to the Earth" reaching thousands of employees worldwide
- We achieved the environmental management accreditation standard ISO14001 in the United Kingdom.

What did not go well?

- We do not collect sufficiently detailed evidence about our greenhouse gas emissions to have our environmental data assured independently
- We did not achieve our 20% reduction target. There are several reasons why we did not achieve our reduction target:
  - (i) the limited control we have to make changes to the environmental arrangements in our office locations
  - (ii) the relative absence of dedicated facilities managers due to our policy on leased and managed office locations
  - (iii) the tight deadline on the reduction target, which is not mirrored by our peers and competitors.

We will modify our environmental strategy to reflect our missed reduction target. We will re-set our targets, base-line year and approach in this area in 2011. We consider the Green Bean network and ISO14001 accreditation key aspects of this revised strategy and will expand their remit beyond greenhouse gas emissions from energy and business travel.

Community / **In 2008, we set ourselves a target to coordinate community initiatives across Aegis Media and Synovate.**

We addressed this area by developing a network of community champions, Aegis Media and Synovate CARES Champions, across our businesses. They are responsible for monitoring and reporting community data, as well as delivering engaging locally relevant community initiatives in the form of fund raising, volunteering or pro bono projects. In addition, we initiated a partnership with GlobalGiving UK to develop a global community initiative.

What went well?

- We achieved a very high level of employee participation in 2010 through the Aegis Media and Synovate CARES programme with 7,246 employees involved (representing 47% of our workforce in 2010)
- We donated the equivalent of 1% of pre-tax profits in 2010 through financial, in-kind and time donations across our businesses, representing a total value of £1.59m
- We completed a successful pilot project around online volunteering with GlobalGiving UK, which is being rolled out globally (see case study 05 on page 24).

What did not go well?

- We do not collect sufficiently detailed information about our community activities to have our community data assured independently
- We have not yet expanded our internal community initiatives to involve our clients and suppliers.

Reflecting the successful achievement of our target, we will continue growing our Aegis Media and Synovate CARES network. We will provide further thematic support for our champions to organise engaging community activities. We consider our GlobalGiving online volunteering platform a key part of that strategy and are committed to rolling it out globally in 2011.

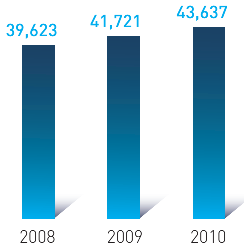
Market place / **It is crucial our organisation offers innovative products and services that meet clients' needs.**

We addressed this area of Future Proof by focusing on the integration of sustainability considerations in our product and service delivery. This required a flexible approach, reflecting the specific clients and business model of each of our businesses.

- We encourage employees to think creatively in response to clients' requests and their potential link with corporate responsibility and sustainability. This can lead to interesting collaborations, such as the Synovate and Deutsche Welle Climate Change study

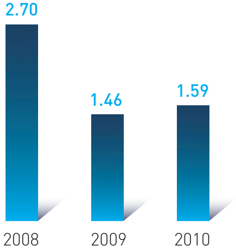
Environment /

Total Carbon Footprint / (in metric tonnes CO_2)



Community /

Total Community Investment / (in £m)



- We are integrating sustainability considerations into our standard client delivery tools and developing training programmes to build awareness in this area. An example is the "Sustainable Brand Designer" developed in Aegis Media Italy to aid the evaluation of clients' communications on sustainability in order to develop innovative insights by our employees
- We participate actively in the Engaging Consumers work stream of the Driving Sustainable Consumption initiative at the World Economic Forum. Our CEO and the Chair of the CR Steering Group represent Aegis at the annual meeting in Davos.

We are committed to work with our businesses to meet clients' objectives around sustainability, to embed sustainability considerations in our client delivery processes and train our employees in the role sustainability plays in consumer preferences.

Work place / We foster a culture of development for our people to excel and invest in recruiting and retaining high quality talent.

The Future Proof framework builds on our global standards on employee development by adding engaging corporate responsibility initiatives to enhance our people management. The CR Department worked closely with the HR function to utilise the full potential of our environment and community initiatives for employee engagement and development.

- We actively work to connect environment and community initiatives to our HR agenda. We learnt from a successful pilot project in the United Kingdom that our corporate responsibility initiatives are only effective when closely linked to employee learning and development
- We have a number of systems in place to ensure we are successful in retaining and motivating our employees, including:
  - Performance and career development discussions
  - Annual employee surveys to understand and act upon the opinions of our employees
  - Exit interviews to understand and learn from our people leaving
  - Competitive incentive plans in place across our businesses, dependent on the market, experience and specific skills.

Employee learning and development is key to the success of our corporate responsibility initiatives. In 2011, we will continue to explore further opportunities where corporate responsibility and sustainability can make a vital contribution to the success of our people agenda.

Governance / The CR Steering Group is responsible for overseeing the implementation of the Future Proof framework.

The CR Steering Group, which consists of representatives of all functional departments across Aegis Media and Synovate, is convened 8 times a year. It is chaired by Nigel Morris, CEO of Aegis Media North America and its remit is to uphold the highest governance standards in this area, to receive progress reports on the implementation of the Future Proof framework and to direct the work of the CR Department.

Level	Responsibility
CR Steering Group	– Sets Future Proof framework – Receives reports on progress & performance – Directs the CR Department
CR Department	– Implements Future Proof framework – Manages day-to-day work plan – Engages internal and external stakeholders – Reports on progress & performance
Environment/Community champions	– Responsible for data monitoring and reporting – Responsible for affecting sustainable change locally

- In 2010, we launched the first Corporate Responsibility Reporting Policy as part of the revised Group Policies & Procedures. We also launched the first Corporate Responsibility Reporting Protocol. Both provide a robust set of minimum standards, internal control measures and the measurement & reporting of CR data
- We completed the first assurance health check around the management of CR reporting. The report by Carbon Smart set out a route map to improve management, reporting and disclosure of CR data. The route map was fully implemented by the end of the reporting year.

We are committed to improving the accuracy of our CR data and the robustness of our internal reporting in this area. In 2011, in particular, CR assurance will be gained through internal management reviews led by the CR department and supported by internal audit where appropriate.

CORPORATE RESPONSIBILITY REPORT
(continued)

Key data /

	2010	2009	2008
Environment			
Energy consumption (metric tonnes CO_2)	**23,566**	22,606	18,310
Business travel (metric tonnes CO_2)	**20,072**	19,115	21,312
Total carbon footprint (metric tonnes CO_2)	**43,637**	41,721	39,623
Intensity	**2.85**	2.69	2.54
Community			
Total community investment (in £m)	**1.59**	1.46	2.70
% of total revenue	**0.1%**	0.1%	0.2%
% of underlying PBT	**1.0%**	1.0%	1.6%
Financial donations (£m)	**0.24**	0.31	2.0
In-kind donations (£m)	**0.27**	0.85	0.5
Time including pro-bono (£m)	**1.08**	0.29	0.2
Employees involved	**7,246**	5,077	6,183
% participation	**47%**	33%	40%

Looking ahead / In addition to their commitments under the Future Proof framework, both Aegis Media and Synovate will assess and review their corporate responsibility and sustainability strategy in the light of our progress and performance between 2008 and 2010. We will report back on the outcomes of this process in our next CR Report.

Below is a summary of our targets for 2011:

Governance /

– We will continue to improve the accuracy, robustness and appropriateness of our corporate responsibility governance and reporting structures.

Environment /

– We will confirm a new strategy, targets and base-line year for carbon reduction, including an expansion of our material impacts

– We will expand the Green Bean network and ISO14001 management accreditation across our businesses.

Community /

– We will roll out the GlobalGiving initiative globally

– We will expand the Aegis Media and Synovate CARES networks across our businesses.

Market place /

– We will provide standard structures, useful tools and training for our people to integrate sustainability considerations in product and service delivery.

Work place /

– We will exploit further opportunities where corporate responsibility can make a vital contribution to the success of our people agenda.

Reporting principles, criteria and methodologies / If you are interested in reviewing the principles, criteria and methodology behind the data and statements in our Corporate Responsibility Report, please visit our corporate website at www.aegisplc.com for more information. You will find more detailed data in our interactive data charting tool and extensive background information on our reporting processes.

In addition you can explore a sample of case studies from around our network, as well as get in touch with us if you have any questions or feedback.

> **"Having largely achieved our objectives, we are now reviewing our CR approach and targets for the years ahead."**
>
> Gavin Pommernelle
> Global HR Director, Synovate

← RICHARD DAVIS
Italy
I want to encourage my colleagues to become greener, and use our expertise to help clients become greener too.

YVONNE ARIAS
Spain
I enjoy raising awareness amongst my colleagues as a Green Bean. Together every step counts.
↓

↑ TRACY PEARCE
United States
As regional coordinator for North America, I am thrilled to see participation rates increase over the past year.

PATRICIA LAURENCE →
Canada
Coming third out of 25 in our volunteer challenge was great. But making a difference was even better!

BOARD OF DIRECTORS

John Napier
Chairman

Nomination Committee chairman, member of Remuneration Committee

John Napier joined the Board in June 2008 and became chairman in July 2008. From December 2008 to May 2010 he also served as chief executive on an interim basis. John is also chairman of RSA Insurance Group plc, a position he has held since 2003. John was chief executive of Hays plc from 1990 to 1998. Prior to that he was chief executive of AGB, the market research and information company. From 1998 he was chairman of Booker until its sale to Iceland in 2000, and chairman of Kelda from 1999 to 2008.

Jerry Buhlmann
CEO, Aegis Group plc and Aegis Media

Jerry Buhlmann was appointed Group CEO in May 2010, having joined the Board in June 2008 as CEO of Aegis Media. Jerry has some 25 years' experience in the media and advertising industries. From 2003 to May 2008 he was CEO of Aegis Media EMEA. Between 2000 and 2003, Jerry was CEO of Carat International. In 1989 he founded media agency BBJ, which was sold to Aegis in 1999.

Harold Mitchell, AC
Executive chairman Aegis Media Pacific (Australia and New Zealand)

Harold Mitchell, AC was appointed to the Board in December 2010 following the Group's acquisition of Mitchell Communication Group Limited, of which he was founder and executive chairman. Harold is based in Australia, where he is a non-executive director of Crown Limited. He holds a large number of community roles and in the arts, being the founder of the Harold Mitchell Foundation and serving as chairman of CARE Australia, Melbourne Rebels Rugby Union, ThoroughVision, the Melbourne Symphony Orchestra, Melbourne Recital Centre, Art Exhibitions Australia, Television Sydney (TVS) and The Melbourne City School. He is also vice-chairman of Tennis Australia and a non-executive director of Deakin Foundation.

Robert Philpott
CEO, Synovate

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

Nick Priday
Chief financial officer, Aegis Group plc and Aegis Media

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

John Brady
Non-executive director

Member of Remuneration Committee and Nomination Committee

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

Simon Laffin
Non-executive director

Audit Committee chairman, member of Nomination Committee

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

Martin Read
Non-executive director

Member of Audit Committee and Nomination Committee

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

Charles Strauss
Non-executive director, Senior independent director

Member of Audit Committee and Nomination Committee

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

Lorraine Trainer
Non-executive director

Remuneration Committee chairman, member of Nomination Committee

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

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2010. The Business and Financial Reviews set out on pages 4 to 41 and the Corporate Governance Statement set out on pages 49 to 54 form part of this report.

Results and dividends /
The consolidated income statement is set out on page 63 and shows a profit for the financial year of £43.0 million (2009: £64.2 million). An interim dividend of 1.025p per ordinary share was paid on 24 September 2010 to ordinary shareholders. The directors recommend a final dividend for the year of 1.725p per ordinary share which, if approved at the Annual General Meeting, will be payable on 6 July 2011 to ordinary shareholders registered at 17 June 2011. The total dividend for the year will then amount to 2.75p per ordinary share (2009: 2.50p).

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

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

Review of business and future developments /
A review of the business and likely future developments of the Group is given in the Chief Executive's report on pages 6 to 9, the Business Reviews on pages 10 to 25 and the Financial Review on pages 26 to 31. Those sections form part of, and are incorporated by reference within, this Directors' report.

Financial instruments /
Information about the use of financial instruments by the Company and its subsidiaries is given in Note 19 to the financial statements and in the Principal Risks and Uncertainties section on pages 32 to 35.

Post-balance sheet events /
The directors are not aware of any significant post-balance sheet events that require disclosure in the financial statements other than those disclosed in Note 33 to the financial statements at page 110.

Donations /
The Group's approach with respect to charitable donations and the amounts donated are detailed on page 38. No political donations were made during the year.

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

At 31 December 2010, the Group had 50 days' purchases outstanding (2009: 50 days). The creditor day analysis is not applicable to the holding company.

Directors /
The names of the directors at the date of this report and their biographical details are given on pages 42 and 43.

Changes to the Board during the year were as follows:
Robert Philpott was appointed on 18 March 2010.
Harold Mitchell was appointed on 15 December 2010.

The interests of the directors in the shares and share incentives of the Company are shown in the Remuneration report on pages 59 to 61.

Re-election of directors /
In accordance with the Articles of Association and in compliance with the 2008 Combined Code on Corporate Governance Harold Mitchell will offer himself for election at the forthcoming Annual General Meeting. In addition Lorraine Trainer and Robert Philpott will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting. The FRC's new UK Corporate Governance Code provides for the annual re-election of all directors, however in this transitional year the Company has chosen not to implement the new provision.

Details of all the directors' service agreements, including notice periods, are given in the Remuneration report on page 57.

Directors' indemnities /
A qualifying third party indemnity ("QTPI"), as permitted by the Articles of Association and sections 232 and 234 of the Companies Act 2006, has been (or will shortly be) granted by the Company to each of its directors. Under the QTPIs the Company undertakes to indemnify each director against liability to third parties (excluding criminal and regulatory penalties) and to pay directors' costs as incurred, provided that they are reimbursed to the Company if the director is convicted or, in an action that is brought by the Company, judgement is given against the director. Directors resigning from the Board continue to have the benefit of the QTPI for potential liability to third parties that occurred prior to their resignation.

Substantial shareholdings /
At 16 March 2011 the Company had been notified of the following interests of 3% or more in its ordinary shares, in accordance with chapter five of the Disclosure and Transparency Rules, or understood such interests to exist as a result of enquiries made on its behalf:

Shareholder	Number of shares	%
Bolloré Group	340,911,920	26.52
Mitchell family	53,860,548	4.18
Norges Bank	52,160,955	4.06
Legal & General Group	46,599,726	3.62
Standard Life	43,444,540	3.37

Share capital /
Details of the authorised and issued share capital, together with details of movements in the Company's issued share capital during the year, are shown in Note 22 to the financial statements on page 101.

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

There are no specific restrictions on the size of a shareholding, the transfer of shares or voting rights, which are governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights, although the Company has entered into an agreement with Harold Mitchell restricting his ability to sell shares in the Company prior to November 2012, as described more fully in Note 32 on page 109.

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

Details of the shares held are set out in Note 23 to the financial statements. The trustees of the Trust may vote or abstain from voting on shares held in the Trust in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the Trust.

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

The directors are authorised to allot unissued shares in the Company up to a maximum nominal amount of £15,780,461. On 17 November 2010 the Company issued 116,672,515 ordinary shares with a nominal amount of approximately £5,833,626, representing approximately 9.99% of the issued share capital of the Company immediately prior to such issue, to accepting shareholders in Mitchell Communication Group Pty Limited, on the acquisition of that company by the Aegis group (further details of which are given in Note 25). No other shares have been issued or allotted under the authority held by the directors, nor is there any current intention to do so, save for shares issued to satisfy existing obligations. This authority is valid until the date of the forthcoming Annual General Meeting at which time a resolution will be proposed to renew the authority as detailed in the accompanying circular.

The Company has not purchased, or created any charges over, its own shares in the year ended 31 December 2010. The Company has not had the authority to allot shares without regard to the pre-emption provisions of the Companies Acts or to purchase its own shares since the 2008 Annual General Meeting.

Appointment and replacement of directors /
With regard to the appointment of directors the Company is governed by its Articles of Association, the 2008 Combined Code (and its successor the Corporate Governance Code), the Companies Acts and related legislation.

The Company is required to 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 holds office until the following annual general meeting but is then eligible for re-appointment.

The Articles of Association provide that, at every annual general meeting, any director who held office at the time of two preceding annual general meetings and who did not retire at either of them must retire and may offer himself for re-election. In addition, any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting must also retire and may offer himself for re-election. At the annual general meeting at which a director retires, shareholders can pass an ordinary resolution to re-elect the director or to elect some other eligible person in his place. The Corporate Governance Code provides for annual re-election of all directors.

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 accepts his offer; (iii) all of the other directors (being at least three in number) pass a resolution or sign a written notice requiring his resignation; (iv) he is or has been suffering from mental or physical ill health and the directors pass a resolution removing him from office; (v) he is absent without the 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 makes a composition 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.

REPORT OF THE DIRECTORS (continued)

Significant agreements /
The following significant agreements contain provisions entitling the counterparties to, or the holders of notes or bonds issued pursuant 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 26 July 2010 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, must be prepaid and, upon such prepayment being made, the total commitments of the banks under the Facility will be cancelled and reduced to zero
- Note purchase agreements dated 28 July 2005, 17 September 2007 (as amended) and 17 December 2009 (the "Note Purchase Agreements") pursuant to which notes amounting in aggregate to US$342,000,000 (the "2005 Notes"), US$125,000,000 (the "2007 Notes") and US$183,000,000 and £25,000,000 (the "2009 Notes", together with the 2005 Notes and the 2007 Notes, the "Notes") respectively were issued by the Company

  Each holder of Notes has an option, on a change of control of the Company, to require the Company to prepay the entire principal amount of the Notes held by that holder together with interest accrued thereon and the Make-Whole Amount (as defined in each of the Note Purchase Agreements)
- Pursuant to a subscription agreement dated 18 March 2010 between, amongst others, Aegis Group Capital (Jersey) Limited as issuer (the "Issuer"), the Company as guarantor and the financial institutions named therein as managers and pursuant to a trust deed dated 20 April 2010 between the Issuer as issuer, the Company as guarantor and Citicorp Trustee Company Limited as trustee, the Issuer issued £190,600,000 2.50% guaranteed convertible bonds due 2015 (the "Convertible Bonds")

  On a change of control of the Company the holder of each Convertible Bond will have the right to require the Issuer to redeem the Convertible Bond at its principal amount together with accrued unpaid interest.

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. See further pages 35 and 39.

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

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

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

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

Annual General Meeting /
The Annual General Meeting will be held in the Wren Room at the Royal Institute of British Architects, 66 Portland Place, London W1B 6DW, on Tuesday, 10 May 2011 at 11.00am.

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

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

Directors' confirmation /
Each of the directors at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern /

The Group's business activities, together with factors likely to affect its future development, performance and financial position and commentary on the Group's financial results, its cash flows, liquidity requirements and borrowing facilities are set out in the Business and Financial Reviews on pages 4 to 41.

The Board is satisfied that the Group balance sheet remains strong. Following the issue of £190.6m convertible bonds in April 2010 and re-financing of the £450m revolving credit facility in July 2010, both of which are on 5 year terms, the Group is well-financed with considerable cash and covenant headroom and no major facilities due to expire until 2012.

During 2010 the Group has continued to generate positive operating cash inflows from operations before tax, acquisitions and capital expenditure.

The main factors contributing to these cash inflows are the retention and growth of the customer base, terms of trade with customers and suppliers and the continuing management of working capital within the Group. The Board has concluded that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, indicate that the Group has sufficient funding to operate within the terms of its available facilities.

The Board has considered various alternative operating and funding strategies should these be necessary and is satisfied that a range of actions including cost reduction activities could be adopted if and when necessary.

After making these enquiries, the Board is satisfied that the Group has sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for 2010. Furthermore, no material uncertainties related to events or conditions that may cast a significant doubt about the ability of the Group to continue as a going concern have been identified by the directors.

By order of the Board

Andrew Moberly
Company Secretary

16 March 2011

DIRECTORS' RESPONSIBILITIES

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

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

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

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

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

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

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

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

Responsibility statement /

We confirm that to the best of our knowledge:

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

By order of the Board

Jerry Buhlmann
Chief Executive Officer

Nick Priday
Chief Financial Officer

16 March 2011

CORPORATE GOVERNANCE

The following sections explain how the Company applies the main and supporting principles and the provisions of the 2008 Combined Code on Corporate Governance (the "Combined Code"). The Board confirms that throughout 2010 the Company has complied with the relevant provisions of the Combined Code save as detailed below. As from 1 January 2011 the Company became subject to the terms of the UK's new Corporate Governance Code, which applies to accounting periods beginning on or after 29 June 2010 (the "Corporate Governance Code") and will report against the Corporate Governance Code in its 2011 financial statements.

The Board /

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

The Board comprises ten directors – the Chairman (who also acted as interim Chief Executive Officer from December 2008 to April 2010), four executive directors and five independent non-executive directors. Details of the directors and their biographies are set out on pages 42 and 43. The directors have a broad range of expertise and experience, which we believe contributes significantly to the effectiveness of the Board.

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

The other significant commitments of the Chairman are set out in his biography on page 42.

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

Directors must not vote in respect of any contract or other proposal in which they (or any person connected with them) have a material interest otherwise than by virtue of their interests in securities of the Company. The Articles of Association were amended by shareholders at the 2009 Annual General Meeting to address the new statutory provisions regarding directors' duties in relation to conflicts of interest which came into force on 1 October 2008 under the Companies Act 2006 and the Company has taken steps to ensure compliance with the new law on conflicts of interest and has procedures in place to identify and deal with any conflict situations should they arise. Those procedures have operated effectively throughout 2010. They include procedures for the Board to authorise any conflicts that may arise if necessary and a regular review of all such actual and potential conflicts (last undertaken in March 2011).

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

Charles Strauss is the senior independent director and he is responsible for undertaking the annual review of the Chairman's performance and chairing the Nomination Committee when considering the role of Chairman. He is available to shareholders if they need to convey concerns to the Board other than through the Chairman or Chief Executive Officer.

In accordance with the Articles of Association directors appointed to the Board since the previous annual general meeting, those who have not been subject to re-election at the previous two years' annual general meetings and non-executive directors who have served nine years or more on the Board are all required to retire (and may offer themselves for re-election) at the next annual general meeting. The Corporate Governance Code provides for annual re-election of all directors.

The division of responsibilities between the Chairman and Chief Executive Officer is set out in writing and has been agreed by the Board.

The Chairman is responsible for:

- the composition and leadership of the Board
- monitoring corporate governance processes
- ensuring effective communication with shareholders and other stakeholders
- supporting the Chief Executive Officer.

The Chief Executive Officer is responsible for:

- the development and execution of the Group's strategy
- the Group's operational performance
- leading the executive team
- leading the management of relationships with external stakeholders.

Ordinarily the roles of Chairman and Chief Executive Officer are performed by separate individuals in accordance with provision A.2.1 of the Combined Code. However, following the departure of the former CEO in November 2008, the Chairman, John Napier, was appointed to the additional role of interim Chief Executive Officer as it was unanimously considered by the Board to be the most appropriate short-term arrangement. John Napier reverted to his role as Chairman upon the appointment of Jerry Buhlmann as Chief Executive Officer of Aegis Group plc on 1 May 2010.

Board meetings /

The Board meets nine or ten times a year and more frequently when business needs require. During the year, the Board met on average once a month. At least one Board meeting is extended in length to consider fully the ongoing development of the Company's strategic plans. Board meetings are structured to allow open discussion and all directors participate in discussing the strategy, trading and financial performance and risk management of the Company.

CORPORATE GOVERNANCE (continued)

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

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

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

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

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

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
No. of meetings in year	**12**	**5**	**6**	**2**
John Napier	12	–	5*	2
John Brady	12	–	6	2
Jerry Buhlmann	12	–	–	1**
Simon Laffin	12	5	–	2
Harold Mitchell (appointed 15.12.10)	–	–	–	–
Robert Philpott (appointed 18.03.10)	11	–	–	–
Nick Priday	12	–	–	–
Martin Read	11	5	–	2
Charles Strauss	11	5	–	2
Lorraine Trainer	11	–	6	2

* John Napier did not attend the Remuneration Committee meeting convened to discuss his remuneration as chairman.
** appointed to the Nomination Committee 1 May 2010.

In addition to the above John Napier (as interim Chief Executive Officer), Jerry Buhlmann (as Chief Executive Officer) and Nick Priday regularly attended, by invitation, meetings of the Audit Committee and Jerry Buhlmann (as Chief Executive Officer) regularly attended, by invitation, meetings of the Remuneration Committee.

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

Performance appraisal process /
The non-executive directors, led by the senior independent director, continued the process of meeting annually without the Chairman being present to appraise the Chairman's performance. Where appropriate, the senior independent director then meets with the Chairman to discuss any particular issues arising.

A review of the Board's performance was undertaken in November 2010, involving all members of the Board at that time. However, as substantial changes were made to the Board's composition in the second half of 2009, and Jerry Buhlmann was only appointed as Chief Executive Officer in mid 2010, it was not considered appropriate to undertake external performance reviews during 2010. Further Board and committee reviews will take place in 2011 and will be reported on in the 2011 financial statements.

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

Director liability /
The Company has in place an appropriate level of directors and officers insurance cover in respect of legal action against the directors. In addition, the Company has given an indemnity to its directors in respect of third party claims, as described in the Directors' report on page 44.

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

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

Audit Committee

Simon Laffin is Chairman of the Audit Committee. He is a chartered management accountant and the Board is satisfied that he has appropriate recent and relevant financial experience to lead the Committee in its duties and deliberations. The other two members of the Committee are Charles Strauss and Martin Read. Biographical details of the members of the Audit Committee, all of whom are independent non-executive directors, are set out on page 43.

At the invitation of its Chairman, meetings of the Committee were generally attended, in whole or in part, by the Chief Financial Officer, the external auditors, the company secretary and the head of Internal Audit. Several meetings were attended by John Napier (as interim Chief Executive Officer) and Jerry Buhlmann (as Chief Executive Officer). In addition, other members of senior management were invited to attend as necessary to provide updates and background information on matters considered by the Committee.

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

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

Work carried out by the Committee during 2010, in accordance with its responsibilities, included:

- monitoring the integrity of the Company's financial statements and reviewing significant reporting judgements
- monitoring the effectiveness of internal audit, risk management and controls, and considering progress reports from the risk committees and head of internal audit
- reviewing the Company's internal financial controls and procedures. Further details of the steps taken to update and improve the Company's internal financial controls and procedures during the year are given on page 53
- reviewing the external auditors' independence, objectiveness and effectiveness
- approving the external auditors' terms of engagement, the scope of the audit and the applicable levels of materiality
- reviewing its own terms of reference
- 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
- compliance with UK Listing Authority regulations and 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 monitors the policy on the engagement of the auditors for the supply of non-audit services. Details of amounts paid to the external auditors in respect of audit and non-audit services are given in Note 5 to the financial statements. The Committee has confirmed that the policy concerning rotation of the audit partner complies with current guidance issued by the Institute of Chartered Accountants in England and Wales.

The current overall tenure of the external auditor dates from 2004. The audit engagement partner rotates every five years. The Audit Committee recommends to the Board the appointment of the external auditor. There are no contractual obligations that restrict the Company's current choice of external auditor.

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

Remuneration Committee

The Remuneration Committee is chaired by Lorraine Trainer. The other two members of the Committee are John Brady and John Napier. Both Lorraine Trainer and John Brady are independent non-executive directors and John Napier was considered to be independent on his appointment as Chairman in July 2008. The Combined Code on Corporate Governance suggests a remuneration committee should comprise at least three independent non-executive directors in addition to the chairman of the Board, however the Board considers the current composition of the Committee to be effective, efficient and appropriate to the Company's needs.

Members of the Committee have no conflict of interest arising from cross directorships. Except as stated below members of the Committee have no personal financial interest, other than as shareholders, in the Committee's decisions. John Napier's remuneration as chairman following the expiry of his appointment as interim Chief Executive Officer was agreed by the Committee at a meeting in August 2010 attended by all non-executive directors other than John Napier.

Meetings of the Committee were generally attended, in whole or in part, by the Group human resources director, the company secretary and – following his appointment as Chief Executive Officer – by Jerry Buhlmann. Some meetings of the Committee were also attended, in part, at the invitation of the chairman, by the Chief Financial Officer. A representative of Deloitte LLP, independent remuneration consultants, attended one meeting. Apart from members of the Committee, no-one attending its meetings is present as of right and no-one (including members of the Committee) attends when their own remuneration is discussed.

CORPORATE GOVERNANCE (continued)

Board committees / (continued)

Remuneration Committee (continued)

The Committee usually meets at least three times a year and more frequently if required. It met 6 times in 2010. Its main responsibilities are:

- determining and recommending the policy and framework for the remuneration of the Chairman, Chief Executive Officer and executive directors
- within policy terms and in consultation with the Chairman, Chief Executive Officer and external advisers as appropriate, determining the total remuneration packages of the Chairman, Chief Executive Officer and other executive directors
- considering proposals in relation to other senior executive management
- overseeing the design of the Group's share based long term incentive schemes, including approving the value of awards and overseeing the operation of performance conditions.

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

- determining the remuneration payable to Robert Philpott on his appointment to the Board
- determining the remuneration payable to Jerry Buhlmann on his appointment as Group Chief Executive Officer
- introducing a revised bonus scheme for Aegis Media
- conducting the annual review of base salaries for executive directors and the Chief Executive Officer's recommendation for his executive team based on review of actual performance
- the consideration and approval of bonus payments for 2009
- ongoing review and monitoring of performance conditions for vesting awards under the Group's share option schemes and performance share plans
- approving new awards under the Group's performance share plans
- reviewing the Group's executive reward arrangements
- determining the remuneration payable to John Napier following the expiry of his appointment as interim Chief Executive Officer
- drafting of the Remuneration report
- Considering the implications of forthcoming changes to the UK pension regime
- reviewing the design of the Group's share schemes.

Nomination Committee

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

The Committee is responsible for:

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

During the year the principal business of the Committee's meetings included considering and recommending to the Board the appointments of Jerry Buhlmann as Group Chief Executive Officer (for which the Committee used the services of an external search and recruitment consultancy) and of Robert Philpott and Harold Mitchell as executive directors.

Internal control and risk management /

The Group operates a system of internal control, which is maintained and reviewed in accordance with the Combined Code 2008 (replaced as from 1 January 2011 by the Corporate Governance Code), the Listing Rules, the Disclosure and Transparency Rules and the guidance contained in the Turnbull Report (as revised).

Internal control governance /

The Board sets out in this section the actions undertaken during the year and up to the date of this report.

Responsibilities

The Board has ultimate responsibility for ensuring that the Group adopts a suitable system of internal control and reviews this annually to ensure its effectiveness. It delegates some of this responsibility to the Audit Committee. In turn, the Audit Committee places reliance on reports it receives from management, the Group internal audit function and the external auditors. Day-to-day responsibility for embedding the Group's system of internal controls lies with the executive and senior management teams, and the reporting and detailed consideration of internal control matters are the responsibility of the Group's risk committees.

Internal control framework

The Group's system of internal controls is designed to manage, but cannot eliminate, the risk of the Group not achieving its overall objectives. The Group's internal control framework can only be expected to provide reasonable but not absolute assurance that the Group's assets and reputation are safeguarded and are not subject to material loss or financial misstatement. The Group's system incorporates controls designed to mitigate against strategic, financial, commercial, operational, governance and other risks. As they are not controlled by the Group, the Group's joint ventures and associates adopt their own policies and procedures, and the Group therefore places reliance on the systems of internal controls operating within our partners' businesses.

Internal control framework (continued)

Whilst the control environment provides this level of reasonable assurance, nevertheless the Board recognises that aspects of the internal control framework can always be further improved and steps were taken in 2010 as follows:

1. KPMG was commissioned in March to undertake a comprehensive independent review of the Group's overall control environment and, as appropriate, to provide recommendations as to how it might be further improved. Those recommendations have now been implemented.
2. KPMG performed site visits at a dozen of the Group's offices to conduct interviews and walkthrough testing of controls.
3. By November, the Group had revised and re-launched all of its policies and procedures globally. An online training programme for more than 500 of the Group's senior managers facilitated the implementation of these policies.
4. The finance function reporting lines were changed and a number of key appointments were made to strengthen the financial control environment. Appointments included new regional CFOs for Aegis Media in North America and Western Europe and a new Financial Controller for Aegis Group plc. Further resources are being provided in key areas to support regional management teams.
5. The Group identified the need for, and has recruited, a Director of Risk and Audit with broad responsibility for risk management and internal control, as well as oversight of the internal audit function. The Director of Risk and Audit will report into the Audit Committee and the Group Chief Financial Officer. Following this appointment, internal audit will continue to be strengthened in 2011.
6. A new Group-wide financial reporting and consolidation system was also commissioned, to facilitate and improve the reporting process. This system is in the final stages of development and testing and will be rolled out across the Group in the first half of 2011.
7. The Group's three risk committees now each report directly into the Audit Committee and are each chaired by the most appropriate senior executive director. Aegis Media and Synovate's risk committees are chaired by their respective Chief Executive Officers and the Head Office risk committee is chaired by the Group Chief Financial Officer.
8. The 2010 annual self-certification compliance process has been updated and reinforced to ensure alignment with the revised policies and procedures.
9. The Group has undertaken a program of testing financial controls using Deloitte in a number of key markets and via self assessment in all other markets. Improvements identified by this testing program are being actioned by business units and monitored by internal audit.
10. The Group formalised its whistle-blowing procedures, known as "Speak-up", and rolled them out across the Group during 2010.

Risk committees /

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

The Group has 3 risk committees – one within each of its principal operating divisions, Aegis Media and Synovate, chaired by their respective chief executive officers, and a Head Office risk committee chaired by the Group Chief Financial Officer. Collectively, these committees provide a forum for the discussion of key risks faced by the Group, the development of risk assessment techniques and the consideration and approval of risk management action plans.

Each of the divisional risk committees comprises a varied range of senior representatives (from different markets, disciplines and business streams). The principal duties of these committees are to ensure that risks within the divisions are identified and appropriately managed and to approve minimum standards and procedures to enhance the control environment. Divisional risk registers were developed and expanded towards the end of the year and into 2011 and will continue to be reviewed and revised as appropriate.

The Head Office risk committee ensures that effective risk management policies and procedures are established for matters which relate to the Group Head Office's functional expertise, such as tax, treasury and Group finance. The Head Office risk register has been reviewed in detail and updated during the year and into 2011, and will continue to be developed as appropriate. Meetings are attended by senior head office management drawn from all the Group's principal Head Office functions.

Reporting lines for all 3 of the Group's risk committees have been aligned during the year, with each committee now reporting directly to the Audit Committee. The Group Chief Financial Officer or other senior executives have attended all risk committee meetings to ensure a consistent approach to risk and the dissemination of good practice amongst the three committees. The risks identified, and the control mechanisms applicable to each risk and how well they are being managed, are maintained in the relevant risk registers. Following the re-launch of the Group's policies and procedures and minimum control standards to mitigate Group risks, meetings of all risk committees now take place on a quarterly basis.

Internal audit

As noted above, the Group identified the need for, and recruited, a Director of Risk and Audit with broad responsibility for risk management and internal control, as well as oversight of the internal audit function. The Director of Risk and Audit will report to the Audit Committee and the Group Chief Financial Officer.

The internal audit function will continue to be strengthened in 2011 with additional resource being deployed.

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

CORPORATE GOVERNANCE (continued)

Risk committees / (continued)

Internal audit (continued)

The overall effectiveness of the internal audit function is monitored by the Audit Committee, which receives regular reports detailing the findings arising from the internal audit function's work, issues reported under the Group's whistle blowing procedures, and any actual or suspected frauds detected or reported anywhere in the Group.

Review of internal control effectiveness

The Audit Committee reports to the Board on the adequacy of the Group's internal controls system. The Audit Committee receives reports from management and the head of internal audit on the integrity of the Group's control environment. The external auditors report to the Audit Committee on the control environment by exception following their half year review and full year audit. Copies of minutes of all risk committee meetings, as well as copies of the risk registers, are made available to members of the Audit Committee.

The 2010 year-end annual compliance self certification process has been updated to ensure alignment with the revised Group policies and procedures. The chief executive officer and chief financial officer of each entity across the Group is required to complete an annual certificate to confirm, in relation to such entity, that:

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

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

The Board confirms that it has reviewed the effectiveness of the system of internal controls and considers that there are ongoing processes in place for identifying, evaluating and managing the significant risks faced by the Group and that these processes have been in place and improved during 2010 and up to the date of approval of the Annual Report and Accounts. The Board considers that the information received was sufficient to monitor the process and review its effectiveness in accordance with the Turnbull Guidance on Internal Controls.

A summary of the Group's principal risks and uncertainties is included in the Business Review section on pages 32 to 35.

Employee concerns /

As mentioned above, the Group has 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 raised in good faith. The Audit Committee reviews these arrangements to ensure that there is proportionate and independent investigation of any reported concerns and that appropriate follow up action is taken and has recently instigated a review to ensure the effectiveness of the Group's worldwide "Speak-up" policy.

Relations with shareholders /

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

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

JP Morgan Cazenove, the Group's joint financial advisers, provide the Board with written reports (covering changes in valuation and ownership, market and sector issues) on a monthly basis, and along with Numis Securities are available for shareholder relations advice.

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

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

Further information about the Group can be obtained by contacting 0207 070 7700 or communications@aegisplc.com.

Andrew Moberly
Company Secretary

16 March 2011

REMUNERATION REPORT

The following report by the Remuneration Committee has been approved by the Board for submission to the shareholders at the 2011 Annual General Meeting. Deloitte LLP has audited the following items stipulated in law for their review:

- The table of directors' remuneration and associated footnotes on page 58
- The table of disclosure for directors' share options and share awards on pages 59 to 61 and associated footnotes.

Members of the Committee during the year are set out on page 51. The Committee's Terms of Reference are available from the Company's website at www.aegisplc.com.

During the year, the Committee obtained ad-hoc advice on executive remuneration matters from independent remuneration consultants, Deloitte LLP. These services comprised the provision of market data benchmarks in relation to specific executive roles, an update on current market practice and trends, advice on certain corporate governance aspects with respect to executive remuneration and review of this report. As noted previously, Deloitte are also the Company's auditors and have provided remuneration services in compliance with the Ethical Standards of the Auditing Practices Board. Both the Company and Deloitte are satisfied that appropriate measures and controls are in place to ensure no conflicts arise from providing these services. The Committee also received advice where appropriate from the director of group human resources and the company secretary. No individual is involved in decisions relating to their own remuneration.

Remuneration policy /

The Company aims to balance the need to attract, motivate and retain high calibre talent with the need to be cost effective, reward exceptional performance and create shareholder value. The Committee reviews remuneration strategies and policies to balance these factors whilst also taking into account general macro-economic conditions impacting the Company, changes in business strategy, investor expectations and the wider compensation context of employees across the Group. During the 2010 reviews the design of the annual cash bonus schemes was extensively revised to incorporate more demanding annual and year on year performance measures; enhanced controls to ensure equitable profit share between management and shareholders; greater transparency to incentivize performance and some linkage of the share schemes to the annual bonus arrangements for senior managers. The resulting reward policy for the Executive Directors and senior management has an enhanced focus on delivery of a high performance culture.

The Committee reviews base salaries in the context of total remuneration and determines remuneration levels to be aligned with relevant market practice plus the experience, performance and retention value of the individual. It also assesses the ratio of fixed and performance-based remuneration with a view to strengthening the link between remuneration and performance, the mix of short and long term reward, the level of challenge of financial targets and the leverage of incentive arrangements so that the higher levels of reward are focussed on the high performing individuals.

Elements of remuneration /

Details on remuneration for each of the Executive Directors are included on page 58 with some commentary on the three principal remuneration elements described below.

Base salary and benefits

Base salary and benefits are reviewed annually with reference to relevant market practice, the Company's financial performance and the individual's skill, experience and performance in order to provide a market competitive reward.

In relation to 2011, it has been decided that the annual review cycle for all employee salaries and benefits will change from January to July. Executive Directors will be included in this different timescale. It is intended that salary changes for Executive Directors and senior management will be determined with respect to the general salary considerations of the whole Group and be informed by market changes.

A summary of the benefits payable to executive directors in 2010 is given on page 58. These mainly comprise company car benefits and medical insurance.

Short term annual cash bonus incentives

All executive directors are provided with an annual cash bonus opportunity to incentivise and reward performance against financial growth targets. Their bonus opportunities have a maximum of 100% of annual salary.

The design of the arrangements in 2010 maintained and enhanced the significant revisions implemented in 2009 to ensure that an equitable balance of management and shareholders' interests was consistently achieved in differing economic conditions. Performance targets were determined on an individual basis to relate to stretch levels of Operating Profit growth.

Long-term share-based incentives

The Committee keeps the Company's long term incentive plan under regular review to ensure it remains appropriate in fulfilling its objectives and that the performance conditions continue to represent the best way to drive the creation of shareholder value.

In 2010 the Company continued to use the 2003 Performance Share Plan (PSP) with unchanged performance conditions. The PSP is designed to comply with the requirements of institutional guidelines and corporate governance best practice, as well as to reflect the Committee's remuneration policy. In any financial year, an executive is eligible to receive a conditional award of shares with a face value of no more than two times basic salary in normal circumstances. The Remuneration Committee has the discretion to approve an award of three times salary in special circumstances. In light of his promotion to CEO Aegis Group plc in 2010, the Remuneration Committee approved an award of three times annual salary to Jerry Buhlmann.

The performance conditions that apply to the 2010 PSP awards are 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.

REMUNERATION REPORT (continued)

Elements of remuneration / (continued)

Long-term share-based incentives / (continued)

The TSR targets were as follows:–

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

The following companies were included in the peer group for calculation of TSR performance in 2010:–

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

The EPS performance conditions were as follows:–

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

Further to the appointments of the Chief Financial Officer in September 2009, the Synovate CEO in March 2010, and the Chief Executive Officer of Aegis Group plc in May 2010 the Company has continued to develop and strengthen its senior management and focus on the retention of high calibre talent. This has led the Committee to review the Group's long term incentive arrangements for 2011 and in particular the continued appropriateness of the performance conditions.

The review concluded that the TSR peer group and vesting schedule should remain unchanged in 2011 and that an amendment to the EPS performance conditions should be adopted. As from 2011, the EPS element of the performance conditions will be based on a straightforward average annual EPS growth target of 3 to 15% over three years. This amendment takes account of the overwhelmingly international nature of the Group's business, as well as market conditions and consensus forecasts for the Group, and the Committee believes that EPS performance conditions remain robust and demanding. The adjustment was the subject of prior consultation with shareholders holding over 50% of our shares, who were supportive of the proposal.

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

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

No awards will be made under previously closed schemes, although awards granted in the past will continue to be exercisable in accordance with the rules of each respective scheme. The closed schemes are the 1995 Executive Share Option Scheme and the 2003 Executive Share Option Scheme. Details of these schemes are given on page 59. Details of all share incentive awards outstanding for each executive director serving during 2010 are set out on pages 59 to 61.

Pensions /

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

Both Jerry Buhlmann and Nick Priday are members of a UK Inland Revenue approved group personal pension plan scheme. Pensionable salary is limited to base salary excluding all bonuses and other benefits. Annual employer pension contributions or salary equivalent payments are shown in the audited Directors' Remuneration table on page 58.

It is intended to address the 2011 changes to the UK Pension Tax Relief by providing the quantity of the existing annual pension benefit which exceeds £50,000 per annum as a separate cash payment.

Service contracts /

Details of the service contracts of those who served as executive directors during the year are set out below. Apart from Harold Mitchell, whose appointment is for a 2 year term expiring on 17 November 2012, all executive directors have rolling service contracts which expire at normal retirement age unless terminated beforehand in accordance with the terms of the individual contract and contain non-compete obligations.

Name	Contract date	Notice period from Company	Notice period from director
Jerry Buhlmann (appointed 02.06.08)	20.04.10	12 months	6 months
Nick Priday (appointed 01.09.09)	01.09.09	12 months	6 months
Robert Philpott (appointed 18.03.10)	20.06.02	12 months	12 months
Harold Mitchell (appointed 15.12.10)	15.03.11	6 months	6 months

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

Non-executive directors /

Non-executive directors, including the Chairman, are appointed under letters of engagement for an initial term of three years with a one month notice period. Renewal of appointments for a further term of three years is not automatic. The fees of the non-executive directors are approved at a board meeting at which the non-executive directors do not vote. Fees are based on time commitment and responsibility. Kepler Associates provided external market data when fee levels were last reviewed in 2008. The current fee structure, which has been in place since 2008 and applied throughout the year, is shown below.

Base fee	£45,000
Plus:	
Chairman of Audit Committee	£10,000
Chairman of Remuneration Committee	£10,000
Senior Independent Director	£10,000

John Napier's annual fee as Chairman in 2010 was £200,000. For undertaking the additional role of interim Chief Executive Officer he received an additional annualised fee of £300,000. Following Jerry Buhlmann's appointment as Chief Executive Officer on 1 May 2010 the Remuneration Committee agreed that John Napier should continue to receive the additional annualised fee for the remainder of 2010 and that his annual fee as Chairman should be adjusted to £300,000 pa with effect from 1 January 2011. John Napier does not participate in any short term bonus or long term incentive arrangement and receives no pension contributions.

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

Non-executive Director	Date of first appointment to the Board	Date(s) of re-appointment	Unexpired term as at 16 March 2011
John Napier	30.06.08	15.03.11	3 years 3 months
John Brady	01.08.09	–	1 year 4 months
Simon Laffin	01.08.09	–	1 year 4 months
Martin Read	01.08.09	–	1 year 4 months
Charles Strauss	05.09.03	05.09.06 and 22.05.09	1 year 2 months
Lorraine Trainer	02.08.05	02.08.08	4 months

REMUNERATION REPORT (continued)

Audited directors' remuneration /

	Salary and Fees £'000[a]	Benefits £'000[b]	Annual Cash Bonus £'000[c]	**Total 2010 £'000**	Total 2009 £'000	**Pensions 2010 £'000**	Pensions 2009 £'000
John Brady (appointed 01.08.09)	45	–	–	**45**	19	**–**	–
Jerry Buhlmann	662	21	369	**1,052**	850	**172**	124
Simon Laffin (appointed 01.08.09)	55	–	–	**55**	21	**–**	–
Harold Mitchell (appointed 15.12.10)	–	–	–	**–**	–	**–**	–
John Napier	500	16	–	**516**	510	**–**	–
Robert Philpott (appointed 18.03.10)	355	16	223	**594**	–	**112**	–
Nick Priday (appointed 01.09.09)	283	23	148	**454**	92	**71**	21
Martin Read (appointed 01.08.09)	45	–	–	**45**	19	**–**	–
Charles Strauss	55	–	–	**55**	55	**–**	–
Lorraine Trainer	55	–	–	**55**	49	**–**	–
Former directors	–	–	–	**–**	1701	**–**	93
TOTALS	2,055	76	740	**2,871**	3,316	**355**	238

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

Notes:
(a) The fee payable in respect of Simon Laffin's services is paid to Simon Laffin Business Services Limited.

(b) Executive directors' benefits relate generally to the provision of car cash allowance, life assurance and various disability and health insurances. John Napier receives an accommodation allowance with effect from 11 July 2010 of £33,000 (gross) per annum.

(c) The main terms of the bonus schemes are summarised on page 55.

It is the Board's policy that executive directors with external non-executive positions are allowed to retain any fees from such positions. In general, before an executive director may accept an external non-executive position permission must be sought from the chairman who will take into consideration the amount of time involvement required by the role. Apart from Harold Mitchell, who holds non-executive directorships at Crown Limited in Australia and in various community organisations referred to in his biography on page 42, none of the executive directors holds any external non-executive appointments.

Except as disclosed in Note 32 to the financial statements on page 109, 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 2010.

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:

	16 March 2011	31 December 2010	1 January 2010*
John Brady	30,000	30,000	–
Jerry Buhlmann	265,890	265,890	228,823
Simon Laffin	10,000	10,000	–
Harold Mitchell (appointed 15.12.10)	48,125,266	48,125,266	48,125,266
John Napier	100,000	100,000	100,000
Robert Philpott (appointed 18.3.10)	186,572	186,572	167,604
Nick Priday	2,046	2,046	–
Martin Read	15,000	15,000	–
Charles Strauss	40,000	40,000	40,000
Lorraine Trainer	33,200	33,200	33,200

* or at date of appointment if later than 1 January 2010

As at 16 March 2011 Jerry Buhlmann, Robert Philpott and Nick Priday were also deemed to have an interest in the 28,411,546 ordinary shares held by the Trustee of the Aegis Group Employee Share Trust, as potential beneficiaries under that Trust.

Dilution /

Investor guidelines recommend that the number of newly-issued shares used to satisfy awards under all share plans over any ten year period should be limited to 10% of a company's issued share capital. If all options granted had become exercisable on 31 December 2010 and new issue shares had been used to satisfy all exercises, the dilution would have been 3.36% 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 (all such options were granted for nil consideration):

Director	Options held at 01.01.10[(a)]	Granted during 2010	Lapsed during 2010	Exercised during 2010	Options held at 31.12.10	Exercise price	Date from which exercisable	Expiry Date
Jerry Buhlmann	43,995	–	–	–	43,995	94.00p	18.06.05	17.06.12
	72,414	–	72,414	–	–	145.00p	18.04.03	17.04.10
	96,033	–	–	–	96,033	119.75p	23.03.04	22.03.11
	300,000*	–	–	–	300,000	101.75p	31.03.08	30.03.15
	293,154*	–	–	–	293,154	134.00p	20.03.09	19.03.16
	271,646*	–	–	–	271,646	147.50p	23.03.10	22.03.17
Robert Philpott (appointed 18.03.10)	266,000	–	–	–	266,000	101.75p	31.03.08	30.03.15
	215,000	–	–	–	215,000	134.00p	20.03.09	19.03.16
	195,585	–	–	–	195,585	147.50p	23.03.10	22.03.17
Total	**1,753,827**	**–**	**72,414**	**–**	**1,681,413**			

(a) or at date of appointment if later than 1 January 2010

All options granted to Robert Philpott and those options granted to Jerry Buhlmann and marked with an asterisk were granted under the 2003 Executive Share Option Scheme and had the following performance conditions 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)

All other options granted to Jerry Buhlmann were granted under the closed 1995 Executive Share Option Scheme (whose performance condition required that EPS growth over the performance period exceeded RPI plus 5% per annum and that the Company's TSR performance be greater than that of the FTSE 100 company ranked 33rd over the performance period). It was possible to re-test the conditions annually over the life of the option if they were not achieved after three years, in each case measuring from the same base point.

REMUNERATION REPORT (continued)

Audited directors' share option interests / (continued)
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 2010 was 140.50p and the range during the year was 103.6p to 145.5p. The share price on 15 March 2011, the latest practicable date prior to signing of the Annual Report and Accounts, was 131.4p.

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

Name	Maximum potential award of shares at 01.01.10[(a)]	Awards granted during year	Awards lapsed during year	Awards vested during year	Maximum potential award of shares at 31.12.10	Performance period
Jerry Buhlmann	271,646	–	135,416	136,230*	–	01.01.07 to 31.12.09
	567,935	–	–	–	567,935	01.01.08 to 31.12.10
	96,920	–	–	–	96,920	01.01.08 to 31.12.10
	925,657	–	–	–	925,657	01.01.09 to 31.12.11
	–	1,918,159	–	–	1,918,159	01.01.10 to 31.12.12
Robert Philpott (appointed 18.03.10)	146,010	–	72,786	73,224*	–	01.01.07 to 31.12.09
	417,027	–	–	–	417,027	01.01.08 to 31.12.10
	618,362	–	–	–	618,362	01.01.09 to 31.12.11
	–	808,751	–	–	808,751	01.01.10 to 31.12.12
Nick Priday	–	511,509	–	–	511,509	01.01.10 to 31.12.12

(a) or at date of appointment if later than 1 January 2010

The market price of Aegis Group plc shares at the date of the 2007, 2009 and 2010 awards was 147.5p, 87.50p and 117.30p respectively. The market price of Aegis Group plc shares at the date of the June 2008 and August 2008 awards was 123.50p and 112.00p respectively.

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 Performance Share Plan awards are set out in the policy section of this report on pages 55 and 56.

Notes:
* details of vested awards:

Name	Number vested	Date of award	Market price at date of transfer	Gross gain
Jerry Buhlmann	136,230	23.03.07	126.50p	£172,330.95
Robert Philpott	73,224	23.03.07	130.09p	£95,257.10

Audited awards under the 2005 Performance Restricted Share Plan /
Robert Philpott and Nick Priday also hold awards under the 2005 Performance Restricted Share Plan, granted before their appointment as directors.

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

Name	Maximum potential awards of shares at 01.01.10[(a)]	Awards granted during year	Awards lapsed during year	Awards vested during year	Maximum potential award of shares at 31.12.10	Performance period
Robert Philpott (appointed 18.03.10)	500,000	–	–	–	500,000	01.01.09 to 31.12.11
Nick Priday	9,168	–	–	9,168*	–	01.01.07 to 31.12.09
	40,160	–	–	–	40,160	01.01.08 to 31.12.10
	85,714	–	–	–	85,714	01.01.09 to 31.12.11
	250,000	–	–	–	250,000	01.01.09 to 31.12.11

(a) or at date of appointment if later than 1 January 2010

Audited awards under the 2005 Performance Restricted Share Plan / (continued)

Notes:

* details of vested awards:

Name	Number vested	Date of award	Market price at date of transfer	Gross gain
Nick Priday	9,168	23.03.07	124.415p	£11,406.37

The market price of Aegis shares at the date of the awards granted in 2007 was 147.50p, for the 2008 awards was 124.50p and for the 2009 awards was respectively 87.50p (April 2009) and 102.90p (August 2009). Awards are provided in the form of nil cost options and vest in full provided the Company's average annual EPS growth over a three year performance period reaches 3% (RPI plus 3% in relation to awards granted up to 2010).

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.

Other share awards

Part of Jerry Buhlmann's 2008 bonus was deferred in the form of a grant of a nil-cost option over 33,591 ordinary 5p shares in March 2009. In common with many other deferred bonus schemes there are no performance conditions other than continued employment. It is anticipated that all 33,591 shares will vest on or shortly after 25 March 2011.

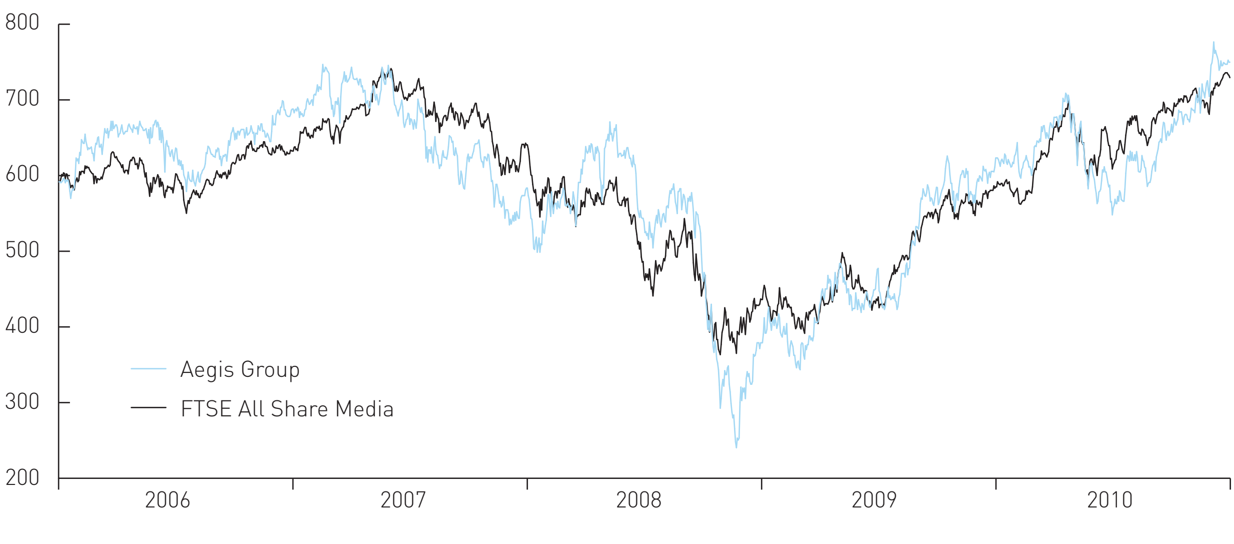
Shareholding guidelines /

The Company has share ownership guidelines which operate in tandem with the executive share incentive schemes introduced in 2003, namely the Performance Share Plan and the Executive Share Option Scheme. The guidelines were simplified in March 2011 and now require executive directors and other senior executives to retain in the form of shares for at least 2 years at least 35% of any profit made (after paying the exercise price and any tax liability) on the exercise of 2003 Executive Share Option Scheme options and the vesting of any Performance Share Plan awards. No further Performance Share Plan awards will be granted to executives who fail to retain shares in accordance with these guidelines.

Performance graph /

The following graph illustrates the Company's TSR between 31 December 2005 and 31 December 2010 relative to the FTSE All Share Media Index. Aegis Group plc is a member of the FTSE All Share Media Index and the Remuneration Committee considers that a comparison of the Company's TSR relative to similar businesses is more appropriate than a comparison with a general FTSE Index.

Aegis vs FTSE All Share Media Index TSR Performance



Source: Datastream

Lorraine Trainer
Chairman of the Remuneration Committee

16 March 2011

INDEPENDENT AUDITOR'S REPORT

To the Members of Aegis Group plc

We have audited the group financial statements of Aegis Group plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

Scope of the audit of the financial statements /

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

Opinion on financial statements /

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006 /

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception /

We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review;
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter /

We have reported separately on the parent company financial statements of Aegis Group plc for the year ended 31 December 2010.

William Touche (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

16 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Turnover		10,565.8	9,684.6
Revenue	4	1,459.4	1,346.5
Cost of sales		(221.9)	(199.5)
Gross profit		1,237.5	1,147.0
Operating expenses		(1,136.0)	(1,032.4)
Operating profit	4	101.5	114.6
Share of results of associates		3.5	0.2
Profit before interest and tax		105.0	114.8
Investment income	7	6.6	7.9
Finance costs	8	(43.6)	(31.5)
Net finance costs		(37.0)	(23.6)
Profit before tax		68.0	91.2
Tax	9	(25.0)	(27.0)
Profit for the financial year		43.0	64.2
Attributable to:			
Equity holders of the parent		41.2	62.7
Non-controlling interests		1.8	1.5
		43.0	64.2
Earnings per ordinary share:			
Basic (pence)	11	3.6	5.5
Diluted (pence)	11	3.6	5.5
Dividend per ordinary share (pence)	10	2.75	2.50
Underlying results:*			
Underlying operating profit	4	192.2	170.3
Underlying profit before tax	4	162.4	150.4
Underlying earnings per ordinary share:*			
Basic (pence)	11	10.3	9.6
Diluted (pence)	11	10.1	9.6

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

The accompanying notes form an integrated part of the consolidated financial statements.

Underlying profit before tax and underlying earnings per ordinary share are restated for prior year following a change in determining underlying finance costs, which now exclude imputed interest on deferred consideration. The restatement does not impact statutory results or underlying operating profit.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Profit for the financial year		43.0	64.2
Currency translation differences on foreign operations:			
– Group		42.1	(32.3)
– Non-controlling interests		0.5	(1.2)
Net investment hedges of foreign operations		3.4	(11.5)
Available-for-sale investments: movements taken to equity		–	0.5
Cash flow hedges: movements taken to equity	19	0.4	(5.7)
Actuarial loss recognised on defined benefit pension schemes	31	(0.2)	(0.1)
Tax on cash flow hedge movements taken to equity		(0.1)	1.6
Other comprehensive gains and losses recognised directly in equity		46.1	(48.7)
Total comprehensive income for the financial year		89.1	15.5
Attributable to:			
Equity holders of the parent		86.8	15.2
Non-controlling interests		2.3	0.3
		89.1	15.5

CONSOLIDATED BALANCE SHEET

At 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Goodwill	12	**1,331.1**	1,010.9
Intangible assets	13	**112.5**	85.5
Property, plant and equipment	14	**61.9**	59.9
Interests in associates and joint ventures	15	**48.5**	3.3
Deferred tax assets	20	**49.3**	25.5
Available-for-sale financial assets	16	**15.6**	14.9
Derivative financial assets	19	**8.5**	–
Other financial assets	19	**0.7**	0.7
		1,628.1	1,200.7
Current assets			
Work in progress		**18.5**	15.2
Trade and other receivables	17	**2,414.1**	2,006.2
Derivative financial assets	19	**3.2**	0.2
Cash and short-term deposits	19, 28	**394.4**	391.1
		2,830.2	2,412.7
Total assets		**4,458.3**	3,613.4
Current liabilities			
Trade and other payables	18	**(2,917.3)**	(2,365.1)
Borrowings	19	**(85.6)**	(43.2)
Derivative financial liabilities	19	**(13.4)**	(3.6)
Provisions	21	**(3.3)**	(2.3)
Current tax liabilities		**(9.0)**	(5.0)
		(3,028.6)	(2,419.2)
Net current liabilities		**(198.4)**	(6.5)
Non-current liabilities			
Borrowings	19	**(640.1)**	(605.1)
Other non-current liabilities	19, 26	**(35.6)**	(52.9)
Derivative financial liabilities	19	**(36.7)**	(54.8)
Provisions	21	**(4.7)**	(1.1)
Deferred tax liabilities	20	**(44.2)**	(35.8)
		(761.3)	(749.7)
Total liabilities		**(3,789.9)**	(3,168.9)
Net assets		**668.4**	444.5
Equity			
Share capital	22	**64.3**	58.1
Own shares	23	**(33.7)**	(23.3)
Share premium account	24	**395.8**	245.5
Other equity reserves		**20.4**	0.2
Foreign currency translation reserve		**109.6**	64.1
Retained earnings		**147.4**	134.5
Potential acquisition of non-controlling interests		**(48.9)**	(47.2)
Equity attributable to equity holders of the parent		**654.9**	431.9
Non-controlling interests		**13.5**	12.6
Total equity		**668.4**	444.5

These financial statements were approved by the Board of Directors on 16 March 2011 and were signed on its behalf by:

Jerry Buhlmann (Chief Executive Officer)

Nick Priday (Chief Financial Officer)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Cash flows from operating activities			
Cash inflows from operations	28	**232.5**	199.1
Income taxes paid		**(47.6)**	(34.2)
Net cash inflow from operating activities		**184.9**	164.9
Investing activities			
Interest received		**6.4**	8.2
Dividends received from associates		**0.1**	0.2
Net cash paid on purchase of subsidiary undertakings		**(81.8)**	(12.6)
Cash impact on disposal of subsidiary		**(8.1)**	2.7
Net cash paid on purchase of associated undertakings and joint ventures		**(36.0)**	–
Proceeds from disposal of associated undertakings		**–**	2.4
Payments of deferred consideration on prior period acquisitions		**(38.8)**	(60.9)
Purchase of property, plant and equipment and intangible assets		**(29.4)**	(27.4)
Proceeds from disposal of property, plant and equipment and intangible assets		**1.3**	1.4
Other investing activities		**(2.3)**	–
Net cash outflows from investing activities		**(188.6)**	(86.0)
Financing activities			
Dividends paid to equity holders of the parent		**(29.4)**	(28.5)
Dividends paid to non-controlling shareholders		**(2.2)**	(3.2)
Interest paid		**(33.0)**	(26.9)
Proceeds from borrowings		**230.2**	192.3
Repayments of loans		**(159.6)**	(215.5)
Proceeds on issue of ordinary share capital		**7.2**	2.1
Purchase of own shares		**(16.8)**	–
Other financing activities		**(2.2)**	(1.2)
Net cash outflows from financing activities		**(5.8)**	(80.9)
Net decrease in cash and cash equivalents	28	**(9.5)**	(2.0)
Translation differences		**14.7**	(19.5)
Cash and cash equivalents at beginning of year		**386.2**	407.7
Cash and cash equivalents at end of year	28	**391.4**	386.2
Represented by:			
Cash and short-term deposits		**394.4**	391.1
Bank overdrafts		**(3.0)**	(4.9)
Cash and cash equivalents at end of year	28	**391.4**	386.2

Analysis of net debt /

	1 January 2010 £m	Cash flow £m	Other non-cash movements £m	Exchange movements £m	31 December 2010 £m
Cash and cash equivalents	386.2	(9.5)	–	14.7	**391.4**
Gross debt net of issue costs	(643.4)	(70.6)	14.5	(23.2)	**(722.7)**
Total	(257.2)	(80.1)	14.5	(8.5)	**(331.3)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share Capital £m	Shares to be issued £m	Own shares £m	Share premium account £m	Other equity reserves* £m	Foreign currency translation reserve £m	Retained earnings £m	Potential acquisition of non-controlling interests £m	**Sub-total £m**	Non-controlling interest £m	**Total equity £m**
At 1 January 2009	58.0	4.0	(30.6)	243.5	0.2	107.9	102.9	(43.4)	**442.5**	17.3	**459.8**
Profit for the year	–	–	–	–	–	–	62.7	–	**62.7**	1.5	**64.2**
Currency translation differences on foreign operations	–	–	–	–	–	(32.3)	–	–	**(32.3)**	(1.2)	**(33.5)**
Net investment hedges of foreign operations	–	–	–	–	–	(11.5)	–	–	**(11.5)**	–	**(11.5)**
Available-for-sale investments: movements taken to equity	–	–	–	–	–	–	0.5	–	**0.5**	–	**0.5**
Cash flow hedges: movements taken to equity	–	–	–	–	–	–	(5.7)	–	**(5.7)**	–	**(5.7)**
Actuarial loss recognised on defined benefit pension schemes	–	–	–	–	–	–	(0.1)	–	**(0.1)**	–	**(0.1)**
Tax on cash flow hedge movements taken to equity	–	–	–	–	–	–	1.6	–	**1.6**	–	**1.6**
Total comprehensive income and expense	–	–	–	–	–	(43.8)	59.0	–	**15.2**	0.3	**15.5**
New share capital subscribed	0.1	–	–	2.0	–	–	–	–	**2.1**	–	**2.1**
Purchase of shares by ESOP	–	–	–	–	–	–	–	–	**–**	–	**–**
Shares awarded by ESOP	–	–	7.3	–	–	–	(7.3)	–	**–**	–	**–**
Credit for share-based incentive schemes	–	–	–	–	–	–	7.1	–	**7.1**	–	**7.1**
Other movements	–	(4.0)	–	–	–	–	1.3	(3.8)	**(6.5)**	(1.8)	**(8.3)**
Dividends	–	–	–	–	–	–	(28.5)	–	**(28.5)**	(3.2)	**(31.7)**
At 1 January 2010	58.1	–	(23.3)	245.5	0.2	64.1	134.5	(47.2)	**431.9**	12.6	**444.5**
Profit for the year	–	–	–	–	–	–	41.2	–	**41.2**	1.8	**43.0**
Currency translation differences on foreign operations	–	–	–	–	–	42.1	–	–	**42.1**	0.5	**42.6**
Net investment hedges of foreign operations	–	–	–	–	–	3.4	–	–	**3.4**	–	**3.4**
Cash flow hedges: movements taken to equity	–	–	–	–	–	–	0.4	–	**0.4**	–	**0.4**
Actuarial loss recognised on defined benefit pension schemes	–	–	–	–	–	–	(0.2)	–	**(0.2)**	–	**(0.2)**
Tax on cash flow hedge movements taken to equity	–	–	–	–	–	–	(0.1)	–	**(0.1)**	–	**(0.1)**
Total comprehensive income and expense	–	–	–	–	–	45.5	41.3	–	**86.8**	2.3	**89.1**
New share capital subscribed	6.2	–	–	150.3	–	–	–	–	**156.5**	–	**156.5**
Purchase of shares by ESOP	–	–	(16.8)	–	–	–	–	–	**(16.8)**	–	**(16.8)**
Shares awarded by ESOP	–	–	6.4	–	–	–	(6.4)	–	**–**	–	**–**
Credit for share-based incentive schemes	–	–	–	–	–	–	8.3	–	**8.3**	–	**8.3**
Convertible bond issue and reclass of convertible bond imputed interest	–	–	–	–	20.2	–	3.0	–	**23.2**	–	**23.2**
Transactions with NCI	–	–	–	–	–	–	(3.4)	0.5	**(2.9)**	0.3	**(2.6)**
Other movements					–	–	(0.5)	(2.2)	**(2.7)**	0.5	**(2.2)**
Dividends	–	–	–	–	–	–	(29.4)	–	**(29.4)**	(2.2)	**(31.6)**
At 31 December 2010	64.3	–	(33.7)	395.8	20.4	109.6	147.4	(48.9)	**654.9**	13.5	**668.4**

* The other equity reserves include the capital redemption reserve and the equity component of the convertible bond.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. General information /

Aegis Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 124. The nature of the Group's operations and its principal activities are set out in note 4 and in the Directors' Report on pages 44 to 47.

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

2. Basis of preparation /

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union and comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the going concern basis of accounting for the reasons set out in the Directors' report on page 47.

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

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

IFRS 7 (amended) Disclosures – Transfers of Financial Assets

IAS 24 (revised 2009) Related Party Transactions

IFRS 9 Financial Instruments

Improvements to IFRSs (May 2010)

Amendments to IAS 12 (Dec 2010)

Amendments to IFRS 1 (Dec 2010)

Amendments to IAS 32 (Oct 2009)

Amendments to IFRIC 14 (Nov 2009)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Group plans to adopt IFRS 9 Financial Instruments for the year beginning on 1 January 2013. The Directors anticipate that the adoption of IFRS 9 will have a material impact on the accounting for fair value hedges and the measurement of the hedged items under fair value hedging relationships. This change will have no net impact on profit or loss, but will lead to additional movements recognised within equity. There would also be additional disclosure requirements around financial instruments.

The Directors anticipate that, with the exception of IFRS 9 Financial Instruments, the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

Adoption of standards

In the current financial year, the Group has adopted IFRS 3 (revised 2008) Business Combinations and IAS 27 (revised 2008) Consolidated and Separate Financial Statements.

Following adoption of these standards, the Group has prospectively applied the policies for business combinations and changes in ownership of controlled entities effected from 1 January 2010 see note 3 "Business combinations" and "Goodwill". As part of the adoption of these standards, the Group is required to rename 'Minority interests' as 'Non-controlling interests' (NCI). Accordingly, the 'Potential acquisition of minority interests' reserve is renamed the 'Potential acquisition of non-controlling interests' reserve.

The Directors expect that the adoption of this standard will lead to greater income statement volatility, since the Group will be required to recognise acquisition costs and changes in deferred consideration estimates arising on business combinations effected from 1 January 2010 in the income statement.

In addition to the standards discussed above, the following standards and interpretations were adopted by the Group in the current period. These standards have no effect on the financial statements of the Group.

IFRS 2 (amended) Group Cash-Settled Share-Based Payment Transactions
IAS 39 (amended) Eligible Hedged Items and Embedded Derivatives on Reclassifications of Financial Assets
IFRIC 17 Distributions of Non-Cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers
Improvements to IFRSs (April 2009)

The Group did not adopt IFRS for small and medium-sized entities as the Group is a listed entity, and hence falls outside the scope of this Standard. All of the amendments to IFRS 1 that were effective on or after period Jan 2010 were not applicable to the Group as the Group is not a first time adopter of IFRS, and hence were not adopted.

2. Basis of preparation / (continued)

Underlying profit

The Group believes that underlying results (note 4) and underlying earnings per share (note 11) provide additional useful information on underlying trends to shareholders. These measures are used for internal performance analysis and incentive compensation arrangements for employees. The term underlying is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measurements of profit. In the opinion of the Directors, such adjusting items are material by nature or amount, and may include impairment charges, profits and losses on disposals of investments, amortisation of purchased intangible assets (being amortisation charged on separately identifiable intangible assets in acquired businesses), unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and one-off items which are material by nature or amount in the opinion of the Directors, and any related tax thereon, as appropriate. Adjusting items may also include specific tax items such as the benefit arising on the reduction of certain tax liabilities in a particular 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.

In 2010, the Group has adopted the revised accounting standard for acquisition accounting, IFRS 3 (revised 2008) Business Combinations. This standard will lead to greater income statement volatility, as discussed above. These income statement movements will not be considered to form part of the Group's underlying performance.

In order to align with the accounting for such movements as non-underlying, imputed interest arising due to discounting of deferred consideration liabilities is also removed from underlying results in the current year and in the stated comparatives for 2009 full year. The impact of the restatement is a reduction of £1.1m in the 2009 full year underlying finance costs. This leads to an increase in underlying profit before tax and underlying profit after tax by £1.1m and an increase in underlying basic EPS and underlying diluted EPS by 0.1p in the 2009 full year comparative. The restatement has no impact on tax charges in either period but leads to a restatement of the effective underlying tax rate as given in note 9. There is no impact on statutory profit measures.

3. Accounting policies /

Principal accounting policies

The principal accounting policies set out below have been consistently applied to all the periods presented in this Annual Report.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the results, cash flows and net assets of Aegis Group plc and the entities controlled by it (its subsidiaries) after eliminating internal transactions and recognising any non-controlling interests in those entities drawn up to 31 December each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities. Where subsidiaries are acquired or disposed of in the year, their results and cash flows are included from the effective date of acquisition or up to the effective disposal date.

Where a consolidated company is less than 100% owned by the Group, the non-controlling interest share of the results and net assets are recognised at each reporting date. The interests of non-controlling shareholders are ordinarily measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets, but may alternatively be initially measured at fair value. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where a business combination is achieved in stages, on the date control is achieved the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, with any resulting gain or loss presented in profit or loss. Any amounts previously deferred in other comprehensive income are recognised on the same basis as if the Group had directly disposed of the equity interest.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of the reclassified investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

3. Accounting policies / (continued)

Basis of consolidation (continued)

(a) Subsidiaries (continued)

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

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

Aegis Media GmbH & Co. KG, Central Services, Wiesbaden

CARAT Wiesbaden GmbH & Co. KG Media-Service, Wiesbaden

HMS GmbH & Co. KG Media-Service, Wiesbaden

CARAT Hamburg GmbH & Co. KG. Media-Service, Hamburg

21 TwentyOne GmbH & Co. KG Markenberatung, Wiesbaden

Mediaagentur Dr. Pichutta GmbH & Co.KG, Wiesbaden

(b) Associates

Associates are entities in which the Group has a participating interest, over whose operating and financial policies it exercises significant influence and which are neither subsidiaries nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The reporting dates and accounting policies used by the Group's associates are the same as those used by the Group.

The Group's associates are accounted for using the equity method of accounting. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill within the associates carrying amount and is assessed for impairment as part of that investment. The Group's share of its associates' post-acquisition profits or losses and any impairment of goodwill is recognised in the income statement and as a movement in the Group's share of associates' net assets in the balance sheet. Its share of any post-acquisition movements in reserves is recognised directly in equity. Losses of the associates in excess of the Group's interest in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(c) Joint ventures

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

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes contingent consideration, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration are adjusted against the cost of the acquisition when they qualify as measurement period adjustments (see below), or otherwise are accounted for as fair value changes in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is recognised in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts. Provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

For acquisitions completed prior to 1 January 2010, the revaluation of contingent consideration does not result in an entry to profit or loss, but is adjusted against the carrying amount of associated goodwill. Such contingent consideration liabilities are discounted and an imputed interest charge is included in the income statement.

Income statement movements in relation to changes to the fair value of contingent consideration are not considered to be part of the Group's underlying profit. Therefore, concurrent with the adoption of IFRS 3 (2008), imputed interest on deferred consideration is also excluded from underlying profit, as explained in the 'Underlying profit' section in note 2.

3. Accounting policies / (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

Following initial recognition, goodwill is not amortised but is carried at cost less any accumulated impairment losses. Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at net book value as at that date less any subsequent accumulated impairment losses.

Goodwill impairment

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The Group's CGUs are given in note 12.

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. Fair value is calculated based on the Group's valuation methodology, using discounted cash flows, charges avoided or replacement costs as appropriate.

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

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

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

Intangible assets (both internally generated and separately acquired) are amortised to residual values on a straight-line basis over the useful economic life of the asset as follows:

Software	20% to 50% per annum
Customer relationships	20% per annum
Panel costs	33% per annum
Patents and trademarks	Nil to 20% per annum
Non compete agreements	14% to 50% per annum
Intellectual Property	33% 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

3. Accounting policies / (continued)

Property, plant and equipment

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

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (both internally generated and separately acquired) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The 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 CGU 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.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

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

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

Turnover and revenue

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

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

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

For the market research business, revenue is recognised based on the stage of completion of each project, which is indicated by the satisfactory completion of a specific phase of a project. Provision is made for losses on a project as soon as it becomes clear that a loss will arise. Invoices raised during the course of a project are booked as deferred income on the balance sheet until such a time as the related revenue is recognised in the income statement.

3. Accounting policies / (continued)

Cost of media

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

Investment income

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

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

Share-based payment transactions

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

Certain employees receive remuneration in the form of share-based payments, including shares or rights over shares. The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments concerned at the date at which they are granted. The fair value is determined by an external valuer using a stochastic model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

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

Retirement benefits

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

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

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

Actuarial gains and losses are recognised immediately outside the income statement and are presented in the consolidated statement of comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Foreign currencies

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

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

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

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

For consolidation purposes, the trading results and cash flows arising in operations with non-sterling functional currencies are translated into sterling at average exchange rates for the period. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Exchange differences arising upon consolidation are taken directly to reserves. In the event of the disposal of an operation the cumulative effect of such translation is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

3. Accounting policies / (continued)

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. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight-line basis.

Taxation

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

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

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

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

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

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

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

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

Financial instruments

Financial assets

Financial assets are accounted for on the trade date. The Group's financial assets principally include the following:

Cash and short term deposits

Cash and short term deposits include cash at bank and in hand and highly liquid deposits with an original maturity of three months or less which are subject to an insignificant risk of changes in value. Bank overdrafts are deducted from cash and short term deposits to give cash and cash equivalents in the cash flow statement.

Trade receivables

Trade receivables are initially recorded at the invoiced value and subsequently reduced by appropriate allowances for estimated irrecoverable amounts. Current trade receivables do not carry any interest charge. Interest may be charged on overdue balances.

Available-for-sale financial assets

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

Impairment of financial assets

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

3. Accounting policies / (continued)

Financial instruments (continued)

Financial liabilities and equity

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

Bank borrowings

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

Trade payables

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity instruments. Equity instruments issued by the Company are recorded at the value of 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.

Compound instruments

The Group issued £190.6m convertible bonds in April 2010. The convertible bonds are regarded as compound financial instruments. The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, in the case of a convertible bond denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate that the Group could achieve for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included within equity in the Other Equity Reserves and is not subsequently remeasured.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity. The non-cash element of the interest charge is reclassified within equity at each period end to exclude the impact of the accounting charge from Retained Earnings. This element of the charge is recognised within the Other Equity Reserves.

Derivative financial instruments

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

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

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Where such changes are intended to provide a natural hedge of a particular risk, the income statement classification reflects this.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in equity are retained until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period. Note 19 includes further information on hedge accounting as applied by the Group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

3. Accounting policies / (continued)

Financial instruments (continued)

Derivative financial instruments (continued)

Liabilities in respect of option agreements with non-controlling shareholders

The Group is party to a number of put and call options over the remaining non-controlling stakes in its subsidiaries. In accordance with IAS 39, put options are treated as derivatives over equity instruments and are recorded at fair value on initial recognition with a corresponding decrease in reserves. Fair value is calculated based on the discounted value of expected future payments.

Subsequent changes in the fair value of the liability are recognised as movements in the income statement. Exercise and settlement of a put option liability is treated as an equity transaction, as explained in note 3(a) on page 69.

Accounting estimates and uncertainties

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

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

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

- **Contingent deferred consideration and put option payments in respect of acquisitions**
  The Group determines the amount of deferred consideration to be recognised according to the formulae agreed at time of acquisition, normally related to the future earnings of the acquired entity. Estimates of the expected future earnings of the acquired entity therefore affect the valuation of deferred consideration. The liability for deferred consideration is reviewed at each balance sheet date and revaluation entries are applied, if required, to deferred consideration and either goodwill or profit or loss in accordance with the Group's accounting policy for business combinations, discussed above

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

  Key areas of judgement in calculating the fair value of the put option liabilities are the expected future cash flows and earnings of the acquired entity and the discount rate

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

  The fair value is expensed on a straight-line basis over the vesting period of the grant. The vesting period charge is calculated with reference to the estimated number of awards that are expected to vest, as determined by the anticipated number of leavers during the vesting period and based on an annual assessment of non-market performance conditions attached to certain awards. See note 30 for further details

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

- **Impairment**
  In determining whether an impairment loss has arisen on goodwill or intangible assets the Group makes judgements over the value in use of its CGUs. In calculating the value in use of a CGU the Group makes estimates of future forecast cash flows and discount rates to derive a net present value of these cash flows and determine if an impairment has occurred. Key areas of judgement include the determination of the long term growth rate applicable to each CGU and the determination of the CGUs themselves. See note 12 for further details

3. Accounting policies / (continued)

Accounting estimates and uncertainties (continued)

– **Taxation**

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

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

– **Deferred tax**

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

4. Segment reporting /

Business segments

The segmentation of the Group's results is driven by information provided to the Group's chief operating decision-maker, the Board of Directors. Information reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance focuses on the two business divisions through which the Group operates: Aegis Media and Synovate. This segment presentation reflects the management structure of the Group. These divisions, which operate in the media and market research sectors respectively, are therefore the Group's reportable segments under IFRS 8. Intersegment trading is not significant to either operating segment and no intersegment trading information is included in reports to the Board of Directors. Therefore all information reported below relates to external trade.

The accounting policies of the reportable segments are the same as the Group's accounting policies, which are described in note 3. Segment result represents segment underlying operating profit, which is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance. The Board of Directors also monitors the tangible, intangible and financial assets attributable to each segment. All assets and liabilities are allocated to reportable segments with the exception of centrally-managed financial instruments, tax and other centrally-managed balances. Goodwill is allocated to the segments as described in note 12.

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

Underlying performance

	2010 Revenue £m	2010 Result £m	2009 Revenue £m	2009 Result £m
Aegis Media	**886.8**	**164.7**	825.2	150.4
Synovate	**572.6**	**45.6**	521.3	36.9
Reportable segment revenue / result	**1,459.4**	**210.3**	1,346.5	187.3
Corporate costs	**–**	**(18.1)**	–	(17.0)
	1,459.4	**192.2**	1,346.5	170.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

4. Segment reporting / (continued)

Business segments

Synovate achieved gross profit (or net revenue), after external direct costs, of £350.7m (2009: £321.8m). See below for a reconciliation of reportable segment results to statutory results:

2010	Underlying results £m	Amortisation of purchased intangibles £m	Acquisition costs £m	Disposal of subsidiaries & associates[1] £m	Exceptional debtor impairment £m	UK property move costs £m	IAS 39 adjustments[2] £m	Deferred tax adjustment[3] £m	Statutory results £m
Aegis Media	**164.7**	(19.9)	–	(12.2)	(37.0)	(7.6)	–	–	88.0
Synovate	**45.6**	(6.6)	–	(1.7)	–	–	–	–	37.3
Reportable segment result	**210.3**	(26.5)	–	(13.9)	(37.0)	(7.6)	–	–	125.3
Corporate	**(18.1)**	–	(4.5)	–	–	(1.2)	–	–	(23.8)
Operating profit	**192.2**	(26.5)	(4.5)	(13.9)	(37.0)	(8.8)	–	–	101.5
Share of results of associates	**4.0**	(2.0)	–	1.5	–	–	–	–	3.5
Profit before interest and tax	**196.2**	(28.5)	(4.5)	(12.4)	(37.0)	(8.8)	–	–	105.0
Investment income	**6.6**	–	–	–	–	–	–	–	6.6
Finance costs	**(40.4)**	–	–	–	–	–	(3.2)	–	(43.6)
Net finance costs	**(33.8)**	–	–	–	–	–	(3.2)	–	(37.0)
Profit before tax	**162.4**	(28.5)	(4.5)	(12.4)	(37.0)	(8.8)	(3.2)	–	68.0
Tax	**(40.4)**	6.9	–	1.6	11.1	–	–	(4.2)	(25.0)
Profit after tax	**122.0**	(21.6)	(4.5)	(10.8)	(25.9)	(8.8)	(3.2)	(4.2)	43.0

(1) The net loss incurred on disposal or closure of subsidiaries, and the gain on disposal or deemed disposal of associates, includes the impairment of goodwill where relevant and any reclassification of cumulative exchange gains or losses.
(2) IAS 39 adjustments comprise gains of £0.2m on revaluation of put option liabilities, an imputed interest charge of £(1.0)m to release deferred consideration discounting, and losses of £(0.4)m and £(2.0)m on revaluation of non-hedge derivatives and impairment of available-for-sale financial assets respectively.
(3) Deferred tax adjustment for tax amortisation of goodwill.

The total impact of adjusting items between underlying and statutory profit after tax is £79.0m, as presented above, £77.4m of which is attributable to equity holders of the parent.

2009	Underlying results £m	Restructuring costs £m	Disposal of subsidiaries & associates[1] £m	Amortisation of purchased intangibles £m	IAS 39 adjustments[2] £m	Deferred tax adjustment[3] £m	Statutory results £m
Aegis Media	150.4	(10.7)	(1.0)	(18.5)	–	–	120.2
Synovate	36.9	(19.2)	–	(5.7)	–	–	12.0
Reportable segment result	187.3	(29.9)	(1.0)	(24.2)	–	–	132.2
Corporate	(17.0)	(0.6)	–	–	–	–	(17.6)
Operating profit	170.3	(30.5)	(1.0)	(24.2)	–	–	114.6
Share of results of associates	(0.3)	–	0.5	–	–	–	0.2
Profit before interest and tax	170.0	(30.5)	(0.5)	(24.2)	–	–	114.8
Investment income	7.9	–	–	–	–	–	7.9
Finance costs	(27.5)	–	–	–	(4.0)	–	(31.5)
Net finance costs	(19.6)	–	–	–	(4.0)	–	(23.6)
Profit before tax	150.4	(30.5)	(0.5)	(24.2)	(4.0)	–	91.2
Tax	(38.1)	6.6	–	6.4	–	(1.9)	(27.0)
Profit after tax	112.3	(23.9)	(0.5)	(17.8)	(4.0)	(1.9)	64.2

(1) The net loss incurred on disposal or closure of subsidiaries, and the gain on disposal or deemed disposal of associates, include the impairment of goodwill where relevant and any reclassification of cumulative exchange.
(2) IAS 39 adjustments comprise gains of £13.5m on revaluation of put option liabilities on imputed interest charge of £1.1m to release deferred consideration discounting, and losses of £10.0m and £6.4m on revaluation of non-hedge derivatives and impairment of available-for-sale investments respectively.
(3) Included in other tax adjustments is deferred tax adjustment for tax amortisation of goodwill of £5.0m.

The total impact of adjusting items between underlying and statutory profit after tax for 2009 was £48.1m, as presented above. The 2009 underlying results are restated to exclude imputed interest arising due to discounting of deferred consideration as explained in note 2. Adjusting items of £46.6m are attributable to equity holders of the parent in 2009.

4. Segment reporting / (continued)

Segment assets and other segment information

2010	Assets £m	Liabilities £m	Depreciation and amortisation £m	Additions to non-current assets £m	Impairment* £m
Aegis Media	**3,626.5**	**(2,851.6)**	**38.5**	**359.1**	**10.2**
Synovate	**726.9**	**(210.6)**	**15.9**	**27.1**	**5.6**
Reportable segment total	**4,353.4**	**(3,062.2)**	**54.4**	**386.2**	**15.8**
Borrowings not allocated to reportable segments	**–**	**(637.8)**	**–**	**–**	**–**
Other items not allocated to reportable segments	**104.9**	**(89.9)**	**3.4**	**1.6**	**–**
Consolidated total	**4,458.3**	**(3,789.9)**	**57.8**	**387.8**	**15.8**

* The impairment charge predominantly relates to disposals and closures during the year, as shown in the reconciliation of reportable segment results to statutory segment results given above.

2009	Assets £m	Liabilities £m	Depreciation and amortisation £m	Additions to non-current assets £m	Impairment £m
Aegis Media	2,899.8	(2,325.0)	38.6	32.4	6.4
Synovate	700.5	(197.3)	16.5	8.4	0.2
Reportable segment total	3,600.3	(2,522.3)	55.1	40.8	6.6
Borrowings not allocated to reportable segments	–	(573.3)	–	–	–
Other items not allocated to reportable segments	13.1	(73.3)	0.8	0.7	–
Consolidated total	3,613.4	(3,168.9)	55.9	41.5	6.6

Revenues from major products and services

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

Geographical information

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

	Revenue		Non-current assets	
	2010 £m	2009 £m	**2010 £m**	2009 £m
UK	**181.5**	184.7	**177.1**	146.0
USA	**280.6**	247.8	**349.6**	341.3
Other	**997.3**	914.0	**1,101.4**	713.4
Consolidated total	**1,459.4**	1,346.5	**1,628.1**	1,200.7

Major customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

5. Operating profit /

Operating profit has been arrived at after charging:

	2010 £m	2009 £m
Net foreign exchange losses	2.9	0.1
Depreciation of property, plant and equipment	22.7	23.7
Amortisation of intangible assets included in operating expenses	35.1	32.2
Loss on disposal of subsidiaries and related impairment	13.9	1.0
Operating lease expense (see note 29)	60.2	61.9
Staff costs (see note 6)	720.8	665.5

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

	2010 £m	2010 %	2009 £m	2009 %
Audit fees				
Fees payable to the company's auditors for the audit of the company's annual accounts	0.3	6.4%	0.3	7.3%
Fees payable to the company's auditors and their associates for other services to the group:				
– The audit of the company's subsidiaries pursuant to legislation	3.2	68.1%	3.1	75.6%
Total audit fees	3.5	74.5%	3.4	82.9%
Non audit fees				
– Other services pursuant to legislation (interim review)	0.1	2.1%	0.1	2.4%
– Tax services	0.4	8.5%	0.2	4.9%
– Other services	0.7	14.9%	0.4	9.8%
Total non-audit fees	1.2	25.5%	0.7	17.1%
Total fees paid to the company's auditors	4.7	100.0%	4.1	100.0%

A description of the work of the Audit Committee is set out in the corporate governance statement on page 51 and includes an explanation of how auditor objectivity is safeguarded when non-audit services are provided by the auditors.

6. Staff costs /

The average monthly number of employees was:

	2010 Number	2009 Number
Aegis Media	10,247	9,408
Synovate	6,292	6,501
Corporate	39	40
	16,578	15,949

Staff costs consist of:

	2010 £m	2009 £m
Wages, salaries, bonus and benefits	625.4	570.4
Social security costs	83.6	82.1
Other pension costs	11.8	13.0
	720.8	665.5

Wages, salaries, bonus and benefits includes a share-based payment charge of £8.3m (2009: £7.1m). See note 30.

7. Investment income /

	2010 £m	2009 £m
Interest receivable	6.6	7.9

Interest receivable includes £0.1m (2009: £0.4m) in respect of the expected return on pension scheme assets (see note 31).

8. Finance costs /

	2010 £m	2009 £m
Interest payable on bank loans and overdrafts	(4.4)	(3.3)
Interest payable on loan notes, other loans and pension scheme liabilities	(32.6)	(23.2)
	(37.0)	(26.5)
Exchange movements on financing items	(0.7)	1.1
Amortisation of financing costs and fees	(2.7)	(2.1)
Imputed interest on deferred consideration	(1.0)	(1.1)
Fair value movements on acquisition put options	0.2	13.5
Fair value movements on non-hedge derivatives	(0.4)	(10.0)
Fair value movement arising on derivatives in a designated fair value hedge	7.6	(3.5)
Adjustment to hedged items in a designated fair value hedge	(7.6)	3.5
Impairment of available-for-sale financial assets	(2.0)	(6.4)
	(43.6)	(31.5)

Exchange movements on financing items includes fair value movements in derivative instruments intended to provide a natural hedge of exchange rate risk. Information on the Group's designated fair value hedges is given in note 19.

9. Tax on profit on ordinary activities /

The tax charge is made up of the following:

	2010 £m	2009 £m
Current tax – UK taxation at 28.0% (2009: 28.0%)	1.9	–
Current tax – overseas	43.5	27.7
Adjustments in respect of prior years	4.5	(1.8)
	49.9	25.9
Deferred tax (note 20)	(24.9)	1.1
	25.0	27.0

The underlying effective tax rate on underlying profits for the year ended 31 December 2010 is 24.89% (2009: 25.33%, restated per note 2).

The tax charge for the year ended 31 December 2010 is £25.0m (2009: £27.0m) representing an effective tax rate (including deferred tax on goodwill) on statutory profits of 36.81% (2009: 29.61%). The tax charge for the year ended 31 December 2010 includes a deferred tax expense of £4.2m (2009: £5.0m) for tax deductions in respect of goodwill. IFRS requires that such deferred tax is recognised even if a liability would only unwind on the eventual sale or impairment of the business in question.

UK Corporation tax is calculated at 28.0 % (2009: 28.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

9. Tax on profit on ordinary activities / (continued)

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

	2010 £m	2009 £m
Profit before taxation	68.0	91.2
Tax at the UK corporation tax rate of 28.0% (2009: 28.0%)	19.0	25.5
Adjustments in respect of prior years	4.5	(1.8)
Tax effect of income/expenditure that is not taxable/deductible	4.9	2.5
Rate differences on overseas earnings	(2.2)	(3.0)
Tax losses carried forward in the period: UK	3.2	1.2
Tax losses utilised in the period: overseas	(1.7)	0.5
Impact of short term temporary differences not recognised for deferred tax	(2.7)	2.1
Tax expense for the year	25.0	27.0
Effective rate of statutory tax charge on statutory profits	36.81%	29.61%

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

IAS 1 requires income from associates to be presented net of tax on the face of the income statement and not in the Group's tax charge. Associates' tax included within 'share of results of associates' for the year ended 31 December 2010 is £0.1m (2009: £0.1m).

10. Dividends /

	2010	2009
Ordinary shares of 5p each		
Dividend rate per share for the period (pence)	2.75	2.50
Declared and paid during the period	£m	£m
Final dividend for 2008 of 1.54p per share	–	17.8
Interim dividend for 2009 of 0.96p per share	–	11.1
Final dividend for 2009 of 1.54p per share	17.9	–
Interim dividend for 2010 of 1.025p per share	12.0	–
	29.9	28.9
Proposed but not yet declared or paid at the balance sheet date	£m	£m
Final dividend for 2009 of 1.54p per share	–	17.9
Final dividend for 2010 of 1.725p per share	22.2	–
	22.2	17.9

The employee share trust has an ongoing arrangement with the Group to waive all dividends. As a result, the total cash paid in settlement of the final dividend for 2009 was £17.7m and the total cash paid in respect of the interim dividend for 2010 was £11.7m. Based on the number of shares held by the employee share trust as at 31 December 2010, the expected cash payment in settlement of the 2010 final dividend is £21.7m.

The final dividend for 2010, if approved, will be paid on 6 July 2011 to all ordinary shareholders on the register at 17 June 2011.

11. Earnings per share /

	2010	2009
Profit for the year		
Profit for the year attributable to equity holders of the parent for the calculation of basic and diluted EPS (£m)	41.2	62.7
Adjusting items (note 4) (£m)	77.4	46.6
Underlying profit for the year attributable to equity holders of the parent for the calculation of underlying basic EPS (£m)	118.6	109.3
Finance costs due to convertible bond (net of tax) (£m)	6.7	–
Underlying profit for the year attributable to equity holders of the parent for the calculation of underlying diluted EPS (£m)	125.3	109.3
Weighted average number of ordinary shares (millions)		
Basic weighted average number of ordinary shares	1,156.8	1,138.5
Dilutive potential ordinary shares: employee share options	1.5	0.6
Diluted weighted average number of ordinary shares for statutory diluted EPS	1,158.3	1,139.1
Dilutive potential ordinary shares: convertible bond	81.0	–
Diluted weighted average number of shares for underlying diluted EPS	1,239.3	1,139.1
Basic earnings per share (pence)	3.6	5.5
Diluted earnings per share (pence)	3.6	5.5
Underlying basic earnings per share (pence)	10.3	9.6
Underlying diluted earnings per share (pence)	10.1	9.6

The calculation of basic and diluted earnings per share is based on profit after tax and non-controlling interests. The weighted average number of shares excludes the Group's interest in own shares held through an employee share trust.

On 20 April 2010 the Group issued £190.6m convertible bonds due April 2015, bearing interest at 2.5%. In calculating underlying diluted earnings per share above, the potential ordinary shares to be issued on conversion are added to the diluted weighted average number of shares, as if the bonds had converted on 20 April 2010. The underlying profit for the year attributable to equity holders of the parent is also adjusted to include the interest and finance charges that would have been avoided if the bonds had converted on 20 April 2010. This treatment has not been applied for statutory earnings per share, as the convertible bonds are accretive to statutory earnings per share.

Changes in the Group's accounting policies during the year are described in note 2. The adoption of IFRS 3 (revised 2008) and the associated alignment of the treatment of imputed interest on deferred consideration liabilities have the effect of increasing underlying EPS by 0.1p (2009: increasing underlying EPS by 0.1p) and have no impact on statutory EPS.

12. Goodwill /

Cost	£m
At 1 January 2009	**1,139.8**
Additions	9.7
Other acquisition adjustments	6.7
Adjustments to prior period estimates of deferred consideration	(66.8)
Exchange differences	(53.3)
At 31 December 2009	**1,036.1**
Additions	260.0
Other acquisition adjustments	(0.4)
Adjustments to prior period estimates of deferred consideration	15.9
Exchange differences	55.4
At 31 December 2010	**1,367.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

12. Goodwill / (continued)

Accumulated impairment losses	£m
At 1 January and 31 December 2009	**25.2**
Impairment losses for the year	10.7
At 31 December 2010	**35.9**

Carrying amount	£m
At 31 December 2010	**1,331.1**
At 31 December 2009	1,010.9

The adjustments to prior period estimates of deferred consideration relate to acquisitions completed prior to 1 January 2010, which continue to be accounted for under IFRS 3 (2004). Therefore such changes in estimate affect goodwill rather than profit or loss.

Goodwill is allocated for impairment testing purposes to cash generating units (CGUs) which reflect how it is monitored for internal management purposes. This allocation largely represents the geographic areas of operation for the Group's two divisions as set out below.

	2010 £m	2009 £m
Aegis Media:		
– Europe, Middle East & Africa	**305.9**	292.6
– Americas	**195.2**	172.9
– Asia Pacific	**382.2**	117.0
– Total	**883.3**	582.5
Synovate:		
– Europe, Middle East & Africa	**163.4**	156.7
– Americas	**189.4**	188.3
– Asia Pacific	**95.0**	83.4
– Total	**447.8**	428.4
	1,331.1	1,010.9

The recoverable amount of a CGU is determined based on value-in-use calculations. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and management forecasts for the subsequent three years. These calculations reflect management's experience and future expectations of the markets in which the CGU operates. Long term average growth rates used in the projections range between 3.0% (for mature markets) and 5.0% (for higher growth markets) and vary with management's view of the CGU's market position and maturity of the relevant market. The pre-tax rate used to discount the forecast cash flows is 11.5% for mature markets and 12.5% for the developing markets in Asia Pacific.

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

Goodwill allocated to the Aegis Media Europe, Middle East and Africa CGU is significant in comparison with the total amount of goodwill. The goodwill of £305.9m has arisen on a large number of individually small acquisitions. Goodwill allocated to the Aegis Media Asia Pacific CGU is also significant in comparison with the total amount of goodwill. The goodwill of £382.2m has arisen on the 2010 acquisition of Mitchell Communication Group as well as a large number of other individually small acquisitions.

As with the approach for all CGU's, the Group has prepared cash flow forecasts for the Aegis Media Europe, Middle East and Africa and the Aegis Media Asia Pacific CGUs based on the most recent financial budgets. The key assumptions on which the forecasts are based are management expectations of short term performance and long term growth rates as discussed above.

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

13. Intangible assets /

	Software £m	Customer Relationships £m	Non-compete Agreements £m	Intellectual Property £m	Other £m	Total £m
Cost						
At 1 January 2009	**48.2**	**65.5**	**16.4**	**3.9**	**35.1**	**169.1**
Additions						
– internally generated	2.0	–	–	–	2.2	4.2
– separately acquired	4.6	–	–	–	1.8	6.4
Acquired on acquisition of a subsidiary	–	1.2	3.1	–	(0.1)	4.2
Disposals	(0.4)	–	–	–	(0.1)	(0.5)
Impairment	–	–	–	–	(0.1)	(0.1)
Transfers and other movements	(3.5)	(2.2)	4.3	0.5	5.4	4.5
Exchange differences	(2.9)	(3.6)	(0.9)	(0.3)	(1.8)	(9.5)
At 31 December 2009	**48.0**	**60.9**	**22.9**	**4.1**	**42.4**	**178.3**
Additions						
– internally generated	1.1	–	–	–	0.6	1.7
– separately acquired	5.6	–	–	–	2.1	7.7
Acquired on acquisition of a subsidiary	1.1	32.0	–	13.0	6.0	52.1
Disposals	(6.2)	–	–	–	(1.3)	(7.5)
Transfers and other movements	0.1	–	–	–	(0.1)	–
Exchange differences	0.2	4.4	0.5	1.2	2.0	8.3
At 31 December 2010	**49.9**	**97.3**	**23.4**	**18.3**	**51.7**	**240.6**
Amortisation						
At 1 January 2009	**34.5**	**12.5**	**2.4**	**1.4**	**13.4**	**64.2**
Charge for the year	6.2	12.1	4.8	1.4	7.7	32.2
Disposals	(0.1)	–	–	–	(0.1)	(0.2)
Impairment	–	–	–	–	0.1	0.1
Transfers	(1.0)	–	–	–	1.0	–
Exchange differences	(2.0)	(0.4)	(0.1)	(0.1)	(0.9)	(3.5)
At 31 December 2009	**37.6**	**24.2**	**7.1**	**2.7**	**21.2**	**92.8**
Charge for the year	6.2	13.4	5.0	1.9	8.6	35.1
Disposals	(5.7)	–	–	–	(0.2)	(5.9)
Impairment	–	1.7	0.8	–	1.8	4.3
Exchange differences	0.2	0.6	0.2	–	0.8	1.8
At 31 December 2010	**38.3**	**39.9**	**13.1**	**4.6**	**32.2**	**128.1**
Carrying amount						
At 31 December 2010	**11.6**	**57.4**	**10.3**	**13.7**	**19.5**	**112.5**
At 31 December 2009	10.4	36.7	15.8	1.4	21.2	85.5

The carrying amount of other intangible assets includes market research panel costs of £0.2m (2009: £0.3m), patents and trademarks of £5.2m (2009: £5.3m) and other intangibles of £14.1m (2009: £15.6m).

The carrying amount of intangible assets with indefinite useful economic lives is £1.8m (2009: £4.9m), principally relating to trade names. These are considered to have indefinite lives because it is the Group's intention to continue to invest in these assets and by doing so, their value will be protected and enhanced. This continued investment involves expenditure on training, recruitment, technological development and legal protection. All intangible assets have been subject to amortisation in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

14. 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 2009	**3.2**	**70.6**	**154.8**	**228.6**
Additions	–	5.7	11.1	16.8
Acquired on acquisition of a subsidiary	–	–	0.1	0.1
Disposals	(0.1)	(3.1)	(9.1)	(12.3)
Impairment	–	(0.3)	–	(0.3)
Transfer	–	(0.1)	(0.1)	(0.2)
Exchange differences	(0.2)	(4.2)	(8.9)	(13.3)
At 31 December 2009	**2.9**	**68.6**	**147.9**	**219.4**
Additions	–	6.0	14.0	20.0
Acquired on acquisition of a subsidiary	–	0.5	4.5	5.0
Disposals	–	(10.9)	(23.4)	(34.3)
Exchange differences	–	0.9	3.0	3.9
At 31 December 2010	**2.9**	**65.1**	**146.0**	**214.0**
Accumulated depreciation				
At 1 January 2009	**1.2**	**41.9**	**112.0**	**155.1**
Charge for the year	0.1	6.8	16.8	23.7
Disposals	(0.1)	(2.5)	(7.4)	(10.0)
Exchange differences	(0.1)	(2.7)	(6.5)	(9.3)
At 31 December 2009	**1.1**	**43.5**	**114.9**	**159.5**
Charge for the year	0.1	6.9	15.7	22.7
Disposals	–	(10.3)	(22.1)	(32.4)
Impairment	–	0.3	–	0.3
Exchange differences	–	0.6	1.4	2.0
At 31 December 2010	**1.2**	**41.0**	**109.9**	**152.1**
Carrying amount				
At 31 December 2010	**1.7**	**24.1**	**36.1**	**61.9**
At 31 December 2009	1.8	25.1	33.0	59.9

At 31 December 2010, the Group had £2.7m capital commitments contracted, but not provided, for the acquisition of property, plant and equipment (2009: £nil). Proceeds from the disposal of property, plant and equipment are £1.3m (2009: £1.4m).

15. Interests in associates and joint ventures /

a) Carrying amount

	Associates £m	Joint ventures £m	Total £m
At 1 January 2010	**3.0**	**0.3**	**3.3**
Additions	31.2	10.2	41.4
Share of profit	2.9	(0.7)	2.2
Deemed disposal	2.7	–	2.7
Impairment losses	(1.7)	–	(1.7)
Dividends received	(0.1)	–	(0.1)
Exchange differences	0.7	–	0.7
At 31 December 2010	**38.7**	**9.8**	**48.5**

Investments in associates at 31 December 2010 include goodwill of £11.4m (2009: £2.0m).

The significant increase in the Group's investment in associates and share of results of associates relates predominantly to the Group's investment in Charm Communications Inc ("Charm"), acquired in January 2010. Charm listed on the NASDAQ exchange in May 2010, which led to a dilution of the Group's shareholding and therefore triggered a deemed disposal. The profit on deemed disposal is included in the share of results of associates in the Group income statement.

At 31 December 2010, the Group's investment in Charm represented 18.9% of the voting power. The Group's direct operating relationship with Charm, including active Board membership, lead to significant influence over the operating and financial policies of Charm.

The £10.2m increase in joint ventures represents the investment in 50% of the issued share capital of Litmus MR Limited, a company incorporated in England and Wales.

Losses of £0.8m arising in certain associates have been excluded from the Group share of the result of associates in the current year (2009: £0.3m) since the carrying amount as presented above has been reduced to nil in previous years. The cumulative total of the unrecognised share of losses is £1.1m. Impairments in the year relate to investments in associates in France and Malaysia for which the carrying amount is no longer supported by estimates of future performance.

b) Investments in associates

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

	2010 £m	2009 £m
Total assets	**51.8**	10.9
Total liabilities	**(26.4)**	(9.9)
	25.4	1.0
Goodwill	**11.4**	2.0
	36.8	3.0
Total revenues	**11.0**	5.4
Total profit	**2.1**	–

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

	2010 £m	2009 £m
Total assets	**269.7**	27.0
Total liabilities	**(108.9)**	(25.1)
Total revenues	**52.9**	13.7
Total profit / (loss)	**25.5**	(0.7)

All associates have year end reporting dates of 31 December.

c) Investments in joint ventures

The Group has a 50% shareholding in Litmus MR Limited, a market research company in the UK with a year end reporting date of 31 December. The Group's share of net assets at 31 December 2010 is £9.5m (2009: £nil).

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For the year ended 31 December 2010

16. Available-for-sale financial assets /

	2010 £m	2009 £m
Equity investments	15.6	14.9

The equity investments held at the 2010 year end represent a stake of approximately 2.1% in Harris Interactive Inc., a company listed on the NASDAQ exchange, and a stake of approximately 12.9% in Qin Jia Yuan Media Services, a company listed in Hong Kong, along with a number of smaller unlisted securities. The unlisted securities are held by a number of Group companies and represent numerous small investments in private companies.

17. Trade and other receivables /

	2010 £m	2009 £m
Trade receivables	2,071.8	1,723.1
Prepayments and accrued income	197.0	167.9
Other receivables	145.3	115.2
	2,414.1	2,006.2

The average credit period taken for trade receivables is 44 days (2009: 43 days). The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade receivables for the Group are stated net of an allowance for doubtful receivables of £77.7m (2009: £37.8m).

	£m
At 1 January 2009	**34.9**
Provided in the year	10.4
Release of allowance	(2.9)
Utilisation of allowance	(2.4)
Exchange differences	(2.2)
At 31 December 2009	**37.8**
Provided in the year	54.5
Release of allowance	(3.1)
Utilisation of allowance	(11.1)
Exchange differences	(0.4)
At 31 December 2010	**77.7**

As of 31 December 2010, trade receivables of £567.8m (2009: £396.2m) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2010 £m	2009 £m
Under 3 months	479.6	336.6
Over 3 months	88.2	59.6
	567.8	396.2

18. Trade and other payables /

	2010 £m	2009 £m
Trade payables	2,130.5	1,737.6
Accruals	251.0	172.5
Deferred income	119.1	105.8
Taxation and social security	78.5	75.9
Deferred consideration	43.7	34.4
Other payables	294.5	238.9
	2,917.3	2,365.1

The average credit period taken for trade payables is 50 days (2009: 50 days). The Directors consider that the carrying amount of trade payables approximates their fair value.

19. Financial instruments /

The Group has established objectives concerning the holding and use of financial instruments which are discussed in the Principal Risks and Uncertainties section on pages 32 to 35. The key objective is to manage the financial risks faced by the Group, which are discussed below. Formal policies and guidelines have been set to achieve these objectives and it is the responsibility of Group Treasury to implement these policies using the strategies set out below.

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

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

Management of financial risk

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

Currency risk

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

The Group's foreign currency management policy requires subsidiaries to hedge all transactions and financial instruments with material currency exposures. The Group is party to a number of foreign currency forward contracts in the management of 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. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted rates matching the maturities of the contracts. Movements in the fair value of forward foreign exchange contracts are taken to the income statement. The total notional amounts of outstanding forward foreign exchange contracts that the Group has committed are shown below.

	2010 £m	2009 £m
Forward foreign exchange contracts – notional principal	**367.7**	242.3

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

When it is aligned with the Group's overall funding strategy, the Group's policy is to borrow locally wherever possible to act as a natural hedge against the translation risk arising from its net investments overseas. Where major borrowings are denominated in a currency other than sterling, the Group may enter into cross-currency swaps to reduce currency risk, as explained later in this note. A currency analysis of borrowings is given in section c) of this note.

Liquidity risk

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

At 31 December 2010, the Group had net debt (before issue costs of new debt) of £339.5m (2009: £258.6m). The Group had cash and short term deposits of £394.4m at 31 December 2010 (2009: £391.1m) and gross borrowings of £733.9m (2009: £649.7m). The Group's principal debt instruments are subject to certain financial covenants.

The following unsecured loan notes are also included within gross borrowings:

Date of issue	Date repayable	2010 $m	2010 £m	2009 $m	2009 £m
28 July 2005	2012 – 2017	**342.0**	**219.4**	342.0	211.8
17 September 2007	2014 – 2017	**125.0**	**80.2**	125.0	77.4
17 December 2009	2017	**–**	**25.0**	–	25.0
17 December 2009	2017 – 2019	**183.0**	**117.4**	183.0	113.3

At 31 December 2010, the Group has undrawn committed facilities of £450.0m (2009: £376.4m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

19. Financial instruments / (continued)

Interest rate risk

The Group's unsecured loan notes, referred to above, are at fixed rates. All other borrowings are at floating rates. Certain portions of the Group's unsecured loan notes are subject to interest rate swaps, as explained later in this note.

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

Credit risk

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

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

Current receivables and payables and currency disclosures

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

Private placement debt – July 2005

On 28 July 2005, the Group issued US$342m of unsecured loan notes, repayable between 2012 and 2017. The interest rates applicable on these loan notes ranges from 5.25% to 5.65%. These loan notes are guaranteed by the Company and certain of its subsidiaries. On 9 November 2005 cross currency swaps were entered into for US$142m of the loan notes due in 2012 and US$50m of the loan notes due in 2015 to convert this US$ fixed rate borrowing into Euro fixed rate borrowing. The remaining US$150m of loan notes were used to provide a natural hedge against US dollar-denominated assets.

Private placement debt – September 2007

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

Central sterling facility – June 2009

The Group secured an additional sterling facility up to a value of £40m in June 2009. The Group cancelled the facility in 2010.

Term loan – July 2009

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

Private placement debt – December 2009

On 17 December 2009, the Group issued US$183m and £25m of unsecured loan notes repayable between 2017 and 2019. The interest rates applicable on these loan notes range from 6.07% to 6.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries. On 17 November 2009, an interest rate swap was entered into for US$50m of the loan notes due 2019 to convert the USD fixed rate debt to USD floating rate debt. On 17 November 2009, cross currency interest rate swaps were entered into for US$18m of the loan notes due in 2017 and US$115m of the loan notes due in 2019 to convert the US$ fixed rate borrowing to GBP floating rate borrowing. From 19 January 2010, US$50m of the loan note was designated as a net investment hedge against US dollar-denominated investments. To the extent that this hedging relationship was effective, exchange differences arising on the re-translation of the US$50m of debt was taken to reserves.

Multi-currency credit facility – July 2010

In July 2010, the Group re-financed the five year £450m multi-currency credit facility with a group of international banks, which was originally entered into in June 2006. 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 until July 2015.

19. Financial instruments / (continued)

Convertible bond

The Group issued £190.6m convertible bonds in April 2010, due for repayment in April 2015. The convertible bonds bear interest at 2.5% per annum and are convertible at the option of the holder into Aegis ordinary shares at an exchange price of £1.6444. The total number of ordinary shares that would be issued if all bonds converted would be 115.9 million.

As a compound financial instrument, the net proceeds of the bond were split into a liability component and an equity component on the issue date, and at 31 December 2010 the carrying value of the liability, net of deferred issue costs, is £167.4m.

Cross currency swaps

The fair value of the cross currency swaps at 31 December 2010 is £(13.4)m (2009: £(22.1)m). The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields. The cross currency swaps are synthetically split, for accounting purposes, to reflect the Group's presentational currency of Sterling. The US$/Sterling legs of the swaps are designated and effective as cash flow hedges against the Group's US$ loan notes. Movements in the fair value of the US$/Sterling legs of the swaps are taken to reserves and released to the income statement when the underlying portion of US Loan notes interest is recognised in the income statement every six months. The Euro/Sterling legs of the swaps are designated as net investment hedges in respect of certain of the Group's Euro-denominated investments. To the extent that this hedging relationship is effective, exchange differences arising on the re-translation of the swapped Euro debt are taken to reserves.

Interest rate swaps

The fair value of the interest rate swaps at 31 December 2010 is £0.5m (2009: £(1.7)m). The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised gains (2009: losses) which the Group expects to realise as a result of lower or higher variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan notes. The interest rate swaps are designated and effective as fair value hedges against changes in the fair value of the debt caused by changes in interest rates/risk. Movements in the fair value of the interest rate swaps are taken to the income statement where they offset against very similar but opposite movements in the fair value of the debt caused by movements in interest rates.

Cross currency interest rate swaps

The fair value of the cross currency interest rate swaps at 31 December 2010 is £8.0m (2009: £(1.2)m). The fair value is based on a discounted cash flow model and market yield curves applicable and represents movements in the Sterling/US$ foreign exchange spot rate and in Sterling and US$ interest rate yields. Movements in the fair value of the cross currency interest rate swaps excluding the credit spread are taken to the income statement where they offset against opposite movements in the fair value of the US$ loan notes caused by changes in interest rates and foreign exchange spot rates. Movements in the fair value of the cross currency interest rate swaps relating to the credit spread are taken to reserves and released to the income statement when the underlying portion of US loan notes interest is recognised in the income statement.

Covenants

Covenant requirements under the current Group financing arrangements and the performance against these requirements for the current year are given in the Financial Review on page 31.

a) Categories of financial instruments

	Carrying Value 2010 £m	Carrying Value 2009 £m
Financial Assets		
Fair value through profit and loss (FVTPL)		
– Held for trading	**3.2**	0.2
Held to maturity investments	**0.1**	0.1
Loans and receivables (including cash and cash equivalents)	**2,564.7**	2,230.0
Derivative instruments in designated hedge accounting relationships	**8.5**	–
Available-for-sale financial assets	**15.6**	14.9
Total financial assets	**2,592.1**	2,245.2
Financial Liabilities		
Fair value through profit and loss (FVTPL)		
– Held for trading	**2.2**	2.0
– Acquisition put option derivatives	**34.5**	31.4
Derivative instruments in designated hedge accounting relationships	**13.4**	25.0
Amortised cost	**3,230.0**	2,788.0
Total financial liabilities	**3,280.1**	2,846.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

19. Financial instruments / (continued)

b) Maturity profile of Group financial assets and liabilities

Financial assets

2010	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	No fixed maturity £m	Total £m
Current						
Cash and short-term deposits	394.4	–	–	–	–	394.4
Derivative financial assets:						
– Forward foreign exchange contracts	3.2	–	–	–	–	3.2
	397.6	–	–	–	–	397.6
Trade receivables	2,071.8	–	–	–	–	2,071.8
Other financial asset receivables	97.9	–	–	–	–	97.9
Total current	**2,567.3**	**–**	**–**	**–**	**–**	**2,567.3**
Non-current						
Available-for-sale financial assets	–	–	–	–	15.6	15.6
Derivative financial assets:						
– Interest rate swap	–	–	–	0.5	–	0.5
– Cross currency interest rate swaps	–	–	–	8.0	–	8.0
Other financial assets	–	–	–	–	0.7	0.7
Total non-current	–	–	–	8.5	16.3	24.8
Total	**2,567.3**	**–**	**–**	**8.5**	**16.3**	**2,592.1**

2009	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	No fixed maturity £m	Total £m
Current						
Cash and short-term deposits	391.1	–	–	–	–	391.1
Derivative financial assets:						
– Forward foreign exchange contracts	0.2	–	–	–	–	0.2
	391.3	–	–	–	–	391.3
Trade receivables	1,723.1	–	–	–	–	1,723.1
Other financial asset receivables	115.2	–	–	–	–	115.2
Total current	2,229.6	–	–	–	–	2,229.6
Non-current						
Available-for-sale financial assets	–	–	–	–	14.9	14.9
Other financial assets	–	–	–	–	0.7	0.7
Total non-current	–	–	–	–	15.6	15.6
Total	2,229.6	–	–	–	15.6	2,245.2

There are no material differences between the recorded and fair values of the Group's financial assets at 31 December 2010. The fair values of financial assets reflect market values or are based upon readily available market data.

19. Financial instruments / (continued)

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

Financial liabilities

2010	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	3.0	–	–	–	3.0
Loans	84.3	–	–	–	84.3
	87.3	–	–	–	87.3
Less: Issue costs of debt to be amortised	(1.7)	–	–	–	(1.7)
	85.6	–	–	–	85.6
Derivative financial liabilities:					
– Forward foreign exchange contracts	2.2	–	–	–	2.2
– Put option liabilities	11.2	–	–	–	11.2
	99.0	–	–	–	99.0
Trade payables	2,130.5	–	–	–	2,130.5
Deferred consideration	43.7	–	–	–	43.7
Other payables	294.5	–	–	–	294.5
Total current	**2,567.7**	**–**	**–**	**–**	**2,567.7**
Non-current					
Bank loans	–	36.6	0.2	–	36.8
Loan notes	–	102.0	123.8	217.1	442.9
Convertible bond	–	–	166.9	–	166.9
Less: Issue costs of debt to be amortised	–	(1.7)	(4.4)	(0.4)	(6.5)
	–	136.9	286.5	216.7	640.1
Derivative financial liabilities:					
– Cross currency swaps	–	10.5	2.9	–	13.4
– Put option liabilities	–	9.7	7.2	6.4	23.3
Other non-current liabilities	–	9.8	14.1	11.7	35.6
Total non-current	–	166.9	310.7	234.8	712.4
Total	**2,567.7**	**166.9**	**310.7**	**234.8**	**3,280.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

19. Financial instruments / (continued)

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

Financial liabilities (continued)

2009	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	4.9	–	–	–	4.9
Loans	38.6	–	–	–	38.6
	43.5	–	–	–	43.5
Less: Issue costs of debt to be amortised	(0.3)	–	–	–	(0.3)
	43.2	–	–	–	43.2
Derivative financial liabilities:					
– Forward foreign exchange contracts	2.0	–	–	–	2.0
– Put option liabilities	1.6	–	–	–	1.6
	46.8	–	–	–	46.8
Trade payables	1,737.6	–	–	–	1,737.6
Deferred consideration	34.4	–	–	–	34.4
Other payables	314.8	–	–	–	314.8
Total current	2,133.6	–	–	–	2,133.6
Non-current					
Bank loans	–	6.2	20.7	0.1	27.0
Loan notes	–	158.3	144.9	276.0	579.2
Less: Issue costs of debt to be amortised	–	(0.2)	(0.4)	(0.5)	(1.1)
	–	164.3	165.2	275.6	605.1
Derivative financial liabilities:					
– Cross currency swap	–	–	16.7	5.4	22.1
– Cross currency interest rate swap	–	–	–	1.2	1.2
– Interest rate swap	–	–	–	1.7	1.7
– Put option liabilities	–	10.2	13.5	6.1	29.8
Other non-current liabilities	–	27.4	11.5	14.0	52.9
Total non-current	–	201.9	206.9	304.0	712.8
Total	2,133.6	201.9	206.9	304.0	2,846.4

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

	2010 Fair Value £m	**2010 Carrying Value £m**	2009 Fair Value £m	2009 Carrying Value £m
2005 loan notes	**230.2**	**224.4**	203.7	216.7
2007 loan notes	**87.2**	**81.6**	77.0	78.8
2009 loan notes	**155.7**	**142.8**	136.2	138.7
Total	**473.1**	**448.8**	416.9	434.2

19. Financial instruments / (continued)

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

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

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

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

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

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

	Level 1 £m	Level 2 £m	Level 3 £m	**Carrying value 2010 £m**
Financial assets				
Fair value through profit and loss (FVTPL)				
– Held for trading	–	3.2	–	**3.2**
Derivative instruments in designated hedge accounting relationships	–	8.5	–	**8.5**
Held to maturity investments	0.1	–	–	**0.1**
Available-for-sale financial assets – quoted	13.7	–	–	**13.7**
Total financial assets measured at fair value	13.8	11.7	–	**25.5**
Financial liabilities				
Fair value through profit and loss (FVTPL)				
– Held for trading	–	2.2	–	**2.2**
– Acquisition put option derivatives	–	–	34.5	**34.5**
Derivative instruments in designated hedge accounting relationships	–	13.4	–	**13.4**
Total financial liabilities measured at fair value	–	15.6	34.5	**50.1**

	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value 2009 £m
Financial assets				
Fair value through profit and loss (FVTPL)				
– Held for trading	–	0.2	–	0.2
Derivative instruments in designated hedge accounting relationships	–	12.2	–	12.2
Held to maturity investments	0.1	–	–	0.1
Available-for-sale financial assets – quoted	14.1	–	–	14.1
Total financial assets measured at fair value	14.2	12.4	–	26.6
Financial liabilities				
Fair value through profit and loss (FVTPL)				
– Currency derivatives held for trading	–	2.2	–	2.2
– Acquisition put option derivatives	–	–	31.4	31.4
Derivative instruments in designated hedge accounting relationships	–	37.2	–	37.2
Total financial liabilities measured at fair value	–	39.4	31.4	70.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

19. Financial instruments / (continued)

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

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

There were no transfers between categories during 2010 or 2009.

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

	2010 £m	2009 £m
Balance at 1 January	(31.4)	(41.3)
Revisions of estimated fair value recognised in the income statement	0.2	13.5
Put options issued	(3.4)	(9.8)
Put options settled	1.5	3.6
Exchange differences	(1.4)	2.6
Balance at 31 December	(34.5)	(31.4)

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

An increase of 1% in the rate used to discount the expected gross value of payments would lead to a decrease in the recorded liability of £0.5m.

Analysis of derivative financial instruments

	Current 2010 £m	Non current 2010 £m	Current 2009 £m	Non current 2009 £m
Derivative liabilities that are designated and effective as hedging instruments carried at fair value				
Cross currency swaps	–	(13.4)	–	(22.1)
Cross currency interest rate swaps	–	–	–	(1.2)
Interest rate swap	–	–	–	(1.7)
Derivatives carried at fair value through profit and loss				
Forward foreign currency contracts	(2.2)	–	(2.0)	–
Put option liabilities	(11.2)	(23.3)	(1.6)	(29.8)
Financial assets carried at fair value through profit and loss				
Held for trading derivatives that are not designated in hedge accounting relationships:				
Forward foreign currency contracts	3.2	–	0.2	–
Cross currency interest rate swaps	–	8.0		
Interest rate swap	–	0.5	–	–
	(10.2)	(28.2)	(3.4)	(54.8)

Loans and receivables are discussed in this note and note 17, and available-for-sale financial assets are disclosed in note 16. All other financial instruments are held at amortised cost except for derivative financial instruments which are held for trading at fair value through profit and loss.

19. Financial instruments / (continued)

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

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

Analysis of hedge effectiveness

	2010 £m	2009 £m
Cash flow hedges		
Amount recognised in equity during the period	4.6	(18.5)
Reclassified from equity to profit or loss during the period	(4.2)	12.8
	0.4	(5.7)
Fair value hedges		
Fair value movement arising on derivatives in a designated fair value hedge	7.6	(3.5)
Adjustment to hedged items in a designated fair value hedge	(7.6)	3.5
	–	–

Ineffectiveness recognised in the income statement that arises from cash flow hedges and fair value hedges totals less than £0.1m in the current and prior year. No ineffectiveness arises from the Group's hedges of net investments in foreign operations.

Maturity of borrowings

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

	2010 External loans £m	2010 Other liabilities £m	2010 Total £m	2009 External loans £m	2009 Other liabilities £m	2009 Total £m
Less than 1 year	115.7	65.0	180.7	67.6	46.1	113.7
1-2 years	169.4	9.8	179.2	192.2	38.6	230.8
2-5 years	381.9	14.9	396.8	228.3	26.6	254.9
More than 5 years	255.2	11.7	266.9	335.9	21.0	356.9
	922.2	101.4	1,023.6	824.0	132.3	956.3
Effect of discount / financing rates	(342.9)	(0.9)	(343.8)	(295.1)	(3.6)	(298.7)
	579.3	100.5	679.8	528.9	128.7	657.6

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

	2010 Payable £m	2010 Receivable £m	2009 Payable £m	2009 Receivable £m
Less than 1 year	(377.4)	382.0	(248.6)	252.7
1-2 years	(7.9)	12.1	(9.6)	13.6
2-5 years	(16.6)	27.3	(19.2)	29.8
More than 5 years	(16.2)	28.7	(20.6)	36.0
	(418.1)	450.1	(298.0)	332.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

19. Financial instruments / (continued)

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

Maturity of borrowings (continued)

The maturity profile of the Group's put option liabilities, using undiscounted cash flows, is as follows:

	2010 £m	2009 £m
Less than 1 year	11.2	1.6
1-2 years	9.9	10.5
2-5 years	7.7	14.5
More than 5 years	7.5	7.0
	36.3	33.6
Effect of discount / financing rates	(1.8)	(2.2)
	34.5	31.4

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:

	2010 £m	2009 £m
Expiring between one and two years	–	376.4
Expiring between two and five years	450.0	–
	450.0	376.4

c) Interest rate profile

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

Financial assets

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

	Floating rate £m	Non-interest bearing £m	2010 Total £m	Floating rate £m	Non-interest bearing £m	2009 Total £m
GBP	45.8	0.2	46.0	3.6	1.3	4.9
USD	44.2	9.7	53.9	70.1	4.9	75.0
EUR	63.3	3.5	66.8	104.7	6.4	111.1
Other currencies	199.7	28.0	227.7	176.5	23.6	200.1
	353.0	41.4	394.4	354.9	36.2	391.1
Trade receivables			2,071.8			1,723.1
Other financial asset receivables			97.9			115.2
Derivative financial assets			3.2			0.2
			2,567.3			2,229.6

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

The floating rate financial assets above are represented by cash at bank and in hand and short-term deposits.

19. Financial instruments / (continued)

c) Interest rate profile

Financial liabilities

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	2010 Total £m	Fixed rate £m	Floating rate £m	Non-interest bearing £m	2009 Total £m
GBP	192.5	130.8	–	323.3	25.0	240.5	(4.5)	261.0
USD	176.4	32.1	7.8	216.3	170.3	32.4	2.2	204.9
EUR	123.1	0.3	–	123.4	119.2	0.7	2.3	122.2
Other currencies	23.7	47.0	0.2	70.9	16.0	45.4	0.2	61.6
Gross borrowings	515.7	210.2	8.0	733.9	330.5	319.0	0.2	649.7
Issue costs of debt	(3.4)	–	(4.8)	(8.2)	–	–	(1.4)	(1.4)
	512.3	210.2	3.2	725.7	330.5	319.0	(1.2)	648.3
Trade payables				2,130.5				1,737.6
Deferred consideration				43.7				34.4
Other payables				294.5				314.8
Other non-current liabilities				35.6				52.9
Derivative financial liabilities				50.1				58.4
				3,280.1				2,846.4

The weighted average interest rates paid were as follows:

	2010 %	2009 %
Bank overdrafts	3.9	4.3
Bank loans	6.3	4.1
Loan notes	3.7	3.1

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

At 31 December 2010, it is estimated that a general simultaneous parallel uplift of 1% in interest rates would increase the Group's reported profit by approximately £0.3m (2009: £0.1m reduction). The sensitivity is symmetrical.

d) Sensitivity analysis

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

	Euro currency impact		US dollar currency impact	
	2010 £m	2009 £m	2010 £m	2009 £m
Potential profit (decrease)/increase	(0.1)	(0.1)	1.8	1.7
Other equity	1.4	1.4	1.0	0.9

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as certain financial instruments are used to hedge exposures on retranslation of the Group's operations denominated in currencies other than Sterling, which are outside the scope of IFRS7. This sensitivity analysis excludes the foreign currency translation risk of the foreign operations, and had this been included the sensitivities would have been disclosed as follows:

	Euro currency impact		US dollar currency impact	
Sensitivity analysis including hedging instruments that are outside the scope of IFRS 7	2010 £m	2009 £m	2010 £m	2009 £m
Potential profit decrease	(0.1)	(0.1)	(0.1)	(0.2)
Other equity	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

20. Deferred tax /

	Recognition of Financial Liabilities £m	Purchased Intangibles £m	Deductions in respect of Goodwill £m	Tax on Aegis Media exceptional debtor impairment £m	Losses £m	Other short term temporary differences £m	Total £m
At 1 January 2010 – asset/(liability)	**3.4**	**(17.0)**	**(14.3)**	**–**	**5.3**	**12.3**	**(10.3)**
Deferred tax on intangibles	–	(15.2)	–	–	–	–	(15.2)
Deferred tax on acquisitions	–	–	–	–	–	3.5	3.5
Amounts charged to equity	–	–	–	–	–	(0.1)	(0.1)
Amounts credited/(charged) to the income statement	(3.2)	6.9	(4.2)	11.1	12.0	2.3	24.9
Exchange rate differences	–	(1.1)	–	–	–	3.4	2.3
At 31 December 2010 – asset/(liability)	**0.2**	**(26.4)**	**(18.5)**	**11.1**	**17.3**	**21.4**	**5.1**

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

	2010 £m	2009 £m
Deferred tax liability	**(44.2)**	(35.8)
Deferred tax asset	**49.3**	25.5
	5.1	(10.3)

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

	2010 £m	2009 £m
Losses – revenue	**67.5**	109.7
Losses – capital	**100.2**	101.9
Other temporary differences	**6.5**	20.5
	174.2	232.1

The tax losses and other temporary differences have no expiry date. The total amount of tax losses and other temporary differences for which no deferred tax was recognised at 31 December 2009 was £232.1m.

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

During the year, deferred tax assets totalling £8.7m were recognised in jurisdictions where tax losses have been incurred in the current period, to the extent that expected future profitability in those jurisdictions means that utilisation of these tax losses is judged to be probable.

No deferred tax liability is recognised on temporary differences of £161.5m (2009: £97.3m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The temporary differences at 31 December 2010 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

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

21. Provisions /

	Onerous lease provision £m
At 1 January 2010	3.4
Additional provision in the year	7.0
Utilisation of provision	(2.6)
Exchange differences	0.2
At 31 December 2010	8.0

The Group's vacant leasehold properties are principally located in the UK. Provision has been made for the residual lease commitments for the remaining period of the leases, which at 31 December 2010 is approximately 1.6 years (2009: 1.5 years).

Contingent liabilities

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

22. Share capital /

	2010 Number of ordinary shares	2010 £m	2009 Number of ordinary shares	2009 £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	1,161,268,910	58.1	1,158,801,112	58.0
Issue of shares by the Company	123,877,156	6.2	2,467,798	0.1
At 31 December	1,285,146,066	64.3	1,161,268,910	58.1

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.

Included within the issue of shares by the Company are 116,672,515 shares issued as consideration on the acquisition of Mitchell Communication Group.

23. Own shares /

At 31 December 2010, the Aegis Group Employee Share Trust (the "Trust") held 28,442,769 Ordinary Shares in the Company (31 December 2009: 18,898,210) with a nominal value of £1.4m (31 December 2009: £0.9m) and a market value of £40.0m (31 December 2009: £22.6m).

The own shares reserve represents the cost of shares in Aegis Group plc acquired in the open market by the Trust using funds provided by Aegis Group plc. The Trust has an ongoing arrangement with the Group to waive all dividends. The Trust has purchased the shares to satisfy future share awards under the Group's share-based payment schemes.

24. Share premium account /

	2010 £m	2009 £m
At 1 January	245.5	243.5
Issue of shares by the Company	150.3	2.0
At 31 December	395.8	245.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

25. Acquisition of subsidiaries /

Mitchell Communication Group

In November 2010 the Group acquired the entire issued share capital of Mitchell Communication Group, Australia's leading marketing communication group, to enhance Aegis Media's offering in the region, particularly in digital media. The consideration was delivered in a combination of cash and shares.

Consideration paid, excluding acquisition costs, totalled £229.1m with no deferred consideration. The Group's newly issued ordinary shares primarily relate to the acquisition of the Mitchell Communication Group. The shares of Aegis Group plc are listed on the London Stock Exchange and therefore the consideration is valued using the closing share price on 16 November 2010 of £1.2790. A provisional summary of the net assets acquired and goodwill arising in respect of Mitchell Communication Group is given below:

Net assets acquired:	Carrying amount acquired £m	Accounting policy alignment £m	Fair value adjustments £m	Fair value of net assets £m
Intangible assets	7.1	–	39.7	46.8
Property, plant and equipment	4.8	–	–	4.8
Deferred tax asset	1.9	2.7	–	4.6
Trade and other receivables	133.6	–	–	133.6
Work in progress	0.4	–	–	0.4
Cash and cash equivalents	12.9	–	–	12.9
Trade and other payables	(177.3)	(9.1)	–	(186.4)
Deferred tax liability	(1.1)	–	(13.6)	(14.7)
Other current liabilities	(11.3)	–	–	(11.3)
Other non-current liabilities	(19.6)	–	–	(19.6)
Net assets	**(48.6)**	**(6.4)**	**26.1**	**(28.9)**
Goodwill capitalised in the period				258.0
Consideration				229.1

Satisfied by:	
Consideration paid – Cash	79.9
Consideration paid – Equity (116,672,515 ordinary shares in Aegis Group plc)	149.2
	229.1

If the acquisition had been completed on the first day of the financial year, Group revenues for 2010 would have been £1,519.9m and Group profit before interest and tax would have been £105.7m, or £208.6m on an underlying basis. Post acquisition revenue from Mitchell was £12.6m, with underlying profit before interest and tax of £2.0m, reduced to £nil after amortisation of purchased intangibles. Goodwill capitalised in the period represents the expected future benefits of improving the breadth of the Group's service offering and anticipated operational synergies. No goodwill capitalised in the period is deductible for income tax purposes.

Other acquisitions excluding Mitchell Communication Group

During the period, the Group acquired subsidiaries as detailed below:

Company	Country of incorporation	% Acquired	% Non-controlling interests recognised	Date of acquisition
Synovate				
SalesOut	UK	51%	49%	January
JPA Europe	UK	51%	49%	November

In January 2010, the Group acquired a 51% equity share in SalesOut Ltd ("SalesOut"), a market research company incorporated in the UK, thereby obtaining control of SalesOut. This acquisition was entered into primarily to strengthen the Group's UK operations in the retail data analysis area of the market research industry. The acquisition was supplemented in November through the acquisition of JPA Europe, which further enhances the Group's offering in this field.

In May 2010, the Group acquired all of the trade and assets of Magic Touch, a media company incorporated in the UK. This acquisition was entered into primarily to enhance the Group's media offering in the UK.

25. Acquisition of subsidiaries / (continued)

Other acquisitions excluding Mitchell Communication Group (continued)

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
DataCom CRM	Spain	7.0 (80.0)	January
AgenciaClick	Brazil	1.8 (94.3)	May
Age	Brazil	1.8 (94.3)	May
iProspect Brazil	Brazil	3.1 (95.6)	May

If the acquisitions above (excluding additional stakes in existing subsidiaries and Mitchell) had been completed on the first day of the financial year, Group revenues for 2010 would have been £1,460.2m and Group profit before interest and tax would have been £105.2m or £196.4m on an underlying basis. Post acquisition revenue and profit before interest and tax on 2010 acquisitions was £6.1m and £0.8m respectively on an underlying basis, with a statutory loss before interest and tax of £0.6m.

Goodwill capitalised in the period represents the expected future benefits of improving the breadth of the Group's service offering and anticipated operational synergies. No goodwill capitalised in the period is deductible for income tax purposes. All non-controlling interests are measured at the non-controlling interest share of the carrying value of net assets.

Consideration paid for acquisitions other than Mitchell Communication Group, excluding acquisition costs, totalled £3.8m with estimated deferred consideration of £0.2m payable in 2012, subject to performance criteria. In those cases where the Group achieved control of subsidiaries for the first time, the acquisitions are not individually material to the Group and therefore the following disclosures are provided in aggregate.

A provisional summary of the net assets acquired and goodwill arising in respect of all other acquisitions made in the year excluding Mitchell Communication Group is given below:

Net assets acquired:	Carrying amount acquired £m	Fair value adjustments £m	Fair value of net assets £m
Intangible assets	0.2	5.1	5.3
Property, plant and equipment	0.1	–	0.1
Other assets	0.4	–	0.4
Trade and other receivables	0.4	–	0.4
Cash and cash equivalents	0.5	–	0.5
Trade and other payables	(0.1)	–	(0.1)
Other Liabilities	(1.5)	–	(1.5)
Deferred tax liability	–	(1.3)	(1.3)
Net assets	**–**	**3.8**	**3.8**
Non-controlling interest on current period acquisitions			(1.8)
Goodwill capitalised in the period			2.0
Consideration			4.0

Satisfied by:	
Consideration paid	3.8
Deferred consideration	0.2
	4.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

26. Other non-current liabilities /

	2010 £m	2009 £m
Deferred consideration	20.0	35.8
Pensions (see note 31)	6.1	8.4
Other	9.5	8.7
At 31 December	35.6	52.9

Deferred consideration

Deferred consideration, which has been included within trade and other payables to the extent that it is due within one year (note 18), may be paid to the vendors of certain subsidiary undertakings in the years to 2015. Such payments are either fixed under the terms of the acquisition or are contingent on future financial performance. Deferred consideration arising on acquisitions completed prior to 1 January 2010 is presented at the Directors' best estimate of the total payable. Changes in such estimates in the current period have led to an increase in the liability of £15.9m. Deferred consideration treated in this way is discounted at the Group's weighted average cost of borrowing. The Directors estimate that, at the rates of exchange ruling at the balance sheet date, the discounted liability at the balance sheet date for payments that may be due is as follows:

	2010 £m	2009 £m
Within one year	43.7	34.4
Between one and two years	7.7	25.8
Between two and five years	12.3	9.8
Greater than five years	–	0.2
At 31 December	63.7	70.2

The minimum potential liability is £17.3m and the maximum potential liability is £163.5m.

Following the adoption of IFRS 3 (revised), deferred consideration arising on acquisitions completed from 1 January 2010 must be recorded at fair value on acquisition, with subsequent changes now reflected in the income statement. Deferred consideration of £0.2m arises on current year business combinations therefore this change has not had a material impact on classification or measurement for the current period.

Liabilities in respect of put options granted to NCI are disclosed as derivative liabilities. Their expected maturities and a reconciliation of movements in the year are given in note 19.

27. Contingent asset /

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

28. Notes to the cash flow statement /

	2010 £m	2009 £m
Operating profit	**101.5**	114.6
Adjustments for:		
Depreciation of property, plant and equipment	**22.7**	23.7
Amortisation of intangible assets	**35.1**	32.2
Impairment of intangibles and property, plant and equipment	**0.3**	0.4
Loss on disposal of subsidiaries	**13.9**	1.0
Net loss on disposal of intangibles and property, plant and equipment	**0.5**	1.2
Share-based payment charge	**8.3**	7.1
Other non-cash movements	**–**	(0.1)
Increase/(decrease) in provisions	**4.4**	(1.0)
Decrease in restructuring related liabilities	**(9.4)**	(7.0)
	177.3	172.1
(Increase)/decrease in receivables	**(248.1)**	174.4
(Increase)/decrease in work in progress	**(2.3)**	6.1
Increase/(decrease) in payables	**305.6**	(153.5)
	55.2	27.0
Cash flows from operations	**232.5**	199.1

Analysis of net debt

	1 January 2010 £m	Cash flow £m	Other non-cash movements £m	Exchange movements £m	31 December 2010 £m
Cash and short-term deposits	391.1	(11.6)	–	14.9	**394.4**
Overdrafts	(4.9)	2.1	–	(0.2)	**(3.0)**
Cash and cash equivalents	386.2	(9.5)	–	14.7	**391.4**
Debt due within one year	(38.6)	(42.2)	–	(3.5)	**(84.3)**
Debt due after more than one year	(606.2)	(36.8)	16.1	(19.7)	**(646.6)**
Net debt before issue costs of debt	(258.6)	(88.5)	16.1	(8.5)	**(339.5)**
Issue costs of debt	1.4	8.4	(1.6)	–	**8.2**
Total	(257.2)	(80.1)	14.5	(8.5)	**(331.3)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

29. Operating lease arrangements /

	2010 £m Land and buildings	2010 £m Other	2010 £m Total	2009 £m Land and buildings	2009 £m Other	2009 £m Total
Lease payments under operating leases recognised in operating expenses	55.5	4.7	60.2	56.6	5.3	61.9

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:

Net minimum lease commitments	2010 £m Land and buildings	2010 £m Other	2010 £m Total	2009 £m Land and buildings	2009 £m Other	2009 £m Total
Within one year	46.1	2.9	49.0	38.1	5.5	43.6
In the second to fifth years inclusive	110.7	4.4	115.1	91.3	10.1	101.4
After five years	58.4	–	58.4	46.2	–	46.2
	215.2	7.3	222.5	175.6	15.6	191.2

Operating lease payments principally represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3.2 years and rentals are fixed for an average of 2.0 years.

30. Share-based payments /

The Group recognised a total expense of £8.3m (2009: £7.1m) in respect of all share-based payments in the year. Share-based payments include share options and conditional share awards.

Share options

The Group issues conditional share options to certain employees. The grant price for share options is equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is typically three years. If share options remain unexercised after a period of ten years from the date of grant, the options expire. Share options are forfeited if the employee leaves the Group before the options vest, unless otherwise approved by the Remuneration Committee at their discretion, and are subject to EPS performance conditions. Further details are provided in the Remuneration Report, on page 59.

	2010 Options (millions)	2010 Weighted average exercise price (£)	2009 Options (millions)	2009 Weighted average exercise price (£)
Outstanding at beginning of period	22.2	1.17	29.4	1.16
Forfeited during the period	(2.9)	1.31	(4.7)	1.29
Exercised during the period	(7.2)	1.00	(2.5)	0.91
Expired during the period	(4.0)	1.45	–	–
Outstanding at end of period	8.1	1.12	22.2	1.17
Exercisable at end of period	8.1	1.12	19.6	1.13

The weighted average share price at the date of exercise for share options exercised during the period was £1.00 (2009: £0.91). The options outstanding at 31 December 2010 had a range of exercise price between £0.78 (2009: £0.78) and £1.48 (2009: £2.15), and a weighted average remaining contractual life of 3.3 years (2009: 3.8 years). No options were granted in 2010. The Group did not recognise any expense (2009: £0.4m) in respect of share options in the year.

30. Share-based payments / (continued)

Conditional share awards

The Group issues conditional share awards to certain employees. The vesting period is typically three years. The extent to which awards vest is determined in documented scheme rules and may be based on the employees' continuing employment, the Company's TSR performance relative to a group of similar businesses and the Company's EPS growth relative to RPI. Further details are provided in the Remuneration Report.

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

	2010	2009
Weighted average share price (£)	1.19	0.88
Expected volatility	41.0%	37.2%
Risk free rate	1.5%	3.4%
Expected dividend yield	2.2%	3.2%

During 2010, 16.0m conditional share awards were granted (2009: 14.5m), with a weighted average fair value per share of £1.02 (2009: £0.72) at the relevant measurement date.

The Group recognised a total expense of £8.3m (2009: £6.7m) in respect of conditional share awards in the year.

31. 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 £12.0m (2009: £11.9m) represents contributions payable in the year to these schemes at rates specified in the rules of the plans. As at 31 December 2010, contributions of £3.0m (2009: £3.5m) due in respect of the current reporting period had not been paid over to the schemes.

Other retirement benefit schemes

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2010. The present value of the defined benefit obligation, the related service cost and the past service cost were measured using the projected unit credit method.

The principal assumptions used are set out below.

				2010				2009
	Germany	Italy	France	Norway	Germany	Italy	France	Norway
Discount rate	5.1%	5.0%	4.5%	4.5%	5.8%	4.0%	5.2%	4.4%
Expected rate of increase in pensionable salaries	–	3.0%	–	5.7%	–	2.0%	–	5.6%
Expected rate of increase in pensions in payment	2.0%	–	–	4.5%	2.0%	2.0%	–	4.3%
Expected long-term rate of return on plan assets	5.1%	–	–	4.3%	5.8%	–	–	4.0%
Inflation assumption	–	2.0%	2.0%	1.4%	–	2.2%	2.0%	1.5%

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

During the year, the majority of the employees in Norway were transferred to a defined contribution scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

31. Retirement benefit schemes / (continued)

Other retirement benefit schemes (continued)

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

	2010 %	2010 £m	2009 %	2009 £m
Equity instruments	5%	0.2	53%	5.5
Other assets	95%	4.0	47%	4.9
Fair value of pension scheme assets	100%	4.2	100%	10.4
Present value of defined benefit obligations		(11.5)		(18.8)
Deficit in scheme		(7.3)		(8.4)
Related deferred tax asset		1.2		1.2
Net pension liability net of deferred tax asset		(6.1)		(7.2)

The actual gain on scheme assets was £5.3m (2009: £0.3m loss). 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:

	2010 £m	2009 £m
Current service cost	0.3	(1.1)

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

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

	2010 £m	2009 £m
Expected return on pension scheme assets	0.1	0.4
Interest on pension scheme liabilities	(0.1)	(0.8)
	–	(0.4)

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

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

	2010 £m	2009 £m
Actual return less expected return on pension scheme assets	(0.1)	(0.3)
Experience gains and losses on scheme liabilities	(0.1)	0.2
Amount recognised in the consolidated statement of comprehensive income	(0.2)	(0.1)

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

	2010 £m	2009 £m
At 1 January	18.8	16.6
Service cost	(0.3)	1.1
Interest cost	0.1	0.8
Contributions from scheme members	0.6	0.4
Actuarial gains and losses	0.1	(0.2)
Benefits paid	(1.8)	(0.3)
Transfer to defined contribution scheme	(6.8)	–
Other	0.5	0.7
Exchange differences	0.3	(0.3)
At 31 December	11.5	18.8

31. Retirement benefit schemes / (continued)

Other retirement benefit schemes (continued)

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

	2010 £m	2009 £m
At 1 January	**9.7**	7.7
Expected return on scheme assets	**0.1**	0.4
Actuarial gains and losses	**(0.1)**	(0.3)
Benefits paid	**(0.7)**	0.4
Contributions from scheme members	**0.5**	1.3
Transfer to defined contribution scheme	**(6.2)**	–
Other	**0.7**	0.1
Exchange differences	**0.2**	0.1
At 31 December	**4.2**	9.7

History of experience gains and losses:

	2010	2009	2008	2007	2006
Present value of defined benefit obligations (£m)	**11.5**	18.8	16.7	13.0	12.7
Fair value of scheme assets (£m)	**4.2**	9.7	7.8	5.8	4.7
Difference between the expected and actual return on scheme assets:					
Amount (£m)	**(0.1)**	(0.3)	(0.6)	(0.2)	–
Percentage of scheme assets	**(2.4)%**	(3.1)%	(7.8)%	(3.1)%	–
Experience gains and losses on scheme liabilities:					
Amount (£m)	**0.1**	0.2	0.6	0.3	–
Percentage of present value of scheme liabilities	**0.9%**	1.1%	3.6%	2.3%	–

The estimated amount of contributions to be paid to the scheme during 2010 is £0.4m (2009: £1.5m).

32. Related party transactions /

Remuneration of key management personnel

The following is the compensation of Directors and key management. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on page 58.

	2010 £m	2009 £m
Short-term employee benefits	**2.9**	2.7
Post-employment benefits	**0.4**	0.2
Termination benefits	**–**	0.6
Share-based payment	**0.7**	1.0
	4.0	4.5

Transactions with associated undertakings

In 2010, Group subsidiary companies purchased media space from associated undertakings totalling £29.7m (2009: £18.7m). The balance due from Group companies to associated undertakings at the end of 2010 was £13.4m (2009: £8.6m). The balance due from associated undertakings to Group companies at the end of 2010 was £6.8m (2009: £2.8m).

Other related party disclosures

Harold Mitchell, a director of the Company, holds 46,652,393 Aegis Group plc shares and unless otherwise agreed with the Company will retain at least 85% of those shares for 2 years from 17 November 2010. Harold's son, Stuart Mitchell, is a director and employee of Mitchell Communication Group Limited, which was acquired by Aegis Group plc in the year. Mitchell Communication Group Limited leases premises from Mitchell Land Pty Ltd, of which Harold Mitchell is a director, and from another member of his family for a combined annual rental charge of £1.2m. The lease terms end in 2011 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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33. Subsequent events /

a) Receivable impairment

Following the end of the reporting period, one of the Group's former Spanish clients, Nueva Rumasa, and certain affiliated companies filed for pre-insolvency protection under section 5.3 of Spanish Insolvency Law. As these companies have outstanding liabilities owing to an Aegis subsidiary in Spain, a provision has been recorded for the Group's exposure, of which £25.9m is taken as an exceptional charge in the year (£37.0m on a pre-tax basis).

b) Acquisitions

In February 2011, the Group acquired the entire share capital of Clickthinking, an award-winning digital search and performance agency incorporated in South Africa. Clickthinking will join the iProspect network within Aegis Media, where it will compliment iProspect's search engine marketing expertise, as well as giving iProspect a presence in Africa.

In December 2010, the Group announced an agreement to acquire a majority stake in COMCON, Russia's leading independent market research agency. This acquisition required clearance from Russian competition authorities, which was received in March 2011, allowing the acquisition to complete.

At the time of issuing the Group's annual report, the initial accounting for these acquisitions is incomplete and therefore further disclosure will be provided in the Group's Interim Financial Statements.

FIVE-YEAR SUMMARY

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Income statement					
Revenue	**1,459.4**	1,346.5	1,342.0	1,106.4	996.9
Underlying profit before interest and tax	**196.2**	170.0	179.7	149.4	133.8
Underlying profit before tax	**162.4**	150.4	168.4	133.5	118.1
Profit before tax	**68.0**	91.2	124.6	131.7	113.5
Profit attributable to equity holders of the parent	**41.2**	62.7	82.8	88.5	76.3
Balance sheet					
Non-current assets	**1,628.1**	1,200.7	1,345.7	938.7	766.6
Net current (liabilities)/assets	**(198.4)**	(6.5)	(5.4)	35.6	(97.2)
Non-current liabilities	**(761.3)**	(749.7)	(880.5)	(668.0)	(452.8)
Net assets	**668.4**	444.5	459.8	306.3	216.6
Financed by:					
Equity	**654.9**	431.9	442.5	299.8	209.1
Non-controlling interests	**13.5**	12.6	17.3	6.5	7.5
	668.4	444.5	459.8	306.3	216.6
	Pence	Pence	Pence	Pence	Pence
Earnings per share					
– Basic	**3.6**	5.5	7.3	7.8	6.8
– Diluted	**3.6**	5.5	7.3	7.8	6.8
Underlying earnings per share					
– Basic	**10.3**	9.6	10.5	8.3	7.2
– Diluted	**10.1**	9.6	10.5	8.2	7.2
Dividend rate per share	**2.75**	2.50	2.50	2.30	1.90

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

Underlying profit before tax and earnings per share are restated for prior years as discussed in note 2.

INDEPENDENT AUDITOR'S REPORT

To the Members of Aegis Group plc

We have audited the parent company financial statements of Aegis Group plc for the year ended 31 December 2010 which comprise the Parent Company Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

Scope of the audit of the financial statements /

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

Opinion on financial statements /

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006 /

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

Matters on which we are required to report by exception /

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

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

Other matter /

We have reported separately on the group financial statements of Aegis Group plc for the year ended 31 December 2010 and on the information in the Directors' remuneration report that is described as having been audited.

William Touche (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

16 March 2011

COMPANY BALANCE SHEET

At 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Tangible assets	4	**2.9**	2.1
Investments	5	**1,518.6**	1,461.8
Derivative financial assets	10	**8.5**	–
		1,530.0	1,463.9
Current assets			
Debtors			
- due within one year	6	**219.2**	214.4
- due after more than one year	7	**225.5**	11.2
Cash at bank and in hand		**6.2**	3.2
		450.9	228.8
Creditors: Amounts falling due within one year	8	**(715.5)**	(485.5)
Derivative financial liabilities	10	**(2.1)**	(0.1)
Net current liabilities		**(266.7)**	(256.8)
Total assets less current liabilities		**1,263.3**	1,207.1
Creditors: Amounts falling due after more than one year	9	**(440.2)**	(533.1)
Derivative financial liabilities	10	**(13.4)**	(25.0)
Net assets		**809.7**	649.0
Called up share capital	11	**64.3**	58.1
Share premium account	12	**395.8**	245.5
Capital redemption reserve	12	**0.2**	0.2
Other reserve	12	**19.2**	–
Merger reserve	12	**13.0**	13.0
ESOP reserve	12	**(33.7)**	(23.3)
Capital reserve	12	**301.4**	301.4
Profit and loss account	13	**49.5**	54.1
Equity shareholders' funds		**809.7**	649.0

Company number 1403668 England and Wales

These financial statements were approved by the Board of Directors on 16 March 2011 and were signed on its behalf by:

Jerry Buhlmann (Chief Executive Officer)

Nick Priday (Chief Financial Officer)

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. Basis of preparation and accounting policies /

Basis of preparation

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

The Directors' Report, Corporate Governance and Directors' Remuneration Report disclosures have been made in the Group section of this annual report, refer to pages 44 to 61.

Accounting policies

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

The Company has utilised the exemptions provided under FRS 1 (Revised) and has not presented a cash flow statement. The Group's cash flow statement has been presented in the Group financial statements.

In accordance with FRS 8 Related Party Disclosures, the Company is exempt from disclosing transactions with other Group Companies as it is a parent publishing consolidated financial statements.

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

Employee benefits

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

Share-based payments

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

Certain employees receive remuneration in the form of share-based payments, including shares or rights over shares. The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments concerned at the date at which they are granted. The fair value is determined by an external valuer using a stochastic model. The fair value determined at the Grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, UITF 44 requires the subsidiary to record an expense for such compensation in accordance with FRS 20 Share-based payment, with a corresponding increase recognised in equity as a contribution from the parent. Consequently, the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £7.3 million (2009: £6.0 million), with a credit to equity for the same amount.

Interest income

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

Leased assets

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to income statement over the lease term on a straight-line basis. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight-line basis.

1. Basis of preparation and accounting policies / (continued)

Tangible assets

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

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

Leasehold buildings	Over the period of the lease
Leasehold improvements	10% to 20% per annum or over the period of the lease, if shorter
Office furniture, fixtures, equipment and vehicles	10% to 50% per annum
Software	20% to 50% per annum
Other	10% to 50% 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 profit and loss as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

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

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

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

2. Profit for the year /

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year.

Aegis Group plc reported a profit, before the payment of dividends, for the financial year ended 31 December 2010 of £24.0m (2009: £66.3 m).

The profit for the year of £24.0m includes dividends received of £77.6 m from group companies.

The auditor's remuneration for audit services to the Company amounted to £0.3m (2009: £0.3m) and for non-audit services amounted to £0.6 m (2009: £0.1m).

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

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

3. Staff costs /

The monthly average number of persons employed by the Company (excluding directors) during the year was 38 (2009: 38).

Their aggregate remuneration comprised:

	2010 £m	2009 £m
Wages and salaries	**4.1**	3.6
Bonus costs	**0.5**	0.2
Social security costs	**0.4**	0.4
Pension costs	**0.3**	0.4
Staff Costs	**5.3**	4.6

Staff costs include a share-based payment expense of £1.0m (2009: £1.1m).

Directors' remuneration is disclosed in the front section of this report, refer to Remuneration Report on pages 55 to 61.

4. Tangible assets /

COST	Long leasehold and leasehold improvements £m	Equipment, fixtures and fittings £m	Computer software £m	Other £m	Total £m
At 1 January	0.8	2.2	0.2	1.5	4.7
Additions	0.8	0.1	0.6	0.1	1.6
Disposals	–	–	–	–	–
At 31 December	**1.6**	**2.3**	**0.8**	**1.6**	**6.3**
ACCUMULATED DEPRECIATION					
At 1 January	0.4	1.7	–	0.5	2.6
Charge for the year	0.2	0.4	–	0.2	0.8
At 31 December	**0.6**	**2.1**	**–**	**0.7**	**3.4**
CARRYING AMOUNT					
At 31 December 2010	**1.0**	**0.2**	**0.8**	**0.9**	**2.9**
At 31 December 2009	0.4	0.5	0.2	1.0	2.1

The net book value of other tangible assets includes trademarks of £0.9m (2009: £1.0m).

5. Investments /

COST	Interests in associates £m	Shares in subsidiary undertakings £m	Total £m
At 1 January	0.2	1,633.6	1,633.8
Additions	–	308.5	308.5
Disposals	–	(233.6)	(233.6)
At 31 December	**0.2**	**1,708.5**	**1,708.7**
ACCUMULATED IMPAIRMENT LOSSES			
At 1 January	–	172.0	172.0
Written off	–	18.1	18.1
At 31 December	**–**	**190.1**	**190.1**
CARRYING AMOUNT			
At 31 December 2010	**0.2**	**1,518.4**	**1,518.6**
At 31 December 2009	0.2	1,461.6	1,461.8

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

5. Investments / (continued)

The Company's associated undertaking is:

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

6. Debtors due within one year /

	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	217.3	212.7
Other debtors	0.9	1.1
Prepayments and accrued income	1.0	0.6
	219.2	214.4

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

7. Debtors due after more than one year /

	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	222.0	11.2
Deferred tax asset	3.5	–
	225.5	11.2

Amounts owed by subsidiary undertakings are interest-bearing.

During the year, a deferred tax asset totalling £5.0m was recognised which relates to tax losses bought forward to the extent that future UK profitability means that utilisation of these tax losses is now judged to be probable. This has been netted against a deferred tax liability of £1.5m.

8. Creditors: amounts falling due within one year /

	2010 £m	2009 £m
Bank overdrafts	–	14.4
Loans	6.8	6.3
Less issue costs of debt to be amortised	(1.0)	(0.2)
	5.8	20.5
Trade creditors	2.2	1.3
Amounts owed to subsidiary undertakings	698.3	456.3
Other creditors	1.1	–
Provision for liabilities	0.5	0.4
Accruals and deferred income	7.6	7.0
	715.5	485.5

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

The provision for liabilities is the Company's vacant leasehold properties which are located in the UK. Provision has been made for the residual lease commitments for the remaining period of the leases split as current £0.5 m (2009: £0.4m) and non-current £1.0m (2009: £0.3m).

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

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

	2010 £m	2009 £m
Borrowings	**442.9**	533.9
Less issue costs of debt to be amortised	**(3.7)**	(1.1)
	439.2	532.8
Provision for liabilities	**1.0**	0.3
	440.2	533.1

Private placement debt – July 2005

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

Private placement debt – September 2007

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

Private placement debt – December 2009

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

Revolving credit facility – July 2010

On 26 July 2010, the Company re-financed the five year £450m multi-currency credit facility with a group of international financial institutions, which was originally entered into in June 2006. 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:

	2010 £m	2009 £m
Repayable within one year	**6.8**	20.7
Repayable between one and two years	**102.0**	113.0
Repayable between two and five years	**123.8**	144.8
Repayable after more than five years	**217.1**	276.1
Issue cost of debt	**(4.7)**	(1.3)
	445.0	553.3

	2010 £m	2009 £m
Details of gross borrowings not wholly repayable within five years as follows:		
5.50% fixed rate 2005 $118m private placement debt repayable 28 July 2015	**–**	73.1
5.65% fixed rate 2005 $65m private placement debt repayable 28 July 2017	**41.7**	40.3
6.29% fixed rate 2007 $50m private placement debt repayable 17 September 2017	**32.1**	31.0
6.39% fixed rate 2009 £25m private placement debt repayable 17 December 2017	**25.0**	25.0
6.07% fixed rate 2009 $18m private placement debt repayable 17 December 2017	**11.5**	11.1
6.50% fixed rate 2009 $165m private placement debt repayable 17 December 2019	**105.8**	102.2
	216.1	282.7

The loan repayable within one year includes bank overdrafts of £nil (2009: £14.4m).

10. Derivative financial instruments /

	2010 £m	2009 £m
Current		
Derivative financial liabilities	(2.1)	(0.1)
Non-current		
Derivative financial assets	8.5	–
Derivative financial liabilities	(13.4)	(25.0)

The derivative financial assets and liabilities represent the fair value of the external and intra-group foreign exchange contracts, cross currency swaps, interest rate swap and cross currency interest rate swaps which are accounted for as fair value through profit and loss.

Cross currency swaps

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

Interest rate swap

The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised movements which the Company expects to realise as a result of lower or higher variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan note. The interest rate swap is designated and effective as fair value hedge against changes in the fair value of the debt caused by changes in interest rates/risk. Movement in the fair value of the interest rate swap is taken to profit and loss where it offsets against similar but opposite movement in the fair value of the debt caused by movement in interest rates.

Cross currency interest rate swaps

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

Details of the fair value of the Company's derivative financial instruments are set out in note 19 of the Group's financial statements.

11. Share capital /

	2010 Number of ordinary shares	2010 £m	2009 Number of ordinary shares	2009 £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	1,161,268,910	58.1	1,158,801,112	58.0
Issue of shares by the Company	123,877,156	6.2	2,467,798	0.1
At 31 December	1,285,146,066	64.3	1,161,268,910	58.1

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

11. Share capital / (continued)

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 123,877,156 shares (2009: 2,467,798) in the year with an aggregate nominal value of £6,193,858 (2009: £123,390), 7,204,641 (2009: 2,467,798) of which were due to the exercise of share options. The total share premium arising on the issue of shares in the year was £150,253,527 (2009: £2,120,268).

Included within the issue of shares by the Company are 116,672,515 shares issued as consideration on the acquisition of Mitchell Communication Group.

Under the Company's share option schemes, there were outstanding options over 8.1million ordinary shares of 5p each at 31 December 2010 (2009: 22.2 million), for which the participants have the right to exercise their options at prices ranging from £0.78 to £1.48. These options are exercisable between 31 December 2010 and 23 March 2017.

12. Share premium account and reserves /

	Share premium account £m	Capital redemption reserve £m	Other reserve £m	Merger reserve £m	ESOP reserve £m	Capital reserve £m	Profit and loss account £m	Total £m
At 1 January	245.5	0.2	–	13.0	(23.3)	301.4	54.1	590.9
Retained profit for the year	–	–	–	–	–	–	24.0	24.0
Cash flow hedge reserve	–	–	–	–	–	–	(1.1)	(1.1)
Share capital subscribed	150.3	–	–	–	–	–	–	150.3
Purchase of shares by ESOP	–	–	–	–	(16.8)		–	(16.8)
Shares awarded by ESOP	–	–	–	–	6.4	–	(6.4)	–
Credit for share-based incentive schemes	–	–	–	–	–	–	8.3	8.3
Other movements	–	–	19.2	–	–	–	–	19.2
Dividends to shareholders	–	–	–	–	–	–	(29.4)	(29.4)
At 31 December	395.8	0.2	19.2	13.0	(33.7)	301.4	49.5	745.4

At 31 December 2010, the Aegis Group Employee Share Trust (the "Trust") held 28,442,769 ordinary shares in the Company (31 December 2009: 18,898,210) with a nominal value of £1.4m (31 December 2009: £0.9m) and a market value of £40.0m (31 December 2009: £22.6m).

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

The other reserve contains the equity component of the convertible bond.

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 /

	2010 £m	2009 £m
At 1 January	**54.1**	22.2
Shares awarded by ESOP	**(6.4)**	(7.3)
Retained profit for the year	**24.0**	66.3
Dividends to shareholders	**(29.4)**	(28.5)
Credit for share-based incentive schemes	**8.3**	7.1
Cash flow hedge reserve	**(1.1)**	(5.7)
At 31 December	**49.5**	54.1

For the year ended 31 December 2010, dividends paid to shareholders comprise the final 2009 dividend of £17.7m (1.54p per share) and the interim 2010 dividend of £11.7m (1.025p per share). For the year ended 31 December 2009, dividends paid to shareholders comprise the final 2008 dividend of £17.8m (1.54p per share) and the interim 2009 dividend of £11.1m (0.96p per share). The final dividend for 2010, if approved, will be paid on 6 July 2011 to all ordinary shareholders on the register at 17 June 2011.

14. Share-based payments /

The Company recognised a total expense of £1.0m (2009: £1.1m) in respect of all share-based payments in the year. Share-based payments include share options and conditional share awards.

Share options

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

Details of outstanding share options are provided in note 30 to the Group's financial statements. There were no new awards in the year.

The weighted average share price at the date of exercise for share options exercised during the period was £1.00 (2009: £0.91). The options outstanding at 31 December 2010 had a weighted average exercise price of £1.12 (2009: £1.17), and a weighted average remaining contractual life of 3.3 years (2009: 3.8 years). No options were granted in 2010.

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 in documented scheme rules and may be based on the employees' continuing employment, the Company's Total Shareholder Return (TSR) performance relative to a group of similar businesses and the Company's EPS growth relative to RPI. Further details are provided in the Remuneration Report.

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

	2010	2009
Weighted average share price	1.19	0.88
Expected volatility	41.0%	37.2%
Risk free rate	1.5%	3.4%
Expected dividend yield	2.2%	3.2%

15. Operating lease arrangements /

At 31 December 2010, there were the following annual commitments in respect of non-cancellable operating leases:

	2010 £m	2009 £m
Operating lease payments recognised in expense for the year	0.6	0.5
Operating leases that expire		
Within 1 year	0.2	–
After 5 years	0.3	0.5
	0.5	0.5

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

16. Principal subsidiary and associated undertakings /

All shareholdings are of ordinary shares.

All of the principal subsidiary and associated undertakings are disclosed below. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

	Country of incorporation and operation	Effective interest in issued share capital at 31 Dec 2010
Principal subsidiary undertakings		
Media Communications		
Aegis Media France S.A.S	France	100%
Aegis Media Iberia S.L	Spain	100%
Aegis Media (Central Europe & Africa) GmbH	Germany	100%
Carat Nordic AB	Sweden	100%
Aegis Media Italia Srl	Italy	100%
Aegis Media Ltd	England and Wales	100%
Eaton Gate Inc	US	100%
Aegis Media Pacific Limited	England and Wales	100%
Aegis Australia Holdings Pty Ltd	Australia	100%
Market Research		
Synovate Inc	US	100%
Synovate (Holdings) Ltd	England and Wales	100%
Synovate Holdings BV	Netherlands	100%
Principal associated undertakings		
Media Communications		
Charm Communications Inc	China	15.8%
L'Agence des Services de la Presse et de l'Edition SAS	France	49.8%

GLOSSARY OF TERMS

The Group
Aegis Group plc and its subsidiaries.

Aegis Media
The media services division of Aegis Group plc.

Synovate
The market research division of Aegis Group plc.

Billings
The annualised value of media purchased and/or managed on behalf of clients, before agency discounts.

Sales
Commissions from clients for research services to be provided by the Group. Sales convert to revenue in accordance with the revenue recognition policy and the timing of delivery of research services.

Orders on hand
The cumulative value of projects recorded in sales, which have not been completed and recognised within revenue in the year.

Turnover
Represents amounts invoiced for media handled by the Group on behalf of clients, together with fees invoiced for media and research services provided.

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

Gross profit
Media and research income after deduction of all direct costs.

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

Gross margin
Gross profit stated as a percentage of turnover.

Operating profit
Gross profit less operating expenses.

Operating margin
Operating profit stated as a percentage of revenue.

Net new business
The estimated annualised value of media billings gained less the estimated 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 the constant currency 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"). In the opinion of the Directors, such adjusting items are material by nature or amount and may include impairment charges, profits and losses on disposals of investments, amortisation of purchased intangible assets (being amortisation charged on separately identifiable intangible assets in acquired businesses), unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and one-off items which are material by nature or amount in the opinion of the Directors, and any related tax thereon, as appropriate. Adjusting items may also include specific tax items such as the benefit arising on the reduction of certain tax liabilities in a particular 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.

Non-controlling interests
Partial ownership of subsidiary undertakings by external shareholders.

Faster growing regions
Faster growing regions comprise Latin America, Central and Eastern Europe, Asia Pacific, and the Middle East and Africa.

DIRECTORS AND ADVISORS

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John Napier, non-executive Chairman
Jerry Buhlmann, Chief Executive Officer, Aegis Group plc and Aegis Media
Harold Mitchell, Executive Chairman Aegis Media Pacific (Australia and New Zealand)
Robert Philpott, Chief Executive Officer, Synovate
Nick Priday, Chief Financial Officer, Aegis Group plc and Aegis Media
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Simon Laffin, non-executive
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