AEGIS

18 March 2010

Aegis Group plc
2009 Annual Results Announcement

Strong performance in a challenging market

- Operating profit* of £170.3m (2008: £177.0m) in line with guidance at the Half Year
- Strategy of cost reduction programme and other actions produced a resilient result
- Operating margins broadly maintained at 12.6% (2008: 13.2%)
- Strong result in recessionary year, with revenue down 8.7% at constant currency
- Aegis Media performed robustly, achieving record net new business of $2.7bn
- Strong second half revenue and cost performance from Synovate
- Balance sheet strengthened at year-end following successful $225m US private placement in December
- Full-year dividend maintained at 2.50p
- Announcement of proposed £170m convertible bond to increase financial flexibility and bolt on acquisition capability
- Jerry Buhlmann appointed as CEO of Aegis Group plc with effect from May 1st

£m	2009	2008†	Change, %	Constant currency, %
Revenue	**1,346.5**	1,342.0	0.3	(8.7)
Underlying results*				
▪ operating profit	**170.3**	177.0	(3.8)	(14.9)
▪ pre-tax profit	**149.3**	166.8	(10.5)	(21.8)
▪ diluted eps	**9.5p**	10.3p	(7.8)	(19.9)
Statutory results				
▪ operating profit	**114.6**	128.0	(10.5)	(20.8)
▪ pre-tax profit	**91.2**	124.6	(26.8)	(36.6)
▪ diluted eps	**5.5p**	7.3p	(24.7)	(34.9)
Dividend per share	**2.50p**	2.50p	-	
Operating cash flow after restructuring	**199.1**	261.6	(23.9)	

** Throughout the commentary in this announcement, results are stated on an underlying basis unless otherwise indicated. See page 2 for definition of underlying. Percentage movements are given at reported exchange rates unless otherwise stated.*

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

John Napier, chairman and interim chief executive officer, said

"We performed well to meet market guidance in a tougher year than we initially expected. Aegis Media performed robustly and had excellent new business wins. Synovate recovered strongly in the second half, supported by an improvement in revenue and strong management actions on costs and overheads. We also strengthened our balance sheet and financial position, leaving Aegis well placed to meet the challenges of 2010 which we believe will bring modest growth.

Further, I am pleased to announce a strengthening of the Board and management with the immediate appointment of Robert Philpott, CEO of Synovate, to the Aegis Board, and the appointment of Jerry Buhlmann as CEO of Aegis Group plc from May 1st. Jerry, Nick and Robert have worked well together over the last 18 months and deserve full credit for the delivery of a strong performance in 2009."

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Our annual results presentation will be webcast live today at 09.00 (GMT) and available afterwards for replay at www.aegisgroupplc.com

Reconciliation of underlying to statutory operating profit

£m	2009	2008†	Change, %	Constant currency change, %
Underlying operating profit	170.3	177.0	(3.8)	(14.9)
Less:				
Restructuring costs	(30.5)	(27.4)		
Amortisation of purchased intangible assets	(24.2)	(17.2)		
Write-off of software	-	(4.4)		
Loss on disposal of subsidiaries	(1.0)	-		
Total adjustments	(55.7)	(49.0)		
Statutory operating profit	114.6	128.0	(10.5)	(20.8)
Underlying diluted earnings per share	9.5p	10.3p		
Statutory diluted earnings per share	5.5p	7.3p		
Dividend per share	2.50p	2.50p		

* Underlying operating profit, underlying profit before interest and tax, underlying profit before tax, and underlying profit after tax are operating profit, profit before interest and tax, profit before tax, and profit after tax respectively, stated before those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying performance achieved by the Group and its businesses ("adjusting items"). Such adjusting items are material by nature or amount in the opinion of the Directors and may include impairment charges and other exceptional items which are material by nature or amount in the opinion of the Directors, including profits and losses on disposals of investments, amortisation of purchased intangible assets, unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and any related tax thereon, as appropriate. Adjusting items may also include specific tax items such as the benefit arising on the reduction of certain tax liabilities in a particular half-year period and deferred tax liabilities for tax deductions taken in respect of goodwill, where a deferred tax liability is recognised even if such a liability would only unwind on the eventual sale or impairment of the business in question.

Adjusting items are classified as operating, non-operating and financing according to the nature of the underlying income or expense.

A full glossary of terms used is included on page 45.

In relation to the appointment of Robert Philpott to the Board, the Company confirms that there is no information which requires disclosure under Listing Rule 9.6.13.

CHAIRMAN'S STATEMENT

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

- Continuing to deliver a strong operating performance in challenging markets, including right-sizing our cost base and making it more variable;
- Maintaining a conservative balance sheet; and
- Strengthening the Board.

Continuing to deliver a strong operating performance in challenging markets

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

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

As a result of our on-going focus on delivering a strong operating performance at both Aegis Media and Synovate, and further corporate overhead savings, the overall performance of the business was strong, with underlying Group operating margins falling slightly to 12.6%. This was an acceptable result given that organic revenue declined 9.7% in the year at constant currency.

Strengthening the conservative balance sheet adding acquisition capability

Our balance sheet remains strong and our lines of credit remain secure. Our financial and working capital and cash management continued to improve and we reduced net debt by £40.3m in the year. We also took the opportunity to change our overall debt profile in December by raising $225m by means of issuing 8 and 10 year US Private Placement Notes. This has lengthened the tenure of our total debt facilities and has helped to increase the diversity of our capital structure.

In addition we have announced a proposed convertible bond issue to raise £170m. This fulfils, in the short term, a need to restore our previous levels of acquisition and development expenditure as markets become more stable and we explore more opportunities to make related acquisitions to strengthen our market positions and provide additional capabilities whilst maintaining a conservative balance sheet. Acquisitions are likely to be plural rather than limited to one specific deal.

Strengthening the Board

We continue to strengthen the management of the Company at all levels. There have been several changes of our Non-Executive and Executive Directors, the impact of which has been very positive for the performance of the Company.

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

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

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

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

Outlook

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

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

Dividend

To support our confidence in the short term outlook for the Company, the Board has recommended a full year dividend of 2.50p per share for 2009, in line with 2008.

Our employees

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

CHIEF EXECUTIVE'S REPORT

Summary table of results

£m	2009	2008†	Change, %	Constant currency, %
Revenue	1,346.5	1,342.0	0.3	(8.7)
Gross profit	1,147.0	1,153.0	(0.5)	(9.9)
Underlying results				
- Operating expenses	(976.7)	(976.0)	(0.1)	8.9
- Operating profit	170.3	177.0	(3.8)	(14.9)
- Profit before tax	149.3	166.8	(10.5)	(21.8)
- Diluted eps	9.5p	10.3p	(7.8)	(19.9)
- Operating margin	12.6%	13.2%		
Statutory results				
- Operating profit	114.6	128.0	(10.5)	(20.8)
- Profit before tax	91.2	124.6	(26.8)	(36.6)
- Diluted eps	5.5p	7.3p	(24.7)	(34.9)
Dividend per share	2.50p	2.50p		
Operating cash flow	199.1	261.6		

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

Aegis delivered against guidance in challenging markets

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

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

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

The summary table of underlying results, showing an underlying operating profit of £170.3m and underlying pre-tax profit at £149.3m, confirms that we have delivered against that guidance. This is a particularly satisfactory

performance given that market conditions remained tough in Aegis Media and that significant improvements in Synovate performance needed to be delivered.
The percentage movements in the summary table are also given at constant currency as foreign exchange variances continue to be significant. The constant currency numbers reflect the real performance trends, particularly on the revenue and cost lines. On that basis, revenue was down 8.7% in the year, gross profit was down by 9.9% and operating costs were down by 8.9%. Excluding the limited impact of prior year acquisitions, the decrease in Group organic revenue was 9.7%.

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

Tackling our cost base

Operating performance in the year was strong, with Group margins broadly maintained at 12.6% (2008: 13.2%). This margin performance was supported by the cost reduction programme, initiated in 2008, benefits from which accelerated during the course of 2009. Further initiatives were implemented in the second half of the year and divisional savings in business costs were supported by further corporate overhead cost reductions.

At the end of the year, we achieved £55.6m of staff-related cost savings, equating to 7.6% of year-on-year savings in total staff costs excluding bonus and severance. The impact of these cost savings, in both quantum and timing, was ahead of the original expectations we set at the initiation of this exercise.

A strong second half performance from Synovate

All areas of the business contributed to our satisfactory performance for 2009. Of particular note, however, was the second half performance of Synovate which transformed a first half performance which saw organic net revenue down year-on-year by 15.5% and a half-year underlying operating loss of £3.2m.

The strong second half performance resulted in full year organic net revenue being down 13.7% and a full year underlying operating profit of £36.9m. Under the leadership of its new Chief Executive, Robert Philpott, Synovate improved net revenue and reduced costs, implementing a wide range of measures to reduce overheads, simplify the management structures and give greater focus on specific accountabilities at a functional and country management level. Although it began the implementation of its cost reduction programme later than Aegis Media, Synovate continued to improve its reduction of year-on-year staff costs by 7.8% in the second quarter, 10.8% in the third and 13.6% in the fourth making an average of 8.2% in the full year. The recovery in net revenue was equally welcome and the sales order book at the end of the year is strong.

A consistent performance from Aegis Media throughout the year

Aegis Media performed more consistently throughout the year with a full year revenue decline of 8.7%, however with a stronger fourth quarter than third quarter. The rate of year-on-year staff cost savings increased to 10.1% in the third quarter, falling to 9.2% in the last quarter, to give an average of 7.1% for the year. The fourth quarter performance reflected a significantly higher level of activity and the fact that prior year comparisons included cost reduction measures taken earlier in the fourth quarter of 2008. Aegis Media ended the year with record net new business wins of $2.7bn (2008: $0.9bn). Client wins during the year included Nokia, Kellogg's and BMW. There was limited incremental benefit in 2009 due to phasing issues as the current year wins were partly offset by account changes in the second half of 2008. We expect the full benefit to be derived in 2010.

Aegis Media continued to be successful in its efforts to diversify, specifically in terms of geography and service offering. The digital profile of the business grew further in 2009, with Isobar contributing 31% of Aegis Media's revenue. Aegis Media also continued to increase its networks in the relatively buoyant emerging markets. As evidence of this, we announced in January 2010 an extension of our operations in China, with the acquisition of a 17.7% stake in Charm Communications Inc, accelerating our presence in that key market.

Financial position of Aegis strengthened

During the year, we continued to take further action to strengthen our financial position. We ended the year with strong covenant positions and have undrawn available facilities at the year-end totalling £376.4m (2008: £172.1m).

We extended our debt maturity profile with the issuance of 8 and 10 year US Private Placement Notes in December 2009. Further detail is provided in the Financial Review.

Dividend

To support our confidence in the short-term outlook for the Company, the Board has recommended a full year dividend of 2.50p per share for 2009, in line with 2008.

Outlook

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

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

BUSINESS REVIEW

Aegis Media

£m	2009	2008	Change, %	Constant currency, %
Revenue				
EMEA	585.3	588.1	(0.5)	(7.5)
Americas	158.6	167.3	(5.2)	(17.9)
Asia Pacific	81.3	68.4	18.9	3.9
Worldwide	**825.2**	823.8	0.2	(8.7)
Operating costs	**(674.8)**	(665.9)	(1.3)	7.6
Operating profit	**150.4**	157.9	(4.7)	(13.5)
Operating margin	**18.2%**	19.2%		

Headlines

- Operating performance resilient, with operating margin of 18.2% (2008: 19.2%)
- Operating profit down, but impact of revenue falls significantly offset by cost reductions
- Record new business performance globally at $2.7bn (2008: $0.9bn), including Kellogg's, BMW and Credit Agricole in EMEA and Nokia globally; limited incremental benefit in 2009 as partly offset by account changes in second half of 2008 but provides good momentum going into 2010
- Proportion of revenue derived from digital up from 29% to 31%

Overview

Revenue of £825.2m was in line with 2008 but 8.7% down on a constant currency basis reflecting the worldwide advertising recession in 2009. On an organic basis, revenue fell 9.7%, compared to a decline of 9.9% in the first half of the year. The rate of decline, having increased to 11.8% in the third quarter, recovered to 8.0% in the last quarter. The improvement in revenues in the last quarter together with the record levels of new business wins in the year provide good momentum going into 2010, with increasing benefit expected to arise.

Organic change %	Q1	Q2	Q3	Q4	H1	H2	Full year
Revenue	(13.1)	(7.4)	(11.8)	(8.0)	(9.9)	(9.5)	(9.7)

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

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

As a consequence of these actions we had our best new business performance globally on record and our turnover conversion to revenue increased from 7.9% to 8.5%. Our headcount fell by 6.0% across the year and operating costs decreased by 7.6% on a constant currency basis.

These cost savings principally reflect the benefit of our targeted cost reduction programme, together with flexibility in the cost base in respect of performance pay arrangements. Underlying staff costs excluding performance pay and exceptional severance charges were 7.1% lower than 2008 and the rate of cost savings accelerated during the year as the programme was implemented.

Cost reduction vs prior year	Q1	Q2	Q3	Q4	H1	H2	Full year	
Aegis Media	2.2%	7.0%	10.1%	9.2%	4.6%	9.6%	7.1%	£35.0m

Operating profit at £150.4m was down 4.7%, or 13.5% at constant currency, reflecting a resilient performance as, given the revenue decline in the year, operating margin was reasonably maintained at 18.2% (2008: 19.2%).

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

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

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

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

Aegis Media EMEA

Revenue across the region at £585.3m decreased by 0.5% and by 7.5% at constant currency reflecting an outperformance versus the difficult market conditions.

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

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

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

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

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

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

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

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

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

Aegis Media Americas

Revenues of £158.6m declined 5.2% across North America and Latin America representing a 17.9% decline on a constant currency basis. In North America a new management team led by a new CEO was installed in May 2009 to transform and drive forward our US operations. This change has manifested a major cultural change, new energy in the organisation, and delivered some concrete success with the additional appointment of Gillette from Procter and Gamble reinforcing our integrated communications planning credentials in the market.

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

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

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

Aegis Media Asia Pacific

Senior and stable management plus a clear focus have produced solid numbers in Asia with revenue at £81.3m up 18.9% and up 3.9% at constant currency representing a very good regional performance.

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

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

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

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

Since the year-end, we have announced an extension of our operations in China, with the acquisition of a 17.7% shareholding in Charm Communications Inc ("Charm"), one of China's leading TV buying and advertising agencies. In addition, Vizeum and Charm have established a joint venture which will operate as Vizeum China.

Synovate

£m	**2009**	2008	Change, %	Constant currency, %
Gross revenue[‡]				
EMEA	234.4	248.4	(5.6)	(10.2)
Americas	151.1	145.2	4.1	(10.0)
Asia Pacific	135.8	124.6	9.0	(4.4)
Worldwide gross revenue	**521.3**	518.2	0.6	(8.7)
Net revenue[‡]				
EMEA	138.2	147.6	(6.4)	(12.2)
Americas	102.5	100.5	2.0	(12.9)
Asia Pacific	81.1	81.1	-	(13.0)
Worldwide net revenue	**321.8**	329.2	(2.2)	(12.6)
Net revenue conversion	61.7%	63.5%		
Operating costs	**(284.9)**	(287.0)	0.7	10.7
Operating profit	**36.9**	42.2	(12.6)	(25.0)
Operating margin	**7.1%**	8.1%		

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

Headlines

- Market research industry much weaker than expected from historical precedent, particularly in the first half
- More intensive action taken to reduce the cost base and re-organise activities
- An increased rate of cost savings and improved revenues resulted in excellent second half performance
- Operating margins at 7.1%, from 8.1% in the prior year, with a net revenue fall of 12.6%
- Good full year performance, given circumstances
- Well placed at the beginning of 2010

Overview

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

The intensification of actions highlighted at the half year, to focus on sales and reduce the cost base, have resulted in the achievement of a higher level of operating profit in the second half of the year compared to 2008. However, despite this improvement in performance in the second half, Synovate was unable to fully offset the decline in revenues over the full year. This resulted in a decline in both net revenue (12.6%) and operating profit (25.0%) on a constant currency basis.

Synovate's gross revenue increased by 0.6% to £521.3m, equivalent to a 8.7% decline at constant currency and a 9.6% decline on a fully organic basis. However, Synovate has shown steady progression of revenue recovery in each of the last two quarters, as shown in the table below.

Organic change %	Q1	Q2	Q3	Q4	H1	H2	Full year
Gross revenue	(9.1)	(14.6)	(10.1)	(5.5)	(12.3)	(7.4)	(9.6)
Net revenue	(12.0)	(18.1)	(14.4)	(10.8)	(15.5)	(12.2)	(13.7)

Net revenue (after direct costs) was down 2.2% to £321.8m, or down 12.6% at constant currency. The net revenue conversion of 61.7% compares to 63.5% in 2008. This reflects several factors including some increased pricing pressure and work mix – for example a reduction in higher margin qualitative studies.

Against this backdrop of declining revenues, total operating costs were 0.7% better than 2008 at £284.9m, an improvement of 10.7% at constant currency. These savings principally reflect the benefit of the targeted cost reduction programme within Synovate, together with flexibility in the cost base in respect of performance pay arrangements. Underlying staff costs excluding performance pay and exceptional severance charges were 8.2% down on 2008. The rate of cost savings accelerated during the year as the programme was implemented.

Cost reduction vs prior year	Q1	Q2	Q3	Q4	H1	H2	Full year	
Synovate	0.7%	7.8%	10.8%	13.6%	4.3%	12.2%	8.2%	£18.8m

Operating profit was £36.9m, down 12.6% from £42.2m in 2008, or 25.0% at constant currency. However, 2009 was a year of two halves as shown by the split of operating profit between the first and second half of the year in the table below.

£m	**2009**	2008	Change, %	Constant currency, %
Operating profit				
- first half	**(3.2)**	7.9	(140.5)	(132.0)
- second half	**40.1**	34.3	16.9	1.0
- full year	**36.9**	42.2	(12.6)	(25.0)

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

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

Synovate EMEA

For the EMEA region, gross revenue of £234.4m is down 5.6% on a reported basis or 10.2% on a constant currency basis. Net revenue of £138.2m is down 6.4% on a reported basis or 12.2% on a constant currency basis.

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

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

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

Synovate Americas

Gross revenue in the Americas was £151.1m, up 4.1% on 2008 but down 10.0% at constant currencies. Net revenue was £102.5m, up 2.0% in reported terms but 12.9% down on a constant currency basis.

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

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

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

Synovate Asia-Pacific

Gross revenue in the Asia-Pacific region was £135.8m, up 9.0% year on year but down 4.4% on a constant currency basis. Net revenue was flat at £81.1m, but down 13.0% on a constant currency basis.

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

Industry verticals

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

Gross revenue in Synovate Healthcare performed consistently in 2009, up around 2% on a reported basis but down around 6% in constant currency. The relative resilience of the revenues, coupled with successful efforts to contain costs, saw operating profit across the vertical increasing from 2009 on a reported and organic basis. With orders on hand well up year on year, the outlook for Healthcare is positive for 2010.

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

Key Accounts

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

Capabilities

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

FINANCIAL REVIEW

Underlying results

£m	2009	2008†	Change, %	Constant currency, %
Turnover	**9,684.6**	10,413.8	(7.0)	(15.4)
Revenue	**1,346.5**	1,342.0	0.3	(8.7)
Gross profit	**1,147.0**	1,153.0	(0.5)	(9.9)
Operating expenses	**(976.7)**	(976.0)	(0.1)	8.9
Operating profit	**170.3**	177.0	(3.8)	(14.9)
Profit before interest and tax	**170.0**	179.7	(5.4)	(16.3)
Net financial items	**(20.7)**	(12.9)	(60.5)	(69.7)
Profit before tax	**149.3**	166.8	(10.5)	(21.8)
Diluted eps	**9.5p**	10.3p	(7.8)	(19.9)
Operating margin	**12.6%**	13.2%		

Headlines

- Underlying operating profit of £170.3m (2008: £177.0m) and underlying pre-tax profit of £149.3m (2008: £166.8) in line with guidance
- Revenue fell by 6.9% organically in fourth quarter compared with a 10.8% fall over the first nine months
- Cost reduction programme delivered increasing rate of savings during the year, with Group margins reasonably maintained given revenue reductions at 12.6% (2008: 13.2%)
- Second half restructuring charges of £14.8m in line with guidance; full year restructuring charge of £30.5m
- Strong operating cash inflow before restructuring
- Covenant position very healthy at year-end and headroom on central banking facilities increased to £376.4m following successful issue of $225m US Private Placement Notes in December

Currency

The average exchange rates in the year saw sterling weaken against both the US dollar and the euro. This gives a favourable effect on translation of reported growth rates expressed in sterling. The US dollar average rate for 2009 was £1:$1.5659 (2008 was £1:$1.8519) and the euro average rate for 2009 was £1:€1.1229 (2008 was £1:€1.2574). On this basis the average US dollar rate strengthened versus sterling by 18.3% and the euro strengthened versus sterling by 12.0%. Consequently, reported results reflect a positive currency impact of 9.9% on reported revenue.

Income Statement

Revenue

Revenue grew 0.3% at reported exchange rates, and fell 8.7% at constant currency, to £1,346.5m (2008: £1,342.0m). The decrease in revenue at constant currency was less pronounced than the fall in turnover (down by 15.4% at £9,684.6m (2008: £10,413.8m) at constant currency), demonstrating the comparative resilience of the revenue model in Aegis Media, with an increasing proportion of revenues not directly related to adspend volumes.

Excluding the limited impact of prior year acquisitions, the decrease in Group organic revenue was 9.7% as shown below (Aegis Media 9.7%, Synovate gross revenue 9.6%).

GROUP, £m	2009	Change, %	2008	Change, %
Prior year revenue as reported	1,342.0		1,106.4	
Currency movements	133.2	9.9	112.5	10.2
Prior year revenue at constant currency	1,475.2		1,218.9	
Organic movement in year	(143.1)	(9.7)	56.1	4.6
Acquisition contribution in year	14.4	1.0	67.0	5.5
Total change in revenue at constant currency	(128.7)	(8.7)	123.1	10.1
Current year revenue as reported	1,346.5		1,342.0	

AEGIS MEDIA, £m	2009	Change, %	2008	Change, %
Prior year revenue as reported	823.8		673.4	
Currency movements	80.3	9.7	75.5	11.2
Prior year revenue at constant currency	904.1		748.9	
Organic movement in year	(87.7)	(9.7)	45.7	6.1
Acquisition contribution in year	8.8	1.0	29.2	3.9
Total change in revenue at constant currency	(78.9)	(8.7)	74.9	10.0
Current year revenue as reported	825.2		823.8	

SYNOVATE, £m	2009	Change, %	2008	Change, %
Prior year revenue as reported	518.2		433.0	
Currency movements	52.9	10.2	36.8	8.5
Prior year revenue at constant currency	571.1		469.8	
Organic movement in year	(54.8)	(9.6)	10.8	2.3
Acquisition contribution in year	5.0	0.9	37.6	8.0
Total change in revenue at constant currency	(49.8)	(8.7)	48.4	10.3
Current year revenue as reported	521.3		518.2	

Revenue fell by 6.9% organically in the fourth quarter compared with a 10.8% fall over the first nine months and a 11.1% fall in the third quarter.

Organic change %	Q1	Q2	Q3	Q4	H1	H2	Full year
Aegis Media	(13.1)	(7.4)	(11.8)	(8.0)	(9.9)	(9.5)	(9.7)
Synovate	(9.1)	(14.6)	(10.1)	(5.5)	(12.3)	(7.4)	(9.6)
Group	(11.6)	(10.2)	(11.1)	(6.9)	(10.8)	(8.6)	(9.7)

Aegis Media ended the year with record net new business wins of $2.7bn (2008: $0.9bn). There was limited incremental benefit in 2009 due to phasing issues as the current year wins were partly offset by account changes in second half of 2008. We expect the full benefit to be derived in 2010.

One-off accounting items impacting revenue

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

a) Posterscope USA

In December 2009, an internal review process initiated by the new regional management team, supported by a comprehensive investigation into the business unit's accounting practices, concluded that former senior managers at Posterscope USA had improperly reported over-stated revenues and profits between 2004 and 2008 by an aggregate £10.5m. This has been reversed in full through underlying revenue in 2009 with no restatement of prior periods. There was no direct cash impact.

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

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

During 2006, the Group became aware of a fraud perpetrated against Aegis Media Germany. In prior years the recovery of funds, although probable, was not sufficiently certain to be recognised as an asset. In 2009, the Group has recognised £9.5m in respect of recoveries under insurance policies relating to this fraud.

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

In addition to these items, there is a further 'year-on-year' impact connected to Posterscope USA, whereby £4.6m of the over-statement in prior year revenues was recorded as revenue in 2008 but is not recurring in 2009. Therefore, there is a total one-off shortfall in year-on-year revenue of £5.6m.

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 £1,147.0m, down 0.5% or 9.9% at constant currency. Synovate's net revenue decreased by 2.2%, or 12.6% at constant currency, which was higher than the decrease in gross revenue as shown below.

Synovate, £m	2009	2008	Change, %	Constant currency, %
Gross revenue	521.3	518.2	0.6	(8.7)
Net revenue	321.8	329.2	(2.2)	(12.6)
	61.7%	63.5%		

The net revenue conversion of 61.7% compares to 63.5% in 2008. This reflects several factors including some increased pricing pressure and work mix – for example a reduction in higher margin qualitative studies.

Operating performance

Operating expenses increased to £976.7m (2008: £976.0m), an increase of 0.1% at reported exchange rates or a decrease of 8.9% at constant currency. The bulk of Group-wide savings have been achieved through reductions in salary and related costs as a result of the Group-wide restructuring programme and recruitment freeze. Detail on the exceptional restructuring charge relating to the programme is provided on pages 19 and 20.

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

Cost reduction vs prior year	Q1	Q2	Q3	Q4	H1	H2	Full year	
Aegis Media	2.2%	7.0%	10.1%	9.2%	4.6%	9.6%	7.1%	£35.0m
Synovate	0.7%	7.8%	10.8%	13.6%	4.3%	12.2%	8.2%	£18.8m
Group	2.0%	7.5%	10.5%	10.6%	4.8%	10.5%	7.6%	£55.6m

The Group total also includes head office staff cost savings which were down some £6.1m year-on-year. The majority of savings came from reductions in core Head Office costs due to changes made in the last quarter of 2008 and reductions in project based professional fees and external consultants.

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

Operating profit was £170.3m (2008: £177.0m), down 3.8% or 14.9% at constant currency.

The Group operating margin was broadly maintained at 12.6% (2008: 13.2%). Given the unprecedented nature of the 2009 downturn across our markets, the full year operating margin demonstrates the resilience of both of our divisions and of Aegis as a whole.

Profit before interest and tax

After a loss from associates of £0.3m (2008: profit £2.7m), profit before interest and tax was down 5.4% to £170.0m (2008: £179.7m), equivalent to a decrease of 16.3% at constant currency.

Net financial items

£m	**2009**	2008†	Change, %	Constant currency, %
Interest income	**7.9**	15.9	(50.3)	(55.4)
Interest payable	**(29.7)**	(37.2)	20.2	22.8
Net interest charge (before fx gains)	**(21.8)**	(21.3)	(2.0)	(3.4)
Foreign exchange gains	**1.1**	8.4	(86.9)	(86.9)
Net financial items	**(20.7)**	(12.9)	(60.5)	(69.7)

The Group's net charge in respect of financial items was £20.7m (2008: £12.9m) an increase of 60.5% or 69.7% at constant currency. However, before the effect of foreign exchange gains relating to financing items, the net interest charge in 2009 was broadly flat year-on-year at £21.8m (2008: £21.3m). Within the net interest charge, interest income reduced to £7.9m (2008: £15.9m), principally due to the significantly lower level of average interest rates available on cash deposits during the year, and interest payable reduced to £29.7m (2008: £37.2m), reflecting the reduced funding costs applicable on the Group's variable rate debt.

Profit before tax
Profit before tax of £149.3m (2008: £166.8m) decreased by 10.5%, or 21.8% at constant currency.

Tax
Our underlying tax rate for the year was 25.5% (2008: 25.8%). The statutory tax rate was 29.6% (2008: 28.4%). The total of income taxes paid in cash in the year was £34.2m (2008: £46.1m).

Profit attributable to equity holders of the parent
Minorities' share of income decreased to £1.5m (2008: £6.4m) reflecting the purchase of certain minority interests, principally towards the end of 2008, and a lower level of profitability relating to some non-100% owned entities. Profit attributable to equity holders of the parent was £62.7m (2008: £82.8m) down 24.3% or 32.3% at constant currency.

Earnings per share
Diluted earnings per share decreased by 7.8% to 9.5p (2008: 10.3p). Statutory diluted earnings per share were 5.5p (2008: 7.3p) a decrease of 24.7%, due principally to the reconciling items between underlying profit before tax and statutory profit before tax described below, primarily restructuring costs and amortisation of purchased intangible assets.

Dividends
The Board is proposing a final dividend of 1.54p per ordinary share, making a total of 2.50p for the year. The final dividend will be paid on 1 July 2010 to shareholders on the register at 4 June 2010.

Statutory results

Reconciliation of underlying operating profit to statutory operating profit

£m	2009	2008†	Change, %	Constant currency change, %
Underlying operating profit	**170.3**	**177.0**	(3.8)	(14.9)
Less:				
Restructuring costs	(30.5)	(27.4)		
Amortisation of purchased intangible assets	(24.2)	(17.2)		
Write-off of software	-	(4.4)		
Disposals of subsidiaries	(1.0)	-		
Total adjustments	(55.7)	(49.0)		
Statutory operating profit	**114.6**	**128.0**	(10.5)	(20.8)

Restructuring costs

Our statutory results are presented after deduction of a £30.5m restructuring charge (2008: £27.4m) incurred during the year. Details are set out in the table below. The total restructuring charge in 2009 is made up of £28.3m in severance and related costs and £2.2m in property-related costs.

The charge in the second half was £14.8m, in line with previous guidance.

2009 restructuring charge

£m	Severance	Property	Total
Aegis Media	10.2	0.4	**10.6**
Synovate	17.5	1.8	**19.3**
Corporate Head office	0.6	-	**0.6**
Total	**28.3**	**2.2**	**30.5**
Recognised in H1	13.9	1.8	15.7
Recognised in H2	14.4	0.4	14.8

The total charge relating to the Group's cost reduction programme in both 2008 and 2009 is £57.9m as shown in the table below.

£m	Severance	Property	Total
Aegis Media:			
- 2008	20.1	3.2	23.3
- 2009	10.2	0.4	10.6
- Total	30.3	3.6	33.9
Synovate:			
- 2008	0.2	1.2	1.4
- 2009	17.5	1.8	19.3
- Total	17.7	3.0	20.7
Corporate head office:			
- 2008	2.7	-	2.7
- 2009	0.6	-	0.6
- Total	3.3	-	3.3
Group:			
- 2008	23.0	4.4	27.4
- 2009	28.3	2.2	30.5
- Total	51.3	6.6	57.9

Other adjustments

Other reconciling items between underlying and statutory operating profit include the amortisation of purchased intangibles, such as intellectual property and client relationships in acquired businesses. The amortisation charge increased from £17.2m in 2008 to £24.2m in 2009 reflecting the annualisation effect relating to purchased intangibles recognised in the prior year. The Group recorded a £1.0m loss on disposal of stakes in operations in Korea and Brazil. In 2008, there was also a write-off in respect of software tools.

Operating Profit

As a result of the reorganisation costs and other adjustments to statutory profit referred to above, statutory operating profit was down 10.5% at £114.6m (2008: £128.0m).

Reconciliation of underlying profit before tax to statutory profit before tax

£m	2009	2008	Change, %	Constant currency change, %
Underlying profit before tax	**149.3**	**166.8**	(10.5)	(21.8)
Less:				
Adjustments to operating profit	(55.7)	(49.0)		
IAS 39 adjustments	(2.9)	6.8		
Gain on disposal of JV and associate	0.5	-		
Total adjustments	(58.1)	(42.2)		
Statutory profit before tax	**91.2**	**124.6**	(26.8)	(36.6)

Profit before tax

Statutory profit before tax is stated after the adjustments made in arriving at statutory operating profit and certain other items recorded within net financial items. These other items include IAS 39 adjustments relating to non-hedge derivatives and movements in put option liabilities, an IAS 39 impairment charge relating to assets available for sale and a gain on disposal of a JV and associate in Europe. As a result, statutory profit before tax was down 26.8% at £91.2m (2008: £124.6m). Our statutory tax charge was £27.0m (2008: £35.4m), equivalent to a tax rate of 29.6% (2008: 28.4%). Basic and diluted earnings per share were 5.5p (2008: 7.3p).

Balance sheet

£m	2009	2008
Goodwill	1,010.9	1,114.6
Intangible assets	85.5	104.9
Property, plant and equipment	59.9	73.5
Other non-current assets	44.4	52.7
Total non-current assets	1,200.7	1,345.7
Net receivables/(payables)	(309.3)	(281.0)
Net debt	(257.2)	(297.5)
Earn-out liabilities	(70.2)	(197.4)
Liabilities in respect of put options	(31.4)	(41.3)
Other	(88.1)	(68.7)
Net assets	444.5	459.8

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

Goodwill and intangible assets

The reduction of £103.7m in goodwill predominantly arises due to downward revisions of estimated future earnout liabilities and exchange movements, offset by a £9.7m increase arising on current year acquisitions.

Intangible assets decreased to £85.5m (31 December 2008: £104.9m) as a result of the current year amortisation charge of £32.2m, together with exchange movements and a lower level of additions in the year.

Property, plant and equipment

The net decrease in property, plant and equipment of £13.6m was due to depreciation, foreign exchange and the aggregated impact of office moves. Net capital expenditure for the year was £26.0m (2008: £39.6m)

Working capital

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

Net debt

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

£m	2009	2008	Change
Cash and short-term deposits	391.1	412.7	(21.6)
Current borrowings and overdrafts	(43.2)	(52.7)	9.5
Non-current borrowings	(605.1)	(657.5)	52.4
Net Debt	(257.2)	(297.5)	40.3

Net debt at the year-end reduced to £257.2m (2008: £297.5m), principally due to net operating cash inflows and some currency impact.

Earn-outs

Our estimated future earn-out liabilities decreased by £127.2m to £70.2m at the balance sheet date. As acquisitions were substantially reduced in 2009, there were no material additional earn-out liabilities arising in the year. Increases in liabilities due to foreign exchange movements were offset by payments made in the period and some reductions in future estimates. The vast majority of our earn-out commitments depend on the post acquisition financial performance of businesses acquired.

Liabilities in respect of put options decreased by £9.9m to £31.4m (2008: £41.3m).

Pensions

The Group does not operate any material defined benefit pension schemes and has a small deficit on certain statutory schemes of £8.4m. In a small number of markets we are obliged to accrue for a defined sum payable to employees on leaving the Company; these are statutory requirements typically related to length of service. The present value of defined benefit obligations under these schemes are fully provided for.

Cash flow

Cash flow from operations was £199.1m (2008: £261.6m), down 23.9%. Cash conversion decreased from 147.8% of operating profit to 116.9%. We had a net working capital inflow of £27.0m (2008: inflow of £54.9m). Net capital expenditure was £26.0m (2008: £39.6m) reflecting the property moves noted earlier, in addition to continued information technology spend.

Net cash outflow on acquisitions was £73.5m (2008: £103.3m). Dividends paid to equity holders amounted to £28.5m (2008: £27.4m). On 17 December 2009, the Group issued US$225m (comprising £25m and US$183m) of unsecured loan notes in the US private placement market repayable between 2017 and 2019.

Financing

Covenant	Requirement	2009	2008
Leverage	Less than 3 times	1.2x	1.2x
Interest cover	Greater than 4 times	6.9x	6.0x

We ended the year with a comfortable covenant position. Our leverage covenant (net debt/EBITDA) was 1.2x (compared to a covenant requirement of <3 times) and our interest cover covenant (EBITA/gross interest) was 6.9x (compared to a covenant requirement of >4 times).

Under our committed central facilities, we had undrawn available facilities at the year-end of £376.4m (2008: £172.1m). The improvement in central headroom is a result of a new facilities agreed in the year, the new tranche of US Private Placement debt of circa £136m (US$225m) referred to above and the reduction in borrowings discussed above.

We do not have any term facilities maturing in 2010. Our £450m revolving credit facility is due for renewal in June 2011. Five tranches of existing US private placement funding mature between 2012 and 2017. Cash flow forecasts produced on a prudent basis for the next three years show that the Group expects to generate free cash flow, after payment of current estimates of existing earn-out liabilities.

Principal Risks and Uncertainties

As with many global companies, Aegis faces many different types of risks, including market and strategy, financial, operational and HR. 2009 has also seen an increased focus on cash and counterparty risks as a result of the shift in the global economy we have all experienced.

We continually review our key risks and strive to improve our internal control framework to help mitigate them, where possible. Listed below are what we believe to be the principal risk factors and uncertainties that we have faced during 2009 and are still likely to face well into 2010 and our strategies for managing them.

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

Counterparty Relationships

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

These risks include, but are not limited to, loss of income from clients in financial distress and potential media buying liabilities arising in markets where we act as principal. In 2009 we have also continued to face the risk of credit insurers withdrawing previously available cover and the continued viability risk of our domestic and overseas banking partners.

It is our policy to undertake credit enquiries on new clients and for written contracts to be in place before starting any significant work. To minimise the impact of the overall risk of default, our strategies can include requesting pre-payment, imposing credit limits and taking out credit insurance, broadening cover in markets where it remains available. We have also closely monitored our exposure to relationships with our banking partners, ensuring that deposits held with any one banking group do not exceed £30m.

Liquidity and Working Capital

Our funding arrangements and cash management have continued to be a priority for us in 2009 and will remain so in 2010 to enable the Group to meet our liabilities. Our media buying activities, in particular, require robust cash management processes. To help manage our cash, we receive daily cash reporting from our operations. Our larger businesses take part in cash pooling arrangements with our relationship banks, with which we also have our debt facilities. Business units also deposit surplus funds with Group Treasury to assist with managing interest payments and liquidity.

Our cash pooling arrangements were extended during the year and will be further extended in 2010.
During 2009 we concentrated on improving reporting from our business units to ensure that executive management has accurate and timely information to actively monitor liquidity and covenant headroom. We actively manage our headroom to accommodate both general and specific contingencies. Management reporting, liquidity and covenant monitoring will continue to be a key focus in 2010.

Our principal borrowing arrangement, a five-year revolving credit facility of £450m with a syndicate of 11 banks will expire in 2011. We have an active programme of regular communication with our relationship banks and bondholders, who are long-standing and supportive, and continue to have a good understanding of our business performance and prospects. Furthermore, in June and July 2009, we increased our central facilities by £85m and in

December 2009, we raised US$225m by issuing 8 and 10-year private placement notes, further extending the Group's debt maturity profile.

Client Relationships

Although the winning and retaining of clients is at the core of our business, we are conscious that in the volatile economic climate we have endured in 2009 that is continuing into 2010, there is a risk that our clients' investment in advertising and research will decrease, which would have an impact on our revenues.

While our diversified range of services help to mitigate this risk, we also make sure that we have dedicated client relationship teams in place. In 2009 we integrated our digital and traditional services in a number of markets and in global client services, to give clients one point of contact to deliver to all their needs across our entire range of communications services. We also increased our activity in emerging markets, where advertising spend was continuing to grow, in contrast with developed markets, and focused on more resilient fee-based revenues.

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

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

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

Acquisitions and Successful Integration

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

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

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

Competition and Keeping Ahead of the Game

We work in a competitive environment and current technology potentially allows our current and prospective clients to be reached by suppliers from anywhere in the world. For some services, aggressive pricing from competitors in countries where costs are lower could cause a reduction in our own revenue and margins. To minimise this risk, our aim is to build long term relationships with our clients and to remain competitive in staying ahead of the game in our offerings and reducing our own costs. We also aim to ensure that we are the supplier of choice by maintaining high standards, developing tools that add value to our clients' marketing and business activity and delivering work to our clients on time. Many of our Synovate businesses follow the ISO 20252 code of conduct for market research and we have both Synovate and Aegis Media businesses that are ISO 9001 accredited, with quality management systems in place.

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

Security of Data

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

Talent Management

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

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

Consolidated income statement

For the year ended 31 December 2009

	Notes	2009 £m	2008* £m
Turnover – amounts invoiced to clients		9,684.6	10,413.8
Revenue		1,346.5	1,342.0
Cost of sales		(199.5)	(189.0)
Gross profit		1,147.0	1,153.0
Operating expenses before restructuring charges		(1,001.9)	(997.6)
Restructuring charges	4	(30.5)	(27.4)
Operating expenses		(1,032.4)	(1,025.0)
Operating profit		114.6	128.0
Share of results of associates		0.2	2.7
Profit before interest and tax		114.8	130.7
Investment income	5	7.9	15.9
Finance costs	6	(31.5)	(22.0)
Net financial costs		(23.6)	(6.1)
Profit before tax		91.2	124.6
Tax	7	(27.0)	(35.4)
Profit for the financial year		64.2	89.2
Attributable to:			
Equity holders of the parent		62.7	82.8
Minority interests		1.5	6.4
		64.2	89.2
Earnings per ordinary share:			
Basic (pence)	9	5.5	7.3
Diluted (pence)	9	5.5	7.3
Dividend per ordinary share (pence)	8	2.50	2.50

Underlying results:*			
Underlying operating profit		170.3	177.0
Underlying profit before tax		149.3	166.8
Underlying earnings per ordinary share:			
Basic (pence)	9	9.5	10.3
Diluted (pence)	9	9.5	10.3

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

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	2009 £m	2008 £m
Profit for the financial year	64.2	89.2
Currency translation differences on foreign operations:		
- Group	(32.3)	65.1
- Minority interests	(1.2)	3.6
Exchange movements on hedged items taken to equity	(11.5)	36.4
Available-for-sale investments: movements taken to equity	0.5	(0.9)
Cash flow hedges: movements taken to equity	(5.7)	5.9
Actuarial loss recognised on defined benefit pension schemes	(0.1)	-
Tax on movements taken to equity	1.6	(1.7)
Other comprehensive gains and losses recognised directly in equity	(48.7)	108.4
Total comprehensive income and expense	15.5	197.6
Attributable to:		
Equity holders of the parent	15.2	187.6
Minority interests	0.3	10.0
	15.5	197.6

Consolidated balance sheet
At 31 December 2009

	Notes	2009	2008*	2007*
Non-current assets		£m	£m	£m
Goodwill		1,010.9	1,114.6	796.6
Intangible assets		85.5	104.9	49.2
Property, plant and equipment		59.9	73.5	53.8
Interests in associates and joint ventures		3.3	26.7	19.3
Deferred tax assets		25.5	23.5	15.8
Available-for-sale financial assets		14.9	0.4	2.3
Other financial assets		0.7	2.1	1.7
		1,200.7	1,345.7	938.7
Current assets				
Work in progress		15.2	22.5	15.5
Trade and other receivables		2,006.2	2,324.0	2,090.6
Derivative financial assets		0.2	6.0	0.1
Other financial assets		-	2.8	0.3
Cash at bank and in hand and short-term deposits	13	391.1	412.7	356.8
		2,412.7	2,768.0	2,463.3
Total assets		3,613.4	4,113.7	3,402.0
Current liabilities				
Trade and other payables		(2,365.1)	(2,699.3)	(2,319.4)
Borrowings		(43.2)	(52.7)	(85.1)
Derivative financial liabilities		(3.6)	(4.9)	(3.2)
Other financial liabilities		-	-	(0.1)
Provisions		(2.3)	(2.2)	(0.8)
Current tax liabilities		(5.0)	(14.3)	(19.1)
		(2,419.2)	(2,773.4)	(2,427.7)
Net current (liabilities)/assets		(6.5)	(5.4)	35.6
Non-current liabilities				
Borrowings		(605.1)	(657.5)	(516.9)
Other non-current liabilities		(52.9)	(141.7)	(99.9)
Derivative financial liabilities		(54.8)	(48.3)	(35.0)
Provisions		(1.1)	(2.3)	(1.0)
Deferred tax liabilities		(35.8)	(30.7)	(15.2)
		(749.7)	(880.5)	(668.0)
Total liabilities		(3,168.9)	(3,653.9)	(3,095.7)
Net assets		444.5	459.8	306.3
EQUITY				
Share capital		58.1	58.0	57.7
Shares to be issued		-	4.0	4.7
Own shares		(23.3)	(30.6)	(30.9)
Share premium account		245.5	243.5	238.7
Capital redemption reserve		0.2	0.2	0.2
Foreign currency translation reserve		64.1	107.9	6.4
Retained earnings		134.5	102.9	44.2
Potential acquisition of minority interests		(47.2)	(43.4)	(21.2)
Equity attributable to equity holders of the parent		431.9	442.5	299.8
Minority interests		12.6	17.3	6.5
Total equity		444.5	459.8	306.3

Consolidated cash flow statement
For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Cash flows from operations			
Cash inflows from operations	13	199.1	261.6
Income taxes paid		(34.2)	(46.1)
Net cash inflow from operations		164.9	215.5
Investing activities			
Interest received		8.2	15.9
Dividends received from associates		0.2	0.8
Net cash paid on purchase of subsidiary undertakings		(12.6)	(55.5)
Proceeds from disposal of subsidiary		2.7	-
Proceeds from disposal of associated undertakings		2.4	-
Payments of deferred consideration on prior period acquisitions		(60.9)	(47.8)
Purchase of PPE and intangible assets		(27.4)	(40.3)
Proceeds from disposal of PPE and intangible assets		1.4	0.7
Net cash used in investing activities		(86.0)	(126.2)
Financing activities			
Dividends paid		(28.5)	(27.4)
Dividends paid to minority shareholders		(3.2)	(4.1)
Interest paid		(26.9)	(35.4)
Proceeds from borrowings		192.3	64.7
Repayments of loans		(215.5)	(86.8)
Proceeds on issue of ordinary share capital		2.1	4.4
Purchase of own shares		-	(8.9)
Other financing activities		(1.2)	-
Net cash used in financing activities		(80.9)	(93.5)
Net decrease in cash and cash equivalents	13	(2.0)	(4.2)
Translation differences		(19.5)	82.4
Cash and cash equivalents at beginning of year		407.7	329.5
Cash and cash equivalents at end of year	13	386.2	407.7
Cash at bank and in hand and short-term deposits		391.1	412.7
Bank overdrafts		(4.9)	(5.0)
Cash and cash equivalents at end of year	13	386.2	407.7

	1 January 2009 £m	Cash flow £m	Other non-cash charges £m	Exchange movements £m	31 December 2009 £m
Analysis of net debt					
Cash and cash equivalents	407.7	(2.0)	-	(19.5)	386.2
Gross debt after issue costs of debt	(705.2)	23.2	3.5	35.1	(643.4)
Total	(297.5)	21.2	3.5	15.6	(257.2)

Consolidated statement of changes in equity

For the year ended 31 December 2009

	Share Capital	Shares to be issued	Own shares	Share premium account	Capital redemption reserve	Foreign currency translation reserve	Accumulated profits / (losses)	Potential acquisition of minority interests	**Total**	Minority interest	**Total equity**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
At 1 January 2008	57.7	4.7	(30.9)	238.7	0.2	6.4	44.2	(21.2)	**299.8**	6.5	**306.3**
Profit for the year	-	-	-	-	-	-	82.8	-	**82.8**	6.4	**89.2**
Currency translation differences on foreign operations:	-	-	-	-	-	65.1	-	-	**65.1**	3.6	**68.7**
Exchange movements on hedged items taken to equity	-	-	-	-	-	36.4	-	-	**36.4**	-	**36.4**
Available-for-sale investments: movements taken to equity	-	-	-	-	-	-	(0.9)	-	**(0.9)**	-	**(0.9)**
Cash flow hedges: movements taken to equity	-	-	-	-	-	-	5.9	-	**5.9**	-	**5.9**
Tax on movements taken to equity	-	-	-	-	-	-	(1.7)	-	**(1.7)**	-	**(1.7)**
Other comprehensive gains and losses recognised directly in equity	-	-	-	-	-	101.5	3.3	-	**104.8**	3.6	**108.4**
New share capital subscribed	0.3	(0.7)	-	4.8	-	-	-	-	**4.4**	-	**4.4**
Purchase of shares by ESOP	-	-	(8.9)	-	-	-	-	-	**(8.9)**	-	**(8.9)**
Shares awarded by ESOP	-	-	9.2	-	-	-	(9.2)	-	**-**	-	**-**
Credit for share-based incentive schemes	-	-	-	-	-	-	9.2	-	**9.2**	-	**9.2**
Other movements	-	-	-	-	-	-	-	(22.2)	**(22.2)**	4.9	**(17.3)**
Dividends	-	-	-	-	-	-	(27.4)	-	**(27.4)**	(4.1)	**(31.5)**
At 31 December 2008	58.0	4.0	(30.6)	243.5	0.2	107.9	102.9	(43.4)	**442.5**	17.3	**459.8**
Profit for the year	-	-	-	-	-	-	62.7	-	**62.7**	1.5	**64.2**
Currency translation differences on foreign operations:	-	-	-	-	-	(32.3)	-	-	**(32.3)**	(1.2)	**(33.5)**
Exchange movements on hedged items taken to equity	-	-	-	-	-	(11.5)	-	-	**(11.5)**	-	**(11.5)**
Available-for-sale investments: movements taken to equity	-	-	-	-	-	-	0.5	-	**0.5**	-	**0.5**
Cash flow hedges: movements taken to equity	-	-	-	-	-	-	(5.7)	-	**(5.7)**	-	**(5.7)**
Actuarial loss recognised on defined benefit pension schemes	-	-	-	-	-	-	(0.1)	-	**(0.1)**	-	**(0.1)**
Tax on movements taken to equity	-	-	-	-	-	-	1.6	-	**1.6**	-	**1.6**
Other comprehensive gains and losses recognised directly in equity	-	-	-	-	-	(43.8)	(3.7)	-	**(47.5)**	(1.2)	**(48.7)**
New share capital subscribed	0.1	-	-	2.0	-	-	-	-	**2.1**	-	**2.1**
Shares awarded by ESOP	-	-	7.3	-	-	-	(7.3)	-	**-**	-	**-**
Credit for share-based incentive schemes	-	-	-	-	-	-	7.1	-	**7.1**	-	**7.1**
Other movements	-	(4.0)	-	-	-	-	1.3	(3.8)	**(6.5)**	(1.8)	**(8.3)**
Dividends	-	-	-	-	-	-	(28.5)	-	**(28.5)**	(3.2)	**(31.7)**
At 31 December 2009	58.1	-	(23.3)	245.5	0.2	64.1	134.5	(47.2)	**431.9**	12.6	**444.5**

1. Presentation of financial information and accounting policies

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's annual general meeting convened for 16 June 2010. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The preliminary announcement complies with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with the accounting policies of the Group.

Whilst the preliminary announcement has been prepared in accordance with IFRS and IFRIC interpretations adopted for use by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Group will publish full financial statements that comply with IFRS in due course and this preliminary announcement has been derived there from.
The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The Group has consistently applied the accounting policies set out in its previous published financial statements, except that the Group adopted the following standards in 2009.

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

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

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

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year:
IFRS for small and medium-sized entities
IFRS 1 (amended) Additional exemptions for first-time adopters and improved structure
IFRS 2 (amended) Group cash-settled share-based payment transactions
IFRS 9 Financial Instruments
IAS 24 (revised) Related Party Transactions
IAS 32 Classification of rights issues
IAS 39 (amended) Eligible Hedged Items
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 17Distributions of Non-Cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

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

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

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

The Group believes that underlying results (note 2) and underlying earnings per share (note 9) provide additional useful information on underlying trends to shareholders. These measures are used for internal performance analysis and incentive compensation arrangements for employees. The term underlying is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to IFRS measurements of profit. The principal adjustments made are in respect of items which are significant by nature or amount in the opinion of the directors. These may include impairment charges and other adjusting items, including profits and losses on disposals of investments, amortisation of purchased intangible assets (being amortisation charged on separately identifiable intangible assets in acquired businesses), unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and any related tax thereon, as appropriate.

The Group's operations are split into two operating segments namely, Aegis Media and Synovate. This is how the Group's operational management is structured and its results are reviewed the the Group's chief operating decision maker, the Group Chief Executive Officer (note 2).

The Directors have acknowledged the latest guidance on going concern. The Group has significant working capital headroom and strong covenant compliance. After undertaking a recent and thorough review of the Group's forecasts and associated risks and sensitivities, the Board is confident that the Group has the sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements.

Reclassification of exchange movements on financing items

The Group has reclassified foreign exchange gains relating to financing items from operating profit to net finance costs to more appropriately reflect the nature of such items. As a result, £8.4m of net foreign exchange gains have been reclassified from operating expenses to net finance costs in respect of the year ended 31 December 2008. There is no impact on pre-tax profit or earnings per share. As a result of this change in presentation, a new line has been added to the Finance Costs note (note 9): 'Exchange movements on financing items.' This line includes the impact of foreign exchange on financing balances net of any movements on forward foreign exchange contracts taken out as economic hedges of such balances.

Reclassification in 2008 balance sheet

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

2. Segment reporting

Business segments

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

An analysis of revenue and segment result by these business sectors is set out below, along with a reconciliation to the statutory result:

Underlying performance

	2009 Revenue £m	2009 Result £m	2008 Revenue £m	2008 Result £m
Aegis Media	825.2	150.4	823.8	157.9
Synovate	521.3	36.9	518.2	42.2
Segment revenue / result	1,346.5	187.3	1,342.0	200.1
Corporate costs	-	(17.0)	-	(23.1)
	1,346.5	170.3	1,342.0	177.0

2009	Underlying results	Restructuring costs	Amortisation of purchased intangibles	IAS 39 adjustments	Other tax adjustment	Disposal of subsidiaries & associates	Statutory results
	£m	£m	£m	£m	£m	£m	£m
Aegis Media	150.4	(10.7)	(18.5)	-	-	(1.0)	120.2
Synovate	36.9	(19.2)	(5.7)	-	-	-	12.0
Reportable segment result	187.3	(29.9)	(24.2)	-	-	(1.0)	132.2
Corporate	(17.0)	(0.6)	-	-	-	-	(17.6)
Operating profit	170.3	(30.5)	(24.2)	-	-	(1.0)	114.6
Share of results of associates	(0.3)	-	-	-	-	0.5	0.2
Profit before interest and tax	170.0	(30.5)	(24.2)	-	-	(0.5)	114.8
Investment income	7.9	-	-	-	-	-	7.9
Finance costs	(28.6)	-	-	(2.9)	-	-	(31.5)
Net finance costs	(20.7)	-	-	(2.9)	-	-	(23.6)
Profit before tax	149.3	(30.5)	(24.2)	(2.9)	-	(0.5)	91.2
Tax	(38.1)	6.6	6.4	-	(1.9)	-	(27.0)
Profit after tax	111.2	(23.9)	(17.8)	(2.9)	(1.9)	(0.5)	64.2

2008 (re-presented)	Underlying results	Restructuring costs	Amortisation of purchased intangibles	IAS 39 adjustments	Other tax adjustment	Impairment charges	Statutory results
	£m	£m	£m	£m	£m	£m	£m
Aegis Media	157.9	(23.3)	(12.8)	-	-	-	121.8
Synovate	42.2	(1.4)	(4.4)	-	-	-	36.4
Reportable segment result	200.1	(24.7)	(17.2)	-	-	-	158.2
Corporate	(23.1)	(2.7)	-	-	-	(4.4)	(30.2)
Operating profit	177.0	(27.4)	(17.2)	-	-	(4.4)	128.0
Share of results of associates	2.7	-	-	-	-	-	2.7
Profit before interest and tax	179.7	(27.4)	(17.2)	-	-	(4.4)	130.7
Investment income	15.9	-	-	-	-	-	15.9
Finance costs	(28.8)	-	-	6.8			(22.0)
Net finance costs	(12.9)	-	-	6.8	-	-	(6.1)
Profit before tax	166.8	(27.4)	(17.2)	6.8	-	(4.4)	124.6
Tax	(43.1)	8.1	3.7	-	(4.1)	-	(35.4)
Profit after tax	123.7	(19.3)	(13.5)	6.8	(4.1)	(4.4)	89.2

Notes to the preliminary results (continued)
For the year ended 31 December 2009

3. Operating expenses and share of results of associates

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

	2009 £m	2008 £m
Net foreign exchange losses/(gains)	0.1	(2.0)
Impairment of intangible assets	-	4.4
Depreciation of property, plant and equipment	23.7	23.0
Amortisation of intangible assets included in operating expenses	32.2	24.3
Bad debt expense	7.5	4.6
Operating lease expense	61.9	50.6
Staff Costs	665.5	673.4

Staff costs include a share-based payment expense of £7.1 million (2008 : £9.2 million)

4. Restructuring charges

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

	2009 £m	2008 £m
Severance and related expenditure	28.3	23.0
Property costs	2.2	4.4
	30.5	27.4

5. Investment income

	2009 £m	2008 £m
Interest receivable	7.9	15.9

Interest receivable includes £0.4 million (2007: £0.3m) in respect of the expected return on pension scheme assets.

6. Finance costs

	2009 £m	2008 £m
Interest payable on bank loans and overdrafts	(3.3)	(5.1)
Interest payable on loan notes, other loans and pension scheme liabilities	(23.2)	(30.1)
	(26.5)	(35.2)
Imputed interest on deferred consideration	(1.1)	(1.6)
Fair value movements on acquisition put options	13.5	2.2
Exchange movements on financing items	1.1	8.4
Fair value movements on non-hedge derivatives	(10.0)	6.0
Fair value movement arising on derivatives in a designated fair value hedge	(3.5)	-
Adjustment to hedged items in a designated fair value hedge	3.5	-
Impairment of available-for-sale financial assets	(6.4)	(1.4)
Amortisation of financing costs	(2.1)	(0.4)
	(31.5)	(22.0)

Notes to the preliminary results (continued)
For the year ended 31 December 2009

7. Tax on profit on ordinary activities

The tax charge is made up of the following:

	2009 £m	2008 £m
Current tax - UK taxation at 28.0% (2008: 28.5%)	-	0.3
Current tax - overseas	27.7	37.9
Adjustments in respect of prior years	(1.8)	0.5
	25.9	38.7
Deferred tax)	1.1	(3.3)
	27.0	35.4

The underlying effective tax rate on underlying profits for the year ended 31 December 2009 is 25.52% (2008: 25.84%).

The tax charge for the year ended 31 December 2009 is £27.0m (2008: £35.4m) representing an effective tax rate (including deferred tax on goodwill) on statutory profits of 29.61% (2008: 28.41%). The tax charge for the year ended 31 December 2009 includes a deferred tax expense of £5.0m (2008: £3.9m) for tax deductions in respect of goodwill. IFRS requires that such deferred tax is recognised even if a liability would only unwind on the eventual sale or impairment of the business in question.

UK Corporation tax is calculated at 28.0 % (2008: 28.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2009 £m	2008 £m
Profit before taxation	91.2	124.6
Tax at the UK corporation tax rate of 28.0% (2008: 28.5%)	25.5	35.5
Adjustments in respect of prior years	(1.8)	0.5
Tax effect of income/expenditure that is not taxable/deductible	2.5	0.7
Rate differences on overseas earnings	(3.0)	(2.7)
Tax losses carried forward in the period: UK	1.2	0.5
Tax losses utilised in the period: overseas	0.5	(1.1)
Impact of short term temporary differences not recognised for deferred tax	2.1	2.0
Tax expense for the year	27.0	35.4
Effective rate of statutory tax charge on statutory profits	29.61%	28.41%

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

IAS 1 requires income from associates to be presented net of tax on the face of the income statement. The associates' tax is no longer included within the Group's total tax charge. Associates' tax included within 'Net income from associates' for the year ended 31 December 2009 is £0.1m (2008: £0.2m).

Notes to the preliminary results (continued)
For the year ended 31 December 2009

8. Dividends

	2009	2008
Ordinary shares of 5p each		
Dividend rate per share for the period (pence)	2.50	2.50
Declared and paid during the period	£m	£m
Final dividend for 2007 of 1.46p per share	-	16.5
Interim dividend for 2008 of 0.96p per share	-	10.9
Final dividend for 2008 of 1.54p per share	17.8	-
Interim dividend for 2009 of 0.96p per share	11.1	-
	28.9	27.4
Proposed but not yet declared or paid at the balance sheet date	£m	£m
Final dividend for 2008 of 1.54p per share	-	17.8
Final dividend for 2009 of 1.54p per share	17.9	-
	17.9	17.8

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

9. Earnings per share

	2009	2008
Basic		
Profit for the year attributable to equity holders of the parent (£m)	62.7	82.8
Adjusting items (£m)	45.5	34.5
Underlying profit for the year (£m)	108.2	117.3
Weighted average number of ordinary shares in issue (millions)	1,138.5	1,133.5
Basic earnings per share (pence)	5.5	7.3
Adjusting items (pence)	4.0	3.0
Underlying basic earnings per share (pence)	9.5	10.3
Diluted		
Profit for the year attributable to equity holders of the parent (£m)	62.7	82.8
Adjusting items (£m)	45.5	34.5
Underlying profit for the year (£m)	108.2	117.3
Diluted weighted average number of ordinary shares in issue (millions)	1,139.1	1,136.9
Diluted earnings per share (pence)	5.5	7.3
Adjusting items (pence)	4.0	3.0
Underlying diluted earnings per share (pence)	9.5	10.3
Weighted average number of ordinary shares (millions)		
Basic weighted average number of ordinary shares	1,138.5	1,133.5
Dilutive potential ordinary shares: employee share options	0.6	0.7
Shares to be issued	-	2.7
Diluted weighted average number of ordinary shares	1,139.1	1,136.9

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

10. Acquisition of subsidiaries

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

Company	Country of incorporation	% Acquired (Total Group holding)	Date of acquisition
Aegis Media			
View	Portugal	51.0	January
Midia Click	Brazil	92.5	October

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

Company	Country of incorporation	% Acquired (Total Group holding)	Date of acquisition
Dr Pichutta	Germany	45.0 (100.0)	January
Creo Communication	Norway	49.0 (100.0)	April
Vizeum Malmo	Sweden	49.0 (100.0)	May
Carat Taiwan	Taiwan	10.0 (100.0)	May
DataCom CRM	Spain	9.0 (73.0)	September
Aegis Media Hellas	Greece	24.5 (100.0)	September
Globlet	Thailand	20.0 (100.0)	September
Carat Middle East	Lebanon	49.0 (100.0)	September

If the acquisitions above (excluding additional stakes in existing subsidiaries) had been completed on the first day of the financial year, Group revenues for 2009 would have been £1347.0m and Group profit attributable to equity holders of the parent would have been £62.7m. Post acquisition profit before interest and tax on 2009 acquisitions was £0.2m.

11. Acquisition of subsidiaries (continued)

Consideration paid, including acquisition costs, totalled £12.8m with estimated deferred consideration of £2.7m payable between 2010 and 2015, subject to performance criteria. A summary of the net assets acquired and goodwill arising in respect of all acquisitions made in the year is given below.

Net assets acquired:	Book value acquired	Fair value adjustments	Fair value of net assets
	£m	£m	£m
Intangible fixed assets	-	4.3	4.3
Property, plant and equipment	0.2	-	0.2
Trade and other receivables	0.6	-	0.6
Cash and cash equivalents	0.2	-	0.2
Trade and other payables	(0.6)	-	(0.6)
Deferred tax liability	-	(1.4)	(1.4)
Net assets	**0.4**	**2.9**	**3.3**
Minority interest on current period acquisitions			(0.8)
Minority interest acquired on prior period acquisitions			2.6
			5.1
Excess of put liability over equity provision			0.7
Goodwill capitalised in the period			9.7
Consideration			15.5
Satisfied by:			
Consideration paid			12.8
Deferred consideration			2.7
			15.5

12. Deferred consideration

Deferred consideration, which has been included within trade and other payables to the extent that it is due within one year, may be paid to the vendors of certain subsidiary undertakings in the years to 2015. Such payments are either fixed under the terms of the acquisition or are contingent on future financial performance. The directors estimate that, at the rates of exchange ruling at the balance sheet date, the discounted liability at 31 December 2008 for payments that may be due is as follows:

	2009	2008	2007
	£m	£m	£m
Within one year	**34.4**	71.8	41.9
Between one and two years	**25.8**	41.7	40.0
Between two and five years	**9.8**	81.1	34.6
Greater than five years	**0.2**	2.8	0.2
At 31 December	**70.2**	197.4	116.7

The minimum potential liability is £29.0m and the maximum potential liability is £200.6m.

13. Notes to the cash flow statement

	2009 £m	2008 £m
Operating profit	**114.6**	128.0
Adjustments for:		
Depreciation of property, plant and equipment	**23.7**	23.0
Amortisation of intangible assets	**32.2**	24.3
Impairment of intangibles and property, plant and equipment	**0.4**	4.4
Loss on disposal of subsidiaries	**1.0**	-
Net loss on disposal of intangibles and property, plant and equipment	**1.2**	0.4
Share-based payment charge	**7.1**	9.2
Other non-cash movements	**(0.1)**	(2.0)
Increase in provisions	**(1.0)**	1.2
(Decrease)/increase in restructuring related liabilities	**(7.0)**	18.2
	172.1	206.7
Decrease in receivables	**174.4**	243.1
Decrease/(increase) in inventory: work in progress	**6.1**	(2.8)
(Decrease) in payables	**(153.5)**	(185.4)
	27.0	54.9
Cash flows from operations	**199.1**	261.6

	1 January 2009 £m	Cash flow £m	Other non-cash charges £m	Exchange movements £m	**31 December 2009 £m**
Analysis of net debt					
Cash and short-term deposits	412.7	(1.3)	-	(20.3)	**391.1**
Overdrafts	(5.0)	(0.7)	-	0.8	**(4.9)**
	407.7	(2.0)	-	(19.5)	**386.2**
Debt due within one year	(48.1)	6.5	1.4	1.6	**(38.6)**
Debt due after more than one year	(658.3)	14.4	4.2	33.5	**(606.2)**
Net debt before issue costs of debt	(298.7)	18.9	5.6	15.6	**(258.6)**
Issue costs of debt	1.2	2.3	(2.1)	-	**1.4**
Total	(297.5)	21.2	3.5	15.6	(257.2)

15. Related Party Disclosures

The Group has identified the directors of the company, its key management and its associated undertakings as related parties for the purpose of IAS 24 'Related Party Disclosures'. There have been no transactions in those related parties during the year that have materially affected the financial position or performance of the Group during this period. All transactions in subsidiaries are eliminated on consolidation.

Glossary of terms

The Group
Aegis Group plc and its subsidiaries.

Aegis Media
The media services division of Aegis Group plc.

Synovate
The market research division of Aegis Group plc.

Billings
The annualised value of media purchased and/or managed on behalf of clients, before agency discounts.

Turnover
Represents amounts invoiced for media handled by the Group on behalf of clients, together with fees invoiced for media and research services provided.

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

Gross profit
Media and research income after deduction of all direct costs.

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

Gross margin
Gross profit stated as a percentage of turnover.

Operating profit
Gross profit less operating expenses.

Operating margin
Operating profit stated as a percentage of revenue.

Net new business
The annualised value of media billings gained less the annualised value of media billings lost.

Reported growth
Reported growth represents the year-on-year growth including the effect of new businesses acquired or disposed of during the year and movements in exchange rates.

Organic growth
Organic growth represents year on year growth after adjusting for the effect of businesses acquired or disposed of since the beginning of the prior year.

Constant currency results
Constant currency results are calculated by restating prior year local currency amounts using current year exchange rates.

Underlying results
Underlying operating profit, underlying profit before interest and tax, underlying profit before tax, and underlying profit after tax are operating profit, profit before interest and tax, profit before tax, and profit after tax respectively, stated before those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying performance achieved by the Group and its businesses ("adjusting items"). Such adjusting items are material by nature or amount in the opinion of the directors and may include impairment charges and other exceptional items which are material by nature or amount in the opinion of the directors, including profits and losses on disposals of investments, amortisation of purchased intangible assets, unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and any related tax thereon, as appropriate. Adjusting items may also include specific tax items such as the benefit arising on the reduction of certain tax liabilities in a particular half-year period and deferred tax liabilities for tax deductions taken in respect of goodwill, where a deferred tax liability is recognised even if such a liability would only unwind on the eventual sale or impairment of the business in question.

Adjusting items are classified as operating, non-operating and financing according to the nature of the underlying income or expense.

Goodwill
The difference between the fair value of purchase consideration of a business as a whole and the aggregate fair value of its separable net assets.

Minority interests
Partial ownership of subsidiary undertakings by external shareholders.

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