17 March 2011

AEGIS

Aegis Group plc
2010 Full Year Results Announcement

A year of market outperformance, ensuring good forward momentum

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

** 2009 underlying results are restated to exclude imputed interest arising due to discounting of deferred consideration, as explained on page [x].*
*** 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.*
**** Faster-growing regions comprise Latin America, Central and Eastern Europe, Asia Pacific, the Middle East and Africa*

- Group organic revenue growth of 5.8% (2009: -9.7%)
- Group underlying operating margin of 13.2% (2009: 12.6%)
- Strong performances in North America and faster-growing regions***
- Refocused on acquisitions to further increase faster-growing regions exposure - Charm Communications Inc investment & joint venture, acquisition of Mitchell Communication Group & agreement to purchase majority stake in COMCON
- Balance sheet strengthened through convertible bond and re-financed five year revolving credit facility
- Final dividend increased 10% to 2.75p
- Expecting Group organic revenue growth for 2011 to be at least in line with level achieved last year
- Despite cost pressures, Group underlying operating profit expected to improve further in 2011

Jerry Buhlmann, chief executive officer of Aegis Group plc, said:

"Aegis had a good year in 2010, delivering strong results as our two businesses outperformed their markets. At the same time, we took significant steps in delivering on our objectives of repositioning Aegis Media and Synovate in their dynamic markets while making good progress in increasing our exposure to both faster-growing regions and digital media. Our work to strengthen our financial position meant Aegis was able to make a number of investments and acquisitions, extending our capabilities and positioning us to drive further growth.

"Looking ahead, despite limited medium term visibility, we have started 2011 with increased confidence. We have a refocused strategic approach under a strengthened management team and the positive momentum from last year at both Aegis Media and Synovate has continued into 2011. While we expect to continue to face a demanding and competitive market environment, Aegis is well placed to make continued strong progress."

Reconciliation of underlying to statutory operating profit

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

** Underlying operating profit, underlying profit before interest and tax, underlying profit before tax, and underlying profit after tax are operating profit, profit before interest and tax, profit before tax, and profit after tax respectively, stated before those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying performance achieved by the Group and its businesses ("adjusting items"). In the opinion of the Directors, such adjusting items are material by nature or amount and may include impairment charges, profits and losses on disposals of investments, amortisation of purchased intangible assets (being amortisation charged on separately identifiable intangible assets in acquired businesses), unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and one-off items which are material by nature or amount in the opinion of the Directors, and any related tax thereon, as appropriate. Adjusting items may also include specific tax items such as the benefit arising on the reduction of certain tax liabilities in a particular period and deferred tax liabilities for tax deductions taken in respect of goodwill, where a deferred tax liability is recognised even if such a liability would only unwind on the eventual sale or impairment of the business in question. Adjusting items are classified as operating, non-operating and financing according to the nature of the underlying income or expense. A full glossary of terms used is included on the last page of this announcement.*

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Our 2010 results presentation will be webcast live today at 09.00 (GMT) and available afterwards for replay at www.aegisgroupplc.com.

CHAIRMAN'S STATEMENT

Continued Progress

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

- A return to full year revenue growth at our Synovate market research business with improved sales, profits and margins following its recovery in the second half of 2009;

- Continued strong above market growth from our Media division with good organic growth, continued new business wins and increases in underlying operating profit and margins;

- Overall, our underlying results, pre-exceptionals, delivered an 8.4% increase in revenue, a 12.9% increase in operating profit and a 5.2% increase in earnings per share.

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

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

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

Your Board & Management

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

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

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

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

Summary

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

Dividend

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

Our people

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

CHIEF EXECUTIVE'S REPORT

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

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

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

Delivering on key strategic objectives in 2010

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

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

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

1. Increasing global reach, in particular growing exposure to faster-growing regions

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

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

2. Strengthening product portfolio and service range, including growing digital revenue at Aegis Media

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

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

3. Building on our leading market positions and increasing our presence in key markets, reflecting client needs

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

4. Developing international clients and building new business momentum

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

5. Targeting potential acquisitions, subject to strategic and financial criteria

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

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

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

6. Driving revenue growth and cost control to improve our profit margins

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

Strong operating and financial performance by Aegis in 2010

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

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

As was expected at the half year stage, both businesses delivered a continuing trend of improvement in organic growth in the second half, compared to the first half. As we anticipated, a combination of more challenging prior year revenue growth comparatives in the fourth quarter and the relative revenue weighting between the third and fourth quarters meant the trend rate of organic revenue growth was impacted in the fourth quarter of 2010:

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

Aegis delivered a strong improvement in underlying operating profit for the year to £192.2m, an increase of 12.9% from the prior year at reported rates, and 12.3% at constant currency. There was a modest improvement in Group operating margin to 13.2% during 2010, an increase of 60 basis points from 2009.

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

Management's re-focused strategic approach bolstered Aegis Media's performance in 2010

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

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

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

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

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

Strong performance recovery at Synovate

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

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

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

Balance sheet strengthened & capital discipline maintained

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

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

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

Outlook

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

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

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

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

Jerry Buhlmann
Chief Executive Officer, Aegis Group plc

BUSINESS REVIEW

Aegis Media

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

** Mitchell acquisition contributed £12.6m revenue and £2.0m underlying operating profit in 2010*
*** 2009 EMEA revenue includes one-off £9.5m insurance recoveries at Aegis Media Germany*
**** 2009 Americas revenue includes one-off £10.5m revenue reversal relating to Posterscope USA*
***** Throughout this commentary, results are stated on an underlying basis unless otherwise indicated*

Headlines

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

2010 results overview

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

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

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

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

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

Key performance drivers

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

- A re-focused strategic approach, based on the Power Brand strategy, with the five networks of Carat, Vizeum, Posterscope, isobar and iProspect providing clients with communications solutions focused on media, ideas, content creation and digital. These brands operate as one P&L per country providing one operating model and a full range of services that can be easily integrated, reflecting the needs of clients in an ever-changing media environment. The Power Brand strategy will continue to support our business going forward;

- Market-leading consumer insight and service solutions, including our CCS (Consumer Connection System), extended into 27 markets in 2010, provides clients with actionable single service brand and product consumer segments. This, in combination with our ICP (Integrated Communications Planning) process has been rigorously embedded across all the networks, providing real added value, insights and consistent best practice across the division;

- High quality digital capabilities, comprising isobar, our creative origination network, iProspect, our performance search marketing network, and our on-line planning and buying, mobile and social media housed within our media agencies. Revenues from these digital capabilities now account for 32% of Aegis Media's revenue and they enable us to utilise a diverse range of platforms for clients;

- Data management and platforms are a key part of our digital strategy. The ever-changing media landscape for our clients has given rise to an increasing demand for improved accountability, performance measurement and returns on investment from their promotional campaigns. Consequently, we have ensured that data management and trading platforms continue to be fully integrated into our product and service offerings;

- Our geographic scale and network consistency offers opportunities to develop our international clients, providing them with scale, quality, best practice and a coherent approach across many markets. The acquisition of Mitchell in Australia and our joint venture and investment with Charm in China further strengthens our geographic reach, specifically in Asia Pacific, and provides additional opportunities to extend our services to our new clients in that region. In 2010, we won 99 additional market appointments from our major international clients, in new regions or through new service propositions, including Diageo, Disney, Nokia, Kellogg's and Panasonic;

- **An excellent new business performance** during the year, with net new business wins of $2.0 billion of billings. Importantly, a vibrant contribution from our US business demonstrated the competencies of the new product strategy, providing a clearly differentiated service. 2010 also saw the emergence of an important trend in the drive to win new business, with media buying and planning starting to leverage opportunities for creative. In the past, new business initiatives were led by the creative advertising offering, with media being introduced to the client later on in the relationship to support a creative campaign. We are now seeing media buying and planning leading the way and leveraging opportunities for creative, as evidenced by isobar successfully winning the digital creative brief across Europe for Kellogg's, which consolidated European media with Carat in 2009.

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

Aegis Media EMEA

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

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

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

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

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

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

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

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

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

Aegis Media Americas

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

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

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

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

Aegis Media Asia Pacific

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

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

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

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

Summary

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

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

Synovate

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

‡ For the 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.

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

Headlines

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

2010 results overview

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

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

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

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

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

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

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

Re-focused strategic approach

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

- Increasing traction and building momentum with key global clients by securing long term partnerships in multiple markets and developing more consultative relationships, based on the success already achieved through Synovate's Global Client Relationship account programme;

- Providing competitive differentiation through operational excellence by delivering its services consistently and efficiently;

- Prioritising gateway geographies which represent key markets for international projects. We aim to add weight to our product and service offerings in major economies, like the US, the UK and Germany. We are also looking to increase market share in faster-growing regions, with further investment in markets such as China and Russia anticipated in the coming years;

- Expanding our existing capabilities in key industrial verticals and research methodologies across all of our network. These industrial verticals, like consumer and healthcare, and research methodologies, including product testing and customer experience, are global in nature and lend themselves to efficient work practices.

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

Synovate Americas

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

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

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

Synovate EMEA

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

Market conditions throughout Europe were less buoyant than other regions. Strong performances in Germany, Italy, the Netherlands, Russia and Turkey were diluted by the on-going economic challenges being experienced by the Greek and Spanish markets. The UK market remained challenging, exacerbated by a sharp decline in public sector activity in the second half of the year. Growth has been slow to materialise in France too.

Despite the inconsistent nature of revenue growth in Europe, we have been able to make substantial progress on profitability in these markets as a result of management action on organisational performance.

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

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

Synovate Asia-Pacific

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

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

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

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

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

Industry verticals

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

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

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

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

Summary

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

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

FINANCIAL REVIEW

Underlying results

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

** 2009 underlying results are restated to exclude imputed interest arising due to discounting of deferred consideration, as explained on page 23.*

Headlines

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

Currency

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

Income Statement

Revenue

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

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

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

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

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

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

Gross profit (net revenue)

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

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

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

Operating performance

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

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

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

Profit before interest and tax

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

Net financial items

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

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

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

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

Profit before tax

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

Tax

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

Profit attributable to equity holders of the parent

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

Earnings per share

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

Dividends

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

Statutory results

Reconciliation of underlying operating profit to statutory operating profit

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

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

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

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

Operating Profit

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

Reconciliation of underlying profit before tax to statutory profit before tax

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

** 2009 underlying results are restated to exclude imputed interest arising due to discounting of deferred consideration, as explained on page 23.*

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

Profit before tax

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

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

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

Balance sheet

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

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

Goodwill and intangible assets

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

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

Property, plant and equipment

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

Investments in associates and joint ventures

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

Net Payables

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

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

Net debt

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

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

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

Earn-outs and put options

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

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

Cash flow

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

Financing

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

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

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

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

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

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

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

Going concern

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

The Board is satisfied that the Group balance sheet remains strong. Following the issue of £190.6m convertible bonds in April 2010 and re-financing of the £450.0m revolving credit facility in July 2010, both of which are on 5 year terms, the Group is well-financed with considerable cash and covenant headroom and no major facilities due to expire until 2012.

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

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

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

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

Principal Risks and Uncertainties

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

Risk assessment and communication

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

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

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

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

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

Counterparty Relationships

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

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

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

Liquidity and Working Capital

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

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

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

Client Relationships

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

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

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

Acquisitions and Successful Integration

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

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

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

Competition

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

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

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

Security of Data

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

Legal & Regulatory Compliance

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

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

Talent Management

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

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

Corporate Responsibility

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

Consolidated income statement

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Turnover		**10,565.8**	9,684.6
Revenue	2	**1,459.4**	1,346.5
Cost of sales		**(221.9)**	(199.5)
Gross profit		**1,237.5**	1,147.0
Operating expenses		**(1,136.0)**	(1,032.4)
Operating profit	2	**101.5**	114.6
Share of results of associates		**3.5**	0.2
Profit before interest and tax		**105.0**	114.8
Investment income	4	**6.6**	7.9
Finance costs	5	**(43.6)**	(31.5)
Net finance costs		**(37.0)**	(23.6)
Profit before tax		**68.0**	91.2
Tax	6	**(25.0)**	(27.0)
Profit for the financial year		**43.0**	64.2
Attributable to:			
Equity holders of the parent		**41.2**	62.7
Non-controlling interests		**1.8**	1.5
		43.0	64.2
Earnings per ordinary share:			
Basic (pence)	8	**3.6**	5.5
Diluted (pence)	8	**3.6**	5.5
Dividend per ordinary share (pence)	7	**2.75**	2.50

Underlying results: *			
Underlying operating profit	2	**192.2**	170.3
Underlying profit before tax	2	**162.4**	150.4
Underlying earnings per ordinary share: *			
Basic (pence)	8	**10.3**	9.6
Diluted (pence)	8	**10.1**	9.6

* The basis for calculating the Group's underlying results and underlying earnings per share is set out in note 1.

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

Consolidated statement of comprehensive income
For the year ended 31 December 2010

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

Consolidated balance sheet
At 31 December 2010

	Notes	2010	2009
Non-current assets		**£m**	£m
Goodwill		**1,331.1**	1,010.9
Intangible assets		**112.5**	85.5
Property, plant and equipment		**61.9**	59.9
Interests in associates and joint ventures		**48.5**	3.3
Deferred tax assets		**49.3**	25.5
Available-for-sale financial assets		**15.6**	14.9
Derivative financial assets		**8.5**	-
Other financial assets		**0.7**	0.7
		1,628.1	1,200.7
Current assets			
Work in progress		**18.5**	15.2
Trade and other receivables		**2,414.1**	2,006.2
Derivative financial assets		**3.2**	0.2
Cash and short-term deposits	11	**394.4**	391.1
		2,830.2	2,412.7
Total assets		**4,458.3**	3,613.4
Current liabilities			
Trade and other payables		**(2,917.3)**	(2,365.1)
Borrowings		**(85.6)**	(43.2)
Derivative financial liabilities		**(13.4)**	(3.6)
Provisions		**(3.3)**	(2.3)
Current tax liabilities		**(9.0)**	(5.0)
		(3,028.6)	(2,419.2)
Net current liabilities		**(198.4)**	(6.5)
Non-current liabilities			
Borrowings		**(640.1)**	(605.1)
Other non-current liabilities		**(35.6)**	(52.9)
Derivative financial liabilities		**(36.7)**	(54.8)
Provisions		**(4.7)**	(1.1)
Deferred tax liabilities		**(44.2)**	(35.8)
		(761.3)	(749.7)
Total liabilities		**(3,789.9)**	(3,168.9)
Net assets		**668.4**	444.5
Equity			
Share capital		**64.3**	58.1
Own shares		**(33.7)**	(23.3)
Share premium account		**395.8**	245.5
Other equity reserves		**20.4**	0.2
Foreign currency translation reserve		**109.6**	64.1
Retained earnings		**147.4**	134.5
Potential acquisition of non-controlling interests		**(48.9)**	(47.2)
Equity attributable to equity holders of the parent		**654.9**	431.9
Non-controlling interests		**13.5**	12.6
Total equity		**668.4**	444.5

Consolidated cash flow statement
For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Cash flows from operating activities			
Cash inflows from operations	11	**232.5**	199.1
Income taxes paid		**(47.6)**	(34.2)
Net cash inflow from operating activities		**184.9**	164.9
Investing activities			
Interest received		**6.4**	8.2
Dividends received from associates		**0.1**	0.2
Net cash paid on purchase of subsidiary undertakings		**(81.8)**	(12.6)
Cash impact on disposal of subsidiary		**(8.1)**	2.7
Net cash paid on purchase of associated undertakings and joint ventures		**(36.0)**	-
Proceeds from disposal of associated undertakings		**-**	2.4
Payments of deferred consideration on prior period acquisitions		**(38.8)**	(60.9)
Purchase of property, plant and equipment and intangible assets		**(29.4)**	(27.4)
Proceeds from disposal of property, plant and equipment and intangible assets		**1.3**	1.4
Other investing activities		**(2.3)**	-
Net cash outflows from investing activities		**(188.6)**	(86.0)
Financing activities			
Dividends paid to equity holders of the parent		**(29.4)**	(28.5)
Dividends paid to non-controlling shareholders		**(2.2)**	(3.2)
Interest paid		**(33.0)**	(26.9)
Proceeds from borrowings		**230.2**	192.3
Repayments of loans		**(159.6)**	(215.5)
Proceeds on issue of ordinary share capital		**7.2**	2.1
Purchase of own shares		**(16.8)**	-
Other financing activities		**(2.2)**	(1.2)
Net cash outflows from financing activities		**(5.8)**	(80.9)
Net increase/(decrease) in cash and cash equivalents	11	**(9.5)**	(2.0)
Translation differences		**14.7**	(19.5)
Cash and cash equivalents at beginning of year		**386.2**	407.7
Cash and cash equivalents at end of year	11	**391.4**	386.2
Cash and short-term deposits		**394.4**	391.1
Bank overdrafts		**(3.0)**	(4.9)
Cash and cash equivalents at end of year	11	**391.4**	386.2

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

Consolidated statement of changes in equity

For the year ended 31 December 2010

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

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

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 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Company's annual general meeting convened for 10 May 2011. 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) of the 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 therefrom. 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 2010.

Adoption of Standards

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

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

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

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

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

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

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

IFRS 7 (amended) Disclosures - Transfers of Financial Assets
IAS 24 (revised 2009) Related Party Transactions
IFRS 9 Financial Instruments
Improvements to IFRSs (May 2010)
Amendments to IAS 12 (Dec 2010)
Amendments to IFRS 1 (Dec 2010)
Amendments to IAS 32 (Oct 2009)
Amendments to IFRIC 14 (Nov 2009)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

1. Presentation of financial information and accounting policies (continued)

Adoption of Standards (continued)

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

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

Underlying profit

The Group believes that underlying results (note 2) and underlying earnings per share (note 8) provide additional useful information on underlying trends to shareholders. These measures are used for internal performance analysis and incentive compensation arrangements for employees. The term underlying is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measurements of profit. In the opinion of the Directors, such adjusting items are material by nature or amount, and may include impairment charges, profits and losses on disposals of investments, amortisation of purchased intangible assets (being amortisation charged on separately identifiable intangible assets in acquired businesses), unrealised gains and losses on non-hedge derivative financial instruments, fair value gains and losses on liabilities in respect of put option agreements, and one-off items which are material by nature or amount in the opinion of the Directors, and any related tax thereon, as appropriate. Adjusting items may also include specific tax items such as the benefit arising on the reduction of certain tax liabilities in a particular period and deferred tax liabilities for tax deductions taken in respect of goodwill, where a deferred tax liability is recognised even if such a liability would only unwind on the eventual sale or impairment of the business in question.

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

In order to align with the accounting for such movements as non-underlying, imputed interest arising due to discounting of deferred consideration liabilities is also removed from underlying results in the current year and in the stated comparatives for 2009 full year. The impact of the restatement is a reduction of £1.1m in the 2009 full year underlying finance costs. This leads to an increase in underlying profit before tax and underlying profit after tax by £1.1m and an increase in underlying basic EPS and underlying diluted EPS by 0.1p in the 2009 full year comparative. The restatement has no impact on tax charges in either period but leads to a restatement of the effective underlying tax rate as given in note 6. There is no impact on statutory profit measures.

Notes to the preliminary results (continued)
For the year ended 31 December 2010

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

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

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

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

Notes to the preliminary results (continued)
For the year ended 31 December 2010

3. Operating profit

Operating profit has been arrived at after charging:

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

Staff costs include a share-based payment charge of £8.3m (2009 : £7.1m).

4. Investment income

	2010	2009
	£m	£m
Interest receivable	6.6	7.9

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

5. Finance costs

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

6. Tax on profit on ordinary activities

The tax charge is made up of the following:

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

The underlying effective tax rate on underlying profits for the year ended 31 December 2010 is 24.89% (2009: 25.33%, restated per Note 1).

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

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

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

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

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

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

7. Dividends

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

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

8. Earnings per share

	2010	2009
Profit for the year		
Profit for the year attributable to equity holders of the parent for the calculation of basic and diluted EPS (£m)	41.2	62.7
Adjusting Items (note 2) (£m)	77.4	46.6
Underlying profit for the year attributable to equity holders of the parent for the calculation of underlying basic EPS (£m)	118.6	109.3
Finance costs due to convertible bond (net of tax)	6.7	-
Underlying profit for the year attributable to equity holders of the parent for the calculation of underlying diluted EPS (£m)	125.3	109.3
Weighted average number of ordinary shares (millions)		
Basic weighted average number of ordinary shares	1,156.8	1,138.5
Dilutive potential ordinary shares: employee share options	1.5	0.6
Diluted weighted average number of ordinary shares for statutory diluted EPS	1,158.3	1,139.1
Dilutive potential ordinary shares: convertible bond	81.0	-
Diluted weighted average number of shares for underlying diluted EPS	1,239.3	1,139.1
Basic earnings per share (pence)	3.6	5.5
Diluted earnings per share (pence)	3.6	5.5
Underlying basic earnings per share (pence)	10.3	9.6
Underlying diluted earnings per share (pence)	10.1	9.6

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

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

9. Acquisition of subsidiaries

In November 2010 the Group acquired the entire issued share capital of Mitchell Communication Group, Australia's leading marketing communication group, to enhance Aegis Media's offering in the region, particularly in digital media. The consideration was delivered in a combination of cash and shares.

Consideration paid, excluding acquisition costs, totalled £229.1m with no deferred consideration. The Group's newly issued ordinary shares primarily relate to the acquisition of the Mitchell Communication Group. The shares of Aegis Group plc are listed on the London Stock Exchange and therefore the consideration is valued using the closing share price on 16 November 2010 of £1.2790. A provisional summary of the net assets acquired and goodwill arising in respect of Mitchell Communication Group is given below.

Net assets acquired:	Carrying amount acquired	Accounting policy alignment	Fair value adjustments	Fair value of net assets
	£m	£m	£m	£m
Intangible assets	7.1	-	39.7	46.8
Property, plant and equipment	4.8	-	-	4.8
Deferred tax asset	1.9	2.7	-	4.6
Trade and other receivables	133.6	-	-	133.6
Work in progress	0.4	-	-	0.4
Cash and cash equivalents	12.9	-	-	12.9
Trade and other payables	(177.3)	(9.1)	-	(186.4)
Deferred tax liability	(1.1)	-	(13.6)	(14.7)
Other current liabilities	(11.3)	-	-	(11.3)
Other non- current liabilities	(19.6)	-	-	(19.6)
Net assets	**(48.6)**	**(6.4)**	**26.1**	**(28.9)**
Goodwill capitalised in the period				258.0
Consideration				229.1

Satisfied by:	
Consideration paid - Cash	79.9
Consideration paid - Equity (116,672,515 ordinary shares in Aegis Group plc)	149.2
	229.1

If the acquisition had been completed on the first day of the financial year, Group revenues for 2010 would have been £1,519.9m and Group profit before interest and tax would have been £105.7m, or £208.6m on an underlying basis. Post acquisition revenue from Mitchell was £12.6m, with underlying profit before interest and tax of £2.0m, reduced to £nil after amortisation of purchased intangibles. Goodwill capitalised in the period represents the expected future benefits of improving the breadth of the Group's service offering and anticipated operational synergies. No goodwill capitalised in the period is deductible for income tax purposes.

Other acquisitions excluding Mitchell Communication Group

During the period, the Group acquired subsidiaries as detailed below:

Company	Country of incorporation	% Acquired	% Non-controlling interests recognised	Date of acquisition
Synovate				
SalesOut	UK	51%	49%	January
JPA Europe	UK	51%	49%	November

9. Acquisition of subsidiaries (continued)

Other acquisitions excluding Mitchell Communication Group (continued)

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

Company	Country of incorporation	% Acquired (Total Group holding)	Date of acquisition
DataCom CRM	Spain	7.0 (80.0)	January
AgenciaClick	Brazil	1.8 (94.3)	May
Age	Brazil	1.8 (94.3)	May
iProspect Brazil	Brazil	3.1 (95.6)	May

If the acquisitions above (excluding additional stakes in existing subsidiaries and Mitchell) had been completed on the first day of the financial year, Group revenues for 2010 would have been £1,460.2m and Group profit before interest and tax would have been £105.2m or £196.4m on an underlying basis. Post acquisition revenue and profit before interest and tax on 2010 acquisitions was £6.1m and £0.8m respectively on an underlying basis, with a statutory loss before interest and tax of £0.6m.

Consideration paid for acquisitions other than Mitchell Communication Group, excluding acquisition costs, totalled £3.8m with estimated deferred consideration of £0.2m payable in 2012, subject to performance criteria. A provisional summary of the net assets acquired and goodwill arising in respect of all other acquisitions made in the year excluding Mitchell Communication Group is given below:

Net assets acquired:	Carrying amount acquired	Fair value adjustments	Fair value of net assets
	£m	£m	£m
Intangible assets	0.2	5.1	5.3
Property, plant and equipment	0.1	-	0.1
Other assets	0.4	-	0.4
Trade and other receivables	0.4	-	0.4
Cash and cash equivalents	0.5	-	0.5
Trade and other payables	(0.1)	-	(0.1)
Other Liabilitites	(1.5)	-	(1.5)
Deferred tax liability	-	(1.3)	(1.3)
Net assets	**-**	**3.8**	**3.8**
Non-controlling interest on current period acquisitions			(1.8)
Goodwill capitalised in the period			2.0
Consideration			4.0

Satisfied by:	
Consideration paid	3.8
Deferred consideration	0.2
	4.0

10. 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 2010 for payments that may be due is as follows:

	2010	2009
	£m	£m
Within one year	43.7	34.4
Between one and two years	7.7	25.8
Between two and five years	12.3	9.8
Greater than five years	-	0.2
At 31 December	63.7	70.2

The minimum potential liability is £17.3m and the maximum potential liability is £163.5m.

11. Notes to the cash flow statement

	2010	2009
	£m	£m
Operating profit	101.5	114.6
Adjustments for:		
Depreciation of property, plant and equipment	22.7	23.7
Amortisation of intangible assets	35.1	32.2
Impairment of intangibles and property, plant and equipment	0.3	0.4
Loss on disposal of subsidiaries	13.9	1.0
Net loss on disposal of intangibles and property, plant and equipment	0.5	1.2
Share-based payment charge	8.3	7.1
Other non-cash movements	-	(0.1)
Increase/(decrease) in provisions	4.4	(1.0)
Decrease in restructuring related liabilities	(9.4)	(7.0)
	177.3	172.1
(Increase)/decrease in receivables	(248.1)	174.4
(Increase)/decrease in work in progress	(2.3)	6.1
Increase/(decrease) in payables	305.6	(153.5)
	55.2	27.0
Cash flows from operations	232.5	199.1

Analysis of net debt

	1 January 2010	Cash flow	Other non-cash movements	Exchange movements	31 December 2010
	£m	£m	£m	£m	£m
Cash and short-term deposits	391.1	(11.6)	-	14.9	394.4
Overdrafts	(4.9)	2.1	-	(0.2)	(3.0)
Cash and cash equivalents	386.2	(9.5)	-	14.7	391.4
Debt due within one year	(38.6)	(42.2)	-	(3.5)	(84.3)
Debt due after more than one year	(606.2)	(36.8)	16.1	(19.7)	(646.6)
Net debt before issue costs of debt	(258.6)	(88.5)	16.1	(8.5)	(339.5)
Issue costs of debt	1.4	8.4	(1.6)	-	8.2
Total	(257.2)	(80.1)	14.5	(8.5)	(331.3)

13. Related party disclosures

The Group has identified 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.

14. Subsequent events

a) Receivable impairment

Following the end of the reporting period, one of the Group's former Spanish clients, Nueva Rumasa, and certain affiliated companies filed for pre-insolvency protection under section 5.3 of Spanish Insolvency Law. As these companies have outstanding liabilities owing to an Aegis subsidiary in Spain, a provision has been recorded for the Group's exposure, of which £25.9m is taken as an exceptional charge in the year (£37.0m on a pre-tax basis).

b) Acquisitions

In February 2011, the Group acquired the entire share capital of Clickthinking, an award-winning digital search and performance agency incorporated in South Africa. Clickthinking will join the iProspect network within Aegis Media, where it will compliment iProspect's search engine marketing expertise, as well as giving iProspect a presence in Africa.

In December 2010, the Group announced an agreement to acquire a majority stake in COMCON, Russia's leading independent market research agency. This acquisition required clearance from Russian competition authorities, which was received in March, allowing the acquisition to complete.

At the time of issuing the Group's annual report, the initial accounting for these acquisitions is incomplete and therefore further disclosure will be provided in the Group's Interim Financial Statements.

Glossary of terms

The Group
Aegis Group plc and its subsidiaries.

Aegis Media
The media services division of Aegis Group plc.

Synovate
The market research division of Aegis Group plc.

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

Sales
Commissions from clients for research services to be provided by the Group. Sales convert to revenue in accordance with the revenue recognition policy and the timing of delivery of research services.

Orders on hand
The cumulative value of projects recorded in sales, which have not been completed and recognised within revenue in the year.

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

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

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

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

Gross margin
Gross profit stated as a percentage of turnover.

Operating profit
Gross profit less operating expenses.

Operating margin
Operating profit stated as a percentage of revenue.

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

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

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

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

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

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

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

Non-controlling interests
Partial ownership of subsidiary undertakings by external shareholders.

Faster growing regions
Faster growing regions comprise Latin America, Central and Eastern Europe, Asia Pacific, and the Middle East and Africa.