



< Lord Sharman



< Douglas Flynn



< John Amerman



< Sir David Hannay



< Colin Day

> BOARD OF DIRECTORS

Lord Sharman of Redlynch CBE

Non-Executive Chairman

Lord Sharman was appointed to the Board on 2 September 1999 and became Chairman on 1 January 2000. He joined KPMG in 1966 where he was elected UK Senior Partner in 1994 and also joined both the International and Executive Committees of KPMG. Between 1997 and 1999 he was Chairman of KPMG Worldwide. In October 1999 he became a member of the House of Lords. He is also a non-executive director of AEA Technology plc and Youngs Brewery plc and Chairman of Le Gavroche Limited. Age 57. (Audit, Remuneration and Nomination Committee member).

Douglas Flynn

Chief Executive Officer

Douglas Flynn was appointed to the Board as a non-executive on 15 May 1998 and became Chief Executive Officer on 1 September 1999. Previously he was Managing Director of News International plc. He has held a number of senior positions in the Australian newspaper industry and also been a management consultant to a number of media companies. Age 50.

John Amerman

Non-Executive

John Amerman was appointed to the Board on 12 December 1997. He is the former Chairman and Chief Executive of Mattel in the USA. Prior to joining Mattel he was President of a division of Warner Lambert. Age 68. (Audit, Remuneration and Nomination Committee member).

Sir David Hannay

Non-Executive

Sir David Hannay was appointed to the Board on 1 January 2000. Until his retirement in 1995, he was a member of the Diplomatic Service, serving in a number of countries before finally holding the posts of Britain's Ambassador to the European Union (1985 - 1990) and Britain's Ambassador to the United Nations (1990 - 1995). Sir David is also a non-executive director of Chime Communications plc. Age 64. (Audit, Remuneration and Nomination Committee member).

Colin Day

Group Finance Director

Colin Day was appointed to the Board on 13 February 1995. Prior to joining he was Finance Director of ABB Instrumentation Group. He previously held senior financial positions in De La Rue and British Gas. Colin is also a non-executive director of Bell Group plc. Age 45.

Pat Doble

Group Marketing Director

Pat Doble was appointed to the Board on 21 May 1999. She has been Group Marketing Director since 1995. Pat has previously held senior marketing positions at Guinness, Lex and Mars. She is also a non-executive director of Nationwide Building Society. Age 56.

Ray Kelly

Chairman and Chief Executive, Carat Group UK
Chief Executive, Carat Northern Europe

Ray Kelly was appointed to the Board on 16 September 1992. After thirteen years working in full service advertising agencies he joined TMD (now Carat UK Ltd) in 1979, becoming Managing Director in 1989. In 1990 he was appointed Chief Executive of Carat UK Ltd. Ray was appointed Chief Executive of Carat Northern Europe in September 1999. Age 49.

Bruno Kemoun and Eryck Rebbouh

Joint Chairmen and Chief Executives, Carat France
Joint Chief Executives, Carat Southern Europe

Bruno Kemoun and Eryck Rebbouh were appointed to the Board on 16 September 1992. They founded 2010 Medias in 1985 in association with Carat France and they sold it in 1991 to become shareholders in Aegis. They were appointed Joint Chairmen of Carat France in 1995 and Joint Chief Executives of Carat Southern Europe in September 1999. Bruno is aged 42 and Eryck aged 43.

David Verklin

Chief Executive Officer, Carat North America

David Verklin was appointed to the Board on 2 September 1999. He has been Chief Executive Officer of Carat North America since April 1998. Prior to joining the Group he was Managing Director of Hal Riney & Partners, having started his career in 1977 at Young & Rubicam. Age 44.



< Pat Doble



< Ray Kelly



< Bruno Kemoun



< Eryck Rebbouh



< David Verklin

> DIRECTORS AND ADVISERS

Directors of Aegis Group plc

Lord Sharman non-executive Chairman
 Douglas Flynn Chief Executive Officer
 John Amerman non-executive
 Sir David Hannay non-executive
 Colin Day Group Finance Director
 Pat Doble Group Marketing Director
 Ray Kelly
 Bruno Kemoun
 Eryck Rebbouh
 David Verklin

Members of Carat Global Executive

Douglas Flynn
 Colin Day
 Pat Doble
 Ray Kelly
 Bruno Kemoun
 Eryck Rebbouh
 David Verklin
 Executive Directors of Aegis Group plc

Eric Drancourt,
 Chief Executive, Carat International
 Alexander Ruzicka,
 Chief Executive, Germany and Central Europe
 Eléonore Sauerwein,
 Group Legal Counsel
 William Skerrett,
 Group Human Resources Director

Company Secretary

John Ross

Registered Office

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Registered Number

1403668 England and Wales

Auditors

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 1 Embankment Place
 London WC2N 6NN

Bankers

National Westminster Bank plc
 Juno Court
 24 Prescott Street
 London E1 8BB

Registrars

Computershare Services PLC
 P O Box 435, Owen House
 8 Bankhead Crossway North
 Edinburgh EH11 4BR

Solicitors

Slaughter & May
 35 Basinghall Street
 London EC2V 5DB

Stockbrokers

Hoare Govett Corporate Finance Limited
 250 Bishopsgate
 London EC2M 4AA

> REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 1999.

Results and dividends

The profit and loss account is set out on page 39 and shows a retained profit for the financial year of £36.2 million (1998: £27.7 million) all of which is transferred to reserves.

An interim dividend of 0.4p per share was paid on 6 October 1999 to ordinary shareholders. The directors recommend a final dividend for the year of 0.6p per share which, if approved at the Annual General Meeting, will be payable on 30 June 2000 to ordinary shareholders registered at 9 June 2000. The total dividend for the year will then amount to 1.0p per share (1998: 0.85p).

Principal activity

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

Review of business and future developments

A review of the business and likely future developments of the Group is given in the Chairman's and Chief Executive's statements on pages 20 to 21.

Research and development

The Group is involved in media research and development in order to offer clients the most advanced media communications services. During the year the Group spent £19.2 million (1998: £19.5 million) on research and development.

Donations

The Company made charitable donations of £9,620 (1998: £10,200) during the year in the United Kingdom. There were no political donations during the year in the United Kingdom (1998: £nil).

Employment policies

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

The directors are committed to maintaining and developing communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of their own company and of the Group as a whole. Consultation and involvement policies vary from country to country according to local customs, legal considerations and the size of the business. In addition, the Group has an intranet site which is constantly updated with news and information concerning the Group and its businesses.

Environment

The Group is committed to conducting its business in a manner which shows responsibility towards the environment and to ensuring high standards of health and safety for its employees, visitors and the general public. It complies with all statutory and mandatory requirements.

Supplier payment policy

Whilst the Company does not impose a formal code of payment practice on its subsidiaries, the Group nevertheless does have the following policy concerning the payment of its suppliers:

- to agree the terms of payment with suppliers in advance;
- to ensure that suppliers are made aware of the terms of payment; and
- to abide by the terms of payment.

At 31 December 1999, the Group had 66 days purchases outstanding (1998: 63 days). The creditor day analysis is not applicable to the holding company.

Directors

The names of the directors at the date of

this report and biographical details are given on page 26.

Sir Kit McMahon retired on 21 May 1999, Crispin Davis resigned on 1 September 1999 and Philippe Villin resigned on 25 October 1999. Frank Law, Sir Peter Thompson and Kai Hiemstra all retired on 31 December 1999.

Re-election of directors

In accordance with the Articles of Association, Ray Kelly and John Amerman retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Lord Sharman, Pat Doble, David Verklin and Sir David Hannay, all of whom having been appointed since the previous Annual General Meeting, offer themselves for re-election.

Pat Doble has a service contract with the Company which is terminable upon 18 months' notice.

Ray Kelly and David Verklin have service contracts with subsidiary companies, terminable upon 12 months' and 18 months' notice respectively.

Non-executive directors do not have service contracts.

Transactions with directors

In December 1999 the Group acquired 100% of the share capital of Société Internationale de Conseil pour la Communication ('SICC') for a cash consideration of £1.5 million. Two of the directors of Aegis Group plc – Bruno Kemoun and Eryck Rebbouh – were shareholders of SICC, each having owned 22.84% of the share capital of SICC. An independent financial adviser reviewed the transaction and purchase price and confirmed it to be fair and reasonable in so far as shareholders of Aegis Group plc are concerned. Total fees payable to SICC by the Company during the year were £1.9 million (1998: £1.8 million) and the balance outstanding with the Company as at 31 December

1999 was £0.6 million (1998: £0.4 million).

Substantial shareholdings

At 27 March 2000 the Company had been notified of the following interests of 3% or more in its ordinary shares:

	No. of shares	%	
Deutsche Bank AG & subsidiaries	118,414,091	10.97	The authority conferred by resolution 12 is limited as regards issues of shares other than by way of rights issues to 53,942,443 ordinary shares amounting to 5% of the issued ordinary share capital of the Company as at 31 December 1999. In relation to the exercise of this authority the Company will have regard to the guidelines published by the investment committees of both the Association of British Insurers and the National Association of Pension Funds. The authorities sought by these resolutions are to replace the existing powers of the directors which expire at the conclusion of the Annual General Meeting and both of these authorities will lapse at the conclusion of the next Annual General Meeting.
Scottish Widows	62,612,702	5.80	
FMR Corp (Fidelity Investments)	41,981,017	3.89	
Norwich Union Group	42,239,270	3.91	
Putnam Investment Management, Inc.	77,124,958	7.21	
Morley Fund Management	33,125,557	3.07	

Share capital

Details of the movements in authorised and issued share capital during the year are given in note 18 to the financial statements.

At the Annual General Meeting resolutions will be proposed to authorise the directors to allot securities in the Company. Resolution 11 set out in the Notice of Annual General Meeting on pages 69 and 70 provides the directors with authority to allot securities in the Company up to an aggregate nominal value of £17,165,944.

If passed, the resolution will enable the directors to allot a maximum of 343,318,880 ordinary shares which represent 31.8% of the current issued ordinary share capital as at 27 March 2000. Save for shares to be issued to satisfy existing legal obligations, the directors have no present intention of exercising the authority which would be conferred by resolution 11.

Resolution 12 is a special resolution

disapplying pre-emption rights and granting authority to the directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash pursuant to (a) issues by way of rights and (b) other issues up to an aggregate nominal value of £2,697,122.

the latest practical date prior to publication of the Annual Report and Accounts, was 76,904,626 (7.13% of the present issued ordinary share capital). No warrants to acquire ordinary shares were outstanding as at that date. If the proposed authority for the Company to purchase its own shares is used in full, the total number of such options will represent 7.5% of the issued ordinary share capital. If granted, the directors will exercise the authority only if in their judgement it is in the best interests of shareholders generally and where exercise should result in an improvement in earnings per share for the remaining shareholders.

Annual General Meeting

At the forthcoming Annual General Meeting, as well as the items of special business detailed above and the resolution seeking approval of the remuneration policy (explained on page 32 in the Remuneration Report), resolution 14 seeks two changes to the Company's Articles of Association.

The current Articles of Association require share certificates to be issued under the common seal of the Company. This is no longer a requirement of the Listing Rules of the London Stock Exchange. To allow for more efficient and effective use of technology, such as laser printed signatures, it is proposed that Article 10 be replaced to permit the directors to allow for the execution of share certificates, not only under seal, but in such other manner that they may authorise, including using laser printed signatures.

To prevent any uncertainty as to whether a Board or Committee meeting conducted by conference telephone or other communication equipment is properly constituted, new Article 122(A) will give specific authority for Board and Committee meetings to be so held. The full terms of the proposed changes to the Company's Articles of Association are set out in the Notice of the Annual General Meeting on pages 69 and 70.

The maximum price at which any share may be purchased is the price equal to 5% above the average of the middle market quotations of such share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share. The number of options for ordinary shares which are outstanding at 27 March 2000,

> REPORT OF THE DIRECTORS CONTINUED

Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors and to authorise the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Directors' responsibilities

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 38, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of that financial year and of the profit or loss of the Group for that financial year. The directors consider that in preparing the financial statements on pages 39 to 68, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed, subject to any explanations disclosed in the notes to the financial statements.

The directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

> REMUNERATION REPORT

The directors have an established Remuneration Committee, the members of which are disclosed on page 36 within the section on Corporate Governance.

Remuneration policy

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

- The importance of recruiting and retaining management of the highest calibre; and
- Linking reward to the Group's performance.

The Committee has applied these principles to develop remuneration packages which:

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

The Committee determines remuneration packages with regard to the prevailing pay and benefits conditions across its markets.

Remuneration package of executive directors

The main components are:

■ Base salary and benefits

Base salary and benefits are determined on an annual basis by the Committee after a review taking into account the individual's performance, market trends and the performance of the Group and local company as a whole. For guidance, the Committee has regard to available research and published remuneration information on companies of a similar size and within the same industry and markets. Benefits

typically include a car, life assurance and disability and health insurance.

■ Annual bonus

Executive directors are paid bonuses under the Group Bonus Scheme upon achievement of individual objectives and financial targets linked to Group and local company performance. This may result in the payment of cash bonuses of up to 50% of base salary.

■ Share options

Grants of options are made by the Committee under the Executive Share Option Schemes which were introduced in 1995 and the Aegis Group Management Incentive Scheme which was adopted in May 1998. Options are granted on an annual phased basis. Exercise of options is subject to the achievement of specific demanding performance conditions. The conditions in respect of the 1995 Executive Share Option Schemes are:

- That Earnings Per Share growth exceeds a composite retail price index plus 5% per annum. The composite index is determined by weighting indices calculated for selective countries to approximate the source of the Group's turnover. The country indices are calculated from official retail inflation data, adjusted for exchange rate fluctuations against sterling; and
- That total shareholder return in capital growth plus dividends must be equivalent to that of companies in the top third of the 'FTSE 100'.

The conditions in respect of the Aegis Group Management Incentive Scheme are:

- That the Company's total shareholder return (share price growth plus re-invested dividends) over the performance period must reach 15% per annum compound; and
- That the total shareholder return must at least match that of the FTSE Actuaries 500 Index over the same period.

Pensions

UK executive directors participate in defined contribution Group pension schemes. Pensionable salary is limited to basic salary excluding all bonuses and other benefits. Where UK Plan benefits exceed Inland Revenue limits, contributions are made to an Unapproved Retirement Benefits Scheme to increase pension benefits to the level which would have applied. Non-UK executive directors have arrangements in line with market conditions and statutory obligations operating in their own countries.

Notice periods

Those executive directors based in the UK and USA have notice periods ranging from 12 to 24 months. There are no current plans to reduce these periods which are considered a necessary part of the remuneration package to attract the right calibre of executive director and which are felt to be in line with current market practice. The executive directors based in France have contracts with six months' notice. However, in the event that Carat France terminates the agreement other than by reason of misconduct, a payment equivalent to 18 months' remuneration must be made.

Non-executive directors' fees

Fees for non-executive directors are determined by the Board and are disclosed below. Non-executive directors do not receive benefits or pension contributions and do not participate in any Group incentive scheme.

> REMUNERATION REPORT CONTINUED

Approval of remuneration policy

At the Annual General Meeting under Resolution 10, the directors are seeking shareholders' approval of the policy set out above. The Combined Code provides that the annual remuneration report need not be a standard agenda item for annual general meetings. The directors do not expect the approval of its remuneration policy to be a standard item of business at the Annual General Meeting each year.

The tables which follow provide details of all directors' remuneration, shareholdings and share options.

Directors' remuneration

	Basic salary £'000	Fees £'000	Benefits £'000	Annual bonus £'000	Other £'000	Total 1999 £'000	Total 1998 £'000	Pensions 1999 £'000	Pensions 1998 £'000
John Amerman	-	25	-	-	-	25	25	-	-
Crispin Davis (resigned 1.9.99)	381	-	14	-	-	395	772	187	254
Colin Day	252	-	13	145	-	410	341	56	48
Pat Doble (appointed 21.5.99)	135	-	9	57	-	201	-	20	-
Douglas Flynn (a)	201	12	1	99	250	563	16	40	-
Sir David Hannay (appointed 1.1.00)	-	-	-	-	-	-	-	-	-
Kai Hiemstra (retired 31.12.99)	159	-	19	541	-	719	711	-	-
Ray Kelly	270	-	21	104	-	395	337	32	72
Bruno Kemoun (b)	267	-	3	40	93	403	382	-	-
Frank Law (retired 31.12.99) (c)	100	-	13	-	-	113	118	-	-
Sir Kit McMahon (retired 21.5.99)	-	10	-	-	-	10	25	-	-
Eryck Rebbouh (b)	267	-	3	40	93	403	382	-	-
Lord Sharman (appointed 2.9.99)	33	-	-	-	-	33	-	-	-
Sir Peter Thompson (retired 31.12.99)	-	25	-	-	-	25	25	-	-
David Verklin (appointed 2.9.99)	112	-	2	55	-	169	-	2	-
Philippe Villin (resigned 25.10.99)	-	20	-	-	61	81	120	-	-
Totals	2,177	92	98	1,081	497	3,945	3,254	337	374

Notes:

(a) Douglas Flynn's figures show 'Fees' payable to News International plc for the time during which he was a non-executive director. He received no benefit from those fees. In addition, he received a fee of £250,000 on joining the Group as Chief Executive Officer.

(b) Bruno Kemoun and Eryck Rebbouh were two of the shareholders of SICCC which provided international management services to the Group during the year. Fees are paid to SICCC at a fixed amount together with a performance-related element. The salaries received by Bruno Kemoun and Eryck Rebbouh from SICCC are shown in 'Basic salary'. Their proportion of the profit of SICCC earned prior to the disposal of SICCC is shown as 'Other' emoluments.

(c) In the event that Frank Law pre-deceases his wife, the Remuneration Committee has granted Mrs Law an index-linked pension of £100,000 per annum for life. No amount has been provided in the Accounts for this contingent liability.

At 31 December 1999 there were 5 directors (1998: 3) who had benefits accruing under money purchase schemes. Figures shown for pensions are the contributions paid by the Company to both approved and unapproved retirement benefits schemes.

Other than as disclosed in the above paragraphs, none of the directors were materially or beneficially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of the financial year ended 31 December 1999.

Directors' interests

The directors of the Company in office at the end of the year, and their interests in the share capital and debentures of the Company as at 27 March 2000, all of which are beneficial to the directors and their immediate families, which have been notified to the Company pursuant to Sections 324 or 328 of the Companies Act 1985 (the 'Act') or are required to be entered into the Register required to be kept under Section 325 of the Act, and of persons connected (within the meaning of Section 346 of the Act) with the directors, were as follows:

	27 March 2000	31 December 1999	Ordinary 5p shares 31 December 1998 or date of appointment if later
John Amerman	10,429	10,429	21,353
Colin Day	75,932	75,932	75,932
Pat Doble	3,205	3,205	–
Douglas Flynn	–	–	–
Sir David Hannay (appointed 1.1.00)	10,000	–	–
Ray Kelly	287,188	287,188	287,188
Bruno Kemoun	3,249,756	3,249,756	2,286,432
Eryck Rebbouh	3,249,756	3,249,756	2,286,432
Lord Sharman	10,000	10,000	–
David Verklin	–	–	–

The middle market price of the ordinary 5p shares as derived from the Stock Exchange Daily Official List on 31 December 1999 was 225p and the range during the year was 87.75p to 225p. The share price on 23 March 2000, the latest practicable date prior to publication of the Annual Report and Accounts, was 208p.

> REMUNERATION REPORT CONTINUED

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

Director		Options held at start of year or date of appointment	Granted during year	Exercised during year	Options held at end of year	Exercise price	Date from which exercisable	Expiry date
Douglas Flynn	*	–	5,000,000	–	5,000,000	138.25p	9.9.02	8.9.05
		–	21,428	–	21,428	140p	22.10.02	21.10.09
		–	621,429	–	621,429	140p	22.10.02	21.10.09
Crispin Davis (resigned 1.9.99)	(a)	9,411,764	–	9,411,764	–	25.5p	–	–
	*	11,700,000	–	–	–	–	–	–
Colin Day	(b)	1,132,075	–	832,000	300,075	26.5p	21.6.98	20.6.05
		365,385	–	–	365,385	52p	2.7.99	1.7.06
		321,569	–	–	321,569	63.75p	8.7.00	7.7.07
	*	2,500,000	–	–	2,500,000	87p	15.5.01	14.5.04
		113,924	–	–	113,924	98.75p	2.6.01	1.6.08
		–	100,000	–	100,000	121.5p	17.3.02	16.3.09
	*	–	2,000,000	–	2,000,000	138.25p	9.9.02	8.9.05
Pat Doble		1,132,075	–	–	1,132,075	26.5p	21.6.98	20.6.05
		323,077	–	–	323,077	52p	2.7.99	1.7.06
		274,510	–	–	274,510	63.75p	8.7.00	7.7.07
	*	1,000,000	–	–	1,000,000	87p	15.5.01	14.5.04
		93,164	–	–	93,164	98.75p	2.6.01	1.6.08
		–	90,534	–	90,534	121.5p	17.3.02	16.3.09
	*	–	250,000	–	250,000	138.25p	9.9.02	8.9.05
Ray Kelly	(c)	716,981	–	716,981	–	26.5p	–	–
		394,231	–	–	394,231	52p	2.7.99	1.7.06
		349,804	–	–	349,804	63.75p	8.7.00	7.7.07
	*	2,000,000	–	–	2,000,000	87p	15.5.01	14.5.04
		127,594	–	–	127,594	98.75p	2.6.01	1.6.08
		–	110,905	–	110,905	121.5p	17.3.02	16.3.09
	*	–	1,500,000	–	1,500,000	138.25p	9.9.02	8.9.05
Bruno Kemoun	(d)	256,410	–	256,410	–	27.3p	–	–
	(e)	963,324	–	963,324	–	26.5p	–	–
		510,997	–	–	510,997	52p	2.7.99	1.7.06
		364,050	–	–	364,050	63.75p	8.7.00	7.7.07
	*	2,000,000	–	–	2,000,000	87p	15.5.01	14.5.04
		128,697	–	–	128,697	98.75p	2.6.01	1.6.08
	*	–	112,071	–	112,071	121.5p	17.3.02	16.3.09
	–	1,500,000	–	1,500,000	138.25p	9.9.02	8.9.05	
Eryck Rebbouh	(f)	256,410	–	256,410	–	27.3p	–	–
	(g)	963,324	–	963,324	–	26.5p	–	–
		510,997	–	–	510,997	52p	2.7.99	1.7.06
		364,050	–	–	364,050	63.75p	8.7.00	7.7.07
	*	2,000,000	–	–	2,000,000	87p	15.5.01	14.5.04
		128,697	–	–	128,697	98.75p	2.6.01	1.6.08
		–	112,071	–	112,071	121.5p	17.3.02	16.3.09
*	–	1,500,000	–	1,500,000	138.25p	9.9.02	8.9.05	

Table continued from previous page:

Director		Options held at start of year or date of appointment	Granted during year	Exercised during year	Options held at end of year	Exercise price	Date from which exercisable	Expiry date
David Verklin		641,398	–	–	641,398	80.5p	9.4.01	8.4.08
	*	2,000,000	–	–	2,000,000	87p	15.5.01	14.5.04
		–	271,088	–	271,088	121.5p	17.3.02	16.3.09
	*	–	1,500,000	–	1,500,000	138.25p	9.9.02	8.9.05
Kai Hiemstra (retired 31.12.99)	(h)	567,973	–	567,973	–	52p	–	–
Totals		43,612,480	14,689,526	13,968,186	32,633,820			

Notes:

* Options granted under the Aegis Group Management Incentive Scheme. The 11,700,000 options in respect of Crispin Davis lapsed on his leaving the Company.

- (a) Options exercised and sold realising a gross gain of £12,342,572.
- (b) Options exercised and sold realising a gross gain of £877,587.
- (c) Options exercised and sold realising a gross gain of £944,594.
- (d) Options exercised and sold realising a gross gain of £414,615.
- (e) Options exercised and held. Mid-market price of shares on date of exercise 189p.
- (f) Options exercised and sold realising a gross gain of £414,615.
- (g) Options exercised and held. Mid-market price of shares on date of exercise 189p.
- (h) Options exercised and held. Mid-market price of shares on date of exercise 170p.

Bruno Kemoun's wife exercised and sold the following options on 13 December 1999:

- (i) 69,112 options granted 5.5.93 at 29.3p, sold for gross gain of £124,194; and
- (ii) 7,500 options granted 25.5.94 at 28.5p, sold for gross gain of £13,537.

Other than as noted above, no directors or members of their immediate families have exercised or sold options during the period ended 27 March 2000. In addition, other than noted above, no options have expired or lapsed during the year in respect of the directors.

Options are subject to performance conditions as described in the paragraph headed 'Share options' on page 31.

By order of the Board



John Ross FCIS
Company Secretary
11A West Halkin Street
London
SW1X 8JL

27 March 2000

> CORPORATE GOVERNANCE

The Board recognises the importance of strong corporate governance and fully endorses the Principles of Good Governance and Code of Best Practice encompassed in the Combined Code (the 'Code') issued by the London Stock Exchange in June 1998.

The Board considers that the Company complied with all the recommendations of the Code during the year, other than in not appointing two non-executive directors for a specified term (Code provision A.6.1), the notice periods for certain executive directors (Code provision B.1.7) and that non-executive directors comprise less than one-third of the members of the current Board (Code provision A.3.1).

Lord Sharman, who was appointed to the Board in September 1999 and is currently non-executive Chairman, and John Amerman, who was appointed in 1997, have no specific term of appointment. Sir David Hannay was appointed to the Board in January 2000 for an initial period of three years. It is intended that future appointments of non-executive directors will continue this recently introduced policy of three year term appointments.

The Board currently has ten directors, comprising seven executive directors and three non-executive directors. It is intended to make further non-executive appointments shortly to give a better balance to the Board. All of the current non-executive directors are independent of the management of the Group and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. John Amerman has been nominated as the senior independent director to whom shareholders may convey any concerns in the event that they do not wish to involve either the Chairman or the Chief Executive.

All directors are given appropriate briefing on appointment and individual training needs are met as required. The Board meets regularly throughout the year and retains full and effective control over the Company and monitors the executive

management. The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. Board meetings follow a formal agenda and the Board has a schedule of matters specifically reserved to it for decision. All directors have access to the advice and services of the Company Secretary and, if required, external professional advice at the Company's expense.

The Board has appointed the following Committees:

Audit Committee

The Audit Committee comprises John Amerman (Chairman), Lord Sharman and Sir David Hannay and meets at least twice each year. It has particular responsibility for ensuring that the Company's financial statements present a true and fair reflection of the Company's results and financial position and that appropriate financial controls are in operation. These meetings are attended by the Group Finance Director and the external auditors. The Board considers that, through the Audit Committee, it has an objective and professional relationship with the external auditors.

Remuneration and Nomination Committees

The Remuneration and Nomination Committees both comprise Lord Sharman (Chairman), John Amerman and Sir David Hannay. The Remuneration Committee meets as and when necessary to review the salaries of executive directors and senior management, together with incentive schemes for the Group as a whole. It is empowered to grant share options under the existing Share Option Schemes. The Nomination Committee meets as and when necessary and has responsibility for nominating to the Board candidates for appointment as directors.

Internal financial controls

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. The internal

financial control systems are designed to address the risks and needs of operations. Any system can provide only reasonable and not absolute assurance against material misstatement or loss.

The key procedures which the directors have established are as follows:

- a. The Board of Directors has overall responsibility for the Group's system of internal financial controls. The full Board meets regularly and has adopted a schedule of matters which are required to be brought to it for discussion, thus ensuring that it maintains full and effective supervision over appropriate financial controls. The Group's strategic direction is reviewed annually by the Board, the Chief Executive and the executive directors consider the strategy for the individual businesses.
- b. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. Annual plans and performance targets for each business are set by the executive directors and reviewed by the Board in the light of the Group's overall objectives. The division of responsibility at Board level is achieved by the appointment of a non-executive Chairman and a Chief Executive. Management of the Group's day-to-day activities is delegated to the Chief Executive and members of the Global Executive Committee.
- c. Each operation's chief executive is responsible for:
 - i) the conduct and performance of their business;
 - ii) ensuring an effective system of internal financial controls is in place;
 - iii) meeting defined reporting timetables and ensuring compliance with the Group's accounting policies, controls and definitions – ensuring the integrity and accuracy of the Group's accounting records; and
 - iv) signing-off their accounts on a monthly basis subject to the limitations set by the annual

- business strategy and the reserved powers and sanctioning limits laid down by the Board.
- d. The Board and the Global Executive Committee receive, on a monthly basis, financial results from each business and the Group reports bi-annually to shareholders based on a standardised reporting process.
 - e. The Audit Committee, comprised exclusively of non-executive directors, reviews the effectiveness of the internal financial control environment of the Group and receives reports from Group Finance and the external auditors on a regular basis.
 - f. The internal control system is reviewed by Group Finance which operates on a global basis and reports to management and the Audit Committee. Group Finance and the external auditors also co-ordinate their work to the extent necessary for the external auditors to express their audit opinion on the Group's report and accounts.

The directors confirm that the Audit Committee has carried out a review of the effectiveness of the Group's system of internal financial controls as it operated during the year.

Internal control

As permitted by the London Stock Exchange, the Group has complied with Code Provision D.2.1 on internal control in accordance with the guidance given for directors on internal control and financial reporting that was issued in December 1994.

In accordance with the guidance given by the Turnbull Committee published in September 1999, the Board intends to have established procedures by the end of May 2000 to implement the guidance so that compliance will be reported in next year's annual accounts.

Going concern

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

Relations with shareholders

Good relations with shareholders are of prime importance to the Company. The Chief Executive Officer and Finance Director meet frequently with representatives of institutional shareholders to discuss their views and to ensure that the strategies and objectives of the Company are well understood.

> AUDITORS' REPORT TO THE MEMBERS OF AEGIS GROUP PLC

We have audited the financial statements on pages 39 to 68 which have been prepared under the historical cost convention and the accounting policies set out on pages 44 and 45.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 30 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 36 and 37 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICEWATERHOUSECOOPERS 

Chartered Accountants
and Registered Auditors
London

27 March 2000

> CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £'m	1998 £'m
Turnover:			
– continuing operations		4,642.4	4,035.8
– acquisitions		149.4	94.2
	2	4,791.8	4,130.0
Cost of sales		(4,510.1)	(3,909.0)
Gross profit		281.7	221.0
Operating expenses before amortisation of goodwill		(215.3)	(170.4)
Amortisation of goodwill		(1.9)	(0.5)
Operating expenses		(217.2)	(170.9)
Income from interests in associated undertakings		0.2	–
Operating profit:			
– continuing operations		54.7	48.7
– acquisitions		10.0	1.4
		64.7	50.1
Profit on disposal of associated undertakings	3	4.6	–
Interest and similar charges:			
– interest receivable		5.1	5.2
– interest payable	4	(6.7)	(4.4)
– amortisation of refinancing costs	4	(0.4)	(0.3)
Net interest (payable)/receivable		(2.0)	0.5
Profit on ordinary activities before taxation	2, 5, 6	67.3	50.6
Tax on profit on ordinary activities	7	(18.7)	(14.5)
Profit on ordinary activities after taxation		48.6	36.1
Equity minority interests		(1.6)	(0.6)
Profit attributable to members of the parent company		47.0	35.5
Dividends:			
– preference		–	0.2
– ordinary	8	(10.8)	(8.0)
Retained profit for the financial year		36.2	27.7
Earnings per share:			
Basic	9	4.6p	4.0p
– Profit on disposal of associated undertakings		(0.5)p	–
– Amortisation of goodwill		0.2p	–
Underlying basic earnings per share		4.3p	4.0p
Diluted		4.4p	3.7p

The underlying basic earnings excludes amortisation of goodwill of £1.9 million for the year ended 31 December 1999 (1998: £0.5 million) and the exceptional profit of £4.6 million realised on the disposal of an associated undertaking (note 3).

> CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 1999

	1999 £'m	1998 £'m
Profit for the financial year	47.0	35.5
Currency translation differences on foreign currency net investments	(5.7)	(0.7)
Total recognised gains and losses relating to the year	41.3	34.8

> RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1999

	Group		Company	
	1999 £'m	1998 £'m	1999 £'m	1998 £'m
Profit for the financial year	47.0	35.5	24.0	19.7
Preference dividends	-	0.2	-	0.2
Ordinary dividends	(10.8)	(8.0)	(10.8)	(8.0)
Retained profit for the financial year	36.2	27.7	13.2	11.9
Issue of shares by the Company (net of expenses)	128.4	17.4	128.4	17.4
Goodwill realised in the year	1.3	-	-	-
Currency translation differences on foreign currency net investments	(5.7)	(0.7)	-	-
Net increase in equity shareholders' funds	160.2	44.4	141.6	29.3
Equity shareholders' funds at 1 January	(63.1)	(107.5)	272.8	243.5
Equity shareholders' funds at 31 December	97.1	(63.1)	414.4	272.8

> NOTES OF HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 1999

There is no material difference between the reported results for 1999 and 1998 and the results for those years restated on an unmodified historical cost basis.

> BALANCE SHEETS

AT 31 DECEMBER 1999

	Notes	Group		Company	
		1999 £'m	1998 £'m	1999 £'m	1998 £'m
Fixed assets					
Intangible assets: goodwill	1, 10	242.2	17.0	-	-
Tangible assets	11	30.4	16.0	0.3	0.4
Investments	12	3.1	1.8	554.1	426.9
		275.7	34.8	554.4	427.3
Current assets					
Debtors	13	831.9	669.9	19.9	29.8
Stock: work in progress		9.0	-	-	-
Investments	14	-	0.1	-	-
Cash at bank and in hand		91.5	114.0	1.0	36.3
		932.4	784.0	20.9	66.1
Creditors: amounts falling due within one year	15	(997.1)	(859.3)	(160.9)	(218.5)
Net current liabilities		(64.7)	(75.3)	(140.0)	(152.4)
Total assets less current liabilities		211.0	(40.5)	414.4	274.9
Creditors: amounts falling due after more than one year	16	(110.0)	(21.1)	-	(2.1)
Net assets/(liabilities)		101.0	(61.6)	414.4	272.8
Capital and reserves					
Issued, allotted, called up and fully paid share capital	18	53.9	47.8	53.9	47.8
Share premium account	19	181.3	59.0	181.3	59.0
Capital redemption reserve	19	0.2	0.2	0.2	0.2
Special reserve	19	-	4.5	-	4.5
Merger reserve	19	-	-	13.0	13.0
Profit and loss account	19	(138.3)	(174.6)	166.0	148.3
Equity shareholders' funds		97.1	(63.1)	414.4	272.8
Equity minority interests		3.9	1.5	-	-
Total capital employed		101.0	(61.6)	414.4	272.8

Douglas Flynn (Director)

Colin Day (Director)

27 March 2000

> CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1999

	1999 £'m	1998 £'m
Net cash flow from operating activities	76.3	57.0
Returns on investments and servicing of finance		
Interest received	5.1	5.2
Interest paid	(6.7)	(4.3)
Interest element of finance lease rental payments	(0.1)	(0.1)
Issue costs for new unsecured loan	(1.2)	–
Dividends paid to minority interests	(0.7)	(1.2)
Net cash flow for returns on investments and servicing of finance	(3.6)	(0.4)
Taxation	(12.6)	(13.7)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(13.1)	(8.2)
Sale of tangible fixed assets	0.7	0.3
Purchase of investments	–	(0.4)
Sale of investments	0.8	0.9
Net cash flow for capital expenditure and financial investment	(11.6)	(7.4)
Acquisitions and disposals		
Purchase of subsidiary undertakings and minority interests (note 20)	(205.2)	(9.2)
Cash acquired on purchase of subsidiary undertakings (note 20)	1.6	4.6
Investment in associated undertakings	–	(0.4)
Sale of associated undertakings (a)	6.2	0.4
Deferred consideration on prior period acquisitions	(12.5)	(6.2)
Net cash flow for acquisitions and disposals	(209.9)	(10.8)
Equity dividends paid	(9.1)	(6.6)
Cash flow before use of liquid resources and financing	(170.5)	18.1
Management of liquid resources (b)		
Sale of short term money market investments	0.1	1.0
Net cash flow for management of liquid resources	0.1	1.0
Financing		
Issue of share capital (net of expenses)	128.4	17.4
New unsecured loan	79.7	–
Repayment of secured loan	(18.4)	(1.2)
Capital element of finance lease rental payments	(0.3)	(0.3)
Net cash flow from financing	189.4	15.9
Increase in cash in the year	19.0	35.0

(a) Sale of associated undertakings in the year ended 31 December 1999 represents proceeds realised on the disposal of the Group's shareholding in Consodata SA (note 3).

(b) Readily disposable short-term investments and deposits that are not repayable on demand without penalty are reported as liquid resources in the cash flow statement.

Notes to this consolidated cash flow statement are provided overleaf.

> NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1999

	1999 £'m	1998 £'m
Reconciliation of operating profit to operating cash flow		
Operating profit	64.7	50.1
Amortisation of goodwill	1.9	0.5
Depreciation charges	8.1	6.2
Loss on disposal of tangible fixed assets	0.1	0.1
Loss on disposal of other fixed asset investments	0.2	–
Profit on disposal of associated undertakings	–	(0.2)
Increase in debtors	(117.3)	(93.9)
Decrease in stock: work in progress	7.3	–
Increase in creditors	111.3	94.2
Net cash flow from operating activities	76.3	57.0

Subsidiary undertakings acquired in the year contributed £10.3 million to the Group's net cash flow from operating activities (1998: £2.4 million).

	1999 £'m	1998 £'m
Reconciliation of net cash flow to movement in net debt		
Increase in cash in the year	19.0	35.0
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(61.0)	1.5
Cash outflow from issue costs of debt	1.2	–
Change in net debt/cash resulting from cash flows	(40.8)	36.5
Amortisation of new refinancing costs	(0.2)	–
Debt and finance lease obligations in subsidiaries acquired in the year	(4.0)	–
Effect of foreign exchange rate changes	(7.0)	2.6
Movement in net debt/cash in the year	(52.0)	39.1
Net funds/(debt) at 1 January	36.9	(2.2)
Net (debt)/funds at 31 December	(15.1)	36.9

	1 January 1999 £'m	Cash flow £'m	Acquisitions (excl. cash and overdrafts) £'m	Other non-cash changes £'m	Exchange movement £'m	31 December 1999 £'m
Analysis of net funds/(debt)						
Cash in hand and at bank	114.0	(15.1)	–	–	(7.4)	91.5
Overdrafts	(59.3)	34.1	–	–	0.6	(24.6)
	54.7	19.0	–	–	(6.8)	66.9
Debt due within one year	(10.5)	14.1	(3.4)	–	(0.3)	(0.1)
Debt due after more than one year	(6.9)	(75.4)	–	–	0.1	(82.2)
Net funds/(debt) before finance lease obligations and issue costs of new debt	37.3	(42.3)	(3.4)	–	(7.0)	(15.4)
Finance lease obligations	(0.4)	0.3	(0.6)	–	–	(0.7)
Issue costs of new debt	–	1.2	–	(0.2)	–	1.0
Total	36.9	(40.8)	(4.0)	(0.2)	(7.0)	(15.1)

There were bank loans and overdrafts of £3.4 million within subsidiaries acquired in the year.

> NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and, with the exception of the Group's treatment of goodwill arising on the acquisition of Market Facts, Inc., as detailed below, adopting the following principal accounting policies:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Aegis Group plc and its subsidiary undertakings from the date of acquisition up to 31 December 1999. All inter-company balances and transactions are eliminated. The financial statements also include the Group's attributable share of associated undertakings' results up to 31 December 1999.

Goodwill

Prior to 1 January 1998, it was the Group's policy to write off purchased goodwill immediately to reserves and charge it to the profit and loss account only on the subsequent disposal of the business to which it related. For acquisitions prior to 1 January 1998, the Group has elected to continue with this accounting policy.

In accordance with Financial Reporting Standard 10, goodwill arising on each acquisition on or after 1 January 1998 is capitalised as an asset in the balance sheet. The directors review the estimated useful economic life of goodwill arising on each acquisition and, where this is considered finite, the goodwill is amortised over this period on a straight line basis. Following the first full year of ownership of an acquired business, the goodwill capitalised is reviewed for impairment. The carrying value of goodwill may also be reviewed at any time if there is a new event or change in circumstance which may impact upon its recoverable amount.

In the case of goodwill arising on the acquisition of Market Facts, Inc., the directors are of the opinion that the goodwill has an indefinite useful economic life due to the strength of the brand, its market position, its long-term profitability outlook and the Group's commitment and proven ability to enhance brand value. The financial statements depart from the specific requirements of companies' legislation to amortise goodwill over a finite period in order to give a true and fair view. If the goodwill on this acquisition had been amortised over 20 years, a further charge of £5.9 million would have been incurred in the year ended 31 December 1999 results (£10.0 million on an annualised basis).

Foreign currencies

Profit and loss accounts and cash flows in foreign currencies are translated into sterling at average exchange rates. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Unrealised exchange adjustments, arising on the translation of the net assets of subsidiaries, associated undertakings or on borrowings hedging against these net assets, are taken directly to reserves in the consolidated financial statements. All other gains and losses on translation are dealt with in the profit and loss account.

Turnover

Turnover represents the value of media handled by the Group on behalf of clients (excluding VAT). Turnover is recognised when charges are made to clients, principally when advertisements appear in the media. Fees are recognised over the period of the relevant assignments or agreements.

For the market research business, profit is recognised either on completion of a project or on the satisfactory completion of a specific phase of a project. Provision is made for losses on a project when identified.

Research and development

Research and development expenditure, including purchased software licences and development costs, is charged to the profit and loss account in the year in which it is incurred.

Fixed assets and depreciation

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

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

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

Leased assets

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

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

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

Subsidiary undertakings

Investments in subsidiaries are held at cost less any provisions for permanent diminution in value.

Associated undertakings

Companies in which the Group has a participating interest and over whose operating and financial policies it exercises a significant influence are treated as associated undertakings. Investments in associated undertakings are included in the consolidated balance sheet at cost less any goodwill arising before 1 January 1998, less provisions for permanent diminution in value plus attributable post-acquisition retained profits.

Other fixed asset investments

Other fixed asset investments are stated at cost less amounts written off in respect of any permanent diminution in value.

Stock: work in progress

Work in progress is stated at the lower of cost or net realisable value.

Deferred taxation

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

Pension costs

Retirement benefits for employees of certain companies in the Group are provided by defined contribution schemes which are funded by contributions from Group companies and employees. The amount charged to the profit and loss account is the contributions payable in the year. With minor exceptions, these funds are placed with separate trustee-administered schemes or insurance companies.

Financial instruments

The costs of issue of capital instruments such as the issue costs of new debt are charged to the profit and loss account on an annual basis over the life of the instrument.

> NOTES TO THE ACCOUNTS CONTINUED

2. Net assets/(liabilities) and operating performance

	Net assets/(liabilities)		Profit/(loss) on ordinary activities before taxation		Turnover	
	1999 £'m	1998 £'m	1999 £'m	1998 £'m	1999 £'m	1998 £'m
Geographical analysis						
Europe	(3.2)	(26.3)	51.5	48.3	3,788.9	3,568.8
North America	99.7	(33.6)	13.6	3.6	855.4	504.6
Latin America and Asia Pacific	4.5	(1.7)	1.3	(1.3)	147.5	56.6
	101.0	(61.6)	66.4	50.6	4,791.8	4,130.0
Income from interests in associated undertakings			0.2	–		
Profit on disposal of associated undertakings			4.6	–		
Net interest (payable)/receivable			(2.0)	0.5		
Amortisation of goodwill			(1.9)	(0.5)		
Profit on ordinary activities before taxation			67.3	50.6		

Of the net assets at 31 December 1999, £124.3 million relates to the market research sector, all located in North America. The Group's share of the net assets of associated undertakings of £0.4 million (1998: £0.6 million) is located in Europe.

The Group operates in two business sectors: media communications and market research. A further analysis of turnover by geographical area is set out below:

	1999 Local'm	1998 Local'm	1999 £'m	1998 £'m
France	10,652.5	9,774.1	1,069.8	1,001.2
Germany	2,578.9	2,432.1	868.6	835.1
UK	770.3	667.9	770.3	667.9
Spain	89,563.2	77,978.4	354.6	315.2
Scandinavia	4,463.7	4,868.9	332.9	368.3
Italy	440,009.3	483,093.0	149.7	167.8
Rest of Europe	N/A	N/A	243.0	213.3
Total for Europe			3,788.9	3,568.8
North America (excluding market research)	1,274.4	838.9	787.7	504.6
Latin America and Asia Pacific	N/A	N/A	147.5	56.6
Turnover for media communications	N/A	N/A	4,724.1	4,130.0
Turnover for market research (all North America)	109.6	–	67.7	–
			4,791.8	4,130.0

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

A further analysis of profits has not been given since, in the opinion of the directors, this would be seriously prejudicial to the interests of the Group.

3. Profit on disposal of associated undertakings

On 18 January 1999, the Group disposed of its 46.82% holding in the Consodata Group based in France for £6.2 million to the existing management and to Alpha, an investment company. The Group realised a profit on disposal of £4.6 million in 1999 (after deduction of £1.3 million of goodwill previously written off to reserves). Due to the availability of brought forward losses, there was no tax payable on this gain.

4. Interest payable and similar charges

	1999 £'m	1998 £'m
Interest payable:		
On bank loans and overdrafts	4.7	2.4
On other loans	0.8	0.7
Interest payable under finance lease and hire purchase contracts	0.1	0.1
Other charges	1.1	1.2
	6.7	4.4
Amortisation of refinancing costs	0.4	0.3
	7.1	4.7

On 15 October 1999, the Group entered into new banking facilities under which the Group obtained a five-year, unsecured, multi-currency revolving credit facility of £250 million.

The cost of these banking facilities of £1.0 million was capitalised in 1999 and is being written off over five years, representing the minimum period of these arrangements.

5. Staff costs

	1999 £'m	1998 £'m
Staff costs consist of:		
Wages and salaries	108.6	90.9
Social security costs	18.6	16.1
Other pension costs	2.9	1.9
	130.1	108.9

Number of employees

	Media com- munications	Market research	Total	Media com- munications	Market research	Total
	1999	1999	1999	1998	1998	1998
Average number of full-time employees	3,107	1,004	4,111	2,838	–	2,838
Employees as at 31 December 1999	3,178	997	4,175	2,869	–	2,869
Average number of full-time UK employees	537	–	537	491	–	491

Directors' remuneration is disclosed in the Report of the Remuneration Committee on page 31. The total amount of directors' remuneration in 1999 was £3.9 million (1998: £3.3 million).

> NOTES TO THE ACCOUNTS CONTINUED

6. Profit on ordinary activities before taxation

	1999 £'m	1998 £'m
This is stated after charging/(crediting):		
Auditors' remuneration and expenses – audit services – UK*	0.2	0.2
– audit services – overseas	0.3	0.3
	0.5	0.5
Auditors' remuneration and expenses – non-audit services – UK	–	–
– non-audit services – overseas	0.2	0.1
	0.2	0.1
Depreciation of fixed assets – owned	7.8	6.0
Depreciation of fixed assets held under finance leases	0.3	0.2
Operating lease rentals	10.9	8.3
Research and development costs	19.2	19.5
Loss on disposal of tangible fixed assets	0.1	0.1
Profit on disposal of associated undertakings	(4.6)	(0.2)
Loss on disposal of other fixed asset investments	0.2	–

*Auditors' remuneration and expenses payable by the Company were £0.1 million (1998: £0.1 million).

All operating expenses are administrative expenses.

7. Tax on profit on ordinary activities

	1999 £'m	1998 £'m
Overseas taxation	18.7	14.4
Associated undertakings	–	0.1
	18.7	14.5

The effective underlying rate of tax on the Group's underlying profits is 28.9% based on profits before amortisation of goodwill (1998: 28.4%). As disclosed in note 3 above, there was no tax arising in 1999 on the profit on disposal of the Group's 46.82% shareholding in Consodata Group SA.

8. Dividends

	1999	1998
Ordinary shares of 5p each		
– interim dividend rate per share	0.4p	0.35p
– final dividend proposed rate per share	0.6p	0.5p
	1.0p	0.85p
	£'m	£'m
– interim dividend paid	4.3	3.2
– final dividend proposed	6.5	4.8
	10.8	8.0

The final dividend, if approved, will be paid on 30 June 2000 to all ordinary shareholders on the register on 9 June 2000.

9. Earnings per ordinary share

	As reported 1999	Underlying 1999	As reported 1998	Underlying 1998
Earnings per ordinary share is calculated as follows:				
Basic				
Profit for the period	£47.0m	£44.3m	£35.7m	£36.2m
Weighted average number of ordinary shares in issue	1,019.2m	1,019.2m	898.4m	898.4m
Basic earnings per share	4.6p	4.3p	4.0p	4.0p
Diluted				
Profit for the period	£47.0m	£44.3m	£35.5m	£36.0m
Weighted average number of ordinary shares in issue and the weighted average number of dilutive securities	1,057.2m	1,057.2m	971.3m	971.3m
Diluted earnings per share	4.4p	4.2p	3.7p	3.7p

The calculation of basic earnings per share is based on profit net of tax, minority interests and preference dividends.

The calculation of diluted earnings per share is based on profit for basic earnings per share adjusted for preference dividends.

At 31 December 1999, there were 1,078.8 million ordinary shares in issue (1998: 955.1 million) and 77.3 million options outstanding (1998: 94.2 million). The total proceeds that would be received on exercise of the outstanding options at 31 December 1999 is £74.5 million. The table below sets out the effect of the dilutive securities on the diluted earnings per share calculation:

	No. of ordinary shares 1999	No. of ordinary shares 1998
Options	38.0m	34.7m
Convertible preference shares	–	15.6m
Warrants	–	22.6m
Total weighted average number of dilutive securities	38.0m	72.9m

Underlying profits are calculated by adding back amortisation of goodwill of £1.9 million in 1999 (1998: £0.5 million) and the profit on disposal of associated undertakings of £4.6 million (note 3) in 1999 in order to eliminate the effect of these distorting items.

> NOTES TO THE ACCOUNTS CONTINUED

10. Intangible fixed assets

Group:	Goodwill £'m
Cost at 1 January 1999	17.5
Additions (note 20)	227.1
At 31 December 1999	244.6
Amortisation at 1 January 1999	0.5
Provided for in the year	1.9
At 31 December 1999	2.4
Net book value	
At 31 December 1999	242.2
At 31 December 1998	17.0

11. Tangible fixed assets

Group:	Freehold land & buildings £'m	Leasehold improvements £'m	Office furniture, fixtures, equipment & vehicles £'m	Total £'m
Cost at 1 January 1999	3.8	8.2	26.8	38.8
Additions	0.2	4.1	8.8	13.1
In subsidiaries acquired	9.5	1.0	13.6	24.1
Disposals	–	(0.2)	(4.4)	(4.6)
Exchange adjustments	(0.4)	(0.2)	(2.3)	(2.9)
At 31 December 1999	13.1	12.9	42.5	68.5
Depreciation at 1 January 1999	1.0	5.3	16.5	22.8
Provided for in the year	0.5	0.8	6.8	8.1
In subsidiaries acquired	4.3	0.8	7.9	13.0
Disposals	–	(0.2)	(3.6)	(3.8)
Exchange adjustments	(0.1)	(0.1)	(1.8)	(2.0)
At 31 December 1999	5.7	6.6	25.8	38.1
Net book value				
At 31 December 1999	7.4	6.3	16.7	30.4
At 31 December 1998	2.8	2.9	10.3	16.0

11. Tangible fixed assets continued

	Leasehold improvements £'m	Office furniture, fixtures, equipment & vehicles £'m	Total £'m
Company:			
Cost at 1 January 1999	0.1	0.8	0.9
Additions	–	0.2	0.2
Disposals	–	(0.1)	(0.1)
At 31 December 1999	0.1	0.9	1.0
Depreciation at 1 January 1999	–	0.5	0.5
Provided for in the year	0.1	0.2	0.3
Disposals	–	(0.1)	(0.1)
At 31 December 1999	0.1	0.6	0.7
Net book value			
At 31 December 1999	–	0.3	0.3
At 31 December 1998	0.1	0.3	0.4

The cost of the Group's tangible fixed assets includes £1.3 million (1998: £0.9 million) and the net book value includes £0.7 million (1998: £0.3 million) in respect of assets held under finance leases. Depreciation on these assets in the year was £0.3 million (1998: £0.2 million).

The net book value of the Company's tangible fixed assets includes no amount (1998: £nil) in respect of assets held under finance leases.

The Group has no capital commitments contracted for but not provided (1998: £nil). The Company has no capital commitments contracted for but not provided (1998: £nil).

> NOTES TO THE ACCOUNTS CONTINUED

12. Fixed asset investments

	Share of associated undertakings' net assets £'m	Other fixed asset investments £'m	Own shares £'m	Total investments £'m
Group:				
Net book value at 1 January 1999	0.6	0.7	0.5	1.8
In subsidiaries acquired	–	2.6	–	2.6
Disposals	(0.2)	(0.5)	(0.5)	(1.2)
Exchange adjustments	–	(0.1)	–	(0.1)
Net book value at 31 December 1999	0.4	2.7	–	3.1
Company:				
Net book value at 1 January 1999	–	426.8	0.1	426.9
Additions	–	127.3	–	127.3
Disposals	–	–	(0.1)	(0.1)
Net book value at 31 December 1999	–	554.1	–	554.1

Associated undertakings

A list of the Group's associated undertakings is disclosed in note 25.

Other fixed asset investments

The Group's fixed asset investments mainly comprise an investment of approximately 4% in Harris Interactive, Inc.

The Group and Company have UK listed fixed asset investments with a market value at 31 December 1999 of £2,188 (1998: £14,180).

The Company's fixed asset investments principally relate to shares in subsidiary undertakings. A list of the Group's principal subsidiary undertakings is disclosed in note 25. The historical cost of the Company's fixed asset investments is £563.6 million (1998: £436.3 million), before provisions for diminution in value.

Own shares

The nominal value of own shares held at 31 December 1999 was £nil (1998: £nil). Options over some of these shares have been granted to certain senior employees exercisable at any time ranging up to 4 May 2003 and 24 May 2004 at a price of 28.5p or 29.3p. Under the terms of the trust, all dividends on the shares owned by the trust, the purchase of which was funded by an interest free loan to the trust by Aegis Group plc, are waived. All expenses incurred by the trust are settled directly by Aegis Group plc and are charged in the Accounts as incurred.

13. Debtors

	Group		Company	
	1999 £'m	1998 £'m	1999 £'m	1998 £'m
Trade debtors	773.0	616.8	0.3	–
Amounts due from Group undertakings	–	–	15.4	25.1
Amounts due from associated undertakings	5.9	7.1	–	–
Other debtors	32.1	35.3	3.9	4.4
Prepayments and accrued income	20.9	10.7	0.3	0.3
	831.9	669.9	19.9	29.8

14. Current asset investments

	Group		Company	
	1999 £'m	1998 £'m	1999 £'m	1998 £'m
Other investments	–	0.1	–	–

Current asset investments comprise unlisted investments.

15. Creditors: amounts falling due within one year

	Group		Company	
	1999 £'m	1998 £'m	1999 £'m	1998 £'m
Bank loans and overdrafts	24.7	69.8	55.4	109.0
Less issue costs of debt to be amortised	(0.3)	(0.2)	–	(0.2)
	24.4	69.6	55.4	108.8
Trade creditors	816.5	679.4	0.6	–
Finance leases and hire purchase contracts	0.3	0.2	–	–
Amounts due to Group undertakings	–	–	94.9	99.4
Taxation and social security	18.8	16.8	0.2	0.1
Corporation tax	12.8	9.5	–	–
Payments received on account	16.9	–	–	–
Dividends payable	6.5	4.8	6.5	4.8
Other creditors	63.8	45.4	1.0	2.7
Accruals and deferred income	37.1	33.6	2.3	2.7
	997.1	859.3	160.9	218.5

> NOTES TO THE ACCOUNTS CONTINUED

16. Creditors: amounts falling due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£'m	£'m	£'m	£'m
Bank loans	82.2	6.9	-	-
Less issue costs of debt to be amortised	(0.7)	-	-	-
	81.5	6.9	-	-
Finance leases and hire purchase contracts	0.4	0.2	-	-
Other creditors	28.1	14.0	-	2.1
	110.0	21.1	-	2.1

On 15 October 1999, the Group entered into new banking facilities under which the Group obtained a multi-currency revolving credit facility of £250 million. Interest is payable on the revolving credit facility at the relevant LIBOR plus a maximum of 0.8%. The media guarantee in the UK continues to be underwritten by an Insurance Bond of £60 million.

Of the above, £81.9 million (1998: £6.9 million) is repayable between two and five years. No amount (1998: Enil) is repayable after more than five years. There is no amount in other creditors (1998: Enil) repayable in instalments more than five years from the date of the balance sheet.

17. Provisions for liabilities and charges

Group and Company:

No provision for deferred taxation is recorded due to the availability of tax losses carried forward which offset the full potential effect of timing differences between the treatment of certain items for taxation and accounting purposes. There was no material unprovided liability for deferred taxation at 31 December 1999 or 31 December 1998.

18. Share capital

	1999	1998
	£'m	£'m
Authorised:		
1,500,000,000 (1998: 1,200,000,000) ordinary shares of 5p each	75.0	60.0
Issued, allotted, called up and fully paid:		
1,078,848,875 (1998: 955,140,221) ordinary shares of 5p each	53.9	47.8

18. Share capital continued

Ordinary shares

The ordinary shares of 5p each have full voting rights.

During the year the following issues of ordinary shares were made:

Reason for issue	No. of ordinary shares issued	Nominal value of ordinary shares issued	Consideration
Placing as part of acquisition of Market Facts	96,000,000	£4,800,000	£118,944,000
Exercise of share options	27,708,654	£1,385,433	£9,464,890
Total	123,708,654	£6,185,433	£128,408,890

The Company received £128.4 million as consideration on the exercise of share options and the new share placing. There are no preference shares or warrants outstanding at 31 December 1999.

Under the Group's share option schemes, there were outstanding options over 77,311,916 ordinary shares of 5p at 31 December 1999 for which the participants have the right to exercise their options at prices ranging from 26.5p to 190p. These options are exercisable between 21 June 1998 and 5 December 2009.

19. Reserves

	Share premium account £'m	Capital redemption reserve £'m	Special reserve £'m	Profit and loss account £'m
Group:				
At 1 January 1999	59.0	0.2	4.5	(174.6)
Retained profit for the financial year	–	–	–	36.2
Issue of shares by the Company (net of expenses)	122.3	–	–	–
Goodwill realised on disposal	–	–	–	1.3
Transfers	–	–	(4.5)	4.5
Currency translation differences on foreign currency net investments	–	–	–	(5.7)
At 31 December 1999	181.3	0.2	–	(138.3)

Goodwill arising on acquisitions up to 31 December 1997 of £563.9 million, which has been written off immediately to reserves, is included within the profit and loss reserve account.

> NOTES TO THE ACCOUNTS CONTINUED

19. Reserves continued

	Share premium account £'m	Capital redemption reserve £'m	Special reserve £'m	Merger reserve £'m	Profit and loss account £'m
Company:					
At 1 January 1999	59.0	0.2	4.5	13.0	148.3
Retained profit for the financial year	–	–	–	–	13.2
Issue of shares by the Company (net of expenses)	122.3	–	–	–	–
Transfers	–	–	(4.5)	–	4.5
At 31 December 1999	181.3	0.2	–	13.0	166.0

Following the issue of shares during the year, a further £4.5 million has been transferred from the special reserve to the profit and loss reserve account in accordance with a court-approved share premium account reduction scheme implemented in 1994.

The Company has not presented its own profit and loss account as permitted by Section 230 (1) of the Companies Act 1985. The profit after tax dealt with in the accounts of the Company for the 12 months to 31 December 1999 was £24.0 million (12 months to 31 December 1998: £19.7 million). Accumulated reserves for the Company include £118.8 million (1998: £111.3 million) which is not available for distribution under the terms of the court-approved share premium reduction scheme.

20. Acquisitions

Market Facts, Inc.

On 2 June 1999, the Group's tender offer to acquire a 100% interest in Market Facts, Inc. (based near Chicago, USA) became unconditional. The offer was for cash consideration of £183.8 million (US\$297.2 million), of which £0.5 million has yet to be paid.

	Book value acquired £'m	Accounting policy alignment £'m	Other adjustments £'m	Fair value of net assets £'m
Net assets/(liabilities) acquired:				
Intangible fixed assets	0.7	(0.7) (a)	–	–
Tangible fixed assets	12.7	(0.9) (b)	(1.0) (c)	10.8
Other fixed assets	2.5	–	–	2.5
Debtors	25.1	(6.1) (d)/(e)	(0.3) (f)	18.7
Stock: work in progress	–	16.3 (e)	–	16.3
Debt	(3.4)	–	–	(3.4)
Creditors	(20.6)	(36.7) (e)/(g)	–	(57.3)
	17.0	(28.1)	(1.3)	(12.4)
Goodwill capitalised in the year				199.9
				187.5
Satisfied by:				£'m
Cash consideration				183.3
Direct costs of acquisition				3.7
Deferred consideration (note 21)				0.5
				187.5

20. Acquisitions continued

Accounting policy and other adjustments have been made to the book value of net assets acquired as set out below:

- (a) Software licences of £0.7 million within Market Facts, Inc. have been written off in accordance with the Group's accounting policy.
- (b) The depreciation rate for computer hardware within Market Facts, Inc. has been reduced from five to three years, resulting in a write-off of £0.9 million.
- (c) The carrying value of a building owned by Market Facts, Inc. has been reduced by £1.0 million in line with an independent valuation.
- (d) Deferred tax assets of £1.0 million within Market Facts, Inc. have been written off in accordance with UK accounting standards.
- (e) The accounting policy for revenue recognition for Market Facts, Inc. has been amended to recognise revenue only on completion of a project or on the satisfactory completion of a specific phase of a project. The net effect is to reduce the net assets acquired by £9.0 million.
- (f) Provisions for doubtful debts have been made for Market Facts, Inc. of £0.3 million.
- (g) Estimated deferred consideration of £16.5 million payable to 100% owned subsidiaries previously acquired by Market Facts, Inc. has been provided in accordance with UK accounting standards.

The summarised profit and loss account and statement of total gains and losses of Market Facts, Inc. for the period 1 January 1999 to 1 June 1999, being the period from the beginning of its financial year to the effective date of acquisition, are disclosed below. Also disclosed below is the summarised profit and loss account for the financial year ended 31 December 1998.

	Period 1 January 1999 to 1 June 1999 £'m	Year ended 31 December 1998 £'m
Turnover	37.5	82.5
Operating profit	2.2	8.8
Net interest (payable)/receivable	(0.1)	0.1
Profit before tax	2.1	8.9
Tax	(0.9)	(3.5)
Profit after tax	1.2	5.4
Dividends	–	–
Profit for the financial period	1.2	5.4

There is no material difference between the profit for the financial period and the total recognised gains relating to the period.

> NOTES TO THE ACCOUNTS CONTINUED

20. Acquisitions continued

Other acquisitions

In addition to the acquisition of Market Facts, Inc., the Group made acquisitions as detailed below.

Net assets/(liabilities) acquired:

	Book value acquired £'m	Other adjustments £'m	Fair value of net assets £'m
Tangible fixed assets	0.3	–	0.3
Other fixed assets	0.1	–	0.1
Debtors	28.8	(1.2)	27.6
Cash at bank and in hand	1.6	–	1.6
Creditors	(25.1)	–	(25.1)
Minority interest acquired	(1.8)	–	(1.8)
Minority interest extinguished	0.3	–	0.3
	4.2	(1.2)	3.0
Goodwill capitalised in the year			27.2
			30.2

Satisfied by:

	£'m
Cash consideration	18.3
Direct costs of acquisition	0.3
Deferred consideration (note 21)	11.6
	30.2

Provisions for doubtful debts have been made for Carat Fax SA of £1.2 million.

20. Acquisitions continued

Carat Fax SA

On 9 April 1999, the Group acquired a 51% interest in Fax SA (now renamed Carat Fax SA), based in Buenos Aires, Argentina. The Group paid cash consideration of £7.9 million (US\$12.75 million). The Group has an option to purchase a further 9% by 9 April 2000 for approximately £1.4 million (US\$2.3 million). There is also a put and call option over the existing 49% minority share exercisable after 9 April 2002 for cash consideration based on the profits of the preceding periods.

Feather Brooksbank

On 11 November 1999, the Group acquired a 100% interest in WIRR Limited (trading as Feather Brooksbank), based in Edinburgh, Scotland. The Group paid consideration of £7.5 million, £4.5 million in cash and £3 million by way of a loan note payable on 10 January 2001. Further contingent consideration payable in cash of up to £6 million may also be paid between 2000 and 2002 subject to specified growth criteria.

BBJ Media Services Limited

On 7 October 1999, the Group acquired a further 15.6% interest in BBJ Media Services, based in London, UK, for cash consideration of £2.8 million. The interest was acquired from Mr Jerry Buhlmann, who was Managing Director of BBJ Media Services prior to the sale of his interest in the company.

In addition to the transactions outlined above, the Group made further acquisitions for initial cash consideration of £3.1 million and deferred cash consideration of up to £2.6 million, including:

Christine Malleret Conseil SA

On 22 October 1999, the Group acquired a 100% interest in Christine Malleret Conseil SA based in Paris, France.

Nord Espace Media SA

On 27 December 1999, the Group acquired a 100% interest in Nord Espace Media SA, based in Lille, France.

Carat Santé SA

On 1 July 1999, the Group acquired a 100% interest in the businesses of Media Deal and Media Medical to form a new company called Carat Santé, based in Paris, France.

Société Internationale de Conseil pour la Communication

On 22 December 1999, as detailed on page 28 of the directors' report, the Group acquired a 100% interest in Société Internationale de Conseil pour la Communication based in Paris, France.

All acquisitions have been acquisition accounted for.

> NOTES TO THE ACCOUNTS CONTINUED

21. Contingent liabilities and other commitments

Deferred consideration

Deferred consideration, which has been fully provided for in creditors, may be made to the vendors of certain subsidiary undertakings in the years to 2004. 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 maximum liability at 31 December 1999 for payments that may be due is as follows:

	1999	1998
	£'m	£'m
Within one year	16.7	12.1
Between one and two years	8.3	7.4
Between two and five years	17.4	4.3
	42.4	23.8

All of the contingent deferred payments noted above are payable in cash. The minimum liability is £17.9 million. There is no deferred consideration in the Company.

Put options held by outstanding minority interests

Put options are held by minority interests in respect of Carat companies in Argentina, Germany, Greece, Thailand and the United Kingdom, exercisable between 1998 and 2002. The value of the put options is based upon the profitability of the individual companies. The directors estimate the value of these contingent liabilities to be approximately £13.0 million, payable in a combination of cash and ordinary shares.

Guarantees

Guarantees of £28.2 million (1998: £17.0 million) have been given by the Company on behalf of its subsidiaries together with other guarantees and contingencies arising in the normal course of business.

Lease commitments

At 31 December 1999, there were the following annual commitments in respect of non-cancellable operating leases for the following years:

	Group		Company
	Land and buildings	Other	Land and buildings
	£'m	£'m	£'m
Operating leases that expire:			
Within one year	0.5	0.2	0.1
Between one and two years	0.8	0.3	–
Between two and five years	4.0	0.9	–
After more than five years	5.4	–	0.9
31 December 1999	10.7	1.4	1.0
31 December 1998	9.4	2.4	1.7

22. Related parties

In addition to the disclosures set out in the directors' report and note 20 of these accounts, the Group had the following related party transactions in 1999:

Related party transactions with associated undertakings

The Group had the following transactions and balances with its associated undertakings:

Carat Espana SA purchased media space on behalf of Mediasal 2000 SA, an associated undertaking, totalling £20,339,823 in 1999. The balance due at the year end was £5,901,284 (1998: £5,027,139).

Carat Hellas SA provided planning and media buying services to JV Bonds, an associated undertaking, for a fee of £56,510 in 1999. The balance due at year end was £nil (1998: £59,352).

23. Financial instruments

Treasury management and financial instruments

The Group's Treasury department is responsible for managing the Group's financing and treasury risks. The Board of Directors sets formal parameters and guidelines on the use of financial instruments to manage risk and review these regularly. The Group does not trade in financial instruments nor engage in speculative arrangements and it is the Group's policy not to use any complex financial instruments, unless, in exceptional circumstances, it is necessary to cover defined risks.

Management of financial risk

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

Credit risk

The Group's exposure with banks and other institutions is limited by the use of dealing limits set by reference to ratings provided by the major credit rating agencies.

Liquidity

It is the Group's policy that funding required by an overseas operation should be provided locally where appropriate and that these should be adequate to cover the needs of the business. A further analysis of local and Group facilities is set out below:

At 31 December 1999, the Group had net debt (before finance lease obligations and issue costs of new debt) of £15.4 million (1998: net cash of £37.3 million). The Group had cash balances of £91.5 million at 31 December 1999 (1998: £114.0 million) which were held mainly in the Group's trading companies and gross borrowings of £106.9 million (1998: £76.7 million).

Interest rate risk

The Group's policy is not to enter into any long-term arrangement that fixes or caps the interest rate on any portion of debt.

All borrowings are floating rate. The Group's cash and borrowings currently offset each other and any arrangement to fix the interest rate would result in the Group having a potential exposure, except in the USA where borrowings are made at fixed interest rates for periods of less than one year.

Currency risk

The Group's foreign currency management policy requires subsidiaries to use short-term forward exchange contracts to hedge all transactions with material currency exposures. The Group's accounting policy is to translate the profits of overseas investments at the average exchange rate for the year and to translate the net assets at year end rates. It is the Group's policy not to hedge exposures arising from profit translation.

The Group's policy is to borrow locally wherever possible to act as a hedge against the translation risk arising from its net investments overseas. Gains and losses arising on net investments overseas are recognised in the statement of total recognised gains and losses.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all disclosures, other than the currency risk disclosures.

> NOTES TO THE ACCOUNTS CONTINUED

23. Financial instruments continued

Analysis of interest rate risk profile of financial liabilities of the Group

The currency and interest rate risk profile of the financial liabilities of the Group at 31 December, all of which were at floating interest rates, was:

	Floating rate financial liabilities 1999 £'m	Floating rate financial liabilities 1998 £'m
Sterling	18.7	48.4
Deutschmark	–	6.5
French Franc	–	2.6
Spanish Peseta	3.4	5.3
Other EU currencies	–	0.2
US Dollar	81.9	12.7
Other currencies	2.9	1.0
	106.9	76.7

Interest is payable on the above financial liabilities based on the relevant national LIBOR plus a maximum of 1.125%. The weighted average interest rate for the year ended 31 December 1999 was 6.1% (1998: 6.2%).

There were no fixed rate financial liabilities at 31 December 1999 (1998: £nil). In addition to the liabilities above, the Group had creditors due after more than one year of £28.0 million (1998: £14.0 million) on which no interest is paid (principally representing deferred consideration on acquisitions) and finance lease obligations of £0.5 million (1998: £0.4 million) which are mostly held in US Dollars.

Analysis of interest rate risk profile of financial assets of the Group

The currency and interest rate risk profile of the financial assets of the Group at 31 December, all of which were at floating interest rates, was:

	Cash at bank and in hand 1999 £'m	Current asset investments 1999 £'m	Total 1999 £'m	Cash at bank and in hand 1998 £'m	Current asset investments 1998 £'m	Total 1998 £'m
Sterling	2.1	–	2.1	24.7	–	24.7
Deutschmark	11.8	–	11.8	24.3	–	24.3
French Franc	28.9	–	28.9	8.0	–	8.0
Spanish Peseta	3.7	–	3.7	6.2	–	6.2
Other EU currencies	27.4	–	27.4	28.7	–	28.7
US Dollar	7.2	–	7.2	13.4	–	13.4
Other currencies	10.4	–	10.4	8.7	0.1	8.8
	91.5	–	91.5	114.0	0.1	114.1

Current asset investments comprise short-term money market investments. Floating rate cash earns interest based on the relevant national LIBID equivalent. In addition to the financial assets above, the Group had other fixed asset investments of £2.7 million, £2.6 million in US Dollars and £0.1 million in French Francs (1998: £0.7 million in Sterling, £0.4 million in Deutschmarks and £0.3 million in French Francs), which do not yield an interest-related income and which do not have a fixed maturity date.

23. Financial instruments continued

Fair values of the Group's financial assets and liabilities

The fair value of the Group's floating rate financial liabilities, calculated by discounting the book value of current obligations as at 31 December 1999, was £104.1 million (1998: £72.3 million). The floating rate financial liabilities have been discounted using the Group's weighted average cost of debt. There are no material differences between the book and fair values of the Group's financial assets and other financial liabilities.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities is set out in notes 15, 16 and 21.

Borrowing facilities

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

	1999 £'m	1998 £'m
Expiring within one year	150.0	49.0
Expiring between one and two years	–	16.0
Expiring between two and five years	18.1	–
	168.1	65.0

Of the amounts disclosed above at 31 December 1999, £150.0 million may be extended by the Group for up to a further four years. All covenants at 31 December 1999 were met.

Market risk

At 31 December 1999, on the basis of existing net debt balances, it is estimated that a general rise of 1% in interest would adversely impact 1999 profit before tax by £0.2 million.

It is also estimated that a strengthening of Sterling by 1% would reduce 1999 profit before tax by approximately £0.5 million.

Currency exposures

No Group companies have material monetary assets and liabilities in currencies other than that of the local functional currency.

Hedges of future transactions

At 31 December 1999 and 1998, there were no material foreign exchange contracts to hedge against future transaction flows.

Financial instruments held for trading purposes

The Group does not trade in financial instruments.

> NOTES TO THE ACCOUNTS CONTINUED

24. Post balance sheet events

Media Consultants SARL

On 7 January 2000, the Group acquired a 25% interest in Media Consultants SARL, based in Paris, France. The Group paid initial cash consideration of £0.1 million with further payment of approximately £0.3 million due on or before 31 March 2000.

Motoresearch, Inc.

On 12 January 2000, the Group acquired a 100% interest in Motoresearch, Inc., a market research company based in Detroit, USA. The initial consideration of £5.0 million was payable in cash on closing; there is also deferred cash consideration of £2.8 million, subject to performance criteria, payable over the next three years.

Ufa Medianet GmbH

On 20 January 2000, the Group acquired a 100% interest in Ufa Medianet GmbH (now renamed Carat Munich), a media agency owned by the Bertelsmann Group and based in Munich. The initial consideration is £0.5 million payable in cash with further deferred cash consideration payable in 2001, based on performance criteria for the first operating year, of a maximum of £0.3 million.

Carat Taiwan

On 27 January 2000, the Group commenced a 50:50 joint venture with United Advertising based in Taipei, Taiwan, for initial consideration of £1.0 million and contingent deferred consideration payable in cash between 2000 and 2002 of a maximum of £0.5 million, subject to performance criteria.

Ipsos Access Panels Holdings SA

On 4 February 2000, the Group reached agreement to enter into a joint venture with Ipsos SA to take a 35% interest in their European access panel business, Ipsos Access Panels Holdings SA, for cash consideration of £2.8 million, subject to certain conditions precedent.

Carat Fax SA

On 25 February 2000, the Group reached agreement to acquire the remaining 49% interest in Carat Fax SA, based in Buenos Aires, Argentina, for cash consideration of £8.4 million (US\$13.5 million).

Carat Interactive AG

On 1 March 2000, the Group acquired 100% interests in SetStep AG and Ambi Dexter AG, both based in Zurich, Switzerland, now merged, and renamed Carat Interactive AG. The initial cash consideration of £1.1 million is payable in cash on closing with deferred cash consideration of a maximum of £1.1 million payable in March 2001, subject to performance criteria.

Asia Market Intelligence (Holdings) Limited

On 6 March 2000, the Group acquired a 100% interest in Asia Market Intelligence (Holdings) Limited, a market research group based in Hong Kong and with operations in Indonesia, Malaysia, the People's Republic of China, Philippines, Singapore, South Korea, Taiwan and Thailand. The initial consideration is £15 million (US\$24 million) payable in cash on closing and contingent deferred consideration payable in cash between 2001 and 2003 of a maximum of £35 million (US\$56 million) consideration, subject to performance criteria.

25. Principal subsidiary and associated undertakings

Principal subsidiary undertakings:	Office	Country of incorporation and operation	Effective interest in issued ordinary share capital at 31 December 1999
Media communications:			
Carat Fax	Buenos Aires	Argentina	51%
Carat Australia	Sydney	Australia	100%
HMS Carat Austria	Vienna	Austria	100%
Carat Crystal	Brussels	Belgium	100%
Carat Canada	Montreal	Canada	100%
Groupe Carat Strategem	Montreal	Canada	100% (49% voting)
K2 Media	Montreal	Canada	100% (49% voting)
Carat Cairns	Toronto	Canada	100% (49% voting)
Carat	Prague	Czech Republic	100%
HMS	Prague	Czech Republic	100%
Carat Danmark	Copenhagen	Denmark	100%
Carat Media Research	Copenhagen	Denmark	100%
Carat Group UK	London	England and Wales	100%
Carat	London	England and Wales	100%
Carat Direct	London	England and Wales	100%
Carat Manchester	Manchester	England and Wales	100%
Carat Direct Manchester	Manchester	England and Wales	100%
BBJ Media Services	London	England and Wales	90.6%
Carat Business	London	England and Wales	100%
Carat Insight	London	England and Wales	100%
Posterscope	London	England and Wales	100%
Posterscope in the North	Manchester	England and Wales	100%
Carat Interactive	London	England and Wales	100%
Carat International	London	England and Wales	100%
Carat Media Services	London	England and Wales	100%
Carat Finland	Helsinki	Finland	100%
Oy Inter Media	Helsinki	Finland	100%
Mediekompetens	Helsinki	Finland	100%
Carat France	Paris	France	100%
Carat Expansion	Paris	France	100%
Carat 2010	Paris	France	100%
Carat Expert	Paris	France	100%
Carat MCI	Paris	France	100%
Carat Prospective	Paris	France	95.1%
Carat SPFD	Paris	France	100%
Carat Sponsorship	Paris	France	100%
Saverne Developpement	Paris	France	100%
Granit	Paris	France	100%
Carat Direct	Paris	France	100%

> NOTES TO THE ACCOUNTS CONTINUED

25. Principal subsidiary and associated undertakings continued

Principal subsidiary undertakings:	Office	Country of incorporation and operation	Effective interest in issued ordinary share capital at 31 December 1999
Cyclades Carat	Paris	France	100%
Image Publicité Conseil	Paris	France	100%
Saverne Conseil	Paris	France	100%
Grap & Gides	Lille	France	100%
Carat Santé	Paris	France	100%
Christine Malleret Conseil	Paris	France	100%
Nord Espace Media	Lille	France	100%
Carat Media Service	Wiesbaden	Germany	100%
HMS Media Service	Wiesbaden	Germany	100%
HMS and Carat Central Services	Wiesbaden	Germany	100%
HCCS Plus	Wiesbaden	Germany	51%
Carat Direct	Wiesbaden	Germany	100%
Carat Expert	Wiesbaden	Germany	100%
Carat Interactive	Wiesbaden	Germany	100%
Carat Hamburg Media Service	Hamburg	Germany	100%
HMS Hamburg Media Service	Hamburg	Germany	100%
HMS Frankfurt	Eschborn	Germany	100%
MW Office	Munich	Germany	75%
PAP	Hamburg	Germany	51%
Carat Hellas	Athens	Greece	75.5%
Carat Creative	Athens	Greece	75.5%
HMS Carat	Budapest	Hungary	100%
Carat Media Services Asia Pacific	Hong Kong	Hong Kong	100%
Carat Italia	Milan, Turin, Florence, Rome	Italy	100%
Carat Expert	Milan	Italy	100%
Horizon	Milan, Rome	Italy	100%
Carat Visions	Milan	Italy	100%
Carat Media Services India	Mumbai, Delhi	India	75%
Carat Nederland	Amsterdam	Netherlands	100%
Carat Malaysia	Kuala Lumpur	Malaysia	90%
Carat Inter-Media	Oslo	Norway	100%
Carat Media and Research	Oslo	Norway	100%
Carat Mediakanalen	Oslo	Norway	100%
HMS Carat Polska	Warsaw	Poland	100%
Carat Portugal	Lisbon	Portugal	100%
Carat Russ-Media	Moscow	Russia	73%
Feather Brooksbank	Edinburgh, Glasgow	Scotland	100%
HMS Carat Slovakia	Bratislava	Slovak Republic	100%
Carat Espana	Madrid, Barcelona	Spain	100%
Carat Scandinavia	Stockholm	Sweden	100%

25. Principal subsidiary and associated undertakings continued

Principal subsidiary undertakings:	Office	Country of incorporation and operation	Effective interest in issued ordinary share capital at 31 December 1999
Carat Sverige	Stockholm, Gothenburg, Malmo	Sweden	100%
Carat Media Research	Stockholm	Sweden	100%
Mediekompens	Gothenburg, Stockholm	Sweden	100%
Micom Carat	Zurich, Lausanne	Switzerland	100%
Carat Media Services (Thailand)	Bangkok	Thailand	49% (51% voting)
Carat Turkey	Istanbul	Turkey	100%
Carat Ukraine	Kiev	Ukraine	100%
Carat North America	New York	USA	100%
Carat USA	New York, Los Angeles, San Francisco, Atlanta, Chicago, Memphis, Dallas	USA	100%
MMA Carat	Wilton, San Francisco, Chicago	USA	100%
Carat Freeman	Boston, San Francisco	USA	100%
Market research:			
Market Facts of Canada	Toronto, Montreal, Vancouver	Canada	100%
Market Facts	Atlanta, Aurora, Boston, Chicago, Cincinnati, Dallas, Evanston, Los Angeles, Morgantown, New Jersey, New York, Oak Park, Orange County, Seattle, Washington	USA	100%
BAIGlobal	Tarrytown, New York, New York State	USA	100%
Tandem Associates	Suffern, New York, Mahwah, New Jersey	USA	100%
Strategy Research Corporation	Miami	USA	100%
Product Intelligence	Long Island	USA	100%
Marketing Strategy & Planning	New York	USA	100%

All shareholdings are of ordinary shares. The subsidiary undertakings listed, all of which are consolidated in the accounts of the Group, are those which, in the opinion of the directors, principally affected the results or financial position of the Group during or at the end of the financial year.

> NOTES TO THE ACCOUNTS CONTINUED

25. Principal subsidiary and associated undertakings continued

With the exception of 100% shareholdings in Carat Group UK Limited, Carat International Limited and Carat Media Services Limited, all of the principal subsidiary and associated undertakings disclosed above are indirectly held. The effective interest in the issued share capital is equivalent to the percentage of voting rights held by the Group, unless otherwise stated. A full list of all subsidiary undertakings, and the information shown above with respect to them, is filed with the Company's annual return.

Principal associated undertakings:	Office	Country of incorporation and operation	Effective interest in issued ordinary share capital at 31 December 1999
Aerlig Talt	Oslo	Norway	34%
Carat Consulting	Oslo	Norway	34%
Mediasal 2000	Bilbao	Spain	23.9%
Carat Philippines	Manila	Philippines	30%
CPM Media	Prague	Czech Republic	35%
CPM Media	Bratislava	Slovak Republic	50%
JV Bonds	Athens	Greece	40%

> NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 11a.m. on 24 May 2000 at 11A West Halkin Street, London SW1X 8JL for the purpose of transacting the ordinary business of the Annual General Meeting set out in resolutions 1 to 9, and special business, when resolutions 10 and 11 will be proposed as ordinary resolutions and resolutions 12, 13 and 14 will be proposed as special resolutions.

Ordinary business

1. To receive the financial statements for the year ended 31 December 1999 and the reports of the Directors and Auditors.
2. To declare a final dividend of 0.6p per ordinary share.
3. To re-elect as a director Ray Kelly who retires by rotation and, being eligible, offers himself for re-election.
4. To re-elect as a director John Amerman who retires by rotation and, being eligible, offers himself for re-election.
5. To re-elect as a director Lord Sharman who was appointed since the last Annual General Meeting and therefore retires.
6. To re-elect as a director Pat Doble who was appointed since the last Annual General Meeting and therefore retires.
7. To re-elect as a director David Verklin who was appointed since the last Annual General Meeting and therefore retires.
8. To re-elect as a director Sir David Hannay who was appointed since the last Annual General Meeting and therefore retires.
9. To re-appoint PricewaterhouseCoopers as auditors and to authorise the directors to fix their remuneration.

Special business

10. To approve the remuneration policy set out in the financial statements.
11. That the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £17,165,944 provided that this authority shall expire (unless previously revoked or varied by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
12. That, subject to the passing of resolution 11 above, the directors be and they are hereby empowered, pursuant to section 95 of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by the said resolution 11 above as if section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited:
 - (a) to the allotment of equity securities in connection with or pursuant to an offer by way of rights issue, open offer or any other pre-emptive offer in favour of holders of ordinary shares where the equity securities attributable to the interests of such persons are proportionate (as nearly as may be) to the numbers of ordinary shares held by them subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of, or the requirements of any regulatory body or stock exchange in, any territory or otherwise howsoever; and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £2,697,122 and shall expire (unless previously revoked or varied by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.
13. That the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (as defined in section 163 of the Companies Act 1985) of its ordinary shares of 5p each provided that:
 - (a) the maximum number of shares which may be purchased is 53,965,158 ordinary shares;
 - (b) the maximum price at which any share may be purchased is the price equal to 5% above the average of the middle market quotations of such share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased is the par value of such share; and
 - (c) the authority conferred by this resolution shall expire on 23 November 2001 or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make a

> NOTICE OF MEETING CONTINUED

contract to purchase shares which would or might be completed or executed wholly or partly after such expiry and may make a purchase of shares pursuant to such contract as if the authority conferred by this resolution had not expired.

14. That the Company's Articles of Association be amended as set out below:

(a) That Article 10 of the Company's Articles of Association be deleted and the following new Article 10 be adopted in substitution therefor:

" Every share certificate shall be executed under a seal or in such other manner as the Directors having regard to the terms of use and any listing requirements may authorise. The Directors may by resolution decide, either generally or in any particular case or cases, that any signatures on any share certificates need not be autographic but may be applied to the certificates by some mechanical means or may be printed on them or that the certificates need not be signed by any person."

(b) That new Article 122(A) be inserted:

" All or any of the members of the board or any committee of the board may participate in a meeting of the board or that committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting then is."

By order of the Board



John Ross
Company Secretary

11A West Halkin Street
London SW1X 8JL

27 March 2000

Notes

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

Copies of all directors' service contracts with the Company or its subsidiaries of more than one year's duration, and the register of directors' interests, will be available for inspection at 11A West Halkin Street, London SW1X 8JL during normal business hours on any business day from the date of this notice until the conclusion of the meeting.

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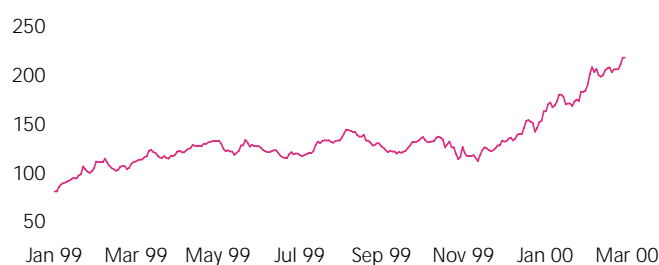
> SHAREHOLDER INFORMATION AND FINANCIAL HISTORY

Financial calendar

24 May 2000	Annual General Meeting
5 June 2000	Ex-dividend date
9 June 2000	Last date for transfers
30 June 2000	Final dividend payable
12 September 2000	Announcement of interim results
Early October 2000	Interim dividend payable
Early March 2001	Preliminary announcement of results for the year ending 31 December 2000

Share price

From 1 January 1999 to 29 February 2000 (pence per ordinary share)



Total number of shares traded in 1999:	872 million
Average monthly volume of shares traded in 1999:	72 million

Registrars

The Company's share register is administered by Computershare Services PLC and all correspondence regarding ordinary shares should be sent to them at the address shown on page 27.

Shareholder Information on the Internet

Computershare Services PLC, the Company's Registrar, has introduced a facility where shareholders are able to access details of their shareholding in the Company over the Internet, subject to complying with an identity check. This service can be accessed on their website – <http://www.computershare.com>

Aegis Group plc's website

Updated information, including recent press releases and the current market price of the Company's ordinary shares, is available on the Company's website, <http://www.aegisplc.com>

Analysis of ordinary shareholdings at 31 December 1999

Size of holdings	No. of holders	%	No. of shares	%
1 – 1,000	1,188	41.11	466,522	0.04
1,001 – 10,000	898	31.07	3,183,874	0.30
10,001 – 25,000	170	5.88	2,790,990	0.26
25,001 – 50,000	99	3.42	3,672,990	0.34
50,001 – 100,000	94	3.25	6,714,168	0.62
100,001 – 250,000	139	4.81	22,530,846	2.09
250,001 – 500,000	87	3.01	30,763,213	2.85
500,001 – 1,000,000	75	2.60	54,304,253	5.03
1,000,001 – 10,000,000	115	3.98	349,000,570	32.35
10,000,001 – 25,000,000	19	0.66	297,242,172	27.55
25,000,001 +	6	0.21	308,179,277	28.57
	2,890	100.00	1,078,848,875	100.00

> FIVE YEAR SUMMARY

	1999	1998	1997	1996	1995
Profit and loss:					
Turnover	£4,791.8m	£4,130.0m	£3,652.5m	£3,452.5m	£3,400.9m
Gross profit	£281.7m	£221.0m	£191.8m	£179.5m	£165.2m
% Gross profit to turnover	5.9%	5.4%	5.3%	5.2%	4.8%
Operating profit (before amortisation of goodwill and exceptional items)	£66.6m	£50.6m	£44.4m	£41.9m	£36.7m
Profit before tax, amortisation of goodwill and exceptional items	£64.6m	£51.1m	£43.5m	£41.0m	£33.6m
Profit before tax	£67.3m	£50.6m	£45.6m	£39.6m	£33.6m
Effective underlying tax rate	28.9%	28.4%	28.0%	27.0%	25.3%
Profit for the financial year	£47.0m	£35.5m	£32.8m	£28.0m	£23.5m
Cash flow:					
Operating cash flow	£76.3m	£57.0m	£54.5m	£42.7m	£35.0m
Net (debt)/funds at the year end	£(15.1)m	£36.9m	£(2.2)m	£(7.6)m	£(17.9)m
Balance sheet:					
Goodwill on acquisitions	£242.2m	£17.0m	–	–	–
Other fixed assets	£33.5m	£17.8m	£15.6m	£15.4m	£16.6m
Net current liabilities	£(64.7)m	£(75.3)m	£(93.3)m	£(79.6)m	£(70.4)m
Creditors: amounts falling due after more than one year	£(110.0)m	£(21.1)m	£(27.8)m	£(28.5)m	£(42.5)m
Provisions for liabilities and charges	–	–	£(0.2)m	£(2.3)m	£(7.0)m
Net assets/(liabilities)	£101.0m	£(61.6)m	£(105.7)m	£(95.0)m	£(103.3)m
Shareholder returns:					
Basic earnings per share	4.6p	4.0p	3.8p	3.3p	2.8p
Diluted earnings per share	4.4p	3.7p	3.4p*	3.0p*	2.6p*
Ordinary dividend rate per share	1.0p	0.85p	0.7p	0.6p	–

*As restated under Financial Reporting Standard 14