

Aegis Group plc**UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004****INDUSTRY-LEADING PERFORMANCE DRIVEN BY GROUP STRATEGY**

	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Reported Growth	Constant Currency Growth
Revenue	£747.0m	£648.8m	+15.1%	+20.9%
Gross Profit	£647.5m	£572.5m	+13.1%	+18.3%
Underlying Operating Profit*	£100.3m	£84.2m	+19.1%	+23.8%
Underlying PBT*	£93.9m	£80.5m	+16.6%	+22.5%

- Organic revenue growth 8.4% at constant currency (2003: 4.7%)
- Media revenues up 10.4% (13.9% at constant currency) to £474.6m (2003: £429.9m)
- Research revenues up 24.4% (35.5% at constant currency) to £272.4 m (2003: £218.9m)
- Media net new business billings \$1,842m (2003: \$728m)
- Underlying operating profit up 19.1% to £100.3m (2003: £84.2m)
- Underlying operating margin 15.5% (2003: 14.7%)
- Underlying diluted EPS* up 15.2% to 5.61p (2003: 4.87p)
- UK GAAP diluted EPS up 53.4% to 2.93p (2003: 1.91p)
- Dividend up 9.8% to 1.45p per share for the full year

Commenting on the results, Robert Lerwill, chief executive of Aegis Group plc, said:

“These figures represent an excellent performance across the board with a significant contribution from initiatives undertaken in media and research over the last few years. The Company’s recent investment strategy has created new market opportunities and new revenue streams which are making a significant impact on our results.

With the Group’s strong market position and the healthy trading environment the Board remains confident of another good performance this year.”

*Underlying PBT and EPS are before exceptional items and charging of goodwill amortisation of £30.0m (2003: £35.7m). There are no exceptional items in 2004 (2003: credits of £3.2m). UK GAAP diluted EPS is 2.9p (2003: 1.9p) and UK GAAP profit before tax is £63.9m (2003: £48.0m). A reconciliation of the underlying profit to UK GAAP profit is set out on page 8.

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Underlying Unaudited Consolidated Profit And Loss Account*

	12 months ended	12 months ended	%
	31 Dec 2004	31 Dec 2003	Increase
	£'m	£'m	
Turnover – amounts invoiced to clients	7,594.3	7,156.2	6.1%
Revenue	747.0	648.8	15.1%
Cost of sales - other direct costs	(99.5)	(76.3)	
Gross profit	647.5	572.5	13.1%
Operating expenses	(547.2)	(488.3)	
Underlying group operating profit	100.3	84.2	19.1%
Net interest payable	(7.9)	(4.9)	
Associated undertakings	1.5	1.2	
Underlying profit before tax	93.9	80.5	16.6%
Exceptional items	-	3.2	
Profit before tax and goodwill*	93.9	83.7	
Basic Earnings Per Share			
- underlying*	5.6p	4.9p	
- after exceptional items	5.6p	5.1p	
- FRS 14	2.9p	1.9p	
Diluted Earnings Per Share			
- underlying*	5.6p	4.9p	
- after exceptional items	5.6p	5.1p	
- FRS 14	2.9p	1.9p	
Dividend			
- interim	0.575p	0.52p	
- final	0.875p	0.80p	
- total	1.45p	1.32p	

*Underlying PBT and EPS are before exceptional items and charging of goodwill amortisation of £30.0m (2003: £35.7m). There are no exceptional items in 2004 (2003: credits of £3.2m). UK GAAP diluted EPS is 2.9p (2003: 1.9p) and UK GAAP profit before tax is £63.9m (2003: £48.0m). A reconciliation of the underlying profit to UK GAAP profit is set out on page 8

GROUP OVERVIEW

The Group produced a good improvement in revenue and profitability in 2004. Much of this growth is coming from the expansion of the media and research service offerings that has taken place in recent years. We believe that our market-leading record of organic growth over the past 5 years is directly attributable to our continued investment in the Group, developing new business areas and new revenue streams.

The expansion of media choice is resulting in further fragmentation of the media market and this added complexity will lead marketers to continue to review how they further promote their brands. The opportunities presented by digital delivery of media mean that there will be many more ways for marketers to connect with consumers. The development of communications planning, a media-neutral process that looks at all the possible routes to connect brands with consumers, enhances the media agency's role. Our media agencies, Carat and Vizeum, now have a much wider remit in which market research plays a vital role. Indeed, Vizeum has based its business model around the methodologies used by Synovate's Censydiam Institute – our consumer motivational research business.

Synovate continues to make good progress and has developed strong market positions in the consumer, healthcare and automotive sectors. It has also moved into specialist areas such as customer satisfaction, consumer motivation and online data gathering which have excellent growth potential.

Today's results show that our media and research businesses grew faster than their respective markets. Aegis Media's organic revenue growth rate of 8.5% is significantly ahead of Carat's estimate that global adspend grew by 6% in 2004, and is almost double the rate of growth in Aegis Media's market place, with its exposure to the slower growing markets of Europe. Synovate's organic revenue growth was 8.3% compared with an estimated expansion in global market research spend of some 4.25%. Both businesses are clearly gaining market share against their competition.

MEDIA

During the year, Aegis Media's combined operations increased turnover by 5.5% (9.6% in constant currency) and increased revenues by 10.4% (13.9% in constant currency) from £429.9 million in 2003 to £474.6 million in 2004. Organic revenue growth was 8.5% in constant currency. Compared with last year, turnover in Europe increased by 7.5% (8.8% at constant currency) and Asia-Pacific rose 16.5% (22.0% at constant currency). Impacted by the weak US dollar, reported turnover in the Americas decreased slightly by 1.6% but was up 9.4% at constant currency. Aegis Media's net new business billings for the year were \$1,842 million (2003: \$728 million).

In July, the Group announced the establishment of Isobar as the Group's digital one-to-one network, aligning and integrating all its digital assets under a single umbrella brand. Since the launch the business has been the focus of further investment with a number of acquisitions made to develop the network in terms of geographic spread and skills. This underpins the Group's strategy of investing in key areas of its business to maximise

future growth. Outdoor and Sports Marketing are key areas of investment and the Group is focussed on developing them into significant international networks in other specialist market areas. The Group has been steadily building Posterscope as its global outdoor specialist. Sports marketing has become a key communication medium and a vital part of the communications planning mix. In November Aegis acquired Velocity, a leading US sports marketing agency, that will complement its existing European and Asian sport marketing operations.

CARAT

Carat Europe

Market conditions continued to improve in most European countries in the second half of the year and Carat Europe sustained its long unbroken record of market share gains. Towards the end of 2004, Carat France experienced a number of client defections to a company set up by former Carat executives. However, the actions we have taken have stabilised the business. Carat France is once again winning new clients and further progress is expected. Overall, Carat Europe maintained a good flow of new client wins during the year and the good performances of Italy, the Nordics, UK, and Spain more than offset these losses. Notable wins included Expedia (France), Deutsche Post (pan-Europe), e-Sure (UK), First Alternative (UK), Hasbro (Nordics), H&M (Switzerland), Lego (pan-Europe), Lottomatica (Italy), SEAT (Italy), Schwabe Spitzner (Germany), WH Smith (UK) and WIND (Italy). Much has been done to build on Carat's leading position in Europe and it is expected that the business will continue to show good growth in 2005.

Carat Americas

The US advertising market showed sustained strength partly due to the impact of spend relating to the presidential election and also as a result of increased spending from the major advertisers. Carat's growing reputation in the US market has resulted in a good new business performance. Carat Americas achieved a number of major account wins including P&G, Spectrum Brands, Western Union and the Province of Quebec. The development of its capability in communications planning has also led a number of clients to consider extending the agency's remit to include this service. Carat Argentina returned to profit for the first time since that country's economic downturn in 2001 and 2002.

New communication consultancy areas integrated within Carat North America include event management and sports marketing. The acquisition of Velocity, a leading US sport marketing business, has opened up a new and fast growing revenue stream.

Carat Asia-Pacific

Carat's operations in the region had another highly successful year with very strong growth in revenues and profitability. New business activity was strong in most Asian countries. Key new business wins included Adams, Beiersdorf, Danone, BDF, Japan Postal, KFC, KFS, L'Oreal, Pantaloon, Retravision & Warner Bros. Japan, Korea, Taiwan and Australia provided the bulk of new business successes with a considerable number of wins from both local brands and international marketers.

VIZEUM

Vizeum has now largely completed building its presence in Europe and is focused on extending its presence to Asia-Pacific. The agency's first full year of trading was highly successful with two new major pan-European accounts, Panasonic and Heinz, and a number of pan-regional wins including Pernod Ricard, Timberland, Asics and Kia. Vizeum has built its unique positioning by teaming up with Synovate's motivational research specialist, Censydiam, to develop tools that help marketers understand the subtle forces that drive consumers to select one brand over another. During the year Vizeum continued to build its network in Asia-Pacific with new offices opened in China and Taiwan, with more to come in 2005. We plan to expand Vizeum's reach to the America's as opportunities arise.

ISOBAR

Isobar is the Group's new digital one-to-one network and since its launch in July 2004 much has been done to build Isobar's service offering and geographic spread. Digital media provides an excellent growth opportunity as advertisers embrace the new technologies as a method of creating dialogue and building relationships with consumers in a highly targeted way. Isobar now has a presence in 23 countries making it one of the world's largest digital networks. Major client wins in the period included global assignments from adidas, Kodak, Western Union and Ofoto; pan-European wins from Dell and hotel.com; and large country wins from AOL in the US and Expedia in France. With large marketers fuelling demand for interactive services the market is seeing growth in excess of 20% per annum and it is anticipated that Isobar will grow to become a significant part of the Group's media revenues over the next three years.

POSTERSCOPE

Posterscope has rapidly grown to become the world's largest outdoor media specialist, supporting existing Group clients as well as new Posterscope clients and third party agencies. Fragmentation of electronic media is benefiting outdoor advertising. The business showed good growth in revenues and profits in the period as it continued to build its presence and service offering. Posterscope's Asia-Pacific network was an important focus for growth in 2004 with offices opened in China, India, and Singapore. Further development of its Asian network set for 2005. As in other media, digital delivery is set to become an important feature in the marketplace and Posterscope is helping clients with the pioneering of digital sites on public places such as station concourses and in retail outlets.

MARKET RESEARCH

Synovate achieved good growth in both revenue and operating margin in 2004. The business traded very well and ended the year with revenue up 24.4% (35.5% at constant currency) to £272.4 million from £218.9 million in 2003. Organic growth was 8.3%, ahead of the market growth rate which is estimated as 4.25%. At the 2004 year-end, Synovate enjoyed a strong order book, significantly ahead of the 2003. Key drivers for this growth have been its globally integrated capabilities and its suite of market-leading research solutions. The ability to provide consistent research feedback from around the world using standard methodologies is a compelling offer and as a result Synovate won business from some of the world's largest corporations. Synovate is now well

recognised as a global research provider and is building up a good reputation in its 3 main areas of specialist knowledge – consumer, healthcare and automotive.

Consumer research is Synovate's largest business sector and the business saw good success with a number of significant new international assignments from large FMCG marketers. In particular, Product Quest, Synovate's proprietary product testing protocol proved to be an effective tool for gaining consistent consumer feedback on product characteristics from country to country. The product won a number of global and international commissions from well known brands during the year and in 2005 additional Product Quest solutions will be rolled out.

Healthcare is another important sector for Synovate and the integration of ISIS research into Synovate's healthcare network has created a number of opportunities for growth. In particular the combining of the ISIS cancer therapy monitor with Synovate's own syndicated oncology product has created the industry's first global cancer therapy monitor with over 63,000 patients. There has also been a strong performance from Synovate Healthcare's ad-hoc research and fieldwork business. Margin enhancement has also been achieved through operational efficiencies which focus on the more profitable areas of the business.

Automotive research saw good growth in the year as the business concentrated on expanding its operations. Motoresearch is a leader in automotive research and has used the Synovate network to extend its service to provide key clients with global account teams, global coverage and consistent products and methodologies. Links to other skill sets within the Synovate family of research business has allowed it to expand its product offering. The major win of a syndicated study for the North Auto Dealers Association of America was based on the remit to understand US auto dealer and manufacturer needs with respect to improving their customer satisfaction scores. The project has been a triumph of linking together Synovate's skills and capabilities from across the globe to meet the specific needs of one major US client.

The acquisition of Symmetrics in March 2004 offers excellent growth potential for the business. US-based Symmetrics is a leading company in customer satisfaction research and its products are world-class. This area represents 16% of all research spend as keeping customers brand-loyal is the holy grail of marketers. Symmetrics tools and methodologies are now in the process of roll-out around Synovate's international network and there is also much potential to link these skills with other specialist parts of the business.

Americas

Synovate's operations in the US and Latin America increased revenues in local currencies by 8.4% but the weakness of the dollar means that this translates into a fall of 2.6% from £116.7m in 2003 to £113.7m in 2004 when converted into sterling. Synovate America's revenue performance was held back to an extent by the disruption caused by the relocation of Synovate's US head office to Chicago. With the move complete, the business ended the year with more substantial orders on hand compared with the same period last year.

The US business has developed areas which offer excellent potential for growth throughout the rest of the Synovate network. One such area is online data gathering where Synovate is already a leader in the US market. The company will leverage that skill base to create similar panels worldwide. Synovate's operations in Latin America continued to show steady improvement with offices in Argentina, Brazil and Mexico servicing major international clients and providing a positive contribution to profits in the region.

Asia-Pacific

Synovate's Asia-Pacific operations showed good growth with revenues up 5.7% to £46.6m (16.4% growth in constant currency). This reflected significant new business wins coming from Japan and China. Synovate's multinational clients are increasingly looking at China as a key area for growth and are placing emphasis on research across this important region. Synovate now has over 1,000 full time research professionals operating from 13 offices in Asia-Pacific making Synovate one of the largest research businesses in the region. At the end of December 2004 the sales pipeline showed a healthy improvement compared with prior year.

EMEA (Europe, the Middle-East and Africa)

Synovate's operations in Europe, the Middle East and Africa traded strongly and revenues grew by 93.3% (99.5% in constant currency) from £58.0m in 2003 to £112.1m in 2004. The business saw excellent growth in Central and Eastern Europe in particular where sales were strong across the board as multinationals seek to establish footholds in these emerging economies.

In June, the acquisition Proactive Insight, a leading South African full service research business, provided Synovate with a significant footprint in South Africa. Proactive Insight is ranked amongst the top three largest market research companies in South Africa and has particularly good expertise in the automotive, financial and IT sectors. Proactive Insight has an excellent management team, skill base and client portfolio that complements Synovate's international network.

The acquisition of UK research business, TRBI, in January 2004 strengthened Synovate's research presence in the UK market. The acquisition not only delivered a strong portfolio of branded solutions but also established Synovate as one of the UK's largest research companies with an enviable blue chip client list.

FINANCIAL RESULTS

The Group has had a successful year with real organic growth driven by new market opportunities, market share gains and new revenue streams, producing record underlying profit before tax and strong positive operating cash flows.

In this report, references to underlying figures mean figures excluding goodwill amortisation and before exceptional items, as the board believes this gives an appropriate view of the underlying performance of the business. The reconciliation of operating profit and pre-tax profit between the underlying figures and UK GAAP is as follows:

Reconciliation of underlying to UK GAAP operating profit

	Year ended 31 December 2004 £'m	Year ended 31 December 2003 £'m
Underlying operating profit	100.3	84.2
Exceptional Items*	-	5.2
	100.3	89.4
Amortisation of Goodwill	(29.8)	(26.5)
UK GAAP operating profit	70.5	62.9

Reconciliation of underlying to UK GAAP profit before tax

	Year ended 31 December 2004 £'m	Year ended 31 December 2003 £'m
Underlying profit before tax	93.9	80.5
Exceptional Items*	-	3.2
	93.9	83.7
Amortisation of Goodwill	(30.0)	(35.7)
UK GAAP profit before tax	63.9	48.0

*see note 3 on page 18

Turnover, Revenue & Gross Profit

Turnover was £7,594.3 million (2003: £7,156.2 million), an increase of 6.1% on last year (10.3% in constant currency). Revenue for the period was £747.0 million, (2003: £648.8 million), a 15.1% increase (20.9% in constant currency: 8.4% excluding the effect of acquisitions). Aegis Media's revenues rose by 10.4% (13.9% in constant currency: 8.5% excluding the effect of acquisitions) to £474.6 million (2003: £429.9 million) and Synovate's revenues grew by 24.4% (35.5% in constant currency: 8.3% excluding the effect of acquisitions) to £272.4 million (2003: £218.9 million) both of which were considerably ahead of the market rate of growth. Gross profit was £647.5 million (2003: £572.5 million), a rise of 13.1% (18.3% in constant currency). The gross margin rose to 8.5% compared with 8.0% in 2003, as a result of an increased contribution from higher value services including Isobar and Synovate.

Operating Expenses

Underlying operating expenses rose by 12.1% to £547.2 million (2003: £488.3 million). Underlying operating expenses increased as a result of the expansion of the business, acquisitions and continued investment in key areas of the Group. In May 2004, Synovate US relocated to central Chicago and moving costs of £1.3 million were incurred in the period. Nevertheless, with steadily improving markets and close attention to costs, the Group's underlying operating margin (underlying operating profit as a percentage of gross profit) rose to 15.5% (2003: 14.7%).

Capital expenditure

Aegis invested £28.4 million in capital expenditure in 2004 (2003: £19.9 million). This included the £4.3 million capital cost of moving Synovate's US headquarters to central Chicago and a number of significant projects in media tools and research solutions development which cost £3.0 million.

Cash Flow and Treasury

The Group continued to follow its programme of small strategic acquisitions, with a net cash outflow of £61.2 million on current and prior period acquisitions.

In July, the Group took advantage of an improving banking market to refinance its banking facilities at much improved margins. A new five year syndicated loan facility of £250 million was agreed to replace the existing £200 million 3 year facility taken out in 2003. This facility will both cut the Group's funding costs and provide sufficient financial resources to continue its strategy of making smaller bolt-on acquisitions.

As a result of their review of accounting policy, the Group's new auditors advised that the policy on the timing of recognition of cash payments to creditors, although showing a prudent view of the cash balance, is not an appropriate practice. The Group has adopted the auditors' recommended policy in this regard as explained in note 1 on page 16. The effect of this change is to show a significantly lower level of net debt in the balance sheet than under the previous policy. Net debt at 31 December 2004 was £49.5 million.

Profit before Tax

Overall, underlying profit before tax was up 16.6% to £93.9 million (2003: £ 80.5 million). There were no exceptional items in the period (2003: credit of £3.2 million). After goodwill, profit before tax grew by 33% to £63.9 million (2003: £44.8 million and £48.0 million after exceptional items). Tax has been provided for at an effective tax rate of 29.4% based on underlying profits (2003: 29.8%).

Earnings per Share

Underlying basic and diluted earnings per share rose to 5.6 p (2003: 4.9p). Basic and diluted earnings per share (after exceptional items and goodwill amortisation) were up to 2.9p (2003: 1.9p).

Dividends

An interim dividend of 0.575 pence per ordinary share was declared and paid in 2004. In view of the strong results, the Board is recommending a final dividend of 0.875 pence per ordinary share, making 1.45 pence per ordinary share for the full year, an increase of 9.8% over the dividend paid last year. The final dividend will be paid on 24 June 2005 to shareholders on the register on 3 June 2005.

Constant Currency

Constant currency results are calculated by restating the 2003 local currency amounts using 2004 exchange rates.

International Financial Reporting Standards (IFRS)

With effect from 2005, the Group will report its results under IFRS. The Group has reviewed in detail the current IFRS provisions and is fully prepared for the switch to IFRS accounting in 2005. IFRS requires a charge to be taken for share based payments to employees (such as share options) and for imputed interest on our convertible debt. Under IFRS, no amortisation of goodwill will be charged although annual impairment reviews of the goodwill balance will be required. The taxation treatment of IFRS accounting policies and adjustments remains under review by the Inland Revenue and the Group is monitoring the situation.

IFRS and the ways in which it will be applied are still evolving and new standards or interpretation may result in further variations to reported results. We intend to provide a comprehensive analysis detailing the full impact of IFRS to accompany our trading statement at the time of our AGM in May.

GROUP OUTLOOK

The Group has invested carefully to increase the scale and reach of its businesses. It now has a strong portfolio of brands which are well positioned to grow market share and maximise the opportunity provided by continued media fragmentation and digital delivery. The initiatives the Group has undertaken are in areas with faster growth than overall marketing services sector. Trends towards the increased use of communications planning and our position as an independent media and research provider will also tend to favour our business. With the advertising and research markets expected to show solid growth in the current year, the Group remains confident of achieving a good financial performance in 2005.

Unaudited consolidated profit and loss account

for the year ended 31 December 2004

	Notes	2004 £'m	2004 £'m	2003 £'m
Turnover - amounts invoiced to clients:				
– continuing operations			7,479.3	7,156.2
– acquisitions			115.0	-
Turnover	2		7,594.3	7,156.2
Cost of sales – payments to the media		(6,847.3)	(6,847.3)	(6,507.4)
Revenue			747.0	648.8
Cost of sales – other direct costs		(99.5)	(99.5)	(76.3)
Cost of sales – total		(6,946.8)		(6,583.7)
Gross profit			647.5	572.5
Operating expenses before amortisation of goodwill and exceptional items		(547.2)		(488.3)
Exceptional operating items	3	-		5.2
Amortisation of goodwill		(29.8)		(26.5)
Operating expenses			(577.0)	(509.6)
Group operating profit:				
– continuing operations		61.5		62.9
– acquisitions		9.0		-
Group operating profit			70.5	62.9
Group share of operating profit in associated undertakings before goodwill amortisation			1.5	1.2
Goodwill amortisation in respect to associates	3		(0.2)	(9.2)
Group share of operating profit/(loss) in associated undertakings			1.3	(8.0)
Exceptional amounts written off investments	3		-	(2.0)
Interest and similar items:				
– interest receivable		6.8		7.2
– interest payable	4	(12.5)		(10.9)
– amortisation of refinancing costs	4	(2.2)		(1.2)
Net interest payable			(7.9)	(4.9)
Profit on ordinary activities before taxation	2		63.9	48.0
Tax on profit on ordinary activities	5		(27.6)	(24.3)
Profit on ordinary activities after taxation			36.3	23.7
Equity minority interests			(3.5)	(2.6)
Profit attributable to members of the parent company			32.8	21.1
Ordinary dividends	6		(16.2)	(14.7)
Retained profit for the year			16.6	6.4
Earnings per ordinary share - underlying	7			
- basic *			5.6p	4.9p
- diluted *			5.6p	4.9p
Earnings per ordinary share – FRS 14	7			
- basic			2.9p	1.9p
- diluted			2.9p	1.9p

*As detailed in note 7, underlying earnings per share excludes amortisation of goodwill of £30.0 million (2003: £35.7 million) and £nil of exceptional items (2003: a £2.9 million exceptional credit (net of tax)), in order to eliminate the effect of these items.

Unaudited consolidated statement of total recognised gains and losses

for the year ended 31 December 2004

	Notes	2004 £'m	2003 £'m
Profit for the year		32.8	21.1
Currency translation differences on foreign currency net investments	9	(8.1)	(17.8)
Total recognised profit for the year		24.7	3.3

Unaudited consolidated reconciliation of movements in equity shareholders' funds

for the year ended 31 December 2004

		2004 £'m	As Restated (Note 1) 2003 £'m
Profit for the year		32.8	21.1
Ordinary dividends		(16.2)	(14.7)
Retained profit for the year		16.6	6.4
Issue of shares by the Company	9	4.9	6.9
Purchase of shares by ESOP	9	(2.7)	(1.6)
Currency translation differences on foreign currency net investments	9	(8.1)	(17.8)
Accrual for share-based incentive schemes		1.9	-
Net increase/(decrease) in equity shareholders' funds		12.6	(6.1)
Opening equity shareholders' funds (originally £108.7 million before deducting the December 2003 prior year adjustment of £1.6 million)		107.1	113.2
Closing equity shareholders' funds		119.7	107.1

Unaudited note of historical cost profits and losses

for the year ended 31 December 2004

There is no material difference between the reported results for the years ended 31 December 2004 and 2003 and the results for those years restated on an unmodified historical cost basis.

Unaudited consolidated balance sheet

At 31 December 2004

	Notes	2004 £'m	As Restated (Note 1) 2003 £'m
Fixed assets			
Intangible fixed assets		467.0	425.9
Tangible fixed assets		57.4	53.9
Investment in joint ventures:			
- Share of gross assets		1.6	1.6
- Share of gross liabilities		(0.1)	(0.1)
		1.5	1.5
Investment in associated undertakings		8.7	11.5
Other fixed asset investments		3.1	2.5
		537.7	495.3
Current assets			
Stock: work in progress		7.7	8.0
Debtors		1,272.6	1,206.5
Investments – negotiable securities		28.7	-
Cash at bank and in hand		247.3	264.6
		1,556.3	1,479.1
Creditors: amounts falling due within one year		(1,705.3)	(1,612.5)
Net current liabilities		(149.0)	(133.4)
Total assets less current liabilities		388.7	361.9
Creditors: amounts falling due after more than one year		(137.9)	(130.6)
Convertible bond		(122.4)	(118.9)
Provisions for liabilities and charges		(2.0)	(1.5)
Net assets		126.4	110.9
Capital and reserves			
Issued, allotted, called up and fully paid share capital	9	55.9	55.6
Share premium account	9	210.9	206.3
Capital redemption reserve	9	0.2	0.2
ESOP Reserve	9	(4.3)	(1.6)
Profit and loss account	9	(143.0)	(153.4)
Equity shareholders' funds		119.7	107.1
Equity minority interests		6.7	3.8
Total capital employed		126.4	110.9

Unaudited consolidated cash flow statement

For the year ended 31 December 2004

	2004 £'m	As Restated (Note 1) 2003 £'m
Net cash flow from operating activities	123.7	67.3
Dividends from associates	0.1	0.3
Returns on investments and servicing of finance		
Interest received	6.8	7.2
Interest paid	(11.3)	(7.8)
Dividends paid to minority interests	(3.2)	(1.3)
Refinancing costs	(1.3)	(1.6)
Net cash flow for returns on investments and servicing of finance	(9.0)	(3.5)
Taxation	(30.1)	(22.7)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(28.4)	(19.9)
Proceeds from disposal of tangible fixed assets	4.1	2.6
Loans made to New World IQ	-	(2.0)
Net cash flow for capital expenditure and financial investment	(24.3)	(19.3)
Acquisitions and disposals		
Purchase of subsidiary undertakings and minority interests (note 8)	(49.7)	(44.6)
Net cash acquired on purchase of subsidiary undertakings (note 8)	7.1	5.0
Proceeds from disposal of subsidiaries	0.6	-
Investment in associated undertakings	(1.0)	(5.1)
Deferred consideration on prior period acquisitions	(18.2)	(32.0)
Net cash flow for acquisitions and disposals	(61.2)	(76.7)
Equity dividends paid	(14.3)	(14.1)
Cash flow before management of liquid resources and financing	(15.1)	(68.7)
Management of liquid resources		
Transfer of funds to negotiable securities	(29.0)	-
Cash flow from management of liquid resources	(29.0)	-
Financing		
Issue of ordinary share capital	4.9	0.2
Net increase in debt due within one year	68.3	13.1
Net decrease in debt due after more than one year	(4.2)	(3.8)
Purchase of own shares	(2.7)	(1.6)
Capital element of finance lease rental payments	(0.1)	(1.0)
Net cash flow from financing	66.2	6.9
Increase/(decrease) in cash in the year	22.1	(61.8)

Notes to this unaudited cash flow statement are provided overleaf.

Notes to unaudited consolidated cash flow statement

For the year ended 31 December 2004

	2004	As Restated (Note 1) 2003
	£'m	£'m
Reconciliation of operating profit to operating cash flow		
Operating profit	70.5	62.9
Amortisation of goodwill	29.8	26.5
Depreciation charges	21.8	21.3
Loss on disposal of tangible fixed assets	0.1	0.2
Increase in debtors	(14.3)	(173.6)
Decrease/(increase) in stock: work in progress	0.8	(0.8)
Increase in creditors	15.0	136.0
Provision for Independent Media Services judgement (note 3)	-	(5.2)
Net cash flow from operating activities	123.7	67.3

	2004	As Restated (Note 1) 2003
	£'m	£'m
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash in the year	22.1	(61.8)
Cash flow from change in net debt	(64.1)	(9.3)
Cash flow from management of liquid resources	29.0	-
Cash flow from finance lease payments	0.1	1.0
Cash flow from costs of debt refinancing	1.3	1.6
Change in net debt resulting from cash flows	(11.6)	(68.5)
Amortisation of issue costs of debt	(2.2)	(1.2)
Other non-cash changes	(0.2)	(2.1)
Effect of foreign exchange rate changes	(3.5)	0.1
Movement in net debt in the year	(17.5)	(71.7)
Net debt at 1 January	(32.0)	39.7
Net debt at 31 December	(49.5)	(32.0)

	As restated (note 1) 1 January 2004	Cash flow	Other non- cash changes	Exchange Movement	31 December 2004
	£'m	£'m	£'m	£'m	£'m
Analysis of net debt					
Cash in hand and at bank	264.6	(12.9)	-	(4.4)	247.3
Overdrafts	(73.4)	35.0	-	0.3	(38.1)
	191.2	22.1	-	(4.1)	209.2
Debt due within one year	(16.9)	(68.3)	-	1.4	(83.8)
Debt due after more than one year	(209.7)	4.2	-	(0.5)	(206.0)
Investments – negotiable securities	-	29.0	-	(0.3)	28.7
Net debt before finance lease obligations and issue costs of new debt	(35.4)	(13.0)	-	(3.5)	(51.9)
Finance lease obligations	(0.1)	0.1	(0.2)	-	(0.2)
Issue costs of new debt	3.5	1.3	(2.2)	-	2.6
Total	(32.0)	(11.6)	(2.4)	(3.5)	(49.5)

There was cash of £7.1m (2003: £5.0m) within subsidiaries acquired in the year.

Notes to the unaudited preliminary results

For the year ended 31 December 2004

1. Principal accounting policies

Basis of preparation

Except as noted below, the preliminary results for the year ended 31 December 2004 have been prepared applying the accounting policies set out in the Group's 31 December 2003 report and accounts.

Changes in accounting policy

a. Interest in own shares

As a result of the adoption of UITF Abstract 38 'Accounting for ESOP Trusts', the Group's interest in own shares, which was previously held within investments, is now presented as a deduction from shareholders' funds. The balance sheet at 31 December 2003 has been restated accordingly. There was a £1.6 million reduction in net assets at 31 December 2003 as a result of adopting UITF Abstract 38.

b. Payments for media advertising

A major part of the Group's business involves the purchase of media advertising from suppliers on behalf of clients. Payment for such liabilities frequently straddles the end of an accounting period. This makes it necessary to assess which payments, some of which may be in transit or process, are to be treated as reducing the Group's cash balance at the period end, and which should be treated as paid subsequently.

The Group has historically adopted the practice of treating as a payment, certain transactions for which payment was due prior to the period end but for which the formal transfer of funds took place after the end of the accounting period. The Group's auditors have advised that, in their opinion, this treatment, although showing a prudent view of the cash balance at the balance sheet date is not an appropriate practice. The Group has therefore decided to treat as paid only those transactions for which instructions to the Group's bankers for payment have been issued.

The effect of this change on the prior period's balance sheets has been to increase the amount shown as cash, and increase the amount shown as liabilities, by £117.2 million at 31 December 2003.

Notes to the unaudited preliminary results

For the year ended 31 December 2004

2. Analysis of turnover and profit on ordinary activities before taxation

The Group operates in two business sectors: media communications and market research. Turnover represents amounts invoiced for media handled by the Group on behalf of clients together with fees invoiced for media and research services provided. An analysis of turnover by geographical area and business sector is set out below:

	2004 £'m	2003 £'m
Europe, Middle East & Africa	5,249.1	4,836.8
Americas	1,903.8	1,936.4
Asia-Pacific	441.4	383.0
Total turnover	7,594.3	7,156.2
Media communications	7,321.9	6,937.3
Market research	272.4	218.9
Total turnover	7,594.3	7,156.2

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

An analysis of operating profit by geographical area and business sector is set out below:

	2004 £'m	2003 £'m	2003 £'m	2003 £'m
	Total	Underlying	Exceptional items	Total
Europe, Middle East & Africa	76.4	65.3	-	65.3
Americas	17.3	14.8	5.2	20.0
Asia-Pacific	6.6	4.1	-	4.1
Total operating profit (before goodwill amortisation)	100.3	84.2	5.2	89.4
An analysis by business sector is set out below:				
Media communications	79.9	69.8	5.2	75.0
Market research	20.4	14.4	-	14.4
Total operating profit (before goodwill amortisation)	100.3	84.2	5.2	89.4
Group share of operating profit in associated undertakings	1.5	1.2	-	1.2
Exceptional amounts written off investments	-	-	(2.0)	(2.0)
Net interest payable	(7.9)	(4.9)	-	(4.9)
Underlying profit on ordinary activities before taxation	93.9	80.5	3.2	83.7
Amortisation of goodwill	(30.0)			(35.7)
Profit on ordinary activities before taxation	63.9			48.0

Underlying profit before tax excludes goodwill amortisation of £30.0 million in 2004 (2003: £35.7 million) and a £3.2 million exceptional credit in 2003.

Notes to the unaudited preliminary results

For the year ended 31 December 2004

3. Exceptional items

There are no exceptional items in the year ended 31 December 2004.

The following exceptional items were included in the Group's results for the year ended 31 December 2003:

- a) In the year to 31 December 2002, the Group made a provision for an adverse legal judgement relating to court action brought by Independent Media Services Inc. In the year to 31 December 2003, the Group reached agreement to purchase the business of Independent Media Services Inc. As a result, the provision of £5.2 million was released.
- b) During the year, the Group wrote down the value of its investment in Newworld IQ. This resulted in an additional goodwill charge of £9.0 million. In addition, loans made to Newworld IQ were written off, resulting in an exceptional charge of £2.0 million.

In total, these exceptional items gave rise to a corporation tax debit of £0.3 million and a cash outflow of £2.0 million in 2003.

4. Interest payable and similar charges

	2004 £'m	2003 £'m
Interest payable:		
On bank loans and overdrafts	1.9	0.9
On other loans	7.3	7.6
Other charges	3.3	2.4
	12.5	10.9
Amortisation of refinancing costs	2.2	1.2
	14.7	12.1

5. Tax on profit on ordinary activities

	2004 £'m	2003 £'m
UK taxation – 30% (2003: 30%)	-	(1.6)
Overseas taxation	27.3	25.4
Group's share of associated undertakings' taxation	0.3	0.5
	27.6	24.3

The effective rate of tax on the Group's underlying profits is 29.4% (2003: 29.8%) based on profits before amortisation of goodwill and exceptional items as disclosed in note 3 above.

6. Dividends

	2004	2003
Ordinary shares of 5p each		
– Interim dividend rate per share	0.575p	0.52p
– Proposed final dividend per share	0.875p	0.80p
	1.45p	1.32p
	£'m	£'m
– Interim dividend paid	6.4	5.8
– Final dividend proposed	9.8	8.9
	16.2	14.7

The final dividend, if approved, will be paid on 24 June 2005 to all ordinary shareholders on the register on 3 June 2005.

Notes to the unaudited preliminary results

For the year ended 31 December 2004

7. Earnings per ordinary share

	2004	2003
Earnings per ordinary share is calculated as follows:		
Basic		
Profit for the year	£32.8m	£21.1m
Goodwill amortisation	£30.0m	£35.7m
Exceptional items (net of tax)	-	£(2.9)m
Underlying profit for the year	£62.8m	£53.9m
Weighted average number of ordinary shares in issue	1,111.3m	1,105.9m
Basic earnings per share	2.9p	1.9p
Goodwill amortisation	2.7p	3.2p
Exceptional items (net of tax)	-	(0.2p)
Underlying basic earnings per share	5.6p	4.9p
Diluted		
Profit for the year	£32.8m	£21.1m
Goodwill amortisation	£30.0m	£35.7m
Exceptional items (net of tax)	-	£(2.9)m
Underlying profit for the year	£62.8m	£53.9m
Weighted average number of ordinary shares in issue	1,117.4m	1,108.5m
Diluted earnings per share	2.9p	1.9p
Goodwill amortisation	2.7p	3.2p
Exceptional items (net of tax)	-	(0.2p)
Underlying diluted earnings per share	5.6p	4.9p
Weighted average number of ordinary shares		
Basic weighted average number of ordinary shares	1,111.3m	1,105.9m
Dilutive potential ordinary shares: employee share options	6.1m	2.6m
Dilutive weighted average number of ordinary shares	1,117.4m	1,108.5m

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

At 31 December 2004, there were 1,114.0 million (2003: 1,112.2 million) ordinary shares in issue and 108.0 million (2003: 104.6 million) options outstanding. The total proceeds that would be received on exercise of the outstanding options at 31 December 2004 is £118.8 million (2003: £115.9 million).

Underlying profit for the year is calculated by adding back amortisation of goodwill of £30.0 million (2003: £35.7 million) to the profit for the year. In addition, an exceptional credit of £2.9 million (net of tax) was added back to calculate underlying profit for the year ended 31 December 2003. There were no exceptional items in the year ended 31 December 2004.

Notes to the unaudited preliminary results

For the year ended 31 December 2004

8. Goodwill on acquisitions

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

Company	Country of Incorporation	% Acquired (Total Group holding)	Date of Acquisition
Agency W	Korea	51% (51%)	October 2004
Datacom CRM	Spain	55% (55%)	November 2004
Eccla	France	100% (100%)	December 2004
iProspect	USA	100% (100%)	December 2004
Lentus	Sweden	100% (100%)	January 2004
Magic Touch Media	Spain	100% (100%)	December 2004
Media Co-ordination	South Africa	67.2% (67.2%)	October 2004
Medialand.nl BV	Netherlands	51% (51%)	June 2004
Medialand.NV	Netherlands	21.1% (62.8%)	June 2004
Mediasal	Spain	27.1% (51%)	May 2004
MRM Australia	Australia	100% (100%)	July 2004
Posterscope Beijing	China	30% (70%)	January 2004
Posterscope Hong Kong	China	40% (80%)	January 2004
Posterscope India	India	51% (51%)	November 2004
Posterscope South East Asia	Singapore	60% (60%)	January 2004
Proactive	South Africa	100% (100%)	June 2004
Symmetrics	USA	100% (100%)	March 2004
Takezo	France	100% (100%)	May 2004
TRBI	UK	100% (100%)	January 2004
Velocity	USA	100% (100%)	December 2004
WWWins Taiwan	Taiwan	100% (100%)	August 2004

Initial consideration totalled £49.7 million, with estimated contingent deferred consideration of £52.2 million payable between 2005 and 2009, subject to performance criteria. A summary of the net assets acquired and goodwill arising is given below.

	Book value acquired £'m	Accounting policy adjustments £'m	Other Adjustments £'m	Fair value of net assets £'m
Net assets acquired:				
Tangible fixed assets	1.6	(0.1)	-	1.5
Debtors	20.0	0.1	-	20.1
Stock: work in progress	3.0	-	-	3.0
Cash at bank and in hand	6.6	-	-	6.6
Creditors	(25.7)	-	(2.4)	(28.1)
	5.5	-	(2.4)	3.1
Goodwill capitalised in the year				98.8
Consideration				101.9
Satisfied by:				
Initial cash consideration				47.9
Direct costs of acquisition				1.8
Deferred consideration (note 10)				52.2
				101.9

Notes to the unaudited preliminary results

For the year ended 31 December 2004

9. Reserves

	Share capital £'m	Share premium account £'m	Capital redemption reserve £'m	ESOP Reserve £'m	Profit and loss account £'m
At 1 January 2004 as previously reported	55.6	206.3	0.2	-	(153.4)
Prior year adjustment (note 1)	-	-	-	(1.6)	-
At 1 January 2004 as restated	55.6	206.3	0.2	(1.6)	(153.4)
Retained profit for the financial year	-	-	-	-	16.6
Issue of shares by the Company	0.3	4.6	-	-	-
Purchase of shares by ESOP	-	-	-	(2.7)	-
Currency translation differences on foreign currency net investments	-	-	-	-	(8.1)
Accrual for share-based incentive schemes	-	-	-	-	1.9
At 31 December 2004	55.9	210.9	0.2	(4.3)	(143.0)

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 Account reserve at 31 December 2004.

10. Deferred consideration

Deferred consideration, which has been provided for in creditors, may be paid to the vendors of certain subsidiary undertakings in the years to 2009. Such payments are either fixed under the terms of the acquisition or are contingent on future financial performance. The directors estimate that, at the rates of exchange ruling at the balance sheet date, the liability at 31 December 2004 for payments that may be due is as follows:

	2004 £'m	2003 £'m
Within one year	48.6	19.3
Between one and two years	35.1	22.6
Between two and five years	6.2	10.7
	89.9	52.6

11. Statutory accounts

The financial information contained in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2004 and 2003. The 2004 statutory accounts will be distributed to shareholders prior to the Annual General Meeting and filed with the Registrar of Companies thereafter. Copies will be available from the Company's registered office at 43-45 Portman Square, London W1H 6LY. Statutory accounts for the year ended 31 December 2003, containing an unqualified auditor's report, have been filed with the Registrar of Companies.