Company Registration No. 1378339

Carat Limited

Report and Financial Statements

31 December 2008

Carat Limited

Report and financial statements 2008

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Officers and professional advisers

Directors

N S Jones (resigned 20 April 2009)
N Sharrocks
J L Foster
A Beswick
D Bletso
D Beale
S F Hobbs
A Howie
N Ioannou
T Jones
B McKibbin
R Morris
J T Northway
D C Peters
S Pople
W H Rowe (resigned 17 April 2008)
K Rowlinson
R Sexton
J Sutherland
K West
D I Williams

Secretary

J L Foster

Registered Office

Parker Tower
43-49 Parker Street
London WC2B 5PS

Auditors

Deloitte LLP
Chartered Accountants and Registered Auditors
London

Carat Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

The Company is a wholly owned subsidiary of Aegis Group plc and operated as part of the group's Aegis Media division. On 31 December 2007, the company sold all of its trade and net assets to an intermediate holding company, Aegis Media Limited ('AML'). The trading business of the Company is now operated as a division of AML and the Company has not traded other than the payment of a dividend and the holding of operating leases on motor vehicles which are used by a division of AML. As a result, these financial statements are prepared on a basis other than going concern.

Business review, principal activities, results and dividends

The profit on ordinary activities after taxation for the year was £nil (2007: £4,414,206). The directors recommended and paid a dividend of £1,578,335 (2007: £3,500,000). No final dividend is proposed.

The balance sheet on page 8 of the financial statements shows the company's financial position consists principally of an intercompany receivable from Aegis Media Limited as a result of the sale of trade and net assets, as described above.

The Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business as a result of the sale of the trade and net assets on 31 December 2007.

Financial risk management objectives and policies

The directors consider that the only significant financial risks to the Company are credit default risk in relation to the intercompany receivable and liquidity risk as the Company is reliant on its immediate parent company, Aegis Media Limited, to meet all obligations under the existing leases. The directors consider that both of these risks to be remote.

Charitable contributions

The Company made charitable donations of £nil (2007: £1,750) throughout the year.

Directors and their interests

None of the directors held any interests in the Company. The directors who served throughout the year are shown on page 1.

Directors' report (continued)

Auditors

- Each of the persons who is a director at the date of approval of this report confirms that:
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

J L Foster
Secretary

18 August 2009

Carat Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Carat Limited

We have audited the financial statements of Carat Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Companies Act 1985. We also report to you whether, in our opinion, the information given within the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Independent auditors' report to the members of Carat Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – Financial statements prepared on a basis other than that of a going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
18th August 2009

Carat Limited

Profit and loss account
Year ended 31 December 2008

	Notes	2008 £	2007 £
Turnover	1	54,081	645,087,165
Cost of sales		-	(616,829,981)
Gross profit		54,081	28,257,184
Administrative expenses		(54,081)	(24,678,230)
Operating profit	2	-	3,578,954
Interest receivable and similar income	4	-	3,118,877
Interest payable and similar charges	5	-	(34,749)
Profit on ordinary activities before taxation		-	6,663,082
Tax on profit on ordinary activities	6	-	(2,248,876)
Profit on ordinary activities after taxation and for the financial year	11	-	4,414,206

The company ceased to trade on 31 December 2007 but continues to hold an operating lease in its name. All trading activities continue through Carat, an operating division of Aegis Media Limited.

There are no recognised gains or losses other than the results for this year and the retained profit in the prior year, accordingly, no statement of total recognised gains and losses is presented.

Carat Limited

Balance sheet
31 December 2008

	Notes	2008 £	2007 £
Current assets			
Debtors due within one year	8	2,190,927	3,764,375
		2,190,927	3,764,375
Creditors: amounts falling due within one year	9	(4,887)	-
Net current assets		2,186,040	3,764,375
Total assets		2,186,040	3,764,375
Capital and reserves			
Called up share capital	10	2,102,040	2,102,040
Profit and loss account	11	-	1,578,335
Other reserves	11	84,000	84,000
Shareholders' funds	12	2,186,040	3,764,375

These financial statements were approved by the Board of Directors.

Signed on behalf of the Board of Directors on 18 August 2009.

J L Foster
Director

Carat Limited

Notes to the accounts
Year ended 31 December 2008

1. **Accounting policies**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been applied consistently in both the current and preceding years.

Basis of preparation

The Company sold its trade and net assets on 31 December 2007 to Aegis Media Limited and has not traded during the year other than for the payment of an interim dividend and the holding of operating leases on motor vehicles which are used by a division of AML. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on a basis that the Company is no longer a going concern.

Turnover and recognition of income

Turnover comprises the net amounts billed to clients, excluding value added taxes, for services provided in the normal course of business and reflects commissions and fees together with any related costs of advertising expenditure incurred by the Company. Commissions are recognised as income when the related advertisements appear; fees are recognised as income when they are earnt in accordance with the agreements with clients. Turnover is wholly earned in the United Kingdom.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of leases. The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the company's policy set out in the note above. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Cash flow statement

The financial statements of Aegis Group plc for the year ended 31 December 2008 contain a consolidated statement of cash flows. Therefore the Company has taken advantage of the exemption granted under FRS1 (revised) whereby it is not required to publish its own statement of cash flows.

Notes to the accounts
Year ended 31 December 2008

2. Operating profit

Operating profit is stated after charging:

	2008 £	2007 £
Fees payable to the Company's auditors for the audit of the Company's annual accounts	-	55,396
Management charge paid to immediate holding company	-	1,756,751
Operating lease rentals – other	54,081	88,856
Depreciation of tangible fixed assets	-	454,896

The auditors' remuneration of £1,000 for the audit of the company's annual accounts has been borne by Aegis Media Limited and is dealt within their financial statements.

3. Staff costs

Particulars of employees (including directors) as shown below:

	2008 £	2007 £
Wages and salaries	-	10,713,365
Social security costs	-	1,196,319
Pension costs	-	421,465
Share-based payments	-	244,146
	-	12,575,295

The average monthly number of persons employed by the Company during the year was nil (2007 – 308).

Directors' remuneration

The employee costs shown above include emoluments in respect of the directors of the company as follows:

	2008 £	2007 £
Emoluments	-	2,844,309
Share-based payments	-	244,146
Pension contributions	-	199,560
	-	3,288,015

Pension contributions made during the year were in respect of nil directors (2007 – 21).

The emoluments of the highest paid director, including share-based payments were £nil (2007 – £446,364) and pension contributions to defined contribution schemes were £nil (2007 – £32,250).

The highest paid director did not exercise any share options (2007 – nil) during the financial year.

Notes to the accounts
Year ended 31 December 2008

4. Interest receivable and similar income

	2008	2007
	£	£
Interest receivable from group companies	-	3,118,877

5. Interest payable and similar charges

	2008	2007
	£	£
Other interest payable	-	34,749

6. Tax on result/profit on ordinary activities

	2008	2007
	£	£
Current tax		
Corporation tax at 28.5% (2007: 30%) based on profit for the year	-	2,091,508
Adjustment in respect of prior years	-	(97,847)
Total current tax charge for the year	-	1,993,661
Deferred tax		
Origination and reversal of timing differences	-	255,215
Total tax charge	-	2,248,876

Factors affecting current tax charge

The tax assessed for the period is the same as (2007: higher than) that resulting from applying the blended rate of corporation tax in the UK: 28.5% (2007: 30%). The differences are explained below:

	2008	2007
	£	£
Result/profit on ordinary activities before taxation	-	6,663,081
Tax charge at 28.5% (2007: 30%) thereon:	-	1,998,924
Expenses disallowed for tax purposes	-	94,889
Excess of capital allowances over depreciation	-	(2,305)
Adjustment in respect of prior years	-	(97,847)
Current tax charge	-	1,993,661

7. Dividend

	2008	2007
	£	£
Interim dividend paid - £0.75 per £1 ordinary share (2007: £1.66)	1,578,335	3,500,000

Carat Limited

Notes to the accounts
Year ended 31 December 2008

8. Debtors

	2008 £	2007 £
Amounts due from other group companies	2,186,040	3,764,375
Prepayments and accrued income	4,887	-
	2,190,927	3,764,375

The amount owed by the fellow group undertaking is not interest bearing and payable on demand.

Deferred tax asset

The deferred tax balance is in respect of accelerated capital allowances and short-term timing differences. The movement is as follows:

	2008 £	2007 £
At 1 January	-	51,564
Amount charged to the profit and loss account	-	(255,215)
Transferred to AML (refer note 1)	-	(203,651)
At 31 December	-	-

The Company has no unrecognised deferred tax assets or liabilities (2007: £nil).

9. Creditors: amounts falling due within one year

	2008 £	2007 £
Amounts due to other group companies	4,887	-
	4,887	-

The amount owed to the fellow group undertaking is not interest bearing and is payable on demand.

10. Share capital

	2008 £	2007 £
Authorised:		
4,000,000 (2007: 4,000,000) ordinary shares of £1 each	4,000,000	4,000,000
84,000 (2007: 84,000) 12% redeemable participating preference shares of £1 each	84,000	84,000
	4,084,000	4,084,000
Allotted, called-up and fully paid		
2,102,040 (2007: 2,102,040) ordinary shares of £1 each	2,102,040	2,102,040

Notes to the accounts
Year ended 31 December 2008

11. Reserves

	Profit and loss account £	Other reserves £
At 1 January 2008	1,578,335	84,000
Profit on ordinary activities after taxation and for the financial year	-	-
Dividends paid	(1,578,335)	-
At 31 December 2008	-	84,000

12. Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit attributable to shareholders	-	4,414,206
Dividends paid	(1,578,335)	(3,500,000)
Net movement in shareholders' funds	(1,578,335)	914,206
Credit for share-based payments	-	244,146
Shareholders' funds at beginning of year	3,764,375	2,606,023
Shareholders' funds at end of year	2,186,040	3,764,375

13. Related party transactions

The Company has taken advantage of the exemption available to 90% owned subsidiaries, as defined by FRS 8, not to disclose related party transactions with other group companies. All transactions between the Company and other group companies have been at arm's length.

There were no other transactions with related parties during the current or prior year.

14. Guarantees and other financial commitments

a) Capital commitments

The Company had no capital commitments as at 31 December 2008 (2007 - £nil)

b) Guarantees

The Company is party to a £450m composite cross guarantee with other group companies in order to secure banking facilities. Under the terms of this guarantee each company is jointly and severally liable for any liability to the group's bankers, which cannot be met by the company in whose name the liability exists. Details of group borrowings are included in the financial statements of Aegis Group Plc.

15. Ultimate holding company

The Company's immediate parent company is Aegis Media Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated accounts of Aegis Media Limited are available to the public and may be obtained from Parker Tower, 43-45 Parker Street, London, WC2B 5PS.

The largest group in which the results of the Company are consolidated is that headed by Aegis Group plc, the ultimate parent company and controlling entity, which is also registered in England. The consolidated accounts of Aegis Group plc are available to the public and may be obtained from Aegis Group plc, 180 Great Portland Street London W1W 5QZ.

Notes to the accounts
Year ended 31 December 2008

16. Share-based payments

The Company recognised a total expense of £nil (2007: £244,146) in respect of share-based payments in the year. Share-based payments include share options and conditional share awards issued by the ultimate holding company, Aegis Group plc to employees of the Company. All share-based payments are equity-settled and employees must remain in employment for 3 years from the date of grant.

As all employees were transferred to Aegis Media Limited on 31 December 2007 the share options belonging to these individuals were also transferred.

Share options

The Company recognised income of £nil (2007: expense £1,191) in respect of share options in the year.

The grant price for share options is equal to the average quoted market price of the group's shares at the date of grant. The vesting period is typically three years. If share options remain unexercised after a period of ten years from the date of grant, the options expire. Share options are forfeited if the employee leaves the group before the options vest and are subject to earnings per share performance conditions. Further details can be found in the financial report of Aegis Group plc.

The prior year movement in share options were as follows:

	2007	
	Number of Share Options	Weighted Average Exercise Price
Outstanding at beginning of period	970,798	107.29p
Granted during the period	-	-
Forfeited during the period	(40,000)	126.5p
Exercised during the period	(295,635)	100.3p
Expired during the period	-	-
Transfer during the period	(8,000)	96.7p
Transfer to AML (refer note 1)	(627,163)	(96.7p)
Outstanding at the end of the period	-	-
Exercisable at the end of the period	-	-

There were no share options issued during the year (2007: Nil). The weighted average market price of shares exercised during the year was Nil (2007: 145.2p). The options transferred at the 31 December 2007 had exercise prices ranging from 77.7p to 145p and a weighted average remaining contractual life of 4.1 years.

Notes to the accounts
Year ended 31 December 2008

16. Share-based payments (continued)

The fair value of share options in 2007 was determined using a stochastic model and the following assumptions:

	2007
Expected volatility	19.0%
Risk-free rate	5.7%
Expected dividend yield	1.4%

Expected volatility was determined by considering the historical volatility of the Group's share price over the previous five years, with certain periods where the share price was particularly volatile for specific reasons, being disregarded as these were not considered to be indicative of expected future volatility. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Conditional share awards

The Company recognised a total expense of £nil (2007 – £245,337) in respect of conditional share awards in the year.

The vesting period is typically three years. The extent to which awards vest is determined partly by reference to the group's Total Shareholder Return (TSR) performance relative to a group of similar businesses and partly by reference to the group's earnings per share growth rate relative to the retail price index. Further details are provided in the financial report of Aegis Group plc.

The fair value of conditional share awards was determined using a stochastic model using the assumptions given in the table above. The number of conditional shares granted and outstanding at the end of the year were nil (2007 – nil).

17. Operating lease commitments

The company has entered into non-cancellable operating leases. The minimum annual rentals under these leases are as follows:

	2008 £	2007 £
Operating lease rentals – other		
- less than one year	7,340	22,637
- between one and two years	9,016	34,263
	16,356	56,900

All lease costs in the current year are borne by a division of AML who use the assets leased by the Company.