

Company Registration No. 2660350

Carat Business Limited

Report and Financial Statements

31 December 2005



Carat Business Limited

Report and financial statements 2005

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Carat Business Limited

Report and financial statements 2005

Officers and professional advisers

Directors

J L Foster

N Gordon

N Sharrocks

N Taheri

G M Blackden (resigned 31 August 2005)

Secretary

J L Foster

Registered Office

Parker Tower,
43-49 Parker Street
London WC2B 5PS

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Carat Business Limited

Directors' report

The directors present their annual report on the affairs of the company together with the audited financial statements for the year ended 31 December 2005

Principal activity, business review, and cessation of trading

The principal activity of the company was the placement of advertising space and time. On 14 October 2005, the business, together with certain assets of the company, was transferred to Just Media Limited, a related company. There was no substantial trading by the company after this date.

The company made a profit in the period of £670,686 (2004 - £580,179). The directors paid an interim dividend of £1,900,000 (2004 - £425,000). The directors do not propose the payment of a final dividend. The directors are satisfied with the results for the financial year.

The net assets of the company were transferred to Aegis Media UK & Ireland Limited (the immediate parent entity) at their net book value on 13 January 2006 on which date the company ceased trading. Consequently, FRS 18 'Accounting Policies' requires the Directors to prepare the financial statements on a basis other than that of a going concern. No material adjustments have arisen from the discontinuance of the trade.

Directors and their interests

The directors of the company in office during the period were

J L Foster

N Gordon

N Sharrocks

N Taheri (appointed 1 January 2005)

G M Blackden (resigned 31 August 2006)

The interests of the directors in the share capital of Aegis Group plc, the company's ultimate holding company, are disclosed in Note 18 to the financial statements. None of the directors had any interests in the shares of the company.

Payment of suppliers

The company agrees terms and conditions for its business transactions with its suppliers. Payment is then made on these terms subject to the terms and conditions being met by the supplier. As at 31 December 2005, trade creditors were equivalent to 53 days of average purchases during the year (2004 - 99 days).

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 maintain and develop 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. This is achieved through company wide and departmental meetings, by the use of email and intranet, through publication of an internal magazine and during individual performance appraisals.

Auditors

A resolution to re-appoint Deloitte & Touche LLP 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
30 April 2007



Carat Business Limited

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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 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 which 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 the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Carat Business Limited

Independent auditors' report to the members of Carat Business Limited

We have audited the financial statements of Carat Business Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant 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 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 regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements of material inconsistencies with the financial statements.

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.

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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

~~5 April~~ 2007

4 May

Carat Business Limited

Profit and loss account Year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	2	18,478,800	21,450,758
Cost of sales		(16,936,217)	(19,630,728)
Gross profit		1,542,583	1,820,030
Administrative expenses		(870,971)	(1,204,978)
Operating profit	3	671,612	615,052
Interest receivable and similar income	5	289,086	217,161
Interest payable and similar charges	6	(6,876)	(9,825)
Profit on ordinary activities before taxation		953,822	822,388
Tax on profit on ordinary activities	7	(283,136)	(242,209)
Profit for the financial year		670,686	580,179
Dividends paid	8	(1,900,000)	(425,000)
Retained (loss)/profit for the financial year	14, 15	(1,229,314)	155,179

All amounts relate to continuing operations

There are no recognised gains or losses other than the retained (loss)/profit for this year and the preceding year, accordingly, no statement of total recognised gains and losses is presented

Carat Business Limited

Balance sheet 31 December 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	9	47,984	77,937
Investments	10	10,000	-
		<u>57,984</u>	<u>77,937</u>
Current assets			
Debtors	11	1,141,698	3,085,383
Cash at bank and in hand		5,818,710	5,747,254
		<u>6,960,408</u>	<u>8,832,637</u>
Creditors: amounts falling due within one year	12	<u>(6,265,882)</u>	<u>(6,928,750)</u>
Net current assets		<u>694,526</u>	<u>1,903,887</u>
Total assets less current liabilities		<u>752,510</u>	<u>1,981,824</u>
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account	14	752,508	1,981,822
Equity shareholders' funds	15	<u>752,510</u>	<u>1,981,824</u>

These financial statements were approved by the Board of Directors on 30 April 2007

Signed on behalf of the Board of Directors



J L Foster
Director

Carat Business Limited

Notes to the financial statements Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared 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.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

Fixtures and fittings - 20% per annum
Office equipment - 20-33% per annum

Taxation

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

Foreign currencies

Transactions in foreign currencies are translated into sterling at average monthly rates of exchange. Balance sheet amounts are translated at closing rates. Exchange differences arising in the normal course of trading and on the translation of monetary assets and liabilities are dealt with in the profit and loss account.

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 billed in accordance with the agreements with clients.

Pension costs

The company contributes to individual personal pension arrangements. All such arrangements are defined contribution schemes. Contributions are charged to the profit and loss account in the year in which they arise.

Cashflow statement

The financial statements of Aegis Group plc for the year ended 31 December 2005 contain a consolidated statement of cash flows. Therefore the company has taken advantage of the exemption granted under FRS1 whereby it is not required to publish its own statement of cash flows.

Investments

Fixed asset investments are shown at cost less any provision for impairment.

Carat Business Limited

Notes to the financial statements Year ended 31 December 2005

2. Segmental information

All turnover and profit on ordinary activities before taxation resulted from the company's placement of advertising principally in the United Kingdom. Turnover during the year has arisen as follows

	2005 £	2004 £
External customers	11,083,422	12,969,168
Other group companies	7,395,378	8,481,590
	<u>18,478,800</u>	<u>21,450,758</u>

3. Operating profit

Operating profit is stated after charging/(crediting)

	2005 £	2004 £
Depreciation of tangible fixed assets	14,202	20,124
Auditors' remuneration	10,500	10,500
Foreign exchange gains	297	(51,683)
Management charge payable to immediate holding company	<u>55,445</u>	<u>67,042</u>

4. Staff costs

Particulars of employees (including directors) are shown below

	2005 £	2004 £
Wages and salaries	521,615	713,393
Social security costs	43,334	58,974
Other pension costs	4,985	22,798
	<u>569,934</u>	<u>795,165</u>

The average weekly number of persons employed by the company during the year was 17 (2004 – 17)

Directors' remuneration

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

	2005 £	2004 £
Emoluments	194,446	158,251
Pension contributions	12,985	7,498
	<u>207,431</u>	<u>165,749</u>

Pension contributions made during the year were in respect of 3 directors (2004 – 2)

Carat Business Limited

Notes to the financial statements **Year ended 31 December 2005**

4. Staff costs (continued)

The highest paid director's remuneration included

	2005 £	2004 £
Emoluments	79,313	90,071
Pension contributions	5,484	6,224
	<u>84,797</u>	<u>96,295</u>

5. Interest receivable and similar income

	2005 £	2004 £
Interest receivable from other group companies	268,906	216,750
Other interest receivable	20,180	411
	<u>289,086</u>	<u>217,161</u>

6. Interest payable and similar charges

	2005 £	2004 £
Interest payable to other group companies	-	-
Other	6,876	9,825
	<u>6,876</u>	<u>9,825</u>

7. Tax on profit on ordinary activities

	2005 £	2004 £
Current Tax		
Corporation tax charge at 30%	301,404	246,374
Deferred tax	(15,169)	-
Origination and reversal of timing differences	(3,099)	(4,165)
	<u>283,136</u>	<u>242,209</u>

Carat Business Limited

Notes to the financial statements Year ended 31 December 2005

7 Tax on profit on ordinary activities (continued)

Factors affecting current tax charge

The tax assessed for the period is different to that resulting from applying the standard rate of corporation tax in the UK 30% (2004 30%)

The differences are explained below

	2005 £	2004 £
Profit on ordinary activities before taxation	953,822	822,388
Tax charge at 30% thereon	286,147	246,716
Expenses disallowed for tax purposes	88	2,800
Excess of depreciation over capital allowances	5,974	(3,142)
Increase in general provision	9,195	-
	<u>301,404</u>	<u>246,374</u>

8. Dividend

	2005 £	2004 £
Interim dividend paid - £950,000 per share (2004 £212,500)	<u>1,900,000</u>	<u>425,000</u>

9. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
Cost			
At 1 January 2005	122,940	101,533	224,473
Additions	-	-	-
Disposals			
Transfer to Group Undertaking	(15,751)	-	(15,751)
At 31 December 2005	<u>107,189</u>	<u>101,533</u>	<u>208,722</u>
Depreciation			
At 1 January 2005	47,713	98,823	146,536
Charge for the year	13,462	740	14,202
At 31 December 2005	<u>61,175</u>	<u>99,563</u>	<u>160,738</u>
Net book value			
At 31 December 2005	<u>46,014</u>	<u>1,970</u>	<u>47,984</u>
At 31 December 2004	<u>75,227</u>	<u>2,710</u>	<u>77,937</u>

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Notes to the financial statements Year ended 31 December 2005

10. Investments

	2005 £	2004 £
Investment in Just Media Limited	<u>10,000</u>	<u>-</u>

On 14 October 2005, the company transferred certain parts of its business, including employees, contracts and relationships with suppliers and customers to a related party, Just Media Limited (a company registered in England and Wales). In consideration for this transfer, the company acquired an investment of £10,000 in the ordinary share capital of Just Media Limited. This investment represents 50% of the issued capital of Just Media Limited, however the company does not prepare consolidated accounts as it is exempted under s 228 of the Companies Act 1985.

11. Debtors

	2005 £	2004 £
Trade debtors	324,079	2,123,383
Amounts owed by group undertakings	720,784	888,806
Other debtors	9,381	11,618
Deferred tax asset	22,433	4,165
Prepayment and accrued income	65,021	57,411
	<u>1,141,698</u>	<u>3,085,383</u>

The deferred tax asset:

	2005 £	2004 £
At 1 January	4,165	7,308
Profit and loss account	18,268	(3,143)
At 31 December	<u>22,433</u>	<u>4,165</u>

The balance of the deferred tax asset as at 31 December 2005 relates to accelerated capital allowances (£13,328) and short term timing differences (£9,195).

Carat Business Limited

Notes to the financial statements Year ended 31 December 2005

12. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	3,514,998	5,639,487
Amounts owing to group undertakings	1,286,268	794,591
VAT payable	184,465	239,246
Other creditors	1,100,779	1,867
UK corporation tax payable	79,143	53,116
Accruals and deferred income	100,229	200,443
	<u>6,265,882</u>	<u>6,928,750</u>

13. Called up share capital

	2005 £	2004 £
Authorised		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Issued, allotted and fully paid		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

14. Profit and loss account

	2005 £	2004 £
At 1 January 2005	1,981,822	1,826,643
Retained (loss)/profit for the year	(1,229,314)	155,179
At 31 December 2005	<u>752,508</u>	<u>1,981,822</u>

15. Reconciliation of movements in equity shareholders' funds

	2005 £	2004 £
Profit attributable to shareholders	670,686	580,179
Dividend paid	(1,900,000)	(425,000)
Retained (loss)/profit for the financial year	(1,229,314)	155,179
Equity shareholders' funds, beginning of year	<u>1,981,824</u>	<u>1,826,645</u>
Equity shareholders' funds, end of year	<u>752,510</u>	<u>1,981,824</u>

Carat Business Limited

Notes to the financial statements Year ended 31 December 2005

16. Guarantees

The company is party to a composite cross guarantee with other group companies in order to secure banking facilities. Under the terms of the 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.

17. Ultimate holding company and related party transactions

The company's immediate parent company is Aegis Media UK & Ireland Limited, a company incorporated in Great Britain and registered in England and Wales.

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 incorporated in Great Britain and registered in England and Wales. The smallest group in which they are consolidated is that headed by Aegis Media UK & Ireland Limited.

The consolidated accounts of Aegis Group plc are available to the public and may be obtained from Aegis Group plc, 43-45 Portman Square, London W1H 6TH.

17. Ultimate holding company and related party transactions (continued)

The company has taken advantage of the exemption available to 90% owned subsidiaries 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.

18. Directors' interests

The interests of the directors of the company in the 5 pence ordinary shares of the ultimate holding company, Aegis Group plc, at the beginning and end of the year are shown below.

Shares

No director held any shares in Aegis Group plc at the beginning or the end of the year.

The middle market price of the shares at 31 December 2005 was 122 pence and the range during 2005 was 93 pence to 145 pence (2004 – 78 to 115 pence).

Carat Business Limited

Notes to the financial statements Year ended 31 December 2005

18. Directors' interests (continued)

Beneficial Interests

Ordinary shares of 5 pence each in Aegis Group plc for which the directors have beneficial options to subscribe are shown below. The Aegis Group plc Register of Directors' Interests, which is open to inspection, contains full details of directors' shareholdings and options to subscribe.

	Options held at start of year	Granted during year	Exercised during year	Options held at end of year	Exercise price	Date from which exercisable	Expiry date
G M Blackden	25,000	-	-	25,000	145 00p	18 04 2003	17 04 2010
	20,000	-	-	20,000	119 75p	23 03 2004	22 03 2011
	2,961	-	-	2,961	94 00p	18 06 2005	17 06 2012
	10,000	-	-	10,000	77 75p	25 06 2006	24 06 2013
	20,000	-	-	20,000	95 75p	17 03 2007	17 03 2014
N Gordon	25,000	-	-	25,000	145 00p	18 04 2003	17 04 2010
	20,000	-	-	20,000	119 75p	23 03 2004	22 03 2011
	2,316	-	-	2,316	94 00p	18 05 2005	17 06 2012
	15,000	-	-	15,000	95 75p	17 03 2007	17 03 2014

Restricted Share Plan

	Conditional shares at 01 Jan 2005	Awarded during the year	Conditional shares at 31 Dec 2005	Vesting Date
G M Blackden	-	10,000	10,000	24 06 2008
N Gordon	-	5,000	5,000	24 06 2008
N Taheri	-	5,000	5,000	24 06 2008

The number of shares shown represent the maximum number of shares which are capable of vesting at the end of the performance period, if the performance conditions are satisfied to the fullest extent.

N Sharrocks and JL Foster are also directors of Aegis Media UK & Ireland Limited and the details of their interests in the shares of Aegis Group plc are disclosed in the financial statements of that entity.

19. Subsequent events

As noted in the Directors' report, the company sold its business and certain assets to Just Media Limited on 14 October 2005. The remaining assets and liabilities of the company were transferred to Aegis Media UK & Ireland Limited (the immediate parent entity) at their net book value on 13 January 2006 and the company ceased trading on this date. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.