

CARAT BUSINESS LIMITED
(Registered Number 2660350)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1995



CARAT BUSINESS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

The directors present their annual report on the affairs of the Company, together with the audited financial statements for the year ended 31 December 1995.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company continues to be the placement of advertising space and time for our own direct clients and on behalf of clients of the Carat Group, and advising advertisers on the planning and buying of media requirements.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year was £460,188 (1994: £281,299) which has been transferred to reserves. The directors do not propose the payment of a dividend (1994: £Nil).

DIRECTORS AND THEIR INTERESTS

The directors who served since the beginning of the year together with their beneficial interests in the shares of the ultimate parent undertaking, Aegis Group plc, at the beginning and end of the year are shown in Note 15 of the financial statements.

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in Note 8 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

CARAT BUSINESS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (CONTINUED)

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board


R. P. Powley
DIRECTOR

19th March 1996

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF CARAT BUSINESS LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

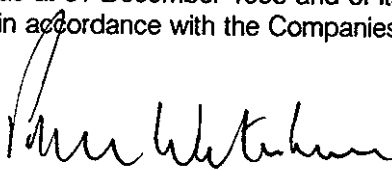
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

19 March 1996

CARAT BUSINESS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	Year ended 31 December 1995 £	Year ended 31 December 1994 £
TURNOVER (Note 1d and 2)	13,159,816	11,594,917
Cost of sales	(11,940,295)	(10,733,831)
GROSS PROFIT	1,219,521	861,086
Administrative expenses	(671,943)	(531,807)
OPERATING PROFIT (Note 3)	547,578	329,279
Interest receivable and similar income (Note 5)	162,629	108,375
Interest payable and similar charges (Note 6)	(4,065)	(3,637)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	706,142	434,017
Tax on profit on ordinary activities (Note 7)	(245,954)	(152,718)
PROFIT FOR THE FINANCIAL YEAR AND AMOUNT TRANSFERRED TO RESERVES	460,188	281,299
RETAINED PROFIT BROUGHT FORWARD	394,797	113,498
RETAINED PROFIT CARRIED FORWARD	854,985	394,797

No operations have been discontinued during the year.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1995

The Company had no recognised gains or losses during the year other than those reflected in the above profit and loss account.

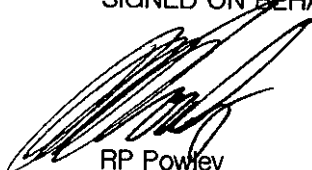
NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1995

There is no difference between the reported profits for the year and those that would be reported under the historical cost convention.

The notes on pages 6 to 12 form an integral part of these financial statements.

CARAT BUSINESS LIMITED**BALANCE SHEET - 31 DECEMBER 1995**

	<u>1995</u> £	<u>1994</u> £
FIXED ASSETS		
Tangible assets (Note 8)	23,872	21,687
CURRENT ASSETS		
Debtors (Note 9)	2,150,635	2,924,035
Cash at bank and in hand	1,395,083	1,296,722
	3,545,718	4,220,757
CREDITORS - Amounts falling due within one year (Note 10)	<u>(2,714,603)</u>	<u>(3,847,645)</u>
NET CURRENT ASSETS	831,115	373,112
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>854,987</u>	<u>394,799</u>
CAPITAL AND RESERVES		
Called-up share capital (Note 11)	2	2
Profit and loss account	854,985	394,797
EQUITY SHAREHOLDERS' FUNDS	<u>854,987</u>	<u>394,799</u>

SIGNED ON BEHALF OF THE BOARD *RP* MARCH 1996RP Powley
DIRECTOR

The notes on pages 6 to 12 form an integral part of these financial statements.

CARAT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995

1 ACCOUNTING POLICIES

The principal accounting policies are as follows:

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of fixed assets on a straight-line basis over their estimated useful lives as follows:

Fixtures and fittings	- 20% per annum
Computer equipment	- 33 1/3% per annum

(c) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation represents the amount required to account for the effect of depreciation and certain other items of income and expense being attributable, for tax purposes, to years differing from those in which they are recorded in the financial statements. It is calculated using the liability method, which applies the rate of tax expected to be applicable when the timing differences are forecast to reverse.

The directors have concluded that there is no material liability to deferred taxation.

(d) Turnover and recognition of income

Turnover comprises the net value of billings (excluding VAT) of services supplied in the normal course of business. It reflects the costs of advertising expenditure of the Company's own clients and the related commissions and fees charged to other advertising agencies in respect of their clients. Commissions are recognised as income when they are billed in accordance with the agreements with clients.

(e) Pensions costs

The Company has contributory pension schemes. These schemes operate as money purchase plans. Contributions are decided annually and charged to the profit and loss account when they arise.

CARAT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (CONTINUED)

2 SEGMENT INFORMATION

All turnover and profit on ordinary activities before taxation results from the placement of advertisements in the United Kingdom. Turnover during the year has arisen as follows:

	Year ended 31 December 1995 £	Year ended 31 December 1994 £
External customers	7,676,142	4,356,471
Other group companies	<u>5,483,674</u>	<u>7,238,446</u>
	<u>13,159,816</u>	<u>11,594,917</u>

3 OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 December 1995 £	Year ended 31 December 1994 £
Management charge paid to parent undertaking	16,384	15,564
Depreciation of tangible fixed assets	15,245	14,912
Auditors' remuneration	6,600	4,650
Staff costs (see Note 4)	<u>470,979</u>	<u>381,420</u>

4 STAFF COSTS

Particulars of employees (including executive directors) are shown below:

	Year ended 31 December 1995 £	Year ended 31 December 1994 £
(a) Staff costs during the year amounted to:		
Wages and salaries	431,871	341,403
Social security costs	36,884	37,607
Other pension costs	<u>2,224</u>	<u>2,410</u>
	<u>470,979</u>	<u>381,420</u>

CARAT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (CONTINUED)

4 STAFF COSTS (CONTINUED)

(b) The average weekly number of persons employed during the year was as follows:

	Year ended 31 December <u>1995</u> Number	Year ended 31 December <u>1994</u> Number
Administrative employees	16	12
	<hr/>	<hr/>

(c) Directors' remuneration

The staff costs shown above include emoluments in respect of directors of the company totalling £108,949 (1994: £93,879). No pension contributions were paid during the year (1994: £Nil).

The directors' remuneration (excluding pension contributions) included:

	Year ended 31 December <u>1995</u> £	Year ended 31 December <u>1994</u> £
Chairman	Nil	Nil
	<hr/>	<hr/>
Highest paid director	108,949	93,879
	<hr/>	<hr/>

Directors (including the Chairman and highest paid director) received emoluments (excluding pension contributions) in the following ranges:

	Year ended 31 December <u>1995</u> Number	Year ended 31 December <u>1994</u> Number
£Nil - £5,000	1	2
£90,001 - £95,000	-	1
£105,001 - £110,000	1	-
	<hr/>	<hr/>

CARAT BUSINESS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (CONTINUED)****5 INTEREST RECEIVABLE AND SIMILAR INCOME**

	Year ended 31 December <u>1995</u> £	Year ended 31 December <u>1994</u> £
Interest receivable from parent undertaking	99,890	73,709
Other interest receivable	<u>62,739</u>	<u>34,666</u>
	<u>162,629</u>	<u>108,375</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December <u>1995</u> £	Year ended 31 December <u>1994</u> £
Interest payable to other group undertakings	3,713	3,266
Other interest payable	<u>352</u>	<u>371</u>
	<u>4,065</u>	<u>3,637</u>

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December <u>1995</u> £	Year ended 31 December <u>1994</u> £
Corporation tax at 33% (1994: 33%)	<u>245,954</u>	<u>152,718</u>

CARAT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (CONTINUED)

8 TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 1995	4,994	51,716	56,710
Additions	-	17,430	17,430
At 31 December 1995	4,994	69,146	74,140
Depreciation			
At 1 January 1995	2,671	32,352	35,023
Charge for the year	999	14,246	15,245
At 31 December 1995	3,670	46,598	50,268
Net book value			
At 31 December 1995	1,324	22,548	23,872
At 31 December 1994	2,323	19,364	21,687

9 DEBTORS

The following amounts are included in debtors:

	1995 £	1994 £
Trade debtors	1,262,286	1,218,346
Amounts owed by parent undertaking	200,371	63,277
Amounts owed by other group undertakings	655,590	1,639,658
Prepayments and accrued income	32,388	2,754
	2,150,635	2,924,035

CARAT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (CONTINUED)

10 CREDITORS - Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	<u>1995</u> £	<u>1994</u> £
Trade creditors	1,911,535	2,721,123
Amounts owed to other group undertakings	153,015	501,963
VAT payable	3,354	60,202
UK corporation tax payable	242,524	142,688
Accruals and deferred income	<u>404,175</u>	<u>421,669</u>
	<u>2,714,603</u>	<u>3,847,645</u>

11 CALLED-UP SHARE CAPITAL

	<u>1995</u> Equity £	<u>1994</u> Equity £
Authorised:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called-up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>1995</u> £	<u>1994</u> £
Profit attributable to shareholders	460,188	281,299
Dividends	<u>-</u>	<u>-</u>
Transfer to profit and loss account	460,188	281,299
Opening shareholders' funds	<u>394,799</u>	<u>113,500</u>
Closing shareholders' funds	<u>854,987</u>	<u>394,799</u>

CARAT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (CONTINUED)

13 ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary undertaking of Aegis Group plc, a company registered in England.

The largest group in which the results of the Company are consolidated is that headed by Aegis Group plc, whose consolidated financial statements are available to the public and may be obtained from 11A West Halkin Street, London SW1X 8JL.

The smallest group in which the results of the Company are consolidated is that headed by Carat UK Limited, a company registered in England.

14 STATEMENT OF CASH FLOWS

The financial statements of Aegis Group plc for the year ended 31 December 1995 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.

15 DIRECTORS' INTERESTS

The directors of the Company who served during the year and their interests in the 5 pence ordinary shares of the ultimate parent undertaking, Aegis Group plc, at the beginning and end of the year are shown below:

	<u>31 December 1995</u>	<u>31 December 1994</u>
R Howell	41,240	41,240
R P Powley	-	-

In addition R Howell held 6,260 (variable rate) preference shares 2003.

The middle market price of the shares at 29 December 1995 was 37.75 pence and the range during 1995 was 22.5 pence to 38.75 pence.

R Powley was also a director of Carat (UK) Limited at the financial year end and as such his interests in Aegis Group plc are not required to be recorded in this company's register of directors' interests.

No director holding office at 31 December 1995 had any beneficial interest in the share capital of the Company.