Company Number: 02886697

Carat Media UK Limited

Group Strategic Report, Report of the Directors and Consolidated Financial Statements

31 December 2013

Registered No. 02886697

Group Strategic Report

The directors present their strategic report of the company and the group for the year ended 31 December 2013.

Principal activities

The company's principal activity and that of its principal subsidiary Carat Leeds Limited continued to be the selling of media advertising space and time and the provision of digital media services.

Results

The group's profit for the year after taxation amounted to £9,971,753 (year ended 31 December 2012 - profit of £6,608,333 as restated).

Review of the Business

On 1 January 2013 the company acquired the trading assets of Vizeum Manchester Limited for £803,215. Please refer to note 11.

The Directors are pleased to report a positive year's trading for the twelve months ending December 2013, with significant growth in both turnover and profitability. Key Performance Indicators (KPIs) are used to monitor performance and the Group has performed well against these indicators. Turnover has increased by 21% year-on-year, and it is especially pleasing to see that this increased turnover has been converted into profit effectively, with an increase in profitability before tax of 50%. A number of factors have helped us in driving this profitable growth.

We have increased the scope of our proposition via the launch of further Group power brands into the local market. Whilst we have marketed our proposition previously in Manchester under the Carat and iProspect brands, 2013 has seen the establishment of Vizeum, Amnet and Amplifi into the regional marketplace. All of these launches have proved successful in attracting new clients / revenue streams into our business, and all have been established without any duplication of costs in any central resource functions (e.g. HR, IT, Finance and Administration).

The scope of brands we now operate means we have a differentiated and appropriate proposition for a broader scope of client organisations, and hence we have a broader prospect pool of potential new clients. At the same time, we have also increased the scope of products we can offer through each of our brands. We have significantly enhanced our capabilities in areas such as programmatic trading, conversion rate optimisation, and content origination, and as with our brand launches, these product enhancements have generated significant incomes, and have fast become centres of excellence within our business.

Principal risks and uncertainties

The directors appraise the risks and uncertainties affecting the group and the company on an ongoing basis and recognise the importance of good risk management systems.

We see no significant short term risks to our ability to continue to deliver a strong business performance. Our greatest challenge, and therefore the greatest risk to our ongoing business performance, remains people. Our ability to source high quality recruits is critical to the success of our business, and therefore any external influence that might change the complexion of our talent pool and the cost of securing the best candidates from within it, is a key area where we remain vigilant. 2014 will see further efforts, over and above those outlined, to improve our employer brand and maintain our reputation as the employer of choice for the local talent market.

Price risk is managed by ensuring the Groups brands offer excellent value whilst remaining competitive in the market place.

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Group Strategic Report

Principal Risks and uncertainties (continued)

Potential credit risks through debtor defaults are managed using review techniques for all new clients, including credit risk assessment, plus ongoing monitoring of existing clients together with maintenance of credit insurance policies wherever possible.

Liquidity and cashflow risks are minimised by the preparation and review of forecasts on an ongoing basis and through access to cash pooling arrangements in place with the group parent company, Dentsu Aegis Network Limited.

On behalf of the Board

A D Jeal
Director

30 September 2014

Registered No. 02886697

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2013. A final dividend is not recommended for the year (year ended 31 December 2012 - £nil).

Principal risks and uncertainties have not been disclosed within the Directors Report as they are included within the Strategic Report.

Future Outlook

With regard to the future development of our business we expect to continue to deliver a strong business performance. Although we do not envisage the same rate of growth as we have seen in 2013, a key part of our 2014 strategy will be to ensure that we consolidate the gains made in 2013 by delivering exceptional levels of service and performance to our current client base across all brands. This will inevitably lead to a slowing of our rate of growth, but is consistent with our desire to achieve high ongoing client retention rates.

As well as developing our people we will continue to ensure we evolve our product offering to reflect client demand. The diversity of skills which are required to deliver effective marketing communications campaigns across bought, owned and earned media environments mean that the product capabilities we need to offer to clients is becoming broader and more varied, and our ability to determine which areas we need to develop is therefore crucial to our future success. We remain confident that the strategic direction of the company's product offering will continue to match client expectation, and we ensure that strong and robust communication with clients is in place to help achieve this.

The Directors are cautiously confident therefore that prospects for 2014 are broadly positive and anticipate another successful year of trading

Directors

The directors who served the company during the year were as follows:

A W Blease	
A D Jeal	
D A Lucas	
R A Horler	
N Sharrocks	(resigned 27 July 2013)
P G Wallace	(resigned 30 August 2013)
P R Glydon	(appointed 27 August 2013)
C M Price	(appointed 16 September 2013)

Disabled Employees

Our talent team have a clear mandate to support our stated objective of being an equal opportunities employer, and we are committed to promoting and maintaining an inclusive and supportive work environment which respects the dignity of staff and assists all members of our workforce to achieve their full potential. Our premises have been modified with reasonable adjustments to ensure access and a positive working environment for our staff with disabilities. Additional reasonable adjustments are welcomed on a case by case basis through the HR department, which is targeted on delivery against potential.

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Directors' Report (continued)

Employee Involvement

The positive movements in the financial KPIs of the business have been facilitated to a large degree by a significant investment in our talent pool. We have increased the skills and capabilities of our existing workforce through a comprehensive Learning & Development programme, and have established an internal talent recruitment team to isolate and secure the best new recruits available in the market.

The investment we have made in our ability to recruit effectively in a skills hungry market is a key part of our broader strategy to recruit, retain and develop the best talent available. As well as our Learning & Development programme, we have invested in specific training for all employees with management responsibility to enable them to create and deliver effective Personal Development Plans (PDPs) for our entire workforce. Our efforts in ensuring we continue to develop the skills base of our employees is recognised by the award of the IPA's (Institute of Practitioners in Advertising) Continuous Professional Development certificate.

Our efforts in cultivating a really positive employer brand have been further enhanced by an increased focus on staff communication. We remain committed to continuing a strong ongoing dialogue with our staff via our staff forum, and continued in 2013 our practice of presenting a full business update to all staff on a half-yearly basis. These half-yearly sessions receive universally positive feedback from our staff, who appreciate being given the market, financial and strategic context against which business decisions are made. The detailed financial information we share with staff gives all employees a sense of purpose in trying to enhance the performance of the company, as they are clearly informed that the financial performance of the business has a direct bearing on their earning potential through the award of year-end bonus payments.

2013 has seen a further initiative in staff communication with the introduction of "Soapbox" sessions, which summarise for the staff on a monthly basis the key issues we have covered in Board Meeting discussions especially where those discussions have a likely impact on their daily working lives or working environment.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

A D Jeal
Director

30 September 2014

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the group and 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 Media UK Limited

We have audited the financial statements of Carat Media UK Limited for the year ended 31 December 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Carat Media UK Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst + Young LLP

Paul Gordon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

30 September 2014

Group profit and loss account

for the year ended 31 December 2013

	Notes	*Year ended 31 December 2013* £	*As restated Year ended 31 December 2012* £
Turnover	2	270,461,134	223,892,648
Cost of sales		(241,295,028)	(201,211,299)
Gross Profit		29,166,106	22,681,349
Administrative expenses		(16,008,111)	(13,966,195)
Operating Profit	3	13,157,995	8,715,154
Share of associates operating profit		580,612	372,772
Interest receivable and similar income			
Group	6	386,452	305,743
Associates	6	3,541	3,137
Interest payable and similar charges			
Group		(1,417)	-
Associates		(4,452)	(9,211)
Profit on ordinary activities before taxation		14,122,731	9,387,595
Taxation			
Group	7	(3,204,034)	(2,214,172)
Associates	7	(152,295)	(121,700)
Profit on ordinary activities after taxation		10,766,402	7,051,723
Minority interests		(794,649)	(443,390)
Profit for the financial year	15	9,971,753	6,608,333

All amounts relate to continuing activities.

Group statement of total recognised gains and losses

for the year ended 31 December 2013

	Note	*Year ended 31 December 2013* £	*As restated Year ended 31 December 2012* £
Profit for the financial year		9,971,753	6,608,333
Group share of prior year adjustment of associate company	11	(231,429)	
Total gains and losses recognised since last annual report		9,740,324	

Group balance sheet

at 31 December 2013

	Notes	31 December 2013 £	As restated 31 December 2012 £
Fixed assets			
Intangible assets	9	119,443	125,331
Tangible assets	10	717,829	743,901
Investment in associates	11	447,660	205,254
		1,284,932	1,074,486
Current assets			
Debtors	12	77,379,406	56,032,780
Cash at bank and in hand		-	804,709
		77,379,406	56,837,489
Creditors: amounts falling due within one year	13	(53,856,506)	(43,187,445)
Net current assets		23,522,900	13,650,044
Net assets		24,807,832	14,724,530
Capital and reserves			
Called up share capital	14	1,620,319	1,620,319
Share premium account	15	240,868	240,868
Share option reserve	15	21,000	21,000
Capital reserve	15	38,610	38,610
Profit and loss account	15	21,838,247	11,866,494
Shareholders' funds	16	23,759,044	13,787,291
Equity minority interests		1,048,788	937,239
		24,807,832	14,724,530

The financial statements were approved by the Board and were signed on its behalf by:

A D Jeal
Director

30 September 2014

Company balance sheet

at 31 December 2013

	Notes	31 December 2013 £	31 December 2012 £
Fixed assets			
Intangible assets	9	24,683	25,306
Tangible assets	10	663,380	704,326
Investment in subsidiaries	11	70,101	70,101
Investment in associates	11	42,500	42,500
		800,664	842,233
Current assets			
Debtors	12	73,941,917	53,924,157
Cash at bank and in hand		-	798,907
		73,941,917	54,723,064
Creditors: amounts falling due within one year	13	(53,236,461)	(43,666,350)
Net current assets		20,705,456	11,056,714
Net assets		21,506,120	11,898,947
Capital and reserves			
Called up share capital	14	1,620,319	1,620,319
Share premium account	15	240,868	240,868
Share option reserve	15	21,000	21,000
Profit and loss account	15	19,623,933	10,016,760
Shareholders' funds	16	21,506,120	11,898,947

The financial statements were approved by the Board and were signed on its behalf by:

A D Jeal
Director

30 September 2014

Group cash flow statement

for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Net cash (outflow) / inflow from operating activities	17(a)	(775,224)	803,177
Dividends from associated companies		185,000	131,000
Returns on investments and servicing of finance	17(b)	(298,065)	305,743
Taxation		(2,330,044)	(2,506,099)
Capital expenditure and financial investment	17(c)	(222,336)	(288,536)
Acquisitions and disposals	17(d)	-	(12,995)
Financing	17(e)	2,635,960	-
Decrease in cash in the period		(804,709)	(1,567,710)

Reconciliation of net cash flow to movement in net funds

	Note	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Decrease in cash in the period	18	(804,709)	(1,567,710)
Cash inflow from increase in debt		(2,635,960)	-
Change in net debt resulting from cashflows		(3,440,669)	(1,567,710)
Net funds at 1 January 2013		743,948	2,311,658
Net (debt) / funds at 31 December 2013		(2,696,721)	743,948

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

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

Group financial statements

The group financial statements incorporate the financial statements of the company's subsidiary undertakings, Carat Leeds Limited, Touchpoint Communications Limited, Vizeum Manchester Limited and Heavyweight Sports Marketing Limited.

Turnover

Turnover represents the gross amount of billings on which commission is earned and fee income. Commission is recognised either at the time the related advertisement appears or on an ongoing basis as the related production work progresses. Turnover is stated net of Value Added Tax and cash discounts.

Intangible assets

Intangible assets comprise purchased goodwill on the acquisition of a 100% owned subsidiary company by the group and the clearly defined costs incurred in acquiring a timeshare in a residential property. The carrying value of the assets are reviewed annually by the directors to determine whether there should be a reduction to reflect any permanent diminution in value. Costs are amortised over the period of commercial benefit to the company which are currently:

Goodwill	-	over 20 years
Timeshare	-	over 50 years

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

The cost of tangible fixed assets includes only expenditure incurred in bringing the assets into working condition for their intended use.

Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value of each asset evenly over its estimated useful life, as follows:

Property	-	over 50 years
Leasehold improvements	-	over 5 years
Office equipment	-	over 3 - 10 years
Motor vehicles	-	over 4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the month end after the transaction.

Assets and liabilities in foreign currencies are translated into Sterling at the rate of exchange ruling at the end of the financial year.

All exchange differences are dealt with in the profit and loss account.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the lease.

Pensions

The group contributes to individual money purchase pension schemes for certain directors and staff. Contributions are taken directly to the profit and loss account.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report.

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2013	*Year ended 31 December 2012*
	£	*£*
United Kingdom	263,186,886	219,311,113
Rest of the World	7,274,248	4,581,535
	270,461,134	223,892,648

Notes to the financial statements

at 31 December 2013

3. Operating profit

Operating profit is stated after charging:

		Year ended 31 December 2013	*Year ended 31 December 2012*
		£	£
Auditors' remuneration - audit services		45,363	46,450
Amortisation of intangible assets		5,888	5,888
Depreciation of owned tangible fixed assets		247,905	198,432
Directors' remuneration (note 4)		644,598	638,860
Currency loss		31,682	13,278
Operating lease rentals	- plant and equipment	27,594	1,984
	- other	464,567	525,801

4. Directors' remuneration

	Year ended 31 December 2013	*Year ended 31 December 2012*
	£	£
Aggregate remuneration	644,598	638,860
Pension contributions	10,000	8,650
	654,598	647,510

The amounts in respect of the highest paid director were as follows:

	£	£
Aggregate remuneration	271,727	271,441

The number of directors to whom retirement benefits are accruing under money purchase schemes is 1 (year ended 31 December 2012 - 1).

Notes to the financial statements

at 31 December 2013

5. Staff costs

	Year ended 31 December 2013	*Year ended 31 December 2012*
	£	*£*
Wages and salaries	10,690,311	9,022,379
Social security costs	1,128,153	995,194
Pension costs	218,925	195,475
	12,037,389	10,213,048

At 31 December 2013, £19,040 was due in respect of pension costs (year ended 31 December 2012 - £39,593).

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Management	9	9
Media	291	214
Administration	33	26
	333	249

	Year ended 31 December 2013	*Year ended 31 December 2012*
	£	*£*
Wages and salaries	10,690,311	9,022,379
Social security costs	1,128,153	995,194
Pension costs	218,925	195,475
	12,037,389	10,213,048

6. Interest receivable and similar income

	Year ended 31 December 2013	*Year ended 31 December 2012*
	£	*£*
Group		
Bank interest receivable	1,382	2,286
Interest receivable from deposits held with group undertakings	385,070	303,457
	386,452	305,743
Associates		
Interest receivable from deposits held with group undertakings	3,541	3,137

Notes to the financial statements

at 31 December 2013

7. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	Year ended 31 December 2013	*As restated Year ended 31 December 2012*
	£	*£*
Current tax:		
UK corporation tax on the profit for the year	3,343,032	2,324,313
Adjustments in respect of previous periods	(6,774)	(7,873)
Total current tax (note 7(b))	3,336,258	2,316,440
Deferred tax:		
Charge for the year	20,071	19,617
Adjustments in respect of previous periods	-	(185)
Total deferred tax	20,071	19,432
Tax on profit on ordinary activities	3,356,329	2,335,872

Notes to the financial statements

at 31 December 2013

7. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (year ended 31 December 2012 - 24.5%). The differences are explained below:

	Year ended 31 December 2013	*As restated Year ended 31 December 2012*
	£	*£*
Profit on ordinary activities before tax	14,122,731	9,387,595
Less: share of associates' profit before tax	(579,701)	(366,698)
	13,543,030	9,020,897
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (year ended 31 December 2012 - 24.5%)	3,148,291	2,209,849
Effects of:		
Expenses not deductible for tax purposes	55,492	36,779
Share of associate's tax	152,295	121,700
Other	(13,485)	(44,015)
Adjustments in respect of previous periods	(6,335)	(7,873)
Current tax for the year (note 7(a))	3,336,258	2,316,440

The group's effective tax rate is 24.6% (year ended 31 December 2012 - 25%).

(c) Deferred tax

	Year ended 31 December 2013	*Year ended 31 December 2012*
	£	*£*
At 1 January 2013	97,653	117,270
Movement in the current year	(20,071)	(19,617)
At 31 December 2013	77,582	97,653

Notes to the financial statements

at 31 December 2013

7. Taxation (continued)

The deferred tax asset is included within debtors in note 12. The following are the major deferred tax assets recognised by the group and movements thereon during the current and prior reporting periods:

(c) Deferred tax (continued)

	Accelerated tax depreciation	*Retirement benefit obligations*	*Total*
	£	*£*	*£*
At 1 January 2012	103,878	13,392	117,270
Debit to profit and loss account	(15,331)	(4,286)	(19,617)
At 1 January 2013	88,547	9,106	97,653
Debit to profit and loss account	(15,344)	(4,727)	(20,071)
At 31 December 2013	73,203	4,379	77,582

In his budget of 20 March 2013 the Chancellor of the Exchequer announced certain changes which have an effect on the company's future tax position. The proposals included phased reductions in the corporation tax rate to 20% from 1 April 2015. The corporation tax rate has been reduced to 23% from 1 April 2013 and the enactment of the 2013 Finance Bill confirmed a reduction to the corporation tax rate to 21% from 1 April 2014 with a further reduction to 20% from 1 April 2015.

As at the balance sheet date, the reduction in the rate to 23% had been substantively enacted and therefore deferred tax has been provided for at this rate.

8. Profit attributable to member of parent undertaking

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent undertaking.

The profit after tax for the accounting period dealt with in the financial statements of the parent undertaking, Carat Media UK Limited, was £9,607,173 (year ended 31 December 2012 - £5,474,083).

Notes to the financial statements

at 31 December 2013

9. Intangible fixed assets

Group

	Goodwill	*Timeshare*	*Total*
	£	*£*	*£*
Cost:			
At 1 January 2013 and 31 December 2013	105,290	31,120	136,410
Amortisation:			
At 1 January 2013	5,265	5,814	11,079
Charge for the year	5,265	623	5,888
At 31 December 2013	10,530	6,437	16,967
Net book value:			
At 31 December 2013	94,760	24,683	119,443
At 31 December 2012	100,025	25,306	125,331

Company

	Timeshare
	£
Cost:	
At 1 January 2013 and 31 December 2013	31,120
Amortisation:	
At 1 January 2013	5,814
Charge for the year	623
At 31 December 2013	6,437
Net book value:	
At 31 December 2013	24,683
At 31 December 2012	25,306

Notes to the financial statements

at 31 December 2013

10. Tangible fixed assets

Group	*Property*	*Leasehold improvement*	*Office equipment*	*Motor vehicles*	*Total*
	£	*£*	*£*	*£*	*£*
Cost:					
At 1 January 2013	309,000	544,170	2,495,547	18,673	3,367,390
Additions	-	55,474	166,862	-	222,336
Disposals	-	(66,442)	(912,285)	(12,851)	(991,578)
At 31 December 2013	309,000	533,202	1,750,124	5,822	2,598,148
Depreciation:					
At 1 January 2013	38,115	478,958	2,091,327	15,089	2,623,489
Charge for the year	6,181	24,655	216,038	1,031	247,905
Eliminated on disposal		(66,442)	(911,782)	(12,851)	(991,075)
At 31 December 2013	44,296	437,171	1,395,583	3,269	1,880,319
Net book value:					
At 31 December 2013	264,704	96,031	354,541	2,553	717,829
At 31 December 2012	270,885	65,212	404,220	3,584	743,901

Company	*Property*	*Leasehold improvement*	*Office equipment*	*Motor vehicles*	*Total*
	£	*£*	*£*	*£*	*£*
Cost:					
At 1 January 2013	309,000	496,949	2,310,209	18,673	3,134,831
Additions	-	46,251	136,080	-	182,331
	-	(66,442)	(797,860)	(12,851)	(877,153)
At 31 December 2013	309,000	476,758	1,648,429	5,822	2,440,009
Depreciation:					
At 1 January 2013	38,115	432,277	1,945,024	15,089	2,430,505
Charge for the year	6,181	23,806	192,234	1,031	223,252
Eliminated on disposal	-	(66,442)	(797,835)	(12,851)	(877,128)
At 31 December 2013	44,296	389,641	1,339,423	3,269	1,776,629
Net book value:					
At 31 December 2013	264,704	87,117	309,006	2,553	663,380
At 31 December 2012	270,885	64,672	365,185	3,584	704,326

Notes to the financial statements

at 31 December 2013

11. Investments

Principal group investments

The parent undertaking and the group have investments in the following undertakings and associates which principally affected the profits or net assets of the group:

Subsidiary undertakings	*Carat Leeds Limited*	*Touchpoint Communications Limited*	*Vizeum Manchester Limited*	*Heavyweight Sports Marketing Limited*
Country of incorporation	England	England	England	England
Principal activity	Selling of media space and time	Management consultancy	Selling of media space and time	Selling of sports media sponsorship advice
Proportion of ordinary shares directly held	50.50%	66.67%	100%	100%

On 24 April 2013, Fuse Sport Limited changed its name to Heavyweight Sports Marketing Limited.
On 19 June 2013, Orange Canyon Limited changed its name to Vizeum Manchester Limited.

Associates	*Storm Marketing Solutions Limited*	*Carat Scotland Limited*	*SMRS Ltd*
Country of incorporation	England	England	England
Principal activity	Selling of media space and time	Selling of media space and time	Selling of media space and time
Proportion of ordinary shares directly held	42.00%	50.00%	25.00%

On 1 October 2013, Media Vision (Integrated Media Specialists) Limited changed its name to Carat Scotland Limited.

Company	*Subsidiary undertakings* £
Cost:	
At 1 January 2013 and at 31 December 2013	70,101

All subsidiary undertakings have been included within the group financial statements.

Notes to the financial statements

at 31 December 2013

11. Investments (continued)

Associated undertakings

	Group £	*Company* £
Cost or share of net assets:		
At 1 January 2013	436,683	42,500
Share of prior year adjustment	(231,429)	-
	205,254	42,500
Share of retained profit for the year	242,406	-
At 31 December 2013	447,660	42,500

Dentsu Aegis UK Limited owned 37.5% of Carat Scotland Limited through their 75% shareholding in the issued share capital of Carat Media Limited. On 20 September 2013, Dentsu Aegis UK Limited acquired a further 50% of the issued share capital of Carat Scotland Limited. As a subsidiary of Dentsu Aegis UK Limited, Carat Scotland Limited became a member of the Dentsu Aegis Network Ltd Group and adopted the accounting policies of the Group. The change in accounting policy in respect of media credit recognitions has given rise to the prior period adjustment noted above.

On 1 January 2013, the company acquired the trade and assets of Vizeum Manchester Limited for a consideration of £803,215 which has been satisfied by an intercompany transaction. The assets of Vizeum Manchester Limited have been included in the company's balance sheet at their fair value at the date of acquisition.

Net assets at the date of acquisition:

	Book Value £	*Fair Value* £
Tangible assets	478	478
Debtors	1,871,097	1,871,097
Cash	1,330	1,330
Creditors	(1,069,690)	(1,069,690)
Discharged by intercompany transaction	803,215	803,215

Notes to the financial statements

at 31 December 2013

12. Debtors

	31 December 2013		31 December 2012	
	Group	Company	Group	Company
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	22,197,318	18,826,871	14,203,623	12,502,596
Amounts owed by group undertakings	52,626,113	52,827,503	38,213,013	38,244,013
Amounts owed by participating interests	788,140	788,140	302,958	132,111
Other debtors	97,791	-	206,232	159,508
Prepayments and accrued income	1,592,462	1,428,671	3,009,301	2,793,494
	77,301,824	73,871,185	55,935,127	53,831,722
Amounts falling due after more than one year:				
Deferred tax recoverable	77,582	70,732	97,653	92,435
	77,379,406	73,941,917	56,032,780	53,924,157

13. Creditors: amounts falling due within one year

	31 December 2013		31 December 2012	
	Group	Company	Group	Company
	£	£	£	£
Bank overdraft	2,696,721	2,422,518	60,761	-
Trade creditors	41,133,594	37,014,093	34,757,909	31,001,780
Amounts due to group undertakings	326,586	5,467,087	500,321	6,122,830
Amounts due to participating interests	182,251	182,251	1,322,075	1,322,075
Corporation Tax	1,713,673	1,452,832	859,754	493,365
Taxation and social security	5,803,246	4,950,036	3,803,715	3,028,446
Other creditors	875,122	842,335	912,450	864,479
Accruals and deferred income	1,125,313	905,309	970,460	833,375
	53,856,506	53,236,461	43,187,445	43,666,350

14. Issued share capital

Group and company

		31 December 2013		31 December 2012
Allotted, called up and fully paid	No.	£	No.	£
'A' ordinary shares of £1 each	76,000	76,000	76,000	76,000
'B' ordinary shares of £1 each	28,819	28,819	28,819	28,819
'C' ordinary shares of £1 each	18,000	18,000	18,000	18,000
'D' ordinary shares of £65 each	13,000	845,000	13,000	845,000
'D' ordinary shares of £72.5 each	9,000	652,500	9,000	652,500
		1,620,319		1,620,319

Notes to the financial statements

at 31 December 2013

15. Movements on reserves

Group	*Share premium account*	*Share option reserve*	*Capital reserve*	*Profit and loss account*
	£	*£*	*£*	*£*
At 1 January 2013	240,868	21,000	38,610	12,097,923
Group share of prior year adjustment of associate company	-	-	-	(231,429)
	240,868	21,000	68,610	11,866,494
Profit on ordinary activities after taxation and minority interest	-	-	-	9,971,753
31 December 2013	240,868	21,000	38,610	21,838,247

Company	*Share premium account*	*Share option reserve*	*Profit and loss account*
	£	*£*	*£*
At 1 January 2013	240,868	21,000	10,016,760
Profit for the year	-	-	9,607,173
31 December 2013	240,868	21,000	19,623,933

16. Reconciliation of shareholders' funds

Group	*31 December 2013*	*As restated 31 December 2012*
	£	*£*
Profit for the financial year after taxation and minority interests	9,971,753	6,608,333
Opening shareholders' funds	13,787,291	7,178,958
(2012 originally £7,370,656 before share of associates prior year adjustment of £191,698)		
Closing shareholders' funds	23,759,044	13,787,291

Company	*31 December 2013*	*31 December 2012*
	£	*£*
Profit for the financial year after taxation	9,607,173	5,474,083
Opening shareholders' funds	11,898,947	6,424,864
Closing shareholders' funds	21,506,120	11,898,947

Notes to the financial statements

at 31 December 2013

17. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash outflow from operating activities

	31 December 2013	*31 December 2012*
	£	*£*
Group operating profit	13,157,996	8,715,154
Amortisation of intangible fixed assets	5,888	5,888
Depreciation on tangible assets	247,905	198,432
Increase in debtors	(21,366,697)	(13,137,590)
Increase in creditors	7,179,684	5,021,293
Net cash (outflow) / inflow from operating activities	(775,224)	803,177

(b) Returns on investments and servicing of finance

	31 December 2013	*31 December 2012*
	£	*£*
Interest received and similar income	385,035	305,743
Dividends paid to minority interests	(683,100)	-
Net cash (outflow) / inflow for returns on investments and servicing of finance	(298,065)	305,743

(c) Capital expenditure and financial investment

	31 December 2013	*31 December 2012*
	£	*£*
Purchase of tangible fixed assets	(222,336)	(288,536)
Net cash (outflow) for returns for capital expenditure and financial investment	(222,336)	(288,536)

(d) Acquisitions and disposals

	31 December 2013	*31 December 2012*
	£	*£*
Overdraft acquired with subsidiary	-	(12,995)
Net cash outflow for acquisitions and disposals	-	(12,995)

(e) Financing

	31 December 2013	*31 December 2012*
	£	*£*
Debt due within a year		
Increase in short term borrowings	2,635,960	-
Net cash inflow from financing	2,635,960	-

Notes to the financial statements

at 31 December 2013

18. Analysis of changes in net funds

	1 January 2013	*Cash flow*	*31 December 2013*
	£	£	£
Cash at bank and in hand	804,709	(804,709)	-
Debts falling due within one year	(60,761)	(2,635,960)	(2,696,721)
	743,948	(3,440,669)	(2,696,721)

19. Other financial commitments

At 31 December 2013, the group and company had annual commitments under non-cancellable operating leases as set out below:

		Group		*Company*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	£	£	£
Operating leases which expire:				
Within one year	-	17,547	-	17,547
Between two and five years	327,971	4,168	254,484	-
	327,971	21,715	254,484	17,547

At 31 December 2012, the group and company had annual commitments under non-cancellable operating leases as set out below:

		Group		*Company*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	£	£	£
Operating leases which expire:				
Between two and five years	64,217	1,744	-	1,744
In more than five years	425,382	-	425,382	-
	489,599	1,744	425,382	1,744

Capital commitments

At 31 December 2013, the group and company had no capital commitments (year ended 31 December 2012 - £nil).

Notes to the financial statements

at 31 December 2013

20. Related party transactions

Dentsu Aegis Network Ltd controls a Group in which Carat Media UK Limited is a subsidiary company.

Carat Media UK Limited holds 100% of the share capital of Vizeum Manchester Limited (formally Orange Canyon Limited) (subsidiary company), 100% of the share capital of Heavyweight Sport Marketing (formally Fuse Sport Limited) (subsidiary company), 66.66% of the share capital of Touchpoint Communications Limited (subsidiary company), 50.5% of the share capital of Carat Leeds Limited (subsidiary company), 50% of the share capital of Carat Scotland Limited (formally Media Vision (Integrated Media Specialists) Limited) (associated company), 42% of the share capital of Storm Marketing Solutions Limited (associated company) and 25% of the share capital of SMRS Ltd (associated company).

Dentsu Aegis UK Limited, Amnet Manchester Limited, Dentsu Aegis Network Ireland Limited and Carat Media Services (M) Sdn Bhd are all members of the Dentsu Aegis Network Ltd group.

During the year, certain costs of the subsidiary companies and the associated companies were initially paid by Carat Media UK Limited and recharged at cost; also the subsidiary companies and the associated companies traded with other group companies on normal commercial terms.

In addition, the subsidiary companies and the associated companies paid management charges to Carat Media UK Limited and during the year there were loans due to Carat Media UK Limited from the associated companies. Interest was charged on outstanding balances due on these financial statements at a rate of 6% per annum. Transactions between Carat Media UK Limited and the subsidiary and associated companies in the year were:

Company	*Carat Leeds Limited*		*Carat Scotland Limited*	
	31 December 2013	*31 December 2012*	*31 December 2013*	*31 December 2012*
	£	*£*	*£*	*£*
Management fees and miscellaneous sales	301,510	207,335	1,142,303	646,807
Interest charges	(34,796)	(27,152)	(974)	(1,703)
Purchases	40,480	38,550	99,831	62,127

	SMRS Ltd		*Storm Marketing Solutions Limited*	
	31 December 2013	*31 December 2012*	*31 December 2013*	*31 December 2012*
	£	*£*	*£*	*£*
Management fees and miscellaneous sales	311,382	246,220	20,000	15,000
Interest charges	-	(555)	4,111	7,117
Purchases	84,188	80,338	329	2,912

Notes to the financial statements

at 31 December 2013

20. Related party transactions (continued)

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with wholly owned members of the Carat Media UK Limited group.

During the year Vizeum Manchester Limited (formally Orange Canyon Limited) paid rent and service charges of £nil (year ended 31 December 2012 - £34,742) and made sales of £nil (year ended 31 December 2012 - £270,525) to SMRS Ltd.

During the year Carat Media UK Limited and its subsidiaries also traded with other members of the Dentsu Aegis Network Ltd Group of companies on normal commercial terms. Transactions between the Carat Media UK Group companies and the other companies were:

Group	*Dentsu Aegis UK Limited*		*Dentsu Aegis Network Ltd*	
	31 December 2013	*31 December 2012*	*31 December 2013*	*31 December 2012*
	£	*£*	*£*	*£*
Sales	3,753,490	1,659,783	-	-
Managements fees	-	-	222,039	221,216
Purchases	8,903,245	5,281,185	-	-

Group	*Amnet Manchester Limited*		*Dentsu Aegis Network Ireland Limited*	
	31 December 2013	*31 December 2012*	*31 December 2013*	*31 December 2012*
	£	*£*	*£*	*£*
Sales	1,000,000	-	46,087	-
Purchases	2,172,083	-	659,482	-

Group	*Carat USA Inc*	
	31 December 2013	*31 December 2012*
	£	*£*
Sales	-	-
Purchases	93,448	-

Notes to the financial statements

at 31 December 2013

20. Related party transactions (continued)

At 31 December 2013 the following amounts due (to)/from related parties were included within the financial statements:

Group	*31 December 2013* £	*31 December 2012* £
Storm Marketing Solutions Limited	35,311	132,111
SMRS Ltd	(182,251)	(260,368)
Carat Scotland Limited	752,829	(890,860)
Dentsu Aegis Network Ltd	49,539,226	38,128,804
Dentsu Aegis Network Ireland Limited	3,554	31,920
Carat Media Services (M) Sdn Bhd	-	(33,253)
Dentsu Aegis UK Limited	3,083,333	448,891
Amnet Limited	(68,806)	(23,650)
Carat USA Inc	(257,780)	-

At 31 December 2013 Dentsu Aegis Network Ltd held £49,539,226 (year ended 31 December 2012 - £38,128,804) on deposit in a shared bank account for the benefit of the group and its associated companies.

Notes to the financial statements

at 31 December 2013

20. Related party transactions (continued)

At 31 December 2013 the following amounts due (to)/from related parties were included within the financial statements:

Company	*31 December 2013* £	*31 December 2012* £
Carat Leeds Limited	(4,337,186)	(4,402,967)
Heavyweight Sports Marketing Limited	106,378	-
Touchpoint Communications Limited	(100)	(100)
Vizeum Manchester Limited	(803,215)	-
Storm Marketing Solutions Limited	35,311	132,111
SMRS Ltd	(182,251)	(431,215)
Carat Scotland Limited	752,828	(890,860)
Dentsu Aegis Network Ltd	49,539,226	38,128,804
Dentsu Aegis Network Ireland Limited	3,554	32,579
Carat Media Services (M) Sdn Bhd	-	(33,253)
Dentsu Aegis UK Limited	3,178,345	331,873
Amnet Limited	(68,806)	(23,650)
Carat USA Inc	(257,780)	-

At 31 December 2013 Dentsu Aegis Network Ltd held £49,539,226 (year ended 31 December 2012 - £38,128,804) on deposit in a shared bank account for the benefit of the group and its associated companies.

Notes to the financial statements

at 31 December 2013

21. Control

The company's immediate parent undertaking is Carat Media Limited.

The ultimate parent undertaking and controlling party up to the 26 March 2013 was Dentsu Aegis Network Ltd (formerly Aegis Group plc), a company incorporated in Great Britain and registered in England and Wales. Following the completion of the sale of the Aegis Group plc shares to Dentsu Inc. on 26 March 2013 the ultimate parent company is Dentsu Inc., a company incorporated in Tokyo and registered in Japan.

Dentsu Inc. is the parent undertaking of the largest group for which group financial statements are prepared and of which the Company is a member. Copies of Group financial statements can be obtained from: The Secretary, Dentsu Inc., 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7001. The smallest group in which the results of the company are consolidated is the group headed by Carat Media UK Limited.